VOLKSWAGEN BANK

GMBH

PILLAR 3 DISCLOSURE REPORT

IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION

PER 31.DEZEMBER

2024

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In the absence of any indication to the contrary, all figures shown in the tables have been rounded in accordance with standard commercial practice. Accordingly, minor discrepancies may arise if they are aggregated. A hyphen "-" in the table denotes the absence of any figure for the item in question. If the figure is less than €1 million after rounding, a zero is inserted.

Foreword

The Pillar 3 Disclosure Report for the period ended December 31, 2024 is published in accordance with the supervisory law requirements of the Basel III framework (Regulation (EU) No. 2019/876 – the Capital Requirements Regulation or “CRR II” – of the European Parliament and the Council of May 31, 2024 to amend Regulation (EU) 575/2013 (CRR)).

Effective May 31, 2024, the CRR was updated by CRR Amendment Regulation (EU) 2024/1623. As Regulation (EU) 2024/1623 is an amendment to Regulation (EU) 575/2013, this document uniformly uses the term CRR. Unless otherwise specified, the term CRR always refers to the most recent version.

The Regulation is supplemented with the Implementing Technical Standards issued by the European Banking Authority (EBA) EBA/ITS/2020/04 of June 24, 2020 and the corresponding Commission Implementing Regulation (EU) 2021/637 of March 15, 2021, which provides further information on the tables included in the report. This Report is based on the legal requirements in force as of the reporting date.

The entry into force of the CRR provided in large measure a uniform legal basis for European banking supervisory law. The requirements of the CRR largely replaced the disclosure obligations regulated at national level.

Following the acquisition of 100% of the shares in Volkswagen Bank GmbH, Volkswagen Financial Services AG has been operating as the parent company within the financial holding group since July 1, 2024 for regulatory purposes and is also responsible for implementing the regulatory requirements within the group. This also includes the obligation to make regular disclosures in accordance with Article 433 of the CRR.

In addition, Volkswagen Bank GmbH must also observe the disclosure requirements specified in this article on a sub-consolidated basis. In addition to Volkswagen Bank GmbH, the sub-consolidation group particularly comprises Volkswagen Leasing GmbH, which is a fully consolidated subsidiary for the purposes of commercial law. Volkswagen Bank GmbH is classed as a large institution in accordance with Article 4 (1) 146 in conjunction with Article 11 (2) (a) of the CRR and therefore observes the frequency requirements stipulated in Art. 433a of the CRR.

In accordance with Article 433 of the CRR, the Pillar 3 Disclosure Report is updated regularly to meet the requirements and published shortly thereafter as a separate report on Volkswagen Financial Services AG’s website in the Investor Relations section. All requisite disclosures are made solely in this report.

Where available, the format templates stipulated by the EBA guidelines as well as the implementation and regulation standards for the disclosure of the information in accordance with Section 8 of the CRR have been utilized.

The Pillar 3 report complies with applicable legal and regulatory requirements and has been prepared in accordance with the internal policies, procedures, systems and checks.

The Board of Management has approved this report for publication and confirmed that Volkswagen Financial Services AG has complied with the requirements of Article 431 (3) of the CRR.

Braunschweig, March 2025

The Management Board

Disclosure of key metrics

The necessity of regulating the banking sector is derived from the objectives of banking supervision. The main objective of government regulation by supervisory authorities is to ensure the proper functioning of the financial system. In particular, minimum capital and liquidity requirements for banks have been defined in an EU regulation (CRR). In addition, this regulation defines maximum leverage levels.

To monitor its equity ratios, Volkswagen Financial Services and Volkswagen Bank GmbH have a capital planning process which ensures compliance with the minimum regulatory ratios including in the event of increasing business volumes. Monitoring of the leverage ratio is also embedded in this capital planning process. Observance of the liquidity ratios is safeguarded through liquidity management.

The relevant key parameters for determining the minimum ratios for equity, liquidity and leverage as well as other relevant information are summarized in the table below. This table sets out information from the COREP report on regulatory own funds, total risk exposure and the capital ratios as well as the combined capital buffer and total capital requirements. In addition, it shows the leverage ratio, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

Volkswagen Financial Services AG and Volkswagen Bank GmbH are required to publish the Disclosure Report on a quarterly basis. Accordingly, the key metrics presented in the table relate to the current reporting period ending December 31, 2024 (Column A).

The following table presents the key metrics of Volkswagen Bank GmbH on a sub-consolidated level in accordance with IFRS.

TABLE 1: EU KM1 – KEY METRICS TEMPLATE

		A	B	C	D	E
	in € millions	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	18,350.2	18,332.3	10,618.5	10,657.6	9,600.6
2	Tier 1 capital	18,350.2	18,332.3	10,618.5	10,657.6	9,600.6
3	Total capital	18,350.2	18,332.3	10,618.5	10,657.9	9,601.5
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	114,216.0	115,706.9	55,358.8	54,069.4	54,707.2
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.07%	15.84%	19.18%	19.71%	17.55%
6	Tier 1 ratio (%)	16.07%	15.84%	19.18%	19.71%	17.55%
7	Total capital ratio (%)	16.07%	15.84%	19.18%	19.71%	17.55%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.25%	2.25%	2.25%	2.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.27%	1.27%	1.27%	1.27%	1.27%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.69%	1.69%	1.69%	1.69%
EU 7d	Total SREP own funds requirements (%)	10.25%	10.25%	10.25%	10.25%	10.25%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.74%	0.72%	0.76%	0.70%	0.61%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	3.24%	3.22%	3.26%	3.20%	3.11%
EU 11a	Overall capital requirements (%)	13.49%	13.47%	13.51%	13.45%	13.36%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.82%	5.59%	8.93%	9.46%	7.30%
	Leverage ratio					
13	Total exposure measure	153,572.2	158,795.9	90,794.5	85,862.7	75,477.8
14	Leverage ratio (%)	11.95%	11.54%	11.70%	12.41%	12.72%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	0.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	23,327.7	26,397.0			
EU 16a	Cash outflows - Total weighted value	12,180.2	11,970.1			
EU 16b	Cash inflows - Total weighted value	5,597.5	5,680.3			
16	Total net cash outflows (adjusted value)	6,582.7	6,289.8			
17	Liquidity coverage ratio (%)	360.08%	423.05%			

		A	B	C	D	E
	in € millions	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
	Net Stable Funding Ratio					
18	Total available stable funding	96,301.8	97,844.5			
19	Total required stable funding	75,078.4	87,344.3			
20	NSFR ratio (%)	128.27%	112.00%			

The total capital of the Volkswagen Bank GmbH institution group of €18,350.2 million on a sub-consolidated basis comprises solely Common Equity Tier 1 (CET1) capital.

As of December 31, 2024, the total risk exposure amount stands at €114,216.0 million and the leverage ratio at 11.95%.

The liquidity coverage ratio (LCR) reflects the ratio between existing highly liquid assets and Volkswagen Bank GmbH's net liquidity outflows (difference between cash outflow and cash inflow) over a 30-day horizon. The liquidity coverage ratio must not be any less than 100%. The data contained in the table above shows the amounts applicable on the respective reference dates.

The net stable funding ratio (NSFR) indicates Volkswagen Bank GmbH's funding over a horizon of more than one year. NSFR is the ratio of the available amount of stable funding to the required amount of stable funding. It must not be any less than 100%. The data contained in the table above shows the amounts applicable on the respective reference dates.

Scope of application/companies consolidated

Volkswagen Bank GmbH together with its subsidiaries and associates constitutes an institution group as defined in section 10a(1) and (2) of the KWG in connection with Article 18ff. of the CRR and is the superordinate company within the institution group in accordance with section 10(1) sentence 2 of the KWG.

Section 10a(4) sentence 1 of the KWG requires institution groups as a whole to have adequate own funds. Prudential consolidation in accordance with section 10a(4) of the KWG differs from consolidation under the International Financial Reporting Standards (IFRS) and the additional disclosures required by German commercial law under section 315a(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) in terms of both the consolidation methods used and the entities to be consolidated; to a certain extent, it also differs with respect to the accounting policies to be applied.

Whereas entities are included in the subgroup financial statements either through consolidation, using the equity method or at cost, for prudential purposes they must either be consolidated or proportionately consolidated. Participations that are not included as prescribed are accounted for in accordance with the CRR. In addition, special purpose entities are included in the consolidated financial statements in compliance with IFRS 10.

Volkswagen Bank GmbH uses the consolidated financial statements prepared in accordance with International Financial Reporting Standards to determine its consolidated own funds in accordance with Article 4(1) No. 77 of the CRR. Consequently, own funds and the exposure amounts for counterparty risk, operational risk and market risk of the subsidiaries included in the prudential scope of consolidation are normally determined in accordance with section 10a(5) of the KWG. Items reported in the IFRS consolidated financial statements that are relevant to entities that are not included in the prudential scope of consolidation are deconsolidated for regulatory purposes. As before, the entities that are not included in the IFRS consolidated financial statements but are included in the prudential scope of consolidation are aggregated using the method outlined in section 10a(4) of the KWG. For consolidated own funds, the prudential filters and deductions are additionally taken into account. The entities to be included in the IFRS consolidated financial statements differ from those in the prudential scope of consolidation owing to different reliefs (e.g. based on size) or consolidation requirements (e.g. due to different consolidation requirements) and the nature of their operating business. The prudential scope of consolidation is limited to entities that qualify under the CRR as institutions (Article 4(1) No. 3 of the CRR), financial institutions (Article 4(1) No. 26 of the CRR), or ancillary services undertakings (Article 4(1) No. 18 of the CRR). No such restriction exists under IFRS.

The following table reconciles the carrying amounts based on the IFRS consolidated financial statements of Volkswagen Bank GmbH prepared in accordance with German commercial law (companies consolidated under German commercial law) with the regulatory carrying amounts in accordance with FINREP (regulatory scope of consolidation) and creates a link with own funds. The differences between the amounts shown in the balance sheet and the positions within own funds are primarily due to the effects of the static principle. Accordingly, current profits as well as other comprehensive income (OCI) are not taken into account until the consolidated financial statements have been approved.

TABLE 2: EU CC2 – RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS

		A)	B)	C)
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	in € millions	As at period end	As at period end	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements				
1	Cash reserve	12,444	12,444	k.A.
2	Loans to and receivables from banks	594	603	k.A.
3	Loans to and receivables from customers	83,311	86,313	k.A.
4	Derivative financial instruments	83	83	k.A.
5	Value adjustmens for portfolio fair value	205	187	k.A.
6	Marketable securities	3,743	3,743	k.A.
7	Equity-accounted joint ventures	0	0	k.A.
8	Miscellaneous financial assets	0	0	k.A.
9	Intangible assets	3	3	k.A.
10	Property and equipment	17	21	k.A.
11	Lease assets	36,548	36,623	k.A.
12	Investment property	17	17	k.A.
13	Deferred tax assets	726	818	k.A.
14	Income tax assets	33	33	k.A.
15	Other assets	2,840	2,349	k.A.
16	Assets held for sale	25	0	
17	**Total assets**	**140,588**	**143,236**	**k.A.**
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements				
1	Liabilities to banks	313	313	k.A.
2	Liabilities to customers	83,367	102,518	k.A.
3	Notes, commercial paper issued	30,335	13,614	k.A.
4	Derivative financial instruments	427	385	k.A.
5	Provisions	156	156	k.A.
		173	187	k.A.
6	Deferred tax liabilities	1,827	1,827	k.A.
7	Income tax liabilities	589	564	k.A.
8	Other liabilities	1,874	2,466	k.A.
9	Subordinated capital	180	0	k.A.
10	Equity	21,347	21,207	k.A.
11	**Total liabilities**	**140,588**	**143,236**	**k.A.**
Shareholders' Equity				
1	Subscribed captital	318	318	a)
2	Capital reserves	12,272	12,272	c)
3	Retained earnings	8,865	8,657	b)
4	Other reserves	-108	-40	c)
5	**Total shareholders' equity**	**21,347**	**21,207**	**k.A.**

The following table disaggregates the regulatory carrying amounts on the asset side by risk category according to Part 3 of the CRR.

TABLE 3: EU LI1 – DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

		A	B	C	D	E	F	G
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
	in € millions			Subject to the credit risk framework	Subject to the CCR framework		Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset clases according to the balance sheet in the published financial statements							
1	Cash reserve	12,444	12,444	12,444			228	
2	Loans to and receivables from banks	594	603	603			174	
3	Loans to and receivables from customers	83,311	86,313	86,313			6,144	0
4	Value adjaustments from portfolio fair value	83	83	83			0	0
5	Derivative financial instruments	205	187	0	187		0	
6	Marketable securities	3,743	3,743	3,183		560	560	0
7	Equity-accounted joint ventures	0	0	0			0	
8	Miscellaneous financial assets	0	0	0			0	
9	Intangible assets	3	3	0			2	
10	Property and equipment	17	21	21			1	
11	Lease assets	36,548	36,623	36,623			0	
12	Investment property	17	17	17			0	
13	Deferred tax assets	726	818	818			17	0
14	Income tax assets	33	33	33			2	
15	**Other assets**	**2,840**	**2,349**	**2,349**			**6,287**	
16	Assets held for sale	25	0	0			0	
17	**Total assets**	**140,588**	**143,236**	**142,487**	**187**	**560**	**13,415**	**3**

		A	B	C	D	E	F	G
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
	in € millions			Subject to the credit risk framework	Subject to the CCR framework		Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Liabilities to banks	313	313	0	0	0	9	303
2	Liabilities to customers	83,367	102,518	0	0	0	978	101,541
3	Notes, commercial paper issued	30,335	13,614	0	0	0	0	13,614
4	Derivative financial instruments	427	385	0	0	0	0	385
5	Provisions	156	156	0	0	0	0	156
6	Liabilities of non-current assets for sale	173	187	0	0	0	0	0
7	Deferred tax liabilities	1,827	1,827	0	0	0	9	1,818
8	Income tax liabilities	589	564	0	0	0	4	560
9	Other liabilities	1,874	2,466	0	0	0	20	2,446
10	Subordinated capital	180	0	0	0	0	0	0
11	Equity	21,347	21,207	0	0	0	452	20,755
12	**Total liabilities**	**140,588**	**143,236**	**0**	**0**	**0**	**1,472**	**141,578**

The main source of the differences between the carrying amounts in the FINREP report and those in the COREP report are shown in the following table, which also maps the individual risk categories in accordance with the CRR.

TABLE 4: EU LI2 – MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

		A	B	C	D	E
		Total	Items subject to			
	in € millions		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**143,234**	**142,487**	**187**	**560**	**13,415**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**0**	**0**	**0**	**0**	**1,472**
3	**Total net amount under the scope of prudential consolidation**	**143,234**	**142,487**	**187**	**560**	**11,943**
4	**Off-balance-sheet amounts**	**30,182**	**30,182**	**0**	**0**	**x**
5	Differences in valuations	0	-7	0	0	x
6	Differences due to different netting rules, other than those already included in row 2	0	0	0	0	x
7	Differences due to consideration of provisions	0	1,056	0	0	x
8	Differences due to the use of credit risk mitigation techniques (CRMs)	0	0	0	0	x
9	Differences due to credit conversion factors	0	-17,924	0	0	x
10	Differences due to Securitisation with risk transfer	0	0	0	0	x
11	Other differences	0	-5,191	1,340	-10	x
12	**Exposure amounts considered for regulatory purposes**	**153,032**	**150,602**	**1,527**	**550**	**353**

The following table provides a detailed overview of the treatment of the various subsidiaries and participations in relation to the prudential scope of consolidation and the IFRS scope of consolidation.

TABLE 5: EU LI3 – OUTLINE OF THE DIFFERENCES BETWEEN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)

A	B	C	D	E	F	G	H
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Volkswagen Leasing GmbH	At equity	x					Financial institution
Volkswagen Finančné služby Slovensko s.r.o.	At equity	x					Financial institution
Volkswagen Finančné služby Maklérska s.r.o., Bratislava	At cost				x		Entitiy outside financial sector

As far as is known, there are no restrictions or other significant obstacles to the transfer of (own) funds within the institution group.

The institution group has not made use of the waiver provision under section 2a of the KWG.

The own funds requirements of the CRR are geared towards institutions as defined by Article 4(1) No. 3 of the CRR. Volkswagen Bank GmbH currently has no subsidiaries that have the characteristics of an institution as defined by the CRR and are not included in prudential consolidation. Accordingly, there are no disclosure requirements in accordance with Article 436(g) of the CRR.

SEPARATE CONSIDERATION FOR EXCLUSION DUE TO MATERIALITY – REGULATORY VIEW

Contrary to the requirements of Art. 433a of the CRR in connection with Art. 434a of the CRR, the following information is not disclosed:

The capital ratios are not calculated with the assistance of own funds components in any other way than on the basis of the CRR. Accordingly, disclosure in accordance with Art. 437 (f) of the CRR can be dispensed with.

As the institution group is not subject to the requirements of Art. 92 or 92b of the CRR, no information is disclosed in accordance with Art. 437a of the CRR.

As there is no specialized lending as defined in Art. 438 (e) of the CRR, no information is disclosed on this (EU CR10).

The information referred to in Art. 438 (f) and (g) of the CRR is not relevant for the institution group. Accordingly, this information is not disclosed (EU INS1, EU INS2).

As no internal models are used for risk-weighted exposure amounts, disclosure in accordance with Art. 438 (h) is dispensed with (EU CR8, EU CCR7, EU MR2-B, EU CCR6).

The Volkswagen Bank GmbH Group institution group does not conduct transactions in credit derivatives. It has not made use of the option to conclude netting agreements for derivatives. Accordingly, disclosure in accordance with Art. 439 (j) of the CRR is dispensed with.

The requirements with respect to the disclosure of information in accordance with Art. 439 (k) of the CRR do not apply. Accordingly, no information is disclosed (EU CCR1).

No information in accordance with Art. 439 (l) of the CRR in connection with Art. 452 of the CRR is disclosed as the institution group does not apply the IRB approach to calculate risk-weighted exposure amounts (EU CCR4, EU CR6, EU CR6-A, EU CR9, EU CR9.1). Accordingly, disclosure in accordance with Art. 453 (j) of the CRR (EU CR7) and Art. 453 (g) of the CRR (CR7-A) is dispensed with.

As Volkswagen Bank GmbH is not a globally system-relevant institution (G-SRI), disclosure in accordance with Art. 441 of the CRR is omitted.

With an NPL ratio of 2.65% (FINREP), Volkswagen Bank GmbH is below the 5% threshold. Accordingly, the quantitative information required under Art. 442 of the CRR is only disclosed in accordance with the disclosure requirements (templates EU CQ7, EU CR2a, EU CQ2, EU CQ6, EU CQ8 not used).

No advanced measurement approach is used; nor is it used in part for operational risks. Accordingly, no information is disclosed in accordance with Art. 446 (b) and (c) of the CRR.

Disclosure in accordance with Art. 449 (k) and (i) of the CRR is omitted for materiality reasons in accordance with Art. 432(1) of the CRR (EU SEC2).

The quantitative data on the remuneration policy in accordance with Art. 450 of the CRR will be published as soon as this data is available (EU REM1, EU REM2, EU REM3, EU REM4, EU REM5).

Disclosure in accordance with Art. 451 (2) of the CRR is not necessary (EU LR2).

As an advanced measurement approach is not used for operational risk, no disclosure in accordance with Art. 454 of the CRR is required (EU OR1). Similarly, disclosure in accordance with Art. 455 of the CRR can be dispensed with as no internal models for market risk are used (EU MR2-A, EU MR3, EU MR4).

Volkswagen Bank GmbH does not provide information on the energy efficiency of the real estate assets pledged as collateral due to the immaterial proportion of real-estate-backed collateral in Volkswagen Bank GmbH's overall portfolio of collateral (Art. 432 (1) of the CRR – template 2 of EBA/ITS/2022/01).

Volkswagen Bank GmbH does not hold any finance or bonds issued in accordance with standards other than EU standards (i.e. in accordance with the Green Bond Principles, Green Loan Principles, Sustainability Linked Loan Principles, etc.). Accordingly, the disclosure of template 10 of EBA/ITS/2022/01 has been dispensed with.

Volkswagen Bank GmbH waives the disclosure of exposures arising from economically sustainable activities with non-financial counterparties that are themselves not subject to any disclosure duties under Art. 19A or Art. 29A of Directive 2013/34/EU and in accordance with Commission Implementing Directive (EU) 2021/2178 (Banking Book Taxonomy Alignment Ratio (BTAR)).

Own funds

PILLAR 1 REQUIREMENTS

Own funds are measured on the basis of the regulatory capital ratios. In this connection, Volkswagen Financial Services AG must observe the minimum capital ratios defined in Article 92 of the CRR at the consolidated level. According to this, a Common Equity Tier 1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6% and a total capital ratio of at least 8% are required.

Volkswagen Bank GmbH must also observe these minimum capital ratios at the sub-consolidated level. As Volkswagen Bank GmbH has applied the waiver from July 1, 2024, it is not necessary for the minimum ratios to be observed at the level of the individual institution. Moreover, Volkswagen Financial Services AG and Volkswagen Bank GmbH must also meet the regulatory capital buffer requirements. These provide for a capital conservation buffer of 2.5% and the institution-specific, countercyclical capital buffer. The countercyclical capital buffer is normally between 0% and 2.5%. It is calculated as a weighted average of the countercyclical buffer rates determined in the individual countries in which the relevant exposures are located.

The capital buffers for globally or otherwise systemically important institutions do not apply to Volkswagen Bank GmbH.

PILLAR 2 REQUIREMENTS

In its capacity as the competent supervisory authority for Volkswagen Financial Services AG and Volkswagen Bank GmbH, the European Central Bank (ECB) can decide in the Supervisory Review and Evaluation Process (SREP) to impose a capital add-on that must be satisfied in addition to the statutory minimum capital ratios and the capital buffer requirements. The legal basis for this capital add-on, or Pillar 2 requirement (P2R), is Art. 16 of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. The decision of the ECB requires Volkswagen Financial Services AG to satisfy, at a consolidated level, a total SREP capital requirement (TSCR) of at least 10.25% and a Pillar 2 requirement of 2.25%. The Pillar 2 requirement calls for the provision of CET1 of at least 56.25%. The remainder of the Pillar 2 requirement can be met with Additional Tier 1 (AT1) capital and Tier 2 (T2) capital. As a result, the Pillar 2 requirements of 2.25% in the form of CET1 of 1.27% and/or in the form of T1 of 1.69% must be observed. Volkswagen Financial Services AG is currently not subject to any Pillar 2 requirement.

All minimum requirements were observed at all times during the reporting period both at the consolidated level (Volkswagen Financial Services AG) and at the sub-consolidated level (Volkswagen Bank GmbH).

Structure of own funds

DISCLOSURE OF OWN FUNDS

The obligation to disclose own funds with the aim of increasing market discipline is derived from the CRR disclosure requirements. Disclosure of own funds and own funds requirements allows market participants to gain an insight into Volkswagen Bank GmbH's risk profile and capital adequacy.

The own funds in accordance with Article 72 of the CRR consist of Common Equity Tier 1 capital. No Tier 2 or additional Tier 1 capital has been issued by Volkswagen Bank GmbH or any of the group entities included in the prudential scope of consolidation.

Volkswagen Bank GmbH is currently not utilizing the "quick fix" regulatory transitional provisions governing the initial effects from first-time application of IFRS 9 under Article 473a of the CRR. The disclosures on own funds and the capital and leverage ratios take account of the full impact of the introduction of IFRS 9.

COMPOSITION OF OWN FUNDS

The individual own funds components as well as the regulatory adjustments as of the latest reporting date are shown in the table.

The information in the table refers to Volkswagen Bank GmbH's institution group and is based on IFRS accounting.

TABLE 6: EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	0.0	a)
	of which: Instrument type 1	0.0	n/a
	of which: Instrument type 2	0.0	n/a
	of which: Instrument type 3	0.0	n/a
2	Retained earnings	6,437.1	b)
3	Accumulated other comprehensive income (and other reserves)	12,092.3	c)
EU-3a	Funds for general banking risk	0.0	n/a
4	Amount of qualifying items referred to in Art. 484 (3) and the related share premium accounts subject to phase out from CET1	0.0	n/a
5	Minority interests (amount allowed in consolidated CET1)	0.0	n/a
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0.0	n/a
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	18,529.4	n/a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–7.4	n/a
8	Intangible assets (net of related tax liability) (negative amount)	–5.4	d)
9	Not applicable	X	X

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Art. 38 (3) are met) (negative amount)	–0.1	e)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	1.5	n/a
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	n/a
13	Any increase in equity that results from securitised assets (negative amount)	0.0	n/a
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0.0	n/a
15	Defined-benefit pension fund assets (negative amount)	0.0	n/a
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0.0	n/a
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
20	Not applicable	X	X
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.0	n/a
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0.0	n/a
EU-20c	of which: securitisation positions (negative amount)	0.0	n/a
EU-20d	of which: free deliveries (negative amount)	0.0	n/a
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Art. 38 (3) are met) (negative amount)	0.0	f)
22	Amount exceeding the 17,65% threshold (negative amount)	0.0	n/a
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0.0	n/a
24	Not applicable	X	X
25	of which: deferred tax assets arising from temporary differences	0.0	n/a
EU-25a	Losses for the current financial year (negative amount)	–0.0	n/a
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.0	n/a
26	Not applicable	X	X
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.0	n/a
27a	Other regulatory adjusments	–167.7	n/a
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	–179.2	n/a
29	Common Equity Tier 1 (CET1) capital	18,350.2	n/a
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0.0	n/a
31	of which: classified as equity under applicable accounting standards	0.0	n/a
32	of which: classified as liabilities under applicable accounting standards	0.0	n/a

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
33	Amount of qualifying items referred to in Art. 484 (4) and the related share premium accounts subject to phase out from AT1	0.0	n/a
EU-33a	Amount of qualifying items referred to in Art. 494a(1) subject to phase out from AT1	0.0	n/a
EU-33b	Amount of qualifying items referred to in Art. 494b(1) subject to phase out from AT1	0.0	n/a
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0.0	n/a
35	of which: instruments issued by subsidiaries subject to phase out	0.0	n/a
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0.0	n/a
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0.0	n/a
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	n/a
41	Not applicable	X	X
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0.0	n/a
42a	Other regulatory adjustments to AT1 capital	0.0	n/a
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0.0	n/a
44	Additional Tier 1 (AT1) capital	0.0	n/a
45	Tier 1 capital (T1 = CET1 + AT1)	18,350.2	n/a
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	6.0	g)
47	Amount of qualifying items referred to in Art. 484 (5) and the related share premium accounts subject to phase out from T2 as described in Art. 486 (4) CRR	0.0	n/a
EU-47a	Amount of qualifying items referred to in Art. 494a (2) subject to phase out from T2	0.0	n/a
EU-47b	Amount of qualifying items referred to in Art. 494b (2) subject to phase out from T2	0.0	n/a
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0.0	n/a
49	of which: instruments issued by subsidiaries subject to phase out	0.0	n/a
50	Credit risk adjustments	0.0	n/a
51	Tier 2 (T2) capital before regulatory adjustments	0.9	n/a
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0.0	n/a
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
54a	Not applicable	X	X

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	n/a
56	Not applicable	X	X
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0.0	n/a
EU-56b	Other regulatory adjusments to T2 capital	0.0	n/a
57	Total regulatory adjustments to Tier 2 (T2) capital	0.0	n/a
58	Tier 2 (T2) capital	0.9	n/a
59	Total capital (TC = T1 + T2)	18,350.2	n/a
60	Total risk exposure amount	114,216.0	n/a
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	16.07%	n/a
62	Tier 1	16.07%	n/a
63	Total capital	16.07%	n/a
64	Institution CET1 overall capital requirements	9.01%	n/a
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.74%	n/a
67	of which: systemic risk buffer requirement	0.00%	n/a
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	n/a
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.27%	n/a
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	5.82%	n/a
69	Not applicable	X	X
70	Not applicable	X	X
71	Not applicable	X	X
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	38.8	n/a
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	0.0	n/a
74	Not applicable	X	X
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Art. 38 (3) are met)	1,004.2	n/a
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0.0	n/a
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,340.6	n/a
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0.0	n/a
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0.0	n/a

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0.0	CC
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0.0	n/a
82	Current cap on AT1 instruments subject to phase out arrangements	0.0	n/a
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0.0	n/a
84	Current cap on T2 instruments subject to phase out arrangements	0.0	n/a
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0.0	n/a

COMMON EQUITY TIER 1 CAPITAL

Common Equity Tier 1 capital primarily consists of equity reported in the balance sheet as defined in IFRS. In turn, the equity reported in the balance sheet is composed of ordinary share capital and disclosed reserves. Volkswagen Bank GmbH's share capital is fully paid up and unrestricted.

In connection with group restructuring, Volkswagen Bank GmbH was transferred to Volkswagen Financial Services AG and is thus no longer a subsidiary of Volkswagen AG but of Volkswagen Financial Services AG. However, the profit transfer agreement between Volkswagen Bank GmbH and Volkswagen AG is still in force. For this reason, Volkswagen Bank GmbH's share capital is temporarily no longer included at the sub-consolidated level as there must be a parent/subsidiary relation between Volkswagen Bank GmbH and Volkswagen Financial Services AG for the requirements for inclusion in accordance with Art. 28(3) of the CRR to be satisfied. The necessary adjustment is to be made by the end of the year, after which it will be possible for Volkswagen Bank GmbH's share capital to be included again.

The disclosed reserves consist of the capital reserves and retained earnings. Moreover, Common Equity Tier 1 capital includes retained profits which have not yet been approved and are not tied to planned dividend payouts or foreseeable expenses (e.g. tax expenses). A special reserve for general banking risks recognized by Volkswagen Bank GmbH in accordance with section 340g of the *Handelsgesetzbuch* (HGB – German Commercial Code) is reported in the eligible disclosed reserves.

The following table shows the total amount of the additional valuation adjustments (AVAs) that are deducted from Common Equity Tier 1 capital as part of a prudent valuation of assets. In accordance with Art. 34 of the CRR in connection with Art. 105 of the CRR, this prudent valuation applies to all assets recognized at fair value. Regulatory law provides for two methods for determining the additional valuation adjustments. The simplified approach pursuant to Art. 105 of the CRR in conjunction with Art. 4 DVO 2016/101 may be applied up to a threshold of €15 billion based on the sum total of the absolute exposure amounts on and off the balance sheet measured at fair value. The basic approach must be applied if this threshold is exceeded. As Volkswagen Bank GmbH remains below the threshold of €15 billion at the sub-consolidated level, it applies the simplified approach for calculating additional valuation adjustments. In view of the minor importance of exposures measured at fair value, a deduction of €7.4 million was made on the reporting date.

TABLE 7: EU PV1 – PRUDENT VALUATION ADJUSTMENTS (PVA)

		A	B	C	D	E	EU E1	EU E2	F	G	H
	in € millions	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Not applicable	X	X	X	X	X	X	X	X	X	X
3	Close-out cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Concentrated positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Early termination	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Model risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Operational risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Not applicable	X	X	X	X	X	X	X	X	X	X
9	Not applicable	X	X	X	X	X	X	X	X	X	X
10	Future administrative costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Not applicable	X	X	X	X	X	X	X	X	X	X
12	**Total Additional Valuation Adjustments (AVAs)**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**7.4**	**0.0**	**0.0**

MAIN CHARACTERISTICS OF OWN FUNDS INSTRUMENTS

The conditions set out in Art. 28 of the CRR must be satisfied for Common Equity Tier 1 instruments to be included. Volkswagen Bank GmbH currently does not satisfy the conditions for inclusion under Art. 63 of the CRR.

In view of the fact that no instruments of regulatory own funds were recognised as at the current reporting date, a table with the main features of instruments of regulatory own funds has been omitted.

Own funds requirements

RISK INVENTORY/RISK QUANTIFICATION

The objective of the risk inventory, which has to be carried out at least annually, is to identify the main categories of risk. To this end, all known categories of risk are examined to establish whether they arise and are relevant in the Volkswagen Bank GmbH Group. In the risk inventory, the relevant categories of risk are examined in greater detail, quantified or, if they cannot be quantified, assessed by experts, and then evaluated to determine whether they are material for the Volkswagen Bank GmbH Group. In accordance with the requirements set out in the ECB Guide to the internal capital adequacy assessment process (ICAAP) and the ECB Guide to the internal liquidity adequacy assessment process (ILAAP), the risk inventory is carried out using both the economic and normative perspectives and, in addition, a gross approach (i.e. an analysis of the risks that does not take into account specific techniques designed to mitigate the underlying risks). The Volkswagen Bank GmbH Group also has an ILAAP-specific framework for risk identification in place as required by the ILAAP guide.

The risk inventory for 2024 carried out as per December 31, 2024 came to the conclusion that the following quantifiable categories of risk should be classified as material: counterparty default risk, direct residual value risk, interest rate risk, credit spread risk (CSRBB), other market risk, funding risk and operational risk. The following categories of risk should be classified as non-material: business risk consisting of earnings risk, reputational risk and strategic risk including ESG markup, and business model risk. The indirect residual value risk is still considered immaterial due to their low share of the overall risk. Other existing subcategories of risk are included within the categories specified above.

Moreover, based on the new structure of the Volkswagen Bank GmbH Group a risk inventory was performed during the year in order to assess the risks as of July 1, 2024. The above-mentioned risks (see “Risk strategy and risk management” chapter) were identified. The materiality of the risks as stated above was reaffirmed.

CAPITAL ADEQUACY (INCLUDING RISK-BEARING CAPACITY)

In addition to the quantification of the risk positions required by regulatory law (in accordance with the CRR), the Volkswagen Bank GmbH Group has set up a system for calculating risk-bearing capacity in accordance with the requirements specified in the ICAAP guide. The system ensures that the Group maintains risk-bearing capacity from both economic and normative perspectives.

The objective of the normative perspective is to ensure that all relevant regulatory capital ratio requirements are met (in particular, the requirements for the total capital ratio and Common Equity Tier 1 capital ratio) in the planning period. To this end, the Volkswagen Bank GmbH Group analyzes a baseline scenario and a multidimensional adverse scenario over a forward-looking time horizon of three years and constantly monitors its compliance with the regulatory capital requirements and its internally specified early warning thresholds. This system reflects the Pillar 2 requirements for risk-bearing capacity determined in the supervisory review and evaluation process (SREP).

In the economic risk-bearing capacity analysis, the overall economic risk is compared against the risk-taking potential.

The quarterly analysis of its risk-bearing capacity serves to examine whether the Volkswagen Bank GmbH Group is capable at all times of bearing the risks potentially arising from its current and future business activities. An institution has the capacity to bear its risk if, as a minimum, all material risks to which the institution are exposed are covered at all times by the institution’s risk-taking potential.

In addition, the Volkswagen Bank GmbH Group uses a system of limits derived from the economic risk-bearing capacity analysis to specifically manage the capital for risk coverage in accordance with the level of risk tolerance determined by the Management Board of Volkswagen Bank GmbH. Building on the Bank's risk appetite framework, the risk limit system that has been put in place limits the risk at different levels, thereby safeguarding the economic risk-bearing capacity of the Volkswagen Bank GmbH Group.

As of December 31, 2024, risk-taking potential amounted to €17.4 billion and comprised CET1 capital (€18.3 billion) and accumulated earnings[1] (€0.5 billion) less hidden charges and loss allowance shortfalls (€1.5 billion in total). This item is the reference point for risk tolerance and risk appetite and takes the form of an overall risk limit for the Group (fixed at €14.7 billion as of December 31, 2024).

In accordance with a moderate, overarching risk appetite, only a portion (a maximum of 90%) of this risk-taking potential is specified as a risk ceiling or overall risk limit. The overall risk limit is apportioned according to the relevant specific risk appetite to counterparty default risk, direct residual value risk, interest rate risk in the banking book, credit spread risks in the banking book, other market risk, funding risk and operational risk for the purposes of operational monitoring and control. In this process, the limit allocated to counterparty default risk, itself an overarching category of risk, is subdivided into individual limits for credit risk, shareholder risk, issuer risk and counterparty risk. The specific risk appetite for each category of risk is set at moderate to low based on the business model and risk strategy of Volkswagen Bank GmbH.

The limit system is structured in a way that the adherence to the risk limits ensures not only the management of operating and strategic risk and earnings, but also compliance with regulatory requirements. Risk Management monitors compliance with the risk limits as part of its quarterly analysis of the risk-bearing capacity.

The risk limit system for the Volkswagen Bank GmbH Group is recalibrated at least once a year by way of a resolution adopted by the Management Board of Volkswagen Bank GmbH.

Risk quantification

Risk values for relevant risk categories are determined by means of different approaches following the methodological recommendations of the Basel Capital Accord. These approaches are based on statistical models and supported by expert estimates. In line with standard banking practice, risks are assessed using the net method.

To measure risk-bearing capacity, it is necessary to quantify the amount of unexpected losses (UL) and, additionally for some risk categories, the amount of expected losses (EL). Unexpected losses are extremely high losses that occur rarely, whereas expected losses describe the average losses expected to occur within the observation period. The total amount of UL and EL produces the value at risk (VAR).

The main risks are quantified as part of the economic risk-bearing capacity analysis with a confidence level of 99.9% and a time horizon of one year. In addition to determining the risk-bearing capacity in a normal scenario, the Volkswagen Bank GmbH Group also conducts group-wide and cross-institutional stress tests and reports the results directly to the Management Board. Stress tests are used to examine the potential impact from exceptional but plausible events on the risk-bearing capacity and earnings performance of the Volkswagen Bank GmbH Group. The purpose of these scenarios is to facilitate early identification of those risks that would be particularly affected by the trends simulated in the scenarios so that any necessary corrective action can be initiated in good time. The stress tests include both a historical scenario (a repeat of the financial crisis in the years 2008 to 2010) and a hypothetical scenario (a

[1] Dividend claims are generally deducted from accrued profits in the interests of a conservative calculation of risk-taking potential.

sharp drop in sales in the Volkswagen Group). These scenarios, which cover all categories of risk, are supplemented by sensitivity analyses specific to risk categories. Appended to these analyses are regular stress test analyses with a multi-year time horizon for the normative perspective. In addition, yearly inverse stress tests are used to identify what events could represent a threat to the ability of the Volkswagen Bank GmbH Group to continue as a going concern. Stress tests using a multi-year time horizon (for example an economic downturn) are also conducted annually together with a climate stress test which analyzes the C&E risks for the Volkswagen Bank GmbH Group.

TABLE 9: METHODS FOR THE QUANTIFICATION OF INDIVIDUAL RISK TYPES UNDER THE RISK BEARING CAPACITY ANALYSIS

Risikoart	Parameters/model	„Going Concern"-scenario (Normal Case)
Counterparty default risk		
Credit risk	Parameters: PD, LGD, EAD, CCF, ASRF model, incl. premium for estimation uncertainties for UL	CL = 99,9 %
Shareholder risk	Parameters: PD, LGD = 90%, carrying amount of equity investment acc. to IFRS, ASRF model	CL = 99,9 %
Issuer risk	Parameters: PD, LGD, EAD, Monte Carlo simulation	CL = 99,9 %
Counterparty risk	Parameters: PD, LGD, EAD, Monte Carlo simulation	CL = 99,9 %
Residual value risk	Monte Carlo Simulation of sales proceeds versus contractual residual values from historical data to determine risk discounts on contractual residual values	CL = 99,9 %
Interest Rate Risk in the Banking Book (IRRBB)	Historical simulation (365-trading-day holding period, 3,650-trading-day history)	CL = 99,9 %
Credit Spread Risk in the Banking Book (CSRBB)	Historical simulation (365-trading-day holding period, 3,650-trading-day history)	CL = 99,9 %
Other market risks	Historical simulation (365-trading-day holding period, 3,650-trading-day history)	CL = 99,9 %
Business risk	Reconciliation of the planned profit with the earnings risk (parameters: actual and plan data of income drivers and their relative deviation; parametric variance-covariance model) and general value for strategic risk/reputation risk including possible surcharges due to climate and environmental risk drivers as well as the business model risk (scenario approach) and as well as a possible add-on for the consideration of new business shares	
Liquidity risk (funding risk)	Liquidity premium from historical spread data	CL = 99,9 %
Operational risk	Loss distribution method with Monte Carlo simulation	CL = 99,9 %

Aggregation of risks, analysis of results

A correlation of 1 between the risk categories is assumed for all calculated risk indicators.

The results of the analysis of risk-bearing capacity and of the stress tests are reported to the Management Board on a quarterly basis. The calculations of risk-bearing capacity confirmed that all significant risks that could adversely affect the financial position, financial performance or cash flows were adequately covered at all times by the available risk-taking potential. The stress tests did not indicate any immediate need for action.

DISCLOSURE OF OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

The basis for the provisions concerning own funds requirements is formed by the regulatory provisions contained in Article 92 of the CRR. In this connection, it is necessary to calculate total risk exposure, which is derived from the calculation of the risk-weighted assets (RWA) for the credit risk including the counterparty credit risk as well as operational risk, market risk and for the credit valuation adjustments (CVA). The credit risk excluding the counterparty credit risk accounts for 93.6% of the total risk exposure amount, thus constituting the largest risk type.

The following table provides an overview of the breakdown of the total risk exposure amount and the own funds requirements. As Volkswagen Bank GmbH is subject to a quarterly disclosure duty, the figures in the table refer to the current reporting period ending December 31, 2024 as well as the previous quarter ending September 30, 2024.

TABLE 10: EU OV1 – OVERVIEW OF RISK-WEIGHTED EXPOSURE AMOUNTS

		RISK WEIGHTED EXPOSURE AMOUNTS (RWEAS)		TOTAL OWN FUNDS REQUIREMENTS
		a	b	c
	in € millions	Dec 31, 2024		Dec 31, 2024
1	Credit risk (excluding CCR)	106,869.6	108,765.3	8,549.6
2	Of which the standardised approach	106,869.6	108,765.3	8,549.6
3	Of which the Foundation IRB (F-IRB) approach	0.0	0.0	0.0
4	Of which: slotting approach	0.0	0.0	0.0
EU 4a	Of which: equities under the simple riskweighted approach	0.0	0.0	0.0
5	Of which the Advanced IRB (A-IRB) approach	0.0	0.0	0.0
6	Counterparty credit risk - CCR	1,542.9	1,566.1	123.4
7	Of which the standardised approach	373.2	362.0	29.9
8	Of which internal model method (IMM)	0.0	0.0	0.0
EU 8a	Of which exposures to a CCP	2.8	3.0	0.2
EU 8b	Of which credit valuation adjustment - CVA	1,166.9	1,201.1	93.4
9	Of which other CCR	0.0	0.0	0.0
10	Not applicable	X	X	X
11	Not applicable	X	X	X
12	Not applicable	X	X	X
13	Not applicable	X	X	X
14	Not applicable	X	X	X
15	Settlement risk	0.0	0.0	0.0
16	Securitisation exposures in the non-trading book (after the cap)	193.3	192.0	15.5
17	Of which SEC-IRBA approach	0.0	0.0	0.0
18	Of which SEC-ERBA (including IAA)	0.0	0.0	0.0
19	Of which SEC-SA approach	0.0	0.0	0.0
EU 19a	Of which 1250%	0.0	0.0	0.0
20	Position, foreign exchange and commodities risks (Market risk)	352.3	472.8	28.2
21	Of which the standardised approach	352.3	472.8	28.2
22	Of which IMA	0.0	0.0	0.0
EU 22a	Large exposures	0.0	0.0	0.0
23	Operational risk	5,257.9	4,710.7	420.6
EU 23a	Of which basic indicator approach	0.0	0.0	0.0
EU 23b	Of which standardised approach	5,257.9	4,710.7	420.6
EU 23c	Of which advanced measurement approach	0.0	0.0	0.0
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2,510.5	2,510.5	200.8
25	Not applicable	X	X	X
26	Not applicable	X	X	X
27	Not applicable	X	X	X
28	Not applicable	X	X	X
29	**Total**	**114,216.0**	**115,706.9**	**9,137.3**

The credit risk excluding the counterparty credit risk stood at €106,869.6 million as of December 31, 2024 and had therefore declined by €1,895.6 million over the previous quarter. Volkswagen Bank GmbH uses the Credit Risk Standardized Approach (CRSA) to quantify credit risks. Further information on the composition of credit risk excluding counterparty credit risk can be seen in tables 23 and 24.

The decrease in the counterparty credit risk from €1,566.1 million to €1,542.9 million is primarily attributable to the credit valuation adjustment (CVA) as well as the decreased SA-CCR replacement costs due to changed market values. Further information on the composition of counterparty credit risk can be found in Tables 30 through 34.

At €5,257.9 million, operational risk increased slightly over the previous quarter's figure of €4,710.7 million. Volkswagen Bank GmbH applies the Standardized Approach in this connection.

Further information on market risk and the securitization positions is provided in a separate chapter.

DISCLOSURE OF COUNTERCYCLICAL CAPITAL BUFFERS

The countercyclical capital buffer (CCyB) has been introduced as a macro-prudential instrument for banking supervision. Its purpose is to increase credit institutions' resilience by stipulating additional capital requirements. To this end, banks are to accumulate an additional capital buffer in times of excessive lending growth which may be used to cover losses arising in a crisis. The accumulation of a capital buffer is intended to slow excessive credit growth and to avert a credit crunch, which would further aggravate a crisis, during a downswing. Accordingly, the capital buffer is determined on a countercyclical basis.

The capital buffer requirements are based on the provisions of CRD IV, which have been transposed into German law in Section 10d of the German Banking Act (KWG). The competent authority sets the capital buffer at between 0% and 2.5%. However, it is calculated separately for each individual credit institution. This means that each credit institution calculates the percentage of the institution-specific countercyclical capital buffer as the weighted average of the capital buffer rates for the countries in which the relevant credit risk exposures are located. This is based on the borrower's domicile and not the credit institution's domicile.

The following table shows the geographical distribution of the credit exposures relevant for the calculation of the countercyclical capital buffer.

TABLE 11: EU CCYB1 – GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

		A	B	C	D	E	F	G	H	I	J	K	L	M
	in € millions	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
010	Breakdown by country:	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Securitisation exposures Exposure value for non-trading book	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	BE	1,484.7	0.0	0.0	0.0	0.0	1,484.7	118.8	0.0	0.0	118.8	1,484.5	1.4%	1.00%
	DE	87,853.8	0.0	0.0	0.0	0.0	87,853.8	5,438.8	0.0	0.0	5,438.8	67,985.4	65.7%	0.75%
	ES	5,550.6	0.0	0.0	0.0	0.0	5,550.6	354.2	0.0	0.0	354.2	4,427.6	4.3%	0.00%
	FR	12,456.9	0.0	0.0	0.0	0.0	12,456.9	794.0	0.0	0.0	794.0	9,925.2	9.6%	1.00%
	GB	2,841.5	0.0	0.0	0.0	549.9	3,391.3	219.0	0.0	15.5	234.5	2,930.8	2.8%	2.00%
	IE	1,002.7	0.0	0.0	0.0	0.0	1,002.7	79.8	0.0	0.0	79.8	997.6	1.0%	1.50%
	IT	12,210.3	0.0	0.0	0.0	0.0	12,210.3	748.8	0.0	0.0	748.8	9,360.6	9.0%	0.00%
	NL	2,239.5	0.0	0.0	0.0	0.0	2,239.5	179.1	0.0	0.0	179.1	2,238.8	2.2%	2.00%
	PL	1,952.2	0.0	0.0	0.0	0.0	1,952.2	143.2	0.0	0.0	143.2	1,790.6	1.7%	0.00%
	SK	652.4	0.0	0.0	0.0	0.0	652.4	41.2	0.0	0.0	41.2	514.6	0.5%	1.50%
	Other	1,811.1	0.0	0.0	0.0	0.0	1,811.1	145.8	0.0	0.0	145.8	1,822.0	1.8%	0.29%
020	**Total**	**130,055.6**	**0.0**	**0.0**	**0.0**	**549.9**	**130,605.5**	**8,262.8**	**0.0**	**15.5**	**8,278.2**	**103,477.8**	**100.0%**	

At 44.7%, the own funds requirements for Germany of €1,703.3 million constitute the greatest proportion in the calculation of the countercyclical capital buffer. The countries listed cover more than 99% of Volkswagen Bank GmbH’s own funds requirements. A further disaggregation of the countries listed under “Other” has been dispensed with for materiality reasons.

TABLE 12: EU CCYB2 – AMOUNT OF THE INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

	in € millions	a
1	Total risk exposure amount	114,216.0
2	Institution specific countercyclical capital buffer rate	0.7352%
3	Institution specific countercyclical capital buffer requirement	839.7

Volkswagen Bank GmbH's institution-specific countercyclical capital buffer at the sub-consolidated level stands at 0.7352% as of December 31, 2024. Volkswagen Financial GmbH's institution-specific countercyclical capital buffer stood at 0.7638% at the consolidated level as of June 30, 2024. The figures are not comparable with those for June 30, 2024 as the Group was restructured on July 1, 2024.

RETURN ON CAPITAL

The return on capital in accordance with section 26a(1) sentence 4 of the KWG, calculated as the ratio of net profit to total assets, stood at 0.43% at December 31, 2024.

Risk management objectives and policy

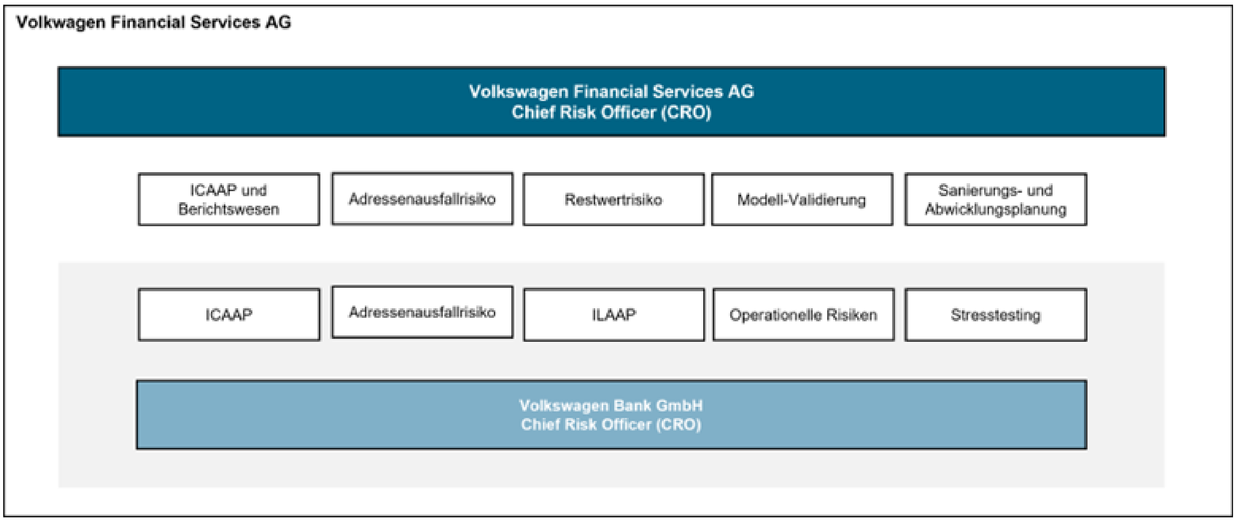
ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT

At Volkswagen Bank GmbH, risk is defined as the danger of loss or damage that could occur if an expected future development turns out to be less favorable than planned. In the realm of its primary operating activities, Volkswagen Bank GmbH is exposed to a large number of risks typical for the financial services sector. The Group takes on these risks within the limits of the approved risk strategy so that it can target and exploit any resulting market opportunities.

Volkswagen Bank GmbH , working in close cooperation with Volkswagen Financial Services AG, has put a risk management system in place to identify, assess, manage, monitor and communicate risks. The integrated risk management system comprises a framework of risk principles, organizational structures and processes for assessing and monitoring risks. The individual elements are aligned with the activities of the individual divisions. This structure is intended to ensure early detection of any trends that could represent a risk to the business as a going concern so that appropriate countermeasures can then be initiated early on.

The entire Management Board is responsible for risk management at Volkswagen Bank GmbH, although responsibility for operational implementation lies with the Chief Risk Officer (CRO). In this function, the CRO regularly reports to the other members of the Managemet Board and the Supervisory Board on Volkswagen Bank GmbH's overall risk position.

The Board of Management is supported by several risk management units that were established to perform the operational risk control functions. This means that Volkswagen Financial Services AG and Volkswagen Bank GmbH manage the risks using an integrated approach. In terms of the practical implementation, operational implementation for the liquidity risks (ILAAP), operational risks and activities in stress testing is the responsibility of Volkswagen Bank GmbH. Moreover, it uses the competence of Volkswagen Financial Services AG's Risk Management for residual value risk processes, defined activities of model validation and for recovery and resolution planning. Risk-bearing capacity is determined and the internal capital adequacy of Volkswagen Financial Services AG and Volkswagen Bank GmbH is assessed (under the internal capital adequacy assessment process – ICAAP) in close collaboration between the two companies; counterparty default risk is managed in the same way.



Volkswagen Bank GmbH has implemented suitable procedures to make sure that the risk management system is fit for purpose. The Internal Audit department monitors the individual elements in the system regularly on a risk-oriented basis.

In 2024, no changes were made to the existing Pillar 2 requirement for Volkswagen Bank GmbH of 2.25%. The Pillar 2 requirement is determined and reviewed annually by the ECB as the banking supervisor. It must be satisfied in addition to the Pillar 1 minimum capital requirements and covers risks that are underestimated in the minimum capital requirements or are not covered by them.

An important feature of the integrated risk management system is the clear, unequivocal separation of tasks and areas of responsibility, both organizationally and in terms of personnel. This ensures that the system is fully functioning at all times and regardless of the personnel involved.

The risk management departments have the role of providing guidelines for the organization of risk management. This function includes drawing up risk policy guidelines, developing and maintaining methodologies and processes relevant to risk management as well as issuing and monitoring international framework standards for the procedures to be used on a Europe-wide basis.

In particular, these activities involve providing models for carrying out credit assessments, quantifying the different categories of risk, determining risk-bearing capacity, evaluating collateral and standard procedures for the identification, analysis and assessment of direct and indirect residual value risks. Risk Management is therefore responsible for identifying possible risks, analyzing, quantifying and assessing risks, and for determining the resulting measures to manage the risks.

Local risk management units ensure that the requirements specified by Volkswagen Bank GmbH's Risk Management are implemented and complied with in their respective market.

To summarize, continuous monitoring of risks, open and direct communication with the Management Board and the integration of all findings into the operational risk management system together form the basis, in the view of the Management Board, for the best possible leveraging of market potential based on conscious, effective management of the overall risk faced by Volkswagen Bank GmbH.

RISK STRATEGY AND RISK MANAGEMENT

Fundamental decisions relating to strategy and the instruments of risk management are the responsibility of the Management Board of Volkswagen Bank GmbH.

As part of this overall responsibility, the Management Board of Volkswagen Bank GmbH has introduced a MaRisk-compliant strategy process and implemented a business and risk strategy.

The Group-wide MOBILITY2030 business strategy sets out the fundamental views of the Management Board of Volkswagen Bank GmbH on key matters relating to business policy. It includes the objectives for each major business activity and the strategic areas for action to achieve the relevant objectives. The business strategy also serves as the starting point for creating a matching risk strategy.

The risk strategy is reviewed each year and on an ad hoc basis on the basis of a risk inventory, risk-bearing capacity and legal requirements. It is adjusted where appropriate, approved by the Management Board and discussed with the Supervisory Board of Volkswagen Bank GmbH. The risk strategy describes the main risk management goals and action plans for each category of risk taking into account the business policy focus, risk tolerance and risk appetite. A review is carried out annually to establish whether the goals of the risk strategy have been attained. The causes of any variances are analyzed and then discussed with the Management Board of Volkswagen Bank GmbH.

The risk strategy includes all material quantifiable and non-quantifiable risks. Further details and specifics for the individual risk categories are set out in risk sub-strategies and included in operational requirements during the process of business and risk planning.

The Management Board of Volkswagen Bank GmbH is responsible for specifying and subsequently implementing the overall risk strategy in the Volkswagen Bank GmbH Group.

RISK CULTURE

A pronounced risk culture entrenched in the company and encompassing all employees forms part of responsible corporate governance and is the basis of efficient and sustained risk management. It defines the rules of conduct for handling risks within an institution. This also includes the way in which risks are identified, measured, reported and managed and forms the core of the MOBILITY2030 umbrella strategy with the strategic thrusts “Vehicle”, “Customer Loyalty”, “Data & Technology”, “Performance” and “Sustainability”.

The aim of an appropriate risk culture is to ensure that employees and management make decisions in their daily work based on a risk culture “imbued with life” (value of systems), that risks are addressed consciously and that an open and transparent dialog on risk-related matters is reinforced within the Volkswagen Bank GmbH Group.

At the Volkswagen Bank GmbH Group, risk culture is operationalized on the basis of the following risk culture elements: “leadership culture”, “organizational structure”, “communications”, “incentive structure” and “risk management framework”. The Management Board and line managers assume a role model with respect to risk culture. Among other things, it implements decision-making practices on the basis of the corporate values (leadership principles) which it has defined to provide employees with a framework within which they can implement standards and prepare future decisions.

Identifying, evaluating and managing risks is an integral part of bank organization beyond risk management. In practice, this takes the form of an open style of communications based on a constructive and objective approach to risks and accompanied by high risk awareness particularly in the light of the Volkswagen Bank GmbH Group’s reputation.

The sum total of the shared values and rules as well as the support provided by technological developments help to incorporate risk aspects in all corporate decisions.

RISK CONCENTRATIONS

The Volkswagen Bank GmbH Group is a captive financial services provider in the automotive sector. The business model, which focuses on promoting vehicle sales for the different brands in the Volkswagen Group, causes concentrations of risk, which can take various forms.

Concentrations of risk can arise from an uneven distribution of activity in which

- Just a few borrowers/contracts account for a large proportion of the loans (counterparty concentrations)
- A small number of sectors account for a large proportion of the loans (sector concentrations)
- Many of the loans are to businesses within a defined geographical area (regional concentrations)
- Loans/receivables are secured by just one type of collateral or by a limited range of collateral types (collateral concentrations)
- The Volkswagen Bank GmbH's income is generated from just a few sources (income concentrations).

The potential concentrations are counteracted by diversification, for example in the dimensions of brands, models and countries.

Counterparty concentrations from customer business are only of minor significance in the Volkswagen Bank GmbH Group because of the large proportion of business accounted for by retail lending. From a regional perspective, the Volkswagen Bank GmbH Group has a concentration of business in the German market, but looks to achieve broad nationwide diversification within the country.

In contrast, sector concentrations in the dealer business are part of the nature of the business for a captive provider and these concentrations are therefore individually analyzed. Overall, no noticeable impact has been identified, even in periods of economic downturn such as that caused by the Covid-19 pandemic.

Likewise, a captive provider cannot avoid collateral concentrations because the vehicle is the predominant collateral asset by virtue of the business model. Risks can arise from concentrations of collateral if downward pricing trends in used vehicle markets or segments lead to lower proceeds from the recovery of assets and, as a consequence, there is a fall in the value of the collateral. Nevertheless, in terms of the vehicles used as collateral, the Volkswagen Bank GmbH Group enjoys broad diversification across all vehicle segments based on a large range of vehicles from the different brands in the Volkswagen Group.

MODEL RISK

Model risk arises from inaccuracies in the risk values and must be taken into account, particularly in the case of underestimated risk and complex models. Depending on the complexity of the model, model risk can occur in a number of areas of model development and application.

Potential model risks relating to the risk models used for the risk-bearing capacity analysis are qualitatively assessed both in the original model development process and as part of regular independent model validation. The objective is to examine the need for additional cover in relation to such risks in the form of own funds.

RISK REPORTING

A detailed risk management report is submitted to the Management Board and to the Supervisory Board of Volkswagen Bank GmbH on a quarterly basis. Amongst others, the following information is included in the risk management report:

- Presentation of the risk situation for the main risk categories including ESG risks
- Results of the risk-bearing capacity analysis using the economic and normative perspectives

> Overview of outsourcing activities and business continuity management
> Overview of ad hoc cases

The following information is also presented to the Management Board in the quarterly ICAAP report:
> Presentation and evaluation of stress test results in various scenarios (historical and hypothetical)
> Sensitivity analyses (by risk category)
> Normative/economic reconciliation of capital requirement (for each risk category)
> Commentary on the changes in risk-bearing capacity in the individual perspectives and scenarios

Ad hoc reports are generated as needed to supplement the system of regular reporting.

Volkswagen Bank GmbH strives to maintain the high quality of the information contained in the risk reports about structures and trends in the portfolios by mean of a process of constant refinement and ongoing adjustment in line with current circumstances.

RECOVERY AND RESOLUTION PLANNING

During the course of fiscal year 2023, the Volkswagen Bank GmbH Group updated its Group-wide recovery plan and submitted it to the ECB (the competent supervisory authority).

The recovery plan covers matters including a system to ensure that adverse developments are identified promptly, and the possible measures that could be used by the Group in different stress scenarios to safeguard or restore a robust financial footing. The update to the recovery plan in 2023 focused in particular on an analysis of the Group's ability to recover based on three different adverse scenarios.

The recovery plan also sets out the responsibilities and the processes to be followed in the management of a crisis and specifies a Group-wide set of recovery indicators to support ongoing monitoring. The recovery indicators are spread over different corporate units so that a broad range of indicators is covered. The range includes capital, liquidity, profitability and market-based indicators, all of which are continually monitored. The status of the recovery indicators as of the reporting date in question is notified to the Management Board and the Supervisory Board in the risk management report each quarter.

Volkswagen Bank GmbH has additionally assisted the competent resolution authorities with the preparation of a resolution plan during the current fiscal year. The objective of the resolution plan is to safeguard the resolution capability of the Bank. This involves Volkswagen Bank GmbH providing the resolution authorities with information and analyses for this purpose in accordance with its supporting duties as defined in Section 42 SAG.

Volkswagen Bank GmbH complied with the applicable bank-specific minimum requirement for own funds and eligible liabilities (MREL) at all times in 2023.

CURRENT REGULATORY FACTORS

Following years of tightening of the regulatory framework for institution and financial holding groups as a result of the financial crisis, the banking crisis in the USA and the problems affecting Swiss bank Credit Suisse, the narrative of the upcoming EU legislative period will shift to the topic of competitiveness as the European Union's ability to compete against China and the USA is declining. At the moment, however, this is not likely to have a positive impact on the regulatory framework requirements, except for selective improvements. Admittedly, no major regulatory initiatives are planned in the near future at Level I legislation, i.e. in terms of new EU regulations and directives. However, the existing comprehensive mandates of numerous European directives and regulations for the EU Commission, in particular the banking package, i.e. CRR III (Capital Requirements Regulation, CRD VI (Capital Requirements Directive) and DORA on the adoption of delegated acts and on MIFIR, etc. suggest a further large number of new, tighter regulatory requirements at Level II, which are essentially drafted by the European Banking Authority (EBA) and also ESMA, and supplemented by guidance at Level III. Based on past experience, the draft rules and regulations may include considerable tightenings that cannot be foreseen at present; they need to be identified in the course of the expected consultation processes and highlighted by the associations. As part of the financial holding group Volkswagen Financial Services AG, Volkswagen Bank GmbH will scrutinize these new stipulations, comply with them and take them into account. This may also have implications for the business and risk strategy.

Following over two years of deliberations, the Council and EU Parliament accepted compromise drafts for CRR III and CRD VI that were agreed by the trilogue parties in November 2023 and came into effect on July 9, 2024. The CRR III is concerned primarily with the implementation of Basel IV (also referred to by the Basel Committee as the completion of Basel III). Furthermore, the EBA has published a number of draft Commission-delegated regulations on CRR III, which will be accepted by the Council and the EU Parliament by way of the consent procedure following their acceptance by the EU Commission. In addition to the reporting requirements, they include specific requirements for the individual types of risk that must be backed by capital. Most of the CRR III requirements are applicable as of January 1, 2025, although the CRR III reporting requirements will not have to be implemented until June 30, 2025. The first-time application of the market risk requirements has been postponed by one year. Volkswagen Bank GmbH launched a CRR III implementation project designed to fulfill the requirements of CRR III and the associated delegated regulation.

CRD VI, which also came into force on July 9, 2024, focuses on the topic of sustainability risks. Its intention is that institutions should in future be required to create transition plans for their transition to sustainable operation. As soon as the draft CRD VI implementation bill becomes available in 2025, Volkswagen Bank GmbH and Volkswagen Financial Services AG will analyze and assess it and then determine and implement the actions required.

Even after the creation of the financial holding group Volkswagen Financial Services AG, Volkswagen Bank GmbH is considered a significant institution and, as part of this group, it remains subject to the direct supervision of the ECB. This means that it must comply with the EBA guidelines, the requirements of the ECB and the requirements of the German Federal Financial Supervisory Authority (BaFin), including the Minimum Requirements for Risk Management (MaRisk), insofar as the latter has not limited the scope of its requirements to less significant institutions. Volkswagen Bank GmbH is also subject to the ECB's Supervisory Review and Evaluation Process (SREP) for the supervised Volkswagen Bank Group. The EBA has published guidelines concerning SREP implementation and assessment and updates them from time to time. The EBA published its most recent set of revised guidelines on SREP and supervisory stress testing, which came into effect on January 1, 2023, on March 18, 2022. The revised SREP guidelines serve largely to implement requirements of CRD V, incorporate the stipulations of various new and revised EBA guidelines and are intended to help refine supervisory practice. The changes being introduced include a requirement that ESG risks should be included in the business model analysis. ESG risks and their consequences are to be assessed in this context with regard to the viability and sustainability of the business model and the long-term resilience of the Volkswagen Bank Group. In future, this assessment will probably have an increased effect on the level of the overall SREP score determined by the ECB.

Once the SREP has been completed, Volkswagen Bank GmbH, like other significant institutions, will be notified of the additional equity requirements and expectations in relation to Pillar 2 along with recommendations for implementation. Volkswagen Bank GmbH is bound to respect that notification for the Volkswagen Bank GmbH Group.

Given that Volkswagen Bank GmbH originates securitizations on a large scale, the provisions of the Securitization Regulation and compliance with the requirements for STS securitizations are also of great relevance.

The provisions of the Prudential Backstop Regulation for nonperforming loans as described in Article 47a of the CRR, which entered into force on April 26, 2019, also have a regulatory effect on the capital requirement for credit risk. Regulatory minimum capital requirements for risk exposures that have been nonperforming for more than two years have been in force since 2021. Failure to comply in full with the regulatory minimum capital requirement necessitates a deduction from the Common Equity Tier 1 capital. The regulator does not currently allow CRSA institutions like Volkswagen Bank GmbH to recognize collateral in the form of vehicles, which means that deductions are made from equity. This deduction from equity also affects Pillar 2.

The expectations of the ECB set out in its addendum to the guidance on nonperforming loans (prudential provisioning backstop for nonperforming exposures), most recently updated by the expectations regarding adequate prudential minimum provisioning published on August 22, 2019, also have a regulatory impact. Volkswagen Bank GmbH must also ensure that its management of nonperforming loans complies with the EBA Guidelines on the management of nonperforming and forborne exposures, the ECB's Guidance to banks on nonperforming loans and the revised MaRisk published in August 2021. More significant implications for the credit risk strategy can arise should the proportion of nonperforming risk exposures reach or exceed 5% at the level of the Volkswagen Bank GmbH Group or at the level of the single entity. Volkswagen Bank GmbH must additionally comply with the EBA Guidelines on loan origination and monitoring, which define wide-ranging requirements for the assessment of lending operations and thus have implications for credit decisions. The necessary IT was gradually implemented at Volkswagen Bank GmbH by June 30, 2024 in accordance with the EBA's transitional provisions.

There are regulatory effects arising from the stipulations concerning interest rate risk, which include the guidelines on interest rate risks for banking book (IRRBB) and credit spread risk arising from non-trading book activities (CSRBB). These guidelines were to be implemented in two stages in 2023. Among the more prominent changes were the requirements pertaining to credit spread risk. The adopted delegated act regarding CRD V on the supervisory IRRBB outlier test specifies the six supervisory shock scenarios plus the criteria to be used to assess whether there is a strong decline in net interest income or in the economic value of equity that could trigger supervisory measures. The IRRBB package is rounded off by extensive reporting requirements on interest rate risk, which were required to be implemented by September 30, 2024. Accordingly, the first report had to be submitted by September 30, 2024. The LiMA project will ensure sustainable IT implementation.

Other regulatory effects on risk management in Pillar 2 stem in particular from the EBA Guidelines on information and communication technology (ICT) and security risk management and the EBA Guidelines on outsourcing arrangements, which are also considered in the MaRisk published in August 2021.

In addition, the Digital Operational Resilience Act (DORA), which took effect on January 17, will be of major relevance in the future and will significantly shape the requirements for IT, as well as the relationship with ICT service providers. DORA is intended to establish a standardized framework for the effective and all-inclusive management of cybersecurity risk and ICT risk for financial market participants and critical ICT service providers as defined in the Regulation. It aims to ensure that resilient operation can be maintained in the event of serious disruption that could potentially jeopardize the security of the network and information systems so that financial market participants can continue to work securely and reliably even if ICT is affected by a major incident.

DORA focuses on six main areas: ICT risk management, the reporting of ICT-related incidents and material cyberthreats, digital operational resilience testing (including threat-led penetration testing, TLPT), third-party ICT risk management, a European oversight framework for critical third-party ICT service providers, and information sharing and (cyber) emergency exercises.

A large proportion of the DORA requirements are already familiar from the aforementioned EBA Guidelines on ICT and security risk management and EBA Guidelines on outsourcing arrangements and from the supervisory requirements for IT in financial institutions (BAIT) and MaRisk. What the regulation does, in effect, is elevate many requirements that are already known onto a statutory footing. BaFin has exempted financial undertakings that are directly subject to the DORA Regulation from the scope of BAIT in order to avoid double regulation. Consequently, BAIT no longer directly addresses Volkswagen Bank GmbH and its subsidiary Volkswagen Leasing GmbH.

Furthermore, the regulation includes a series of mandates on which initial delegated regulations were published in the Official Journal of the European Union in the course of 2024, which had to be implemented by the date of their initial application. Of particular importance for risk management at Volkswagen Bank GmbH is a delegated regulation for the further harmonization of ICT risk management instruments, methods, processes and strategies. Furthermore, the European supervisory authorities published a number of final draft regulatory technical standards (RTS) and implementing technical standards (ITS) in July 2024, and it is expected that these will shortly become law.

One project implements the requirements of DORA and the associated delegated regulations. It aims to implement regulatory requirements set out in DORA and to strengthen Volkswagen Bank GmbH and its subsidiary Volkswagen Leasing GmbH against cyber risks.

In the context of DORA, BaFin published a supervisory statement on outsourcing to cloud service providers in February 2024, which it updated in July. Furthermore, on June 3, 2024, the ECB published its consultation paper “Outsourcing cloud services to cloud service providers.” The ECB guide scrutinizes the requirements of DORA in the context of outsourcing cloud services to cloud service providers, which in many cases are also likely to be critical ICT service providers within the meaning of DORA. It also formulates the expectations for the implementation of DORA in this respect, which it transfers to the Group beyond DORA through the requirements of the CRD.

In May 2024, the ECB published its guide on effective risk data aggregation and risk reporting, in which it emphasizes quite clearly the importance it attaches to this topic. The Guide is primarily concerned with the consistent implementation of the principles for effective risk data aggregation and risk reporting issued by the Basel Committee (BCBS 239).

The Guide focuses on seven key areas: a) the responsibilities of the management body, b) the scope of application of the data governance framework, c) key roles and responsibilities for data governance, d) the implementation of an integrated data architecture at group level, e) the effectiveness of data quality controls, f) the timeliness of internal risk reporting and g) implementation programs. Volkswagen Bank GmbH attaches great importance to this matter and is working with Volkswagen Financial Services AG to ensure that there is continuous improvement in data quality. It is also tackling the subject from the governance side, with a Head of Data Governance ensuring there is an appropriate governance framework in place and that data quality will be adequate for regulatory reporting and internal management purposes.

Considering climate and environmental risks in risk management, including transition risks, will continue to be important in the future in light of the tougher regulatory requirements to be expected. This requires a continuing intensive review of these risks that could be drivers of existing categories of risk and that are considered in the identification, assessment, monitoring and management of the categories of risk. While large amounts of data are already collected to identify and assess any climate and environmental risks, be it for internal risk management or for disclosure purposes, it will become more important to ensure the relevance and quality of this data so it can be managed in line with transition plans.

Of particular significance in this connection is the ECB's Guide on climate-related and environmental risks. Its requirements are due to be implemented following the establishment of the financial holding group in accordance with a plan agreed with the ECB. This plan also includes the new Volkswagen Bank Group with Volkswagen Leasing GmbH as a subsidiary of Volkswagen Bank GmbH. The requirements of this Guide, building on the methodology developed for the Volkswagen Bank Group in its composition up to June 30, 2024, will be implemented for the Volkswagen Bank Group as part of the financial holding group by the end of September 2025; the materiality of the risks is due to be assessed by June 30, 2025. For Volkswagen Bank GmbH (single entity) the requirements of this Guide were already implemented in 2023.

Moreover, the MaRisk requirements, including the 7th and 8th MaRisk amendments, were due to be implemented Group-wide by July 1, 2024 ahead of the establishment of the new Volkswagen Bank Group. The main topics of these amendments related in particular to the integration of ESG risks into all relevant risk management processes and the quantification of ESG risks, as far as possible, the implementation of the EBA Guidelines on loan origination and monitoring and requirements for the use of models in the context of risk parameterization and measurement, and also the implementation of the EBA Guidelines on interest rate risk and credit spread risk.

It is worth noting that ESG risks must not only be taken into account comprehensively in risk management; a comprehensive disclosure of ESG risks is now required, and this trend is set to increase. Accordingly, this report must include extensive sustainability-related disclosures. In particular, this concerns information on CO_2 emissions, including those related to vehicle financing (Scope 3 emissions) and the green asset ratio. The green asset ratio expresses the proportion of loans and receivables that satisfy the taxonomy criteria in the Taxonomy Regulation and the current associated Delegated Regulation (EU) 2021/2139. Scope 1, 2 and 3 emissions were first disclosed as of June 30, 2024. In this connection, it should be noted that the Volkswagen Bank Group changed on July 1, 2024 and that Volkswagen Leasing GmbH has been a subsidiary of Volkswagen Bank GmbH since that date.

It is to be expected that the green asset ratio will rise over the next few years as the proportion of battery-powered vehicles financed and leased rises too. At the same time, emissions intensity is expected to decline, with an increase in the proportion of battery-powered vehicles financed, i.e. leased CO_2 emissions are likely to fall relative to the portfolio of loans and receivables over the next few years. Vehicles with combustion engines will still be financed in the future, so measures to offset these emissions are planned as part of the sustainability strategy. The Volkswagen Bank Group as part of the Volkswagen Financial Services Group is aiming for the direct emissions of financed and leased vehicles in the portfolio to become net climate-neutral by 2030. The corresponding unavoidable carbon emissions will be offset by investing in climate change mitigation projects.

Finally, the Corporate Sustainability Reporting Directive (CSRD) entered into force during 2023 but has not yet been transposed into national law. Due to the collapse of the so-called traffic light coalition in Germany, this will not happen until 2025. In future, being a large subsidiary active in the capital markets, Volkswagen Bank GmbH will have to disclose extensive sustainability-related information in its (sub)group management report. This includes the required disclosure in accordance with Article 8 of the Taxonomy Regulation and the Delegated Regulation (EU) 2021/2178. The sustainability and transformation strategy and the transition plans with defined target dates for reducing CO_2 emissions will also be covered by the disclosure requirements. The details are set out in a delegated act that is now in force. Initial publication is expected as of December 31, 2025.

The EBA published a consultation paper on the management of ESG risks in January 2024 with the aim of ensuring that the CRD VI requirements for managing ESG risks are implemented consistently across the EU; the final version was published by the EBA on January 9, 2025, and the requirements must be implemented by January 11, 2026. Whereas a large part of the requirements for managing ESG risks is already known from the EBA Guidelines on climate-related and environmental risks and from the MaRisk published at the end of June 2023, these guidelines are noteworthy for the fact that they define very binding standards in some cases that can be used in the future to measure and verify whether the relevant requirement for managing ESG risks has been met, even though the EBA has somewhat broadened the scope for appropriate, proportional implementation in some areas compared with the consultation paper. Whereas today it is often still sufficient for ESG risks to be considered in the various risk management processes for all types of risk, the EBA guidelines lay out stipulations in a range of cases that are as specific as possible and that must be complied with for the particular requirement to be deemed met, and to have been considered adequately .

Specifications resulting from the CRD VI requirements are also new. They relate, in particular, to the requirements for the transition plan that is to be prepared. Accordingly, the management body will, following implementation at the national level, be responsible for the development of specific plans with quantifiable objectives to monitor and mitigate physical and transition risks resulting over the short, medium and long term from the business model and strategy of the institution or group not being consistent with the relevant political objectives of the European Union or more general trends to transition to a more sustainable economy with regard to ecological, social and governance factors. The long-term time horizon should be at least ten years. Furthermore, the plan must include an interim target for 2030 to demonstrate to the supervisory authorities how the plan enables the institution and the group to identify and measure ESG risks associated with the EU's target of reducing greenhouse gas emissions by 55% from 1990 levels. Furthermore, the transition plans must be consistent with the business strategy, risk appetite, ICAAP and the other risk management processes.

Finally, at the end of July 2024 the ECB put a “Draft guide on governance and risk culture” out for consultation. By way of a background, in the context of the crisis on the financial markets, the problems faced by Credit Suisse and the insolvency of major banks in the USA in 2023, governance and risk culture issues are now among the top priorities of regulators around the world, according to the ECB. This consultation paper has also been prompted by the entry into force of CRD VI in July 2024 as part of the so-called banking package, which is due to be transposed into national law by January 2026 in order to ensure the national implementation of CRD VI is uniform across the major supervised institutions and groups in the eurozone.

The significance of the ECB guide on governance and risk culture lies in the fact that the ECB is specifying and clarifying its supervisory expectations regarding governance and risk culture on the basis of existing regulatory requirements. The ECB guide focuses on the following topics:

> Requirements related to risk culture
> The functioning and effectiveness of the management bodies of the supervised institution (including the committees of the supervisory board and the independent members)
> the functioning and effectiveness of the internal control functions, comprising the risk management function, the compliance function and the internal audit function, as well as
> the design and implementation of the risk appetite framework.

The ECB describes observed good practices for each of these topics.

In terms of the policies on the composition and functioning of the governing bodies, a suitability policy and a diversity policy in particular are expected in the future.

A large number of expectations and recommendations set out in the consultation paper were heavily criticized by the banks, as some of them go well beyond existing regulatory requirements and it is questionable whether they will really strengthen governance as intended, although this would be welcomed in principle. It therefore remains to be seen what the final ECB guide on governance and risk culture will look like. Volkswagen Financial Services AG and Volkswagen Bank GmbH will scrutinize the final ECB guide and derive any need for action and any measures to be taken, where applicable.

NEW PRODUCT AND NEW MARKET PROCESS

Before launching new products or commencing activities in new markets, the new product and new market process must be completed. All the units involved (such as Risk Management, Controlling, Accounting, Reporting, Legal Affairs, Compliance, Antitrust Law, Treasury, Payments, IT) must be integrated into the process. The process for every new activity involves the preparation of a written concept, which includes an analysis of the risks associated with the new product or market and a description of the possible implications for management posed by the risks. Responsibility for approval or rejection lies with the Board of Management of Volkswagen Financial Services AG and with the relevant members of the Management Board of Volkswagen Bank GmbH or those with delegated authority from the Management Board, and, in the case of new markets, also with the members of the Supervisory Board.

The institution maintains a product manual containing details of all products and markets intended to form part of the business activities.

OVERVIEW OF RISK CATEGORIES

In the Volkswagen Bank GmbH Group, risk is defined as the danger of loss or damage that could occur if an expected future development turns out to be less favorable than planned. This risk can be broken down into different categories of risk. At the same time, the Volkswagen Bank GmbH Group also continuously analyzes and assesses the opportunities that arise from the risks that have been consciously taken. Business decisions taken by the Volkswagen Bank GmbH Group are therefore based on the risk-reward considerations described here.

Financial risks	Nonfinacial risks
Counterparty default risk	Operational risk
Interest rate risks in the banking book (IRRBB)	Compliance and conduct risk
Other market risks (currency risk and fund price risk)	Outsourcing risk
Liquidity risk (refinancing risk)	
Residual value risk	
Business risk	

RISK STATEMENTS BY THE MANAGEMENT BOARD IN ACCORDANCE WITH ARTICLE 435 OF THE CRR

The Management Board of Volkswagen Bank GmbH has approved the following risk statements:

Declaration on the adequacy of risk management arrangements (in accordance with Article 435(1)(e) of the CRR)

“The risk management arrangements of the Volkswagen Bank GmbH Group comply with established standards and are proportional to the risk inherent in the exposures. This includes the processes which have been established for liquidity risk management.

The processes are appropriate for ensuring risk-bearing capacity and adequate liquidity resources on a sustained basis.

The risk objectives described are measurable, transparent and manageable on account of the procedures used. They fit the strategy of the institution.

Consequently, we, as the Management Board of Volkswagen Bank GmbH, consider the risk management systems established by the Volkswagen Bank GmbH Group to be appropriate for the profile and strategy of the Volkswagen Bank GmbH Group.”

Concise risk statement (in accordance with Article 435(1)(f) of the CRR)

The business strategy of Volkswagen Bank GmbH (Group), MOBILITY2030, serves as the starting point for the preparation and consistent derivation of our 2025 risk strategy. This provides a binding framework for risk-taking that reflects our risk-bearing capacity, risk tolerance and risk appetite, as well as the management of risks.

Our risk profile as well as the risk tolerance defined by the Management Board and the defined risk appetite of the Volkswagen Bank GmbH Group are modeled by the limit system or the distribution of risk capital across the individual risk types. As the risk profile shows, credit risk and the direct residual value risk account for the greatest proportion of total risk. This reflects the business model of a captive.

TABLE 13: CHANGES IN RISK CATEGORIES

	DEC 31,2024		DEC 31,2023	
Risk categories	€ million	Share in %	€ million	Share in %
Credit risk	6,633	54	2,169	62
Shareholder, issuer and counterparty risk	508	4	348	10
Residual value risk	3,133	26	42	1
Interest rate risk in the banking book (IRRBB)	1,487	12	716	20
Credit spread risk in the banking bock (CSRBB)	102	1	–	–
Other market risks (currency and rund price risk)	56	1	23	1
Liquidity risk (funding risk)	3	0	2	0
Operational risk	283	2	201	6
Business risk	0	0	0	0
Total	**12,205**	**100**	**3,501**	**100**

The confidence level is 99.9% as standard.

In addition, our risk profile is characterized by broad nationwide diversification, a large proportion of retail business and the use of motor vehicles as collateral. These comprise a large range of vehicles from the different brands of the Volkswagen Group as well as across all automotive segments. Furthermore, the Volkswagen Bank GmbH Group makes use of the exemption granted in Article 94 of the CRR, as it does not conduct any trading book activities.

The Volkswagen Bank GmbH Group has broadly diversified funding sources. At 20%, the target LCR (liquidity cover ratio) is above the regulatory minimum. This minimum ratio has always been achieved. The longer-term structural liquidity ratio NSFR is managed with an early warning threshold of 103%. This corresponds to the liquidity risk profile and is in line with the risk strategy as well as the defined risk tolerance. Liquidity risk management is suitable for detecting possible risks at an early stage and is therefore considered to be appropriate.

The above-mentioned aspects and the incomplete allocation of the existing risk-taking potential among the risk types reflect the risk tolerance of the Volkswagen Bank GmbH Group."

CORPORATE GOVERNANCE ARRANGEMENTS IN ACCORDANCE WITH ARTICLE 435(2)(A–E) OF THE CRR

Number of directorships held by members of the Management Board

The following tables show the number of directorships held by members of the Management Board and the Supervisory Board of Volkswagen Bank GmbH.

TABLE 14: NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE MANAGEMENT BOARD

	Number of management functions as of Dec. 31, 2024	of which management functions in the Volkswagen Group as of Dec. 31, 2024	Number of supervisory functions as of Dec. 31, 2024	of which supervisory functions in the Volkswagen Group as of Dec. 31, 2024
Dr. Volker Stadler	1	1	0	0
Oliver Roes	1	1	3	2
Christian Löbke	1	1	1	1

TABLE 15: NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE SUPERVISORY BOARD

	of which management functions in the Volkswagen Group as of Dec. 31, 2024	of which management functions in the Volkswagen Group as of Dec. 31, 2024	Number of supervisory functions as of Dec. 31, 2024	of which supervisory functions in the Volkswagen Groupas of Dec. 31, 2024
Frank Fiedler	1	1	5	5
Björn Bätge	0	0	6	6
Silvia Stelzner	0	0	1	1
Markus Bieber	0	0	1	1
Prof. Dr. Susanne Homölle	0	0	1	1
Dr. Alena Kretzberg	2	2	4	2
Markus Konradt	0	0	1	1
Katrin Rohmann	0	0	3	1
Björn Schöne	0	0	2	2
Alina Roß	0	0	1	1

Recruitment policy for the selection of members of the Management Board and Supervisory Board and their actual knowledge, skills and expertise

The selection strategy is aligned to the statutory requirements, particularly the German Banking Act and banking regulatory requirements.

The Nomination Committee initially submits its recommendations to the Supervisory Board with respect to the composition of the governance bodies. In this connection, it seeks to ensure a balance and diversity in the knowledge, capabilities and experience of all the members of the governing body in question.

Under corporate law, the Supervisory Board appoints and dismisses the members of management. Members are generally reappointed in the year before their current appointment expires. The Nomination Committee helps the Supervisory Board to identify suitable candidates to fill a position that has become vacant.

In addition, it prepares motions for the election of the members of the Supervisory Board. The members of the Supervisory Board are elected by the shareholders at the annual general meeting on the basis of the recommendation of the Supervisory Board. Particular attention is paid to diversity and suitability for performing the responsibilities of a member of the Supervisory Board.

The members of the Supervisory Board are encouraged to take part in a lifelong learning program. Moreover, they independently engage in the training and further education necessary for the performance of their duties.

The composition of the Management Board ensures that Volkswagen Bank GmbH has the theoretical and practical knowledge necessary to duly carry out its overall responsibility in all significant areas. The members have extensive theoretical and practical knowledge as well as the experience to be able to carry out their department-related management responsibilities in full. Sufficient time is available for their activities.

The members of the Supervisory Board work or have worked – in some cases for many years – in various functions, including on the management board at different companies, have been appointed as chairs or as members of the management boards, have headed treasury departments, are members of the science community or are long-standing members of works councils. They possess the necessary expertise to perform their supervisory duties and to assess and monitor the Company's business as well as knowledge of accounting and auditing matters in particular.

The suitability of each member of the Management Board and the Supervisory Board for the performance of their duties is reviewed, determined and continuously monitored by Volkswagen Bank GmbH as well as the regulatory authorities. The suitability review includes a consideration of the knowledge, skills and experience of each member of the governing body as well as the Management Board and the Supervisory Board in their entirety, the time they have available to perform their duties and their independence.

Policy on diversity with regard to selection of members of the Management Board and Supervisory Board

Diversity is one of the criteria for the composition of management bodies. The concept of diversity is also taken into account when selecting the members of the management bodies. Above all, Volkswagen Bank GmbH endeavors to achieve diversity in terms of age, gender, geographical origin, as well as educational and professional background with, in particular, appropriate consideration of women. The proportion of women on the Supervisory Board stands at 50% (target: 25%). There is adequate representation of employees on the Supervisory Board. The target for female representation in management is 20%.

Information about the Risk Committee

The Risk Committee of Volkswagen Bank GmbH's Supervisory Board held four meetings during the reporting year. During the reporting period, there were no urgent transactions that would have required a decision by circulation of written resolutions for approval. The Committee has four members, who all participated in the four meetings.

At its meeting on February 29, 2024, the Risk Committee addressed the findings of the auditor with regard to risk management from the 2023 audit of the annual financial statements. The Committee then addressed the retrospective analysis of the 2023 risk strategy and the risk strategy and risk limits for 2024 and the lessons learned report on the early risk detection system in the retail business. Following an appropriate review, the Risk Committee confirmed that the incentives set by the Bank's remuneration system do factor in its risk, capital and liquidity structure and the probability and timing of income.

At its meeting on June 14, 2024, the Risk Committee discussed the registration of the documentation for the SREP on March 31, 2024. Furthermore, it considered the risk management report as of March 31, 2024, especially the special explanations on the ESG pages and the risk management organization as of July 1, 2024.

At its meeting on September 13, 2024, the Risk Committee deliberated the current capital ratios following implementation of the "Koralle" program, the results of the ad hoc risk inventory and discussed the business and risk strategy. Under a further agenda item, the Committee received an explanation of and discussed the current status of the large exposure and the management of residual values and residual value risks.

On November 8, 2024, the Risk Committee addressed the first risk management report in the new structure and its material changes. Moreover, the Committee discussed the status of the interest rate risk in the banking book and preparations for the EBA/ECB stress test 2025.

Description of the information flow on risk to the Management Board and Supervisory Board

Risk reporting to the Management Board and Supervisory Board occurs quarterly in the form of a comprehensive risk management report. The starting point for the risk management report is risk-bearing capacity because of its importance from a risk perspective for the successful continued existence of the business as a going concern. The report also presents the calculation of the available risk-taking potential, the utilization of limits and the current percentage allocation of the overall risk to the individual risk categories. In addition, Risk Management reports on credit risk, direct residual value risk and operational risk as well as interest rate risks in the banking book, other market price risks and further aspects of risk management both at an aggregate level and for the individual companies. Additional reports are produced for specific risk categories.

Ad hoc reports are generated as needed to supplement the system of regular reporting. All Group companies are required to prepare these reports. In a two-step process, the Management Board is first informed of events that may have a significant impact on or damage the overall risk profile; then, if necessary, the Supervisory Board is notified of these events. Depending on the risk type and reporting level, various thresholds then lead to these risks being reported immediately.

In addition to the reporting, the Management Board is briefed at its meetings on the risk situation including selected exposures. Supervisory Board members are informed of risk-specific topics at Supervisory Board meetings. Information on risks arising from the launch of new products or the commencement of activities in new markets is collected in the new product and new market process. Responsibility for approval or rejection lies with the Board of Management of Volkswagen Financial Services AG and with the relevant members of the Management Board of Volkswagen Bank GmbH or those with delegated authority from the Management Board, and, in the case of new markets, also with the members of the Supervisory Board.

Credit risk and credit risk mitigation

Receivables that are past due by at least one day but by no more than 90 days (1 day ≤ past due in days ≤ 90 days) and not classified as nonperforming – taking into account the materiality threshold in accordance with section 16 of the SolvV – are considered to be past due.

The Volkswagen Bank GmbH Group defines nonperforming in accordance with Article 442(a) of the CRR in line with Article 178 of the CRR as follows:
An obligor is deemed to be nonperforming if,

- based on concrete indications, the entity is of the opinion that the obligor is unlikely to discharge its payment obligations from the granting of credit or from lease liabilities without recourse by the entity to actions such as realizing any existing security, or
- a significant portion of its aggregate liability from the granting of credit or from lease liabilities is past due for more than 90 consecutive calendar days – taking into account the materiality threshold in accordance with section 16 of the SolvV. In the case of retail risk exposures, the criteria set out above are applied to individual credit facilities and not to a borrower's total liabilities.

The events that are regarded as indications that it is unlikely that payment obligations will be discharged include:

- debt waivers
- distressed restructurings
- significant reduction in credit rating
- insolvency
- negative information from external credit information agencies
- court payment orders
- termination
- sale of receivables at a loss

In 2014, the final draft Implementing Technical Standards on supervisory reporting on forbearance and nonperforming exposures published by the EBA in February 2014 was implemented. This essentially defines forborne exposures as debt instruments in which concessions were granted to the debtor (for example, modification of the terms and conditions of the contract or its refinancing, deferrals and/or restructuring) that would not have been granted had the debtor not been facing or about to face financial difficulties.

The data is collected each quarter in the prudential scope of consolidation of Volkswagen Bank GmbH for reporting in accordance with Article 99 (4) of the CRR or in connection with the FINREP framework and reported to the EBA.

Description of the procedures applied when recognizing provisions for credit risks

The entities of the Volkswagen Bank GmbH Group use IFRS-based risk-provisioning procedures for the purposes of recognizing provisions for credit risks. These take country-specific circumstances into account.

Provisions for credit risks are calculated using the expected credit loss model described in IFRS 9. To this end, the Volkswagen Bank GmbH Group recognizes specific value allowances and portfolio-based provisions for credit risks. In the case of specific value allowances, it additionally draws a distinction between portfolio-based specific value allowances and other specific value allowances. The principal distinguishing factor is whether an exposure is classified as an individually significant exposure or as a non-significant exposure.

Recognition of specific value allowances

Specific value allowances are recognized for individually significant exposure if there is any evidence of impairment. The specific valuation allowance is recognized in the amount required to cover the entire expected loss. To identify any objective evidence of impairment, the Volkswagen Bank GmbH Group applies the definition of default used for risk management in accordance with Article 178 of the CRR in connection with section 16 of the SolvV. Depending on the complexity and importance of the transaction, the Volkswagen Bank GmbH Group classifies customers as individually significant. In terms of the customer segments of the Volkswagen Bank GmbH Group, this means that dealers are classified as individually significant.

Recognition of portfolio-based specific value allowances

Portfolio-based specific valuation allowances are recognized for exposures that are not classified as individually significant but for which there is objective evidence of impairment. The amount of the valuation allowances corresponds to the expected loss, which is estimated using statistical techniques on the basis of expected recovery proceeds and cash flows.

Recognition of portfolio-based provisions for credit risks

Portfolio-based provisions for credit risks for covering expected impairments are recognized for exposure in cases in which there is not yet any specific evidence of impairment. Provisions for exposure for which a significant increase in the credit risk since origination has been determined (Stage 2) equal the amount of the lifetime expected credit loss. Provisions for exposure for which no significant increase in credit risk has been identified are measured on the basis of the 12-month expected loss. The determination of a significant increase in credit risk is based on any changes in the credit rating of the exposure. The amount of the provisions for credit risks is determined on the basis of the results of the creditworthiness assessment (e.g. rating or score), expected loss and the applicable level. The methods used to estimate the expected loss correspond to the methods used to estimate the loss for which portfolio-based valuation allowances are recognized.

The amount of the provision for credit risks and the existence of evidence of impairment are regularly reviewed and updated.

Credit risk

Credit risk describes the risk of losses due to defaults in customer transactions (retail and corporate), specifically by the borrower or lessee. Loans to and receivables from Volkswagen Group companies are also included in the analysis. Default occurs when the borrower or lessee is unable or unwilling to make the payments due. This includes late or partial payment of interest and principal on the part of the contracting party.

Credit risk, which also includes counterparty credit risk in connection with leases, accounts by far for the greatest proportion of risk exposures in the counterparty credit risk category.

The aim of systematic credit risk monitoring is to identify potential borrower or lessee insolvencies at an early stage, initiate any corrective action to prevent a potential default in good time and anticipate possible losses by recognizing appropriate write-downs or provisions.

If a loan default materializes, this represents the loss of a business asset, which has a negative impact on financial position and financial performance. If, for example, an economic downturn leads to a higher number of insolvencies or greater unwillingness of borrowers or lessees to make payments, the recognition of a higher write-down expense is required. This in turn has an adverse effect on the operating result.

Risk identification and assessment

Lending or credit decisions by the Volkswagen Bank GmbH Group are made primarily on the basis of the borrower credit check. These credit checks use rating or scoring systems, which provide the relevant departments with an objective basis for reaching a decision on a loan or a lease.

A set of guidelines outlines the requirements for developing and maintaining the rating systems. There is also a rating manual that specifies how the rating systems are to be applied as part of the loan approval process. Similarly, other written procedures specify the parameters for developing, using and validating the scoring systems in the retail business.

To quantify credit risk, an expected loss (EL) and an unexpected loss (UL) are determined at portfolio level for each entity. The UL is the value at risk (VaR) less the EL. The calculations use an asymptotic single risk factor model (ASRF model) in accordance with the capital requirements specified by the Basel Committee on Banking Supervision (Gordy formula) taking into account the credit quality assessments from the individual rating and scoring systems used.

Rating Systems for Corporate Customers

The Volkswagen Bank GmbH Group uses rating systems to assess the credit quality of corporate customers. This evaluation takes into account both quantitative factors (mainly data from annual financial statements) and qualitative factors (such as the prospects for future business growth, quality of management and the customer's payment record). When the credit assessment has been completed, the customer is assigned to a rating class, which is linked to a probability of default.

Individual rating processes that have mainly been developed based on statistical methods are used for significant portfolios of subsidiaries of the Volkswagen Bank GmbH Group. Another important rating system is the FS rating. This is used in a variety of countries in which portfolios tend to be small or there are few defaults. It was designed as an expert-based rating system that includes data from annual financial statements in a market-specific approach for assessing credit quality.

A Europe-wide workflow-based rating application drawing on centrally held data is used to calculate ratings.

The rating systems were calibrated to a unified master scale to ensure comparability of the risk assessment within the Group by rating class. This provides for 15 rating classes (individual rating processes) or nine rating classes (FS rating) for the portfolio not in default as well as three nonperforming classes. Fixed PD bands are allocated to the non-defaulting rating classes. The median probability of default of the relevant rating class is always within the rating class of the PD band apportioned on the basis of uniform criteria.

The rating determined for the customer serves as an important basis for decisions on whether to grant or renew a loan and for decisions on valuation provisions.

Scoring Systems in the Retail Business

For the purposes of determining the credit quality of retail customers, scoring systems are incorporated into the processes for credit approval and for evaluating the existing portfolio. These scoring systems provide an objective basis for credit decisions. The systems use information about the borrower available internally and externally and estimate the probability of default for the requested loan, generally with the help of statistical methods based on historical data covering a number of years. An alternative approach adopted for smaller or low-risk portfolios also uses generic, robust scorecards and expert systems to assess the risk involved in credit applications.

To classify the risk in the credit portfolio, both behavioral scorecards and simplified estimation procedures are used, depending on portfolio size and the risk inherent in the portfolio.

Besides the customer's individual payments record, a variety of other external and internal data on the borrower is used in the behavioral scorecards to estimate the probability of default for the customer transaction. Similar transactions (in terms of the counterparty default risk) are assigned to a single risk class to enable standardized and uniform measurement in portfolio management. The behavioral scorecards in use were developed using statistical methods and models based on historical data covering a number of years and have predominantly been calibrated to a unified master scale. As a rule, all scorecards are validated annually.

Risk classification in the portfolios for which no behavioral scorecards are employed generally entails allocating the loans to different risk pools based on the borrower's payments record. A probability of default is assigned to each risk pool and, following this, to each loan in the risk pool. It is also used further along the credit risk measurement process as a basis for quantifying the probability of default of all the transactions in a risk pool. Provided corresponding data histories are available, this probability of default is determined based on long-term averages of realized default rates and normally validated on a yearly basis.

Supervision and review of retail and corporate systems

The models and systems supervised by Risk Management are regularly validated and monitored using standardized procedural models for validating and monitoring risk classification systems. The models and systems are adjusted and refined as required. These review procedures are applied to models and systems for assessing credit quality and estimating the probability of default (such as rating and scoring systems) and to models used for estimating loss given default and estimating credit conversion factors.

In the case of the retail models and systems for credit assessment supervised by local risk management units outside Germany, Risk Management reviews the quality of these models and systems on the basis of the locally implemented validation processes, determines action plans in collaboration with the local risk management units if a need for action is identified and monitors the implementation of the action plans. In the validation process, particular attention is paid to a review of the discriminant power of the models and an assessment of whether the model calibration is appropriate to the risk. The models and systems for corporate customers are handled in the same way, although a centralized approach is used for the supervision and validation thereof.

Risk monitoring and control

Risk Management sets framework constraints for the management of credit risk. These constraints form the mandatory outer framework of the central risk management system, within which the divisions/markets can operate in terms of their business policy activities, planning, decisions, etc. in compliance with their assigned authority.

Appropriate processes are used to monitor all lending in relation to financial circumstances, collateral and compliance with limits, contractual obligations and internal and external conditions. As such, commitments are managed according to the degree of risk involved (standard, intensified and problem loan management). Approval or reporting limits determined by the Volkswagen Bank GmbH Group are also used to manage credit risk. These limits are specified separately for each individual subsidiary.

QUANTITATIVE DISCLOSURE OF CREDIT AND DILUTION RISK

Table EU CR1-A shows the net credit exposure for loans and advances as well as bonds by maturity as of December 31, 2024.

TABLE 16: EU CR1-A – MATURITY OF EXPOSURES

		A	B	C	D	E	F
		Net exposure value					
	in € millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	4,367.8	25,354.8	45,908.3	5,450.8	1,020.1	82,101.8
2	Debt securities	0.0	559.8	2,005.6	152.0	1,009.0	3,726.4
3	Total	4,367.8	25,914.6	47,913.9	5,602.8	2,029.1	85,828.2

NONPERFORMING AND FORBORNE EXPOSURES

At 2.65%, Volkswagen Bank GmbH's NPL ratio (FINREP) is below the 5% threshold.

TABLE 17: EU CQ1 – CREDIT QUALITY OF FORBORNE EXPOSURES

		A	B	C	D	E	F	G	H
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
	in € millions	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	**Cash balances at central banks and other demand deposits**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
010	**Loans and advances**	**354.9**	**107.6**	**107.4**	**107.4**	**–2.1**	**–49.9**	**267.0**	**48.3**
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	0.3	0.0	0.0	0.0	–0.0	0.0	0.2	0.0
040	Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0
060	Non-financial corporations	309.6	64.5	64.5	64.5	–1.9	–23.4	252.0	34.7
070	Households	44.8	43.0	42.8	42.8	–0.2	–26.5	14.6	13.6
080	**Debt Securities**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
090	**Loan commitments given**	**37.8**	**34.9**	**34.9**	**34.9**	**0.2**	**7.6**	**4.2**	**4.2**
100	**Total**	**392.7**	**142.5**	**142.3**	**142.3**	**–2.0**	**–42.3**	**271.2**	**52.5**

The table provides an overview of the credit quality of the forborne exposures of Volkswagen Bank GmbH. It shows the gross carrying amounts of the exposures as well as the related credit risk adjustments, provisions and collateral received.

TABLE 18: EU CQ3 – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

		A	B	C	D	E	F	G	H	I	J	K	L
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
	in € millions		Not past due or Past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past-due or past-due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**12,722.7**	**12,722.7**	**0.0**	**3.1**	**3.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3.1**
010	**Loans and advances**	**82,171.5**	**81,742.4**	**429.1**	**2,233.7**	**1,262.2**	**281.6**	**306.0**	**219.9**	**145.8**	**9.6**	**8.7**	**2,179.7**
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	132.2	131.9	0.3	4.1	3.9	0.2	0.0	0.0	0.0	0.0	0.0	2.5
040	Credit institutions	1,258.5	1,258.5	0.0	0.8	0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.8
050	Other financial corporations	10,963.1	10,960.4	2.8	14.5	9.5	1.8	1.5	0.9	0.6	0.0	0.1	13.6
060	Non-financial corporations	33,378.5	33,144.6	233.9	1,132.9	744.2	107.4	145.7	76.8	51.0	2.6	5.3	1,089.3
070	Of which SMEs	4,084.3	4,045.5	38.8	111.9	59.3	10.9	12.0	8.9	20.1	0.4	0.2	107.2
080	Households	36,439.1	36,246.9	192.1	1,081.3	503.8	172.1	158.8	142.2	94.1	6.9	3.3	1,073.4
090	**Debt Securities**	**3,678.6**	**3,678.6**	**0.0**	**47.8**	**47.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**47.8**
100	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	General governments	2,205.5	2,205.5	0.0	47.8	47.8	0.0	0.0	0.0	0.0	0.0	0.0	47.8
120	Credit institutions	400.8	400.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	564.8	564.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	507.4	507.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	**Off-balance sheet exposures**	**28,862.2**	X	X	**291.1**	X	X	X	X	X	X	X	**227.3**
160	Central banks	0.0	X	X	0.0	X	X	X	X	X	X	X	0.0
170	General governments	65.6	X	X	0.9	X	X	X	X	X	X	X	0.8
180	Credit institutions	41	X	X	–	X	X	X	X	X	X	X	–
190	Other financial corporations	1,096.7	X	X	2.0	X	X	X	X	X	X	X	1.6
200	Non-financial corporations	21,802.9	X	X	253.1	X	X	X	X	X	X	X	193.7
210	Households	5,856.5	X	X	35.1	X	X	X	X	X	X	X	31.0
220	**Total**	**127,434.9**	**98,143.7**	**429.1**	**2,575.6**	**1,313.0**	**281.6**	**306.0**	**219.9**	**145.8**	**9.6**	**8.7**	**2,457.8**

The table provides an overview of the gross carrying amounts of performing and non-performing risk exposure of Volkswagen Bank GmbH broken down by past due days.

TABLE 19: EU CQ4 – QUALITY OF NON-PERFORMING RISK EXPOSURES BY GEOGRAPHY

		A	B	C	D	E	F	G
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing					
	in € millions			of which: defaulted	of which: subject to impairment			
010	**On balance sheet exposures**	**88,131.6**	**2,281.5**	**2,227.5**	**88,131.6**	**–2,303.4**	**X**	**0.0**
020	Germany	47,553.1	1,702.5	1,700.1	47,553.1	–1,536.8	X	0.0
030	Italy	8,783.7	74.3	38.4	8,783.7	–77.2	X	0.0
040	France	8,361.0	334.6	322.8	8,361.0	–412.0	X	0.0
050	Spain	5,912.7	103.2	102.8	5,912.7	–177.4	X	0.0
060	United Kingdom	3,399.0	0.0	0.0	3,399.0	–17.3	X	0.0
070	Others	14,122.1	66.9	63.4	14,122.1	–82.6	X	0.0
080	**Off balance sheet exposures**	**29,153.3**	**291.1**	**227.3**	**X**	**X**	**0.0**	**X**
090	Germany	21,762.0	170.2	142.3	X	X	43.9	X
100	United Kingdom	2,554.2	0.0	0.0	X	X	2.5	X
110	France	1,975.0	41.9	33.6	X	X	0.8	X
120	Italy	1,277.9	64.2	39.6	X	X	1.6	X
130	Spain	464.5	10.8	7.7	X	X	2.5	X
140	Others	1,119.8	4.0	4.0	X	X	–51.2	X
150	**Total**	**117,284.9**	**2,572.6**	**2,454.7**	**88,131.6**	**–2,303.4**	**0.0**	**0.0**

The table sets out non-performing risk exposures by geographical regions. Most of these exposures are related to the Germany region.

TABLE 20: EUR CQ5 – CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

		A	B	C	D	E	F
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
	in € millions						
010	Agriculture, forestry and fishing	102.8	4.3	4.1	102.8	–4.5	0.0
020	Mining and quarrying	26.3	0.4	0.4	26.3	–0.8	0.0
030	Manufacturing	2,964.2	73.4	70.4	2,964.2	–92.4	0.0
040	Electricity, gas, steam and air conditioning supply	126.2	2.1	1.4	126.2	–3.2	0.0
050	Water supply	166.4	3.0	3.0	166.4	–4.0	0.0
060	Construction	2,108.7	102.3	99.0	2,108.7	–102.9	0.0
070	Wholesale and retail trade	19,031.3	429.2	395.6	19,031.3	–380.0	0.0
080	Transport and storage	1,556.2	171.7	169.1	1,556.2	–112.6	0.0
090	Accommodation and food service activities	255.5	13.4	12.8	255.5	–14.6	0.0
100	Information and communication	660.1	17.0	16.2	660.1	–20.8	0.0
110	Real estate activities	0.0	0.0	0.0	0.0	0.0	0.0
120	Financial and insurance actvities	828.3	38.3	37.1	828.3	–33.8	0.0
130	Professional, scientific and technical activities	2,297.9	42.6	40.8	2,297.9	–122.0	0.0
140	Administrative and support service activities	2,879.1	169.7	166.3	2,879.1	–156.1	0.0
150	Public administration and defense, compulsory social security	0.0	0.0	0.0	0.0	0.0	0.0
160	Education	199.5	6.9	6.7	199.5	–7.5	0.0
170	Human health services and social work activities	665.9	17.2	16.1	665.9	–20.0	0.0
180	Arts, entertainment and recreation	109.8	3.2	3.1	109.8	–4.3	0.0
190	Other services	533.2	38.3	37.8	533.2	–24.8	0.0
200	**Total**	**34,511.5**	**1,133.0**	**1,079.7**	**34,511.5**	**–1,104.2**	**0.0**

With respect to non-financial corporations, the table sets out the proportion of non-performing exposures and corresponding credit risk adjustments by industry. Most of these are attributable to wholesale and retail trade.

The change in the stock of non-performing loans and advances are as follows:

TABLE 21: EU CR2 – CHANGE IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES

		A
	in € millions	Gross carrying amount
010	Initial stock of non-performing loans and advances	2,121.2
020	Inflows to non-performing portfolios	429.3
030	Outflows from non-performing portfolios	–316.8
040	Outflows due to write-offs	0.0
050	Outflow due to other situations	–316.8
060	Final stock of non-performing loans and advances	2,233.7

Volkswagen Bank GmbH’s performing and non-performing exposures and related provisions break down as follows:

TABLE 22: EU CR1 – PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated im-pair-ment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
in € millions			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On perform-ing expo-sures	On non-performing exposures
005	**Cash balances at central banks and other demand deposits**	**12,722.7**	**12,337.7**	**384.9**	**3.1**	**0.0**	**0.0**	**–0.1**	**0.0**	**–0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
010	**Loans and advances**	**82,171.5**	**40,231.2**	**38,762.0**	**2,233.7**	**232.8**	**1,805.9**	**–1,202.9**	**–238.0**	**–969.1**	**–1,100.5**	**–30.9**	**–1,017.9**	**–20.5**	**41,271.2**	**967.4**
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	132.2	2.1	129.9	4.2	2.7	1.4	–2.6	–0.0	–2.6	–0.7	–0.1	–0.6	0.0	93.7	2.3
040	Credit institutions	1,258.5	1,210.3	48.2	0.8	0.2	0.7	–2.0	–1.3	–0.7	–0.2	0.0	–0.2	0.0	34.4	0.6
050	Other financial corporations	10,963.1	7,154.2	808.8	14.5	3.1	10.5	–20.7	–7.5	–13.2	–8.5	–0.4	–7.7	0.0	335.1	5.9
060	Non-financial corporations	33,378.5	10,666.9	22,553.5	1,133.0	122.3	853.6	–616.3	–98.6	–517.6	–487.8	–13.3	–439.7	–10.8	21,521.3	562.2
070	Of which: SMEs	4,084.3	1,064.1	3,019.5	111.9	17.1	83.2	–77.5	–13.9	–63.7	–51.4	–2.0	–43.4	–0.1	2,590.7	49.5
080	Households	36,439.1	21,197.6	15,221.7	1,081.3	104.5	939.8	–561.3	–130.5	–435.1	–603.2	–17.1	–569.7	–9.7	19,286.8	396.4
090	**Debt Securities**	**3,678.6**	**2,679.1**	**434.7**	**47.8**	**47.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
100	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	General governments	2,205.5	1,833.0	372.6	47.8	47.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	400.9	338.7	62.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	564.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	507.4	507.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	Off-balance sheet exposures	**28,862.2**	**14,685.5**	**14,176.7**	**291.1**	**71.2**	**213.3**	**20.0**	**12.6**	**14.0**	**32.4**	**0.1**	**25.6**	**0.0**	**725.2**	**16.8**
160	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
170	General governments	65.6	0.1	65.5	0.9	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated im-pair-ment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
in € millions			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On perform-ing expo-sures	On non-performing exposures
180	Credit institutions	40.6	0.2	40.4	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	7.9	0.0
190	Other financial corporations	1,096.7	261.2	835.5	2.0	1.4	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	16.8	0.0
200	Non-financial corporations	21,802.9	12,609.7	9,193.2	253.1	50.0	199.2	13.2	7.7	12.1	29.6	0.0	23.0	0.0	641.6	16.4
210	Households	5,856.5	1,814.4	4,042.1	35.1	19.1	13.4	6.7	4.9	1.7	2.8	0.1	2.7	0.0	58.6	0.4
220	**Total**	**127,435.0**	**69,933.5**	**53,758.4**	**2,575.7**	**351.8**	**2,019.2**	**–1,183.0**	**–225.4**	**–955.3**	**–1,068.1**	**–30.8**	**–992.3**	**–20.5**	**41,996.4**	**984.2**

QUALITATIVE DISCLOSURE OF THE USE OF THE STANDARDIZED APPROACH

In order to measure the risk weighting in the credit risk standard approach (CRSA) and to assess creditworthiness, Standard & Poor's Financial Services LLC has been disclosed to the BaFin, Deutsche Bundesbank and the European Central Bank for the "institutes and central governments" risk position classes, Moody's Investors Service, The McGraw-Hill Companies under the brand name Standard & Poor's Rating Services (S&P), Creditreform AG, DBRS Rating Limited and Fitch Ratings for the "securitizations" risk position classes for the CRSA positions and Standard & Poor's Rating Services, Fitch Ratings and Moody's Investors Service for the "covered bonds" risk position classes in the CRSA.

The nomination of a rating agency for the "corporates" risk position class has been dispensed with for the time being as the number of customers with an external rating is small in view of the predominance of small and mid-size enterprises in the customer structure.

There are no transactions within the Volkswagen Bank GmbH institution group for which the rating of the counterparty/debtor is applied to assess the corresponding issue.

QUANTITATIVE DISCLOSURE OF THE USE OF THE STANDARDIZED APPROACH

The following table provides quantitative information on the use of the Credit Risk Standardized Approach.

For the purpose of determining the risk-weighted assets for quantifying counterparty credit risk, the risk exposures are weighted with a flat-rate risk weight depending on the respective exposure classes in accordance with Article 112 of the CRR. In the "Other items" exposure class, residual lease values are reported at their individual risk weight depending on the remaining duration of the lease in accordance with Art. 134 (7) of the CRR. The following table sets out credit exposures by exposure class and risk weight.

TABLE 23: EU CR5 – STANDARDIZED APPROACH

		RISK WEIGHT																
	in € millions	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Sonstige	Total	Of which unrated
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	13,750.3	0.0	0.0	0.0	227.9	0.0	0.0	0.0	0.0	0.0	0.0	1,004.1	0.0	0.0	0.0	14,982.3	0.0
2	Regional government or local authorities	921.4	0.0	0.0	0.0	95.9	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	1,017.5	0.0
3	Public sector entities	570.5	0.0	0.0	0.0	74.6	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	645.2	0.0
4	Multilateral development banks	79.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	79.5	79.5
5	International organisations	140.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	140.8	140.8
6	Institutions	0.0	0.0	0.0	0.0	3,135.5	0.0	282.3	0.0	0.0	339.8	0.0	0.0	0.0	0.0	0.0	3,757.7	0.0
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44,172.5	0.0	0.0	0.0	0.0	0.0	44,172.5	44,172.5
8	Retail	0.0	0.0	0.0	0.0	0.0	45.5	0.0	0.0	44,485.5	0.0	0.0	0.0	0.0	0.0	0.0	44,531.0	44,531.0
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	418.8	2,026.9	0.0	0.0	0.0	0.0	2,445.8	2,445.8
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Covered bonds	0.0	0.0	0.0	240.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	240.3	240.3
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Unit or shares in collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	38.8	0.0	0.0	0.0	0.0	0.0	38.8	38.8
16	Other items	6,638.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,736.7	0.0	0.0	0.0	0.0	26,174.8	38,550.3	38,550.3
17	**TOTAL**	**22,101.4**	**0.0**	**0.0**	**240.3**	**3,533.9**	**45.5**	**282.4**	**0.0**	**44,485.5**	**50,706.9**	**2,026.9**	**1,004.1**	**0.0**	**0.0**	**26,174.8**	**150,601.8**	**130,199.1**

HEDGING AND MITIGATION OF CREDIT RISK

Collateral

The general rule is that credit transactions are secured by collateral to an extent that is commensurate with the risk. In addition, overarching rules specify the requirements that must be satisfied by collateral, the evaluation procedures and the evaluation bases. Further local regulations (collateral policies) set out specific values and special regional requirements that must be observed.

The values in the collateral policies are based on historical data and experience accumulated by experts over many years. As the operating activities of the Volkswagen Bank GmbH Group focus on retail and dealership financing as well as vehicle leasing, the vehicles themselves are hugely important as collateral assets. For this reason, trends in the market values of vehicles are closely monitored and analyzed. Procedures provide for adjustments to evaluation systems and vehicle remarketing processes if there are strong changes in the market values/remarketing proceeds of vehicles.

Risk Management also carries out quality assurance tests on local collateral policies on a regular basis. This includes a review of collateral values and implementation of any necessary adjustments.

The following table presents the credit risk and the effect of credit mitigation techniques. To this end, on- and off-balance sheet exposures before credit conversion factors and credit risk mitigation are compared with the corresponding figures after credit conversion factors and credit risk mitigation. This information is supplemented with figures on risk-weighted assets (RWA) and RWA density. RWA density refers to the average risk weight of an exposure per exposure class.

TABLE 24: EU CR4 – STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

		EXPOSURES BEFORE CCF AND BEFORE CRM		EXPOSURES POST CCF AND POST CRM		RWAS AND RWAS DENSITY	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	14,981.6	3.3	14,981.6	0.7	2,555.9	17.1%
2	Regional government or local authorities	1,006.4	53.8	1,006.4	11.2	19.3	1.9%
3	Public sector entities	630.5	64.6	631.8	13.4	15.0	2.3%
4	Multilateral development banks	79.5	0.0	79.5	0.0	0.0	0.0%
5	International organisations	140.8	0.0	140.8	0.0	0.0	0.0%
6	Institutions	3,797.2	266.3	3,725.0	32.7	1,108.1	29.5%
7	Corporates	40,140.0	22,801.9	33,711.4	10,461.1	42,772.7	96.8%
8	Retail	42,943.0	6,713.4	42,943.0	1,588.0	32,425.3	72.8%
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0%
10	Exposures in default	2,422.3	278.8	2,393.4	52.4	3,459.2	141.4%
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0%
12	Covered bonds	240.3	–	240.3	–	24.0	10.0%
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0%
14	Collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0%
15	Equity	38.8	–	38.8	–	38.8	100.0%
16	Other items	31,923.5	–	38,451.9	98.4	24,451.2	63.4%
17	**TOTAL**	**138,343.9**	**30,182.1**	**138,343.9**	**12,257.8**	**106,869.6**	**71.0%**

Credit risk mitigation techniques are only used in specific cases for capital backing purposes. Compliance with the minimum requirements for recognizing this credit risk mitigation technique in accordance with the CRR is ensured in such cases.

At present, credit risk mitigation within the meaning of Article 192ff. of the CRR is applied in the following cases:

- > Bareinlagen bei Kreditengagements der Volkswagen Bank GmbH im Sinne des Art. 197 Abs. 1 Bst. a) CRR
- > Sicherheiten beziehungsweise Haftungsanteile der KfW im Rahmen der Kreditvergabe von Corona-Schnellkrediten

Limited use is made of the option to enter into netting agreements within the meaning of Article 205 ff. of the CRR for mitigating credit risk in the calculation of own funds.

USE OF CREDIT RISK MITIGATION TECHNIQUES

The following table EU CR3 shows the level of collateralization according to the type of exposure. There is a breakdown by type of collateral.

TABLE 25: EU CR3 – CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

		UNSECURED CARRYING AMOUNT	SECURED CARRYING AMOUNT			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
	in € millions	a	b	c	d	e
1	Loans and advances	40,296.2	42,238.6	42,088.8	149.8	0.0
2	Debt securities	3,726.4	0.0	0.0	0.0	0.0
3	Total	44,022.6	42,238.6	42,088.8	149.8	0.0
4	Of which non-performing exposures	165.8	967.4	961.1	6.2	0.0
EU-5	Of which defaulted	161.8	944.0	937.9	6.1	0.0

Encumbered and unencumbered assets

The tables below show the carrying amounts and fair values of the unencumbered and encumbered assets, the fair values of the collateral received and utilized or collateral available for encumbrance as well as the nominal amount of the collateral that is not available for encumbrance. The figures shown are medians calculated on the basis of the last four quarterly reporting dates in 2024. Information about the source of the encumbrance is also provided.

Information about the most important sources and types of encumbrance as well as a general description of the terms and conditions of the collateral agreements concluded for the purpose of securing liabilities

A portion of liquidity in the regulatory amount is deposited with central banks as a minimum reserve.

Bonds are used as collateral for the Group's own liabilities under open-market transactions. These securities are deposited with and pledged to Deutsche Bundesbank.

Receivables from retail financing are partially refinanced through ABS transactions. Liabilities include virtual loans representing the obligation to transfer the sold cash flows to special purpose vehicles (SPVs). The assigned receivables cannot be assigned again to anyone else or used in any other way as collateral.

Derivatives of Volkswagen Bank GmbH are secured with cash (cash collateral). If the fair value of all derivatives entered into with a counterparty is negative, cash collateral must be provided, which is recognized as an encumbered asset. If the fair value of all derivatives entered into with a counterparty is positive, Volkswagen Bank GmbH receives cash collateral, which is presented as collateral received but not encumbered. In addition, collateral is provided for derivatives subject to central clearing.

As of the December 31, 2024 reporting date, the carrying amount of the encumbered assets was €13,063 million (previous year: €11,286 million).

In the absence of encumbrances, information about the encumbrance structure between entities of the Volkswagen Bank GmbH Group can be omitted. Special purpose entities (see ABS transactions above) are consolidated in accordance with IFRS 10 but are not part of the prudential scope of consolidation.

Receivables are transferred to special purpose entities at no charge during securitization transactions within the framework of overcollateralization.

Of the “Other assets” item, 33% are not suitable for encumbrance in normal business. This relates in particular to property and equipment and other receivables.

TABLE 26: EUR AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

		CARRYING AMOUNT OF ENCUMBERED ASSETS		FAIR VALUE OF ENCUMBERED ASSETS		CARRYING AMOUNT OF UNENCUMBERED ASSETS		FAIR VALUE OF UNENCUMBERED ASSETS	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLAof which EHQLA and HQLA
	in € millions	010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**13,062.6**	**0.0**	**X**	**X**	**129,475.7**	**2,185.6**	**X**	**X**
030	Equity instruments	16.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
040	Debt securities	0.0	0.0	0.0	0.0	3,726.4	2,185.6	3,187.5	2,149.9
050	of which: covered bonds	0.0	0.0	0.0	0.0	279.0	188.1	312.0	211.9
060	of which: securitisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
070	of which: issued by general governments	0.0	0.0	0.0	0.0	2,253.3	1,666.1	2,171.4	1,601.5
080	of which: issued by financial corporations	0.0	0.0	0.0	0.0	965.7	497.3	1,016.1	548.4
090	of which: issued by non-financial corporations	0.0	0.0	0.0	0.0	507.4	0.0	0.0	0.0
120	**Other assets**	**317.0**	**0.0**	**X**	**X**	**43,651.0**	**100.8**	**X**	**X**

TABLE 27: EU AE2 – COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED

				UNENCUMBERED	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
	in € millions	010	030	040	060
130	**Collateral received by the disclosing institution**	**0.0**	**0.0**	**0.0**	**0.0**
140	Loans on demand	0.0	0.0	0.0	0.0
150	Equity instruments	0.0	0.0	0.0	0.0
160	Debt securities	0.0	0.0	0.0	0.0
170	of which: covered bonds	0.0	0.0	0.0	0.0
180	of which: securitisations	0.0	0.0	0.0	0.0
190	of which: issued by general governments	0.0	0.0	0.0	0.0
200	of which: issued by financial corporations	0.0	0.0	0.0	0.0
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand	0.0	0.0	0.0	0.0
230	Other collateral received	0.0	0.0	0.0	0.0
240	**Own debt securities issued other than own covered bonds or securitisations**	**0.0**	**0.0**	**0.0**	**0.0**
241	**Own covered bonds and securitiation issued and not yet pledged**	**X**	**X**	**0.0**	**0.0**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**13,062.6**	**0.0**	**X**	**X**

TABLE 28: EU AE3 – SOURCES OF ENCUMBRANCE

		MATCHING LIABILITIES, CONTINGENT LIABILITIES OR SECURITIES LENT	ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED OTHER THAN COVERED BONDS AND SECURITISATIONS ENCUMBERED
	in € millions	010	030
010	Carrying amount of selected financial liabilities	13,062.6	13,062.6

Counterparty credit risk (CCR)

DISCLOSURE OF COUNTERPARTY CREDIT RISK

Volkswagen Bank GmbH defines counterparty risk as the risk of financial loss that could arise from monetary investments or investments in securities or borrower's notes if the counterparty fails to make payments of interest or repayments of principal as contractually required. Similarly, issuer risk is the risk that the issuer of a financial product could become insolvent during the term of the product and, as a consequence, some or all of the invested capital, including the expected interest payments, has to be written off.

Counterparty risk arises in connection with interbank overnight and term deposits, derivatives and the purchase of pension fund units as part of the provision of pensions benefits for employees. Issuer risk results from the purchase of securities to optimize liquidity management and to fulfill statutory and/or regulatory requirements. The primary objective in the management of counterparty and issuer risk is to identify potential defaults in a timely manner so that corrective action can be initiated at an early stage as far as possible. Another important objective is to ensure that the Company only takes on risks within the approved limits.

If a counterparty or issuer risk were to materialize, this would represent the potential loss of a business asset, which would have a negative impact on financial position and financial performance, depending on the amount of the loss.

Risk identification and assessment

Both counterparty risk and issuer risk are recorded as components of counterparty credit risk. Both risk categories are determined by using a Monte Carlo simulation to calculate the unexpected loss (value at risk and expected shortfall) and the expected loss from a normal scenario and stress scenarios.

In relation to the ABS agreements, the following table shows the amount of collateral an institution would have to provide given a downgrade in its credit rating in accordance with Article 439(d) of the CRR.

TABLE 29: DISCLOSURES ON THE AMOUNT OF COLLATERAL THE INSTITUTION WOULD HAVE TO PROVIDE GIVEN A DOWNGRADE IN ITS CREDIT RATING

Securitization transactions	Total collateral requirement given credit rating downgrade
Traditional securitization transactions	
Retail financing	594
Dealer financing	0
Leases	0
Total	**594**

Risk monitoring and control

Limits are assigned for counterparty/issuer risk on an aggregated basis and backed by internal capital under the Group ICAAP (internal capital adequacy assessment process) process. To establish effective monitoring and control, volume limits are specified for each counterparty and issuer. The Treasury back office, in its role as a subsidiary function of Risk Management, is responsible for monitoring compliance with these limits. The volume limit is set at an appropriate level based on the needs of the market and the credit assessment. The Back Office department is responsible for the initial classification and then regular reviews. Within Volkswagen Bank GmbH, derivatives may only be transacted with counterparties that meet defined credit criteria. The notes to the IFRS financial statements for the Volkswagen Bank GmbH Group describe the collateral provided for derivatives and the provisions recognized for derivatives in accordance with Article 439 b) of the CRR. This description can be found in “Derivative financial instruments and hedge accounting” in the chapter on “Financial Instruments” in the section on accounting policies. A large part of the Volkswagen Bank GmbH’s derivatives transactions are collateralized via central counterparties or bilaterally. In accordance with IFRS 13 in conjunction with IDW RS HFA 47, the company’s own default risk (DVA) and the default risk of the counterparty (CVA) are calculated for unsecured derivatives and included in the measurement of the derivatives.

Correlation risks in the form of “wrong-way risks” (WWR) may arise with derivatives if there is a positive correlation between the market price risk and the counterparty default risk. Volkswagen Bank GmbH achieves an effective reduction in WWR by transacting the majority of its OTC derivatives via central counterparties (CCPs) or securing them bilaterally.

Reports on counterparty and issuer risks to the Management Board are included in the quarterly risk management report.

QUANTITATIVE DISCLOSURE OF COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk of a business partner being unable to repay amounts of principal or interest owed in accordance with the contract. This risk forms part of credit risk and must be backed by own funds under the CRR requirements.

Volkswagen Bank GmbH hedges its counterparty credit risk from derivative transactions by entering into margin agreements with its business partners. The amount of the initial margins and variation margins are calculated on a daily basis. The necessary cash collateral is made available to or by the business partners on this basis.

The following table shows the composition of the collateral provided or deposited to cover or reduce the counterparty credit risk in connection with derivative transactions.

TABLE 30: EU CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURES

		A	B	C	D	E	F	G	H
		Collateral used in derivative transactions				Collateral used in SFTs			
	in € millions	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	0.0	333.2	0.0	233.0	0.0	0.0	0.0	0.0
2	Cash – other currencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Domestic sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Other sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Government agency debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Equity securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Other collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	**Total**	**0.0**	**333.2**	**0.0**	**233.0**	**0.0**	**0.0**	**0.0**	**0.0**

Volkswagen Leasing GmbH, which has been a subsidiary and therefore part of the Volkswagen Bank GmbH institution group since July 1, 2024, engages in derivatives transactions without margin agreements.

Under the revised Capital Requirements Regulation (CRR II), the methodology for calculating the risk exposure amount for counterparty credit risk for derivative transactions was applied in accordance with the new Standardized Approach (SA-CCR) among other things. SA-CCR still entails replacement expense and the potential future replacement value as well as a multiplier. In addition, a distinction is drawn between margin and non-margin transactions as well recognized netting, hedging and collateralization. As of June 30, 2021, Volkswagen Bank GmbH applies solely SA-CCR for calculating risk exposure for derivatives. The following table shows the composition of the risk exposure determined in accordance with SA-CCR.

Risk exposures that are cleared via central counterparties (CCP) are presented separately in Table 17.

TABLE 31: EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

		A	B	C	D	E	F	G	H
	in € millions	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	0.0	0.0	X	1.4	0.0	0.0	0.0	0.0
EU2	EU - Simplified SA-CCR (for derivatives)	0.0	0.0	X	1.4	0.0	0.0	0.0	0.0
1	SA-CCR (for derivatives)	410.1	582.1	X	1.4	1,389.0	1,389.0	1,385.6	373.2
2	IMM (for derivatives and SFTs)	X	X	0.0	0.0	0.0	0.0	0.0	0.0
2a	Of which securities financing transactions netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
2b	Of which derivatives and long settlement transactions netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
2c	Of which from contractual cross-prod-uct netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
3	Financial collateral simple method (for SFTs)	X	X	X	X	0.0	0.0	0.0	0.0
4	Financial collateral comprehensive method (for SFTs)	X	X	X	X	0.0	0.0	0.0	0.0
5	VaR for SFTs	X	X	X	X	0.0	0.0	0.0	0.0
6	**Total**	**X**	**X**	**X**	**X**	**1,389.0**	**1,389.0**	**1,385.6**	**373.2**

The introduction of the new method under SA-CCR for calculating risk exposure for derivatives in connection with counterparty credit risk also changes the basis for calculating the risk arising from a change to a credit valuation adjustment (CVA risk). Risk exposure and the own funds requirements for credit valuation adjustments are shown in the following table:

TABLE 32: EU CCR2 – TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK

		A	B
	in € millions	Exposure value	RWEA
1	Total transactions subject to the Advanced method	0.0	0.0
2	(i) VaR component (including the 3× multiplier)	X	0.0
3	(ii) stressed VaR component (including the 3× multiplier)	X	0.0
4	Transactions subject to the Standardised method	1,385.6	1,166.9
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0.0	0.0
5	Total transactions subject to own funds requirements for CVA risk	1,385.6	1,166.9

Volkswagen Bank GmbH handles part of its interest rate derivatives indirectly via clearing members or via EUREX. EUREX is recognized as a qualifying central counterparty in accordance with Article 4 (88) of the CRR. The scope of these transactions breaks down as follows as of the reporting date:

TABLE 33: EUR CCR8 – EXPOSURES TO CCPS

		A	B
	in € millions	Exposure value	RWEA
1	**Exposures to QCCPs (total)**	**X**	**2.8**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	141.6	2.8
3	(i) OTC derivatives	141.6	2.8
4	(ii) Exchange-traded derivatives	0.0	0.0
5	(iii) SFTs	0.0	0.0
6	(iv) Netting sets where cross-product netting has been approved	0.0	0.0
7	Segregated initial margin	0.0	X
8	Non-segregated initial margin	0.0	0.0
9	Prefunded default fund contributions	0.0	0.0
10	Unfunded default fund contributions	0.0	0.0
11	**Exposures to non-QCCPs (total)**	**X**	**0.0**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0.0	0.0
13	(i) OTC derivatives	0.0	0.0
14	(ii) Exchange-traded derivatives	0.0	0.0
15	(iii) SFTs	0.0	0.0
16	(iv) Netting sets where cross-product netting has been approved	0.0	0.0
17	Segregated initial margin	0.0	X
18	Non-segregated initial margin	0.0	0.0
19	Prefunded default fund contributions	0.0	0.0
20	Unfunded default fund contributions	0.0	0.0

All counterparties with which the companies of the Volkswagen Bank GmbH institution group have transacted derivatives are assigned to the regulatory exposure class “Institutions”. The following table shows risk exposure by credit risk mitigation, broken down by risk weight and regulatory exposure class.

TABLE 34: EU CCR3 – STANDARDIZED APPROACH – CRR RISK EXPOSURES BY REGULATION RISK EXPOSURE CLASS AND RISK WEIGHTS

		RISIKOGEWICHT											
	in € millions	a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Regional government or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	International organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Institutions	0.0	141.6	0.0	0.0	1,307.6	0.0	0.0	0.0	0.0	0.0	0.0	1,454.5
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Retail	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0		0.0
9	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	72.7	0.0	72.7
11	**Total exposure value**	**0.0**	**141.6**	**0.0**	**0.0**	**1,307.6**	**0.0**	**0.0**	**0.0**	**0.0**	**72.7**	**0.0**	**1,527.2**

Market risk

All companies in the Volkswagen Bank GmbH institution group are classified as non-trading book institutions. The institution group does not run a trading book. In the area of market risk, the institution group currently enters into currency risk. Own funds requirements stand at €28.2 million. Own risk models are not in use at this time.

Market risk as part of total risk exposure must be quantified in accordance with Article 92 (3) (c) of the CRR and backed by own funds. With respect to the calculation of own funds requirements for market risk, Volkswagen Bank GmbH is only required to provide backing for foreign-currency risks. As a non-trading book institution, Volkswagen Bank GmbH does not have any trading book transactions that require own-funds backing.

The own funds required for foreign-currency risks multiplied by a factor of 12.5 equal €352.3 million as of December 31, 2024, equivalent to 0.3% of total risk exposure.

TABLE 35: EU MR1 – MARKET RISK UNDER THE STANDARDIZED APPROACH

		A
	in € millions	RWEAs
	Outright products	X
1	Interest rate risk (general and specific)	0.0
2	Equity risk (general and specific)	0.0
3	Foreign exchange risk	352.3
4	Commodity risk	0.0
	Options	X
5	Simplified approach	0.0
6	Delta-plus approach	0.0
7	Scenario approach	0.0
8	Securitisation (specific risk)	0.0
9	**Total**	**352.3**

Foreign-currency risks primarily arise from the translation of the capital resources held by the two branches in Poland and the United Kingdom from a foreign currency into euros. The decrease of €207.4 million in foreign-currency risks from €559.7 million to €352.3 million is chiefly due to the transaction and maturity of foreign-currency loans and derivatives, changes in the amount of the capital resources and fluctuations in exchange rates.

Operational risk

Operational risk (OpR) is defined as the risk of loss resulting from inadequate or failed internal processes (process risk), people (HR risk) or systems (technological risk), or resulting from external events (third-party risk). This definition includes legal risk. Categories of risk, such as reputational or strategic risk, do not fall within the scope of operational risk.

The objective of operational risk management is to present operational risks transparently and to initiate precautionary or corrective measures with the aim of preventing or, when this is not possible, mitigating the risks or losses. If an operational risk materializes, this represents an operational loss that has a negative impact on financial position and financial performance.

The operational risk (OPR) strategy specifies the focus for the management of operational risk; written procedures such as the operational risk manual set out the associated implementation process and allocate responsibilities.

The strategic risk objectives are implemented on the basis of the 3 lines of defense model. The local operational risk units in Germany and abroad are responsible for the local operational risk management as the 1st line of defense. In this context, it is important to observe the central requirements of risk management with regard to methodology and procedures (central operational risk unit) and the operational risk units responsible for specific risk categories (governance functions with expert knowledge, risk owners for individual causes of risk), which act as the 2nd line of defense.

In addition, a rolling program of training and briefing sessions ensures that awareness of operational risk continues to grow.

Risk identification and assessment

Operational risks or losses are identified and assessed by the 1st line of defense working in pairs (assessor and approver) with the help of two tools: a risk self-assessment and a loss database.

The risk self-assessment is used to determine a monetary assessment of future risks. A standardized risk questionnaire is provided for this purpose. The local experts use these questionnaires to determine and record the details for various risk scenarios. The details include the possible amount of the risk and the probability of occurrence, in each case with typical and maximum figures.

The central loss database is used to ensure that information about monetary operational losses is collected in house on an ongoing basis and the relevant data is stored. The local experts use this database to determine and record the relevant data, including the amount and cause of the loss.

The value-at-risk for operational risk is determined quarterly by the central operational risk unit using a loss distribution approach (LDA) that incorporates the results of risk self-assessments and losses incurred.

Risk monitoring and control

Operational risk is managed by the operational risk units (1st line of defense) on the basis of the provisions in force and the requirements laid down by the special operational risk units responsible for specific risk categories (2nd line of defense). Local management decides whether future risks or losses are to be ruled out (risk prevention), mitigated (risk mitigation), consciously accepted (risk acceptance) or transferred to third parties (risk transfer).

The central operational risk unit assesses the validity of the information from the risk self-assessments and the reported losses, monitors the proper functioning of the operational risk system and, if necessary, makes appropriate adjustments. This includes, in particular, the integration of all operational risk units and operational risk special units, compliance with the risk sub-strategies for operational risks and a review of the methods and procedures used for risk measurement.

Risk communication

Communications relating to operational risks are provided quarterly as part of the risk management reports. The quarterly details are supplemented by an annual operational risk report in which the main events in the year are presented and assessed again in one coherent report. Ad hoc reports are issued in addition to the regular reports, provided that the relevant specified criteria are satisfied.

Important causes of risk are described in detail below.

Compliance, Conduct and Integrity Risk

In the Volkswagen Financial Services AG Group, compliance risk encompasses all risks that could arise from non-compliance with statutory rules and regulations or other official or regulatory requirements, or that could be caused by a breach of internal company regulations.

This differs from conduct risk, which is defined as the risk arising from inadequate conduct by the company toward the customer, unreasonable treatment of the customer or provision of advice using products that are not suitable for the customer.

In addition, integrity risk encompasses all risks that arise from a failure of employees to conduct themselves in an ethically acceptable manner or to act in accordance with the Group's principles or the FS values, thereby presenting an obstacle to the sustained success of the business.

The Volkswagen Financial Services AG Group addresses the three categories of risk by means of a local compliance and integrity function whose task is to specify and implement risk-mitigating measures.

To counter compliance and conduct risks, the compliance function is committed to ensuring compliance with laws, other legal requirements, internal rules and the organization's own stated values and to creating and fostering an appropriate compliance culture. It is also the responsibility of the integrity function, on the basis of an integrity management system, to raise awareness of the ethical principles, the code of conduct and the need for compliance, and to help employees choose the right course of action, responsibly and steadfastly, driven by their own personal conviction.

As a component of the compliance function, the role of the compliance officer is to work toward implementing effective procedures to ensure compliance with key and core legal rules and regulations for the institution and toward establishing appropriate controls. This is achieved, in particular, by specifying mandatory compliance requirements for legal stipulations classified as material. These requirements include documenting responsibilities and processes, establishing controls to the extent required and raising employee awareness of pertinent rules so that employees comply with the rules as a matter of course, reflecting a fully functioning compliance culture.

As well as this, additional regular measures are taken to promote a compliance and integrity culture. These particularly include constant reminders of the Volkswagen Group's code of conduct, measures to heighten employees' awareness on a risk-oriented basis (e.g. "tone from the top", "tone from the middle", face-to-face training, e-learning programs, other media), communications including the distribution of guidelines and other information media and participation in compliance and integrity programs.

The compliance function has been set up on a decentralized basis. The departments are responsible for complying with the rules and regulations in their respective areas of activity. A compliance theme coordinator is appointed for all central and core rules and regulations. The coordinator is responsible for adherence to and the implementation of the defined compliance requirements (such as documenting responsibilities, setting up controls, raising awareness and training employees).

Using the control plans and records as a basis, the compliance unit checks whether the implemented controls are appropriate. In addition, an evaluation is performed on the basis of the results of various auditing activities to determine whether there is any evidence indicating that the compliance requirements that have been implemented are not effective or material residual risks requiring further action are discernible.

The Compliance Officer is responsible for coordinating the ongoing legal monitoring used for identifying any new or modified legal requirements and rules with minimum delay. For their part, the compliance theme coordinators must work in collaboration with the legal department and the various other departments to implement measures aimed at identifying new or amended regulations and requirements relevant to their areas of responsibility at an early stage and, if such relevance is established, furnishing an analysis of materiality for the Bank. The respective compliance officer is notified of any identified regulations and requirements in accordance with the process description.

The internal compliance committee performs a regular materiality analysis on the basis of the legal monitoring results. The compliance committee makes a decision in the light of the compliance risks that have been evaluated concerning the materiality of new legal requirements applicable to the company. Compliance risks particularly include the risk of a loss of reputation on the part of the general public or regulatory authorities and the risk of material financial losses.

Currently, the following specific legal fields have been determined as being fundamentally material from the perspective of the Group:

- Prevention of money laundering and terrorist financing
- Prevention of corruption and other criminal acts
- Data protection
- Consumer protection
- Capital market law
- Market abuse regulation
- Banking supervisory law
- Antitrust law and
- IT security law

The compliance requirements for the Volkswagen Financial Services AG Group are specified centrally and must be implemented autonomously in the local companies. Any deviation from the minimum requirements or guidelines is only possible if accompanied by a description of the reasons (such as local statutory requirements) and only in consultation with, and with the consent of, the Compliance Officer at the institution concerned.

As in the case of the compliance function, the central integrity function only specifies the framework for the Group. The responsibility for implementing the requirements, for example by raising awareness of the ethical principles among employees, remains with the local entity concerned.

The Compliance and Integrity Officer receives regular reports and carries out on-site visits on a risk-oriented basis to ensure that the local compliance and integrity units are meeting their responsibilities.

To meet the statutory reporting requirements of the compliance unit, the compliance officer must submit to the Board of Management both regular reports on the outcome of the meetings of the Compliance Committee and ad hoc reports as necessary (for example, if control plans are not prepared by the required deadline).

The Management Board also receives an annual compliance report and other comparable reports on an ad hoc basis, as required. The annual compliance report contains a presentation of the appropriateness and effectiveness of the compliance requirements implemented to ensure compliance with key and core legal regulations and requirements.

For its part, the Board of Management has entered into its own voluntary undertaking regarding compliance and integrity. This ensures that compliance and integrity issues are always discussed and taken into account in connection with all decisions made by the Board of Management.

Risk from Outsourcing Activities

Outsourcing describes a situation in which another entity (the outsourcee) is engaged to carry out activities and processes in connection with the provision of banking activities, financial services or other typical banking-related services that would otherwise be carried out by the outsourcing entity itself.

Arrangements for support services in relation to software that are utilized for the identification, assessment, management, monitoring and communication of risks or that are of material significance for the performance of banking tasks also constitute outsourcing.

A distinction needs to be made between outsourcing and one-time or occasional procurement from third parties of goods or services or services that are typically obtained from a supervised entity and, because of the actual circumstances involved or legal requirements, cannot usually be supplied by the buying entity itself, either at the time of the purchase from the third party or in the future.

The procurement of software without accompanying services or activities is also generally to be classified as other procurement from third parties.

In the context of the completed restructuring of the subgroups of Volkswagen Financial Services AG and Volkswagen Bank GmbH, Volkswagen Bank GmbH has signed internal outsourcing agreements with Volkswagen Services AG in the following areas: IT, Accounting, Controlling, Legal, Compliance, Corporate Security, Human Resources, Internal Audit, Corporate Management, Marketing, Sales, Purchasing, Risk Management and Process Management.

The objective of risk management for outsourcing is to identify and minimize the risks arising from all cases of outsourcing. If an elevated level of risk is identified in the course of outsourcing management or from supervisory activities, measures may be initiated, where appropriate, to restore the risk situation associated with an outsourced activity to the original level.

A significant increase in risk can necessitate a change of service provider or, if possible and strategically desirable, termination of the outsourcing arrangement. In this case, the activities may be performed by the institution itself or may be eliminated entirely.

The legal bases are derived mainly from the KWG, MaRisk and the EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02).

Risk identification and assessment

Risks arising in connection with outsourced activities are identified by examining the circumstances with a focus on risk. In the first step, an examination of the circumstances is used to establish whether the planned activity constitutes outsourcing, other procurement from a third-party supplier, or other procurement of IT services from a third-party supplier. A further check is carried out to establish whether the activity to be outsourced is permitted outsourcing or prohibited for regulatory reasons. In the case of outsourcing, the related risk content is then determined using a risk assessment based on various criteria, the outcome of which is the classification of the arrangement as one of the following: “material outsourcing” or “non-material outsourcing”. Depending on the level of risk, the arrangement may be subject to more stringent levels of monitoring and control as well as special and stricter contractual provisions.

Risk monitoring and control

To ensure effective management of outsourcing risk in accordance with the EBA guidelines, a framework policy specifying the constraints that outsourcing arrangements must observe has been issued. Before any activity is outsourced, the circumstances must be examined with a focus on risk to determine the risk in each case. This analysis procedure is one of the components of the constraints and is intended to help ensure that an adequate level of monitoring and control is applied. In this regard, the specialist outsourcing officer carries out checks mainly to establish whether the quality of performance is in line with the contractually agreed targets and, where appropriate, initiates corrective measures to ensure such quality of performance is delivered. The framework policy also specifies that all outsourced activities must be agreed with the central Outsourcing Coordination unit. This coordination unit is therefore informed of all outsourcing activities and the associated risks, and through the Central Outsourcing Officer of Volkswagen Bank GmbH it communicates these risks to the Management Board on a regular basis.

The Central Outsourcing Officer of Volkswagen Bank GmbH and/or their deputy is responsible for all of the institution's outsourcings. The Officer is appointed by the Management Board, is directly connected to the Management Board of the individual institution in organizational terms and has the duty to report to the Management Board on an annual and ad hoc basis. The function of the Central Outsourcing Officer cannot be outsourced. The Central Outsourcing Officer is, however, supported in the performance of their tasks by the Outsourcing Coordination unit that has been centrally outsourced to Volkswagen Financial Services AG.

In addition, all risks arising from outsourcing activities are subject to risk monitoring and control using the operational risk loss database and the annual risk self-assessment.

Business continuity management (BCM)

The purpose of BCM is to enable the continuation of time-critical business processes in the event of an unplanned interruption as well as a structured return to normal business operations through adequate and effective planning. To reinforce its resilience in emergency and crisis situations, the Volkswagen Financial Services AG Group has implemented a business continuity management system (BCMS) based on the international ISO 22301 standard. At the legal entities coming within the regulatory scope of the BCM, local management is responsible for operationalizing the Group-wide requirements. The BCM 2nd line applies a continuous improvement process to ensure the sustainable development of preventive and reactive measures and structures. The annual BCM lifecycle ensures the timeliness, appropriateness and effectiveness of the BCMS. Time-critical business processes are identified using a process map. Tactics and business continuity plans are defined in the light of local risk analyses to ensure continued business and a return to normal operations. The effectiveness of the business continuity plans is reviewed and documented in annual tests. The Volkswagen Financial Services AG Group considers the following adverse scenarios: "Buildings", "Human resources", and "External service providers". Acute physical risks[1] are already factored into this approach, as their impact may directly trigger one of the above-mentioned adverse scenarios.

[1] For example, heat/cold waves, frost, fire, storms, droughts, heavy precipitation (rain, hail, snow), flooding, landslides, subsidence.

Quantitative disclosure of operational risk

The Volkswagen Bank GmbH institution group uses the Standardized Approach to determine the capital requirement for operational risks. Own funds requirements stand at €420.6 million.

TABLE 36: EU OR1 – OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

		A	B	C	D	E
	Banking activities	Own funds requirements			Own funds requirements	Risk exposure amount
	in € millions	Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	0.00	0.00	0.00	0.00	0.00
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	3,099.14	2,655.84	3,608.38	420.64	5,257.95
3	Subject to TSA:	3,099.14	2,655.84	3,608.38	X	X
4	Subject to ASA:	0.00	0.00	0.00	X	X
5	Banking activities subject to advanced measurement approaches AMA	0.00	0.00	0.00	0.00	0.00

Other financial risks

SHAREHOLDER RISK

Shareholder risk refers to the risk that losses with a negative impact on the carrying amount of an equity investment could be incurred after the contribution of capital or equity-equivalent loans (e.g. silent contributions) for the Volkswagen Bank GmbH Group. In principle, the Volkswagen Bank GmbH Group only makes such equity investments to help it achieve its corporate objectives. The investments must therefore support its own operating activities and are intended to be held on a long-term basis.

If shareholder risk were to materialize in the form of a loss of fair value or even the complete loss of an equity investment, this would have a direct impact on relevant financial data. The net assets and financial performance in the Volkswagen Bank GmbH Group would be adversely affected by write-downs recognized in profit or loss.

Risk identification and assessment

Shareholder risk is quantified on the basis of the carrying amounts of the equity investments and a probability of default and loss given default assigned to each equity investment using an ASRF model. Simulations are also carried out involving stress scenarios with rating migrations (downgrades) or complete loss of equity investments.

Risk monitoring and control

Equity investments are integrated into the annual strategy and planning process of the Volkswagen Bank GmbH Group. It exercises influence over the business and risk policies of the equity investments through its representation on the relevant ownership or supervisory bodies. However, responsibility for the operational use of the risk management tools lies with the entities.

RESIDUAL VALUE RISK

Residual value risk arises from the fact that the predicted market value for an asset leased or financed could turn out to be lower upon remarketing at the end of the contract than the residual value calculated when the contract was concluded, or that the sales revenue realized could be less than the carrying amount of the vehicle in the event of the contract ending early if legal contract termination options are exercised. On the other hand, there is a possibility that remarketing could generate proceeds greater than the calculated residual value or carrying amount.

Referring to the bearer of residual value risk, a distinction is made between direct and indirect residual value risks. Direct residual value risk refers to residual value risk borne directly by the Volkswagen Bank GmbH Group. An indirect residual value risk arises if the residual value risk has been transferred to a third party (such as a dealership) on the basis of a contractual agreement. In such cases, there is a counterparty credit risk in respect of the bearer of the residual value risk. If the bearer of the residual value risk defaults, the Volkswagen Bank GmbH Group's indirect residual value risk becomes relevant in that the indirect residual value risk passes back to the Volkswagen Bank GmbH Group and becomes a direct residual value risk. In other words, the Volkswagen Bank GmbH Group re-assumes responsibility for remarketing the vehicles.

The objective of residual value risk management is to keep the risks within the agreed limits. The net assets and financial performance of the Volkswagen Bank GmbH Group would be adversely affected by losses on disposal or impairment losses if the residual value risk were to materialize. As stated in the accounting policies for leases described in the notes to the consolidated financial statements, the impairment losses generally lead to a subsequent adjustment of future depreciation rates.

Risk monitoring and control

Risk Management monitors direct residual value risk within the Volkswagen Bank GmbH Group.

As part of risk management procedures, the adequacy of the provision for risks and the potential residual value risk are regularly reviewed in respect of direct residual value risk; residual value opportunities are disregarded in the recognition of the provision for risks. The distribution of risks means that the risks incurred in the individual contract analysis are not always fully covered due to the different curve progressions of the residual value (digressive curve) and repayment (progressive) during the term of the lease. Consequently, in future, for the risks already identified the risk amounts allocated during the residual term must be earned and transferred to depreciation.

The preparation of the risk management report includes a review of adequacy in which the level of existing direct residual value risk is compared against the level of the recognized provisions for risks.

Based on the resulting potential residual value risk, various measures are initiated as part of a proactive risk management approach to limit the residual value risk. With regard to new business, the residual value recommendation take into account prevailing market conditions and factors that might have an influence in future. Various sensitivities for direct residual value risks are also in place to create a comprehensive picture of the risk sensitivity of residual values. These sensitivities are applied under expert leadership with the involvement of the central and local risk specialists. Indirect residual value risks faced by the Volkswagen Bank GmbH Group are subject to plausibility checks and are assessed from the perspectives of risk amount and significance.

As part of risk management activities, Risk Management regularly reviews the potential indirect residual value risk and the adequacy of the associated provision for risks. If necessary, it takes measures to limit the indirect residual value risk.

Risk identification and assessment

Direct residual value risks are quantified on the basis of expected loss (EL) and unexpected loss (UL). The EL equates to the difference between the contractual residual value specified at the inception of the lease for each vehicle and the latest forecast as of the measurement date of the remarketing proceeds. Other parameters such as remarketing costs are also taken into account in the calculation. The portfolio EL is determined by aggregating the individual expected losses for all vehicles. The expected losses arising from contracts subject to risk relate to the losses expected at the end of the term of the contracts concerned. These losses are recognized in profit or loss in the consolidated financial statements for the current period or in prior periods.

To determine the UL, the variation is measured between the realized selling price of the sold vehicles, adjusted for damage and mileage variances, and the contractual residual value. A markdown is derived from the history of these variations.

The UL is calculated by multiplying the contractual residual value by the markdown for the leased and still unsold vehicles. It can be calculated for each individual lease for each vehicle in the portfolio. As in the calculation of the EL, the UL portfolio is determined by aggregating the ULs of the individual vehicles. This figure is determined quarterly. The results from the calculation of the EL and UL are fed in to the assessment of the risk situation, e.g. they are one of the factors used in assessing the adequacy of the provisions for risks and are included in the calculation of risk-bearing capacity.

In the case of indirect residual value risk, the method used to quantify residual value risk is generally similar to that used for direct residual value risk. In addition, further risk parameters are taken into account (dealer default and other factors specific to this category of risk).

The general requirements for developing, using and validating the risk parameters for direct and indirect residual value risk are laid down in a set of procedural instructions.

BUSINESS RISK

The Volkswagen Bank GmbH Group defines business risk as the risk of direct or indirect loss from adverse changes in economic conditions, particularly in the financial services sector (equates to sector risk). Business risk includes the following risk subcategories:

> Earnings risk (specific profit or loss risk)
> Reputational risk
> Strategic risk
> Business model risk

All four risk subcategories relate to income drivers (e.g. business volume, margin, overheads, fees and commissions). The method followed to determine risk-bearing capacity uses the planned profit before tax as a deduction for business risk. In the economic perspective, business risk is included in risk management as a material category of risk.

EARNINGS RISK (SPECIFIC PROFIT OR LOSS RISK)

Earnings risk refers to the risk that actual values will vary from the budgeted values for certain items on the income statement that are not already covered by the other categories of risks described elsewhere.

Earnings risk includes the following risks:

> unexpectedly low fees and commissions (fee and commission risk);
> unexpectedly high costs (cost risk);
> excessively high income targets for new and existing business volume (sales risk); and
> unexpectedly low investment income

The objective of quantification is to regularly analyze and monitor the potential risks associated with earnings risk to ensure that values at variance with budgeted values are identified at an early stage and any necessary corrective action is initiated. If the risk were to materialize, this would reduce income or increase costs and thereby also adversely impact the operating result.

Risk identification and assessment

The Volkswagen Bank GmbH Group quantifies earnings risk using a parametric earnings at risk (EaR) model with the confidence level specified in the calculation of risk-bearing capacity and a one-year forecast period.

The relevant income statement items provide the basis for these calculations. The estimates for earnings risk are then based on two perspectives: first, the observed relative variances between target and actual values; second, the volatility and interdependencies between the individual items. Both components are incorporated into the EaR calculation.

Risk monitoring and control

During the course of the year, changes in the actual values for the earnings risk exposures are compared with the forecast values. This comparison is included in the standard reporting procedure carried out by Controlling.

The results from the quarterly quantification of earnings risk are included in the calculation of business risk. The results are monitored by Risk Management.

REPUTATIONAL RISK

Reputational risk refers to the risk that an event or several successive events could cause reputational damage (in the eyes of the general public), which in turn could limit current and future business opportunities or activities (potential earnings), thereby leading to an indirect adverse financial impact (customer base, sales, funding costs, etc.) and/or direct financial losses such as penalties, litigation costs, etc.

The responsibilities of Corporate Communications include avoiding negative press reports or similar communications that might damage the Group's reputation or, if this is not possible, assessing such reports and initiating appropriate communication measures specific to the target group with a view to ensuring the reputational damage is kept to a minimum. The objective is therefore to prevent or reduce any negative variance between actual reputation and the level of reputation the Company expects. A loss of reputation or damage to the Company’s image could have a direct impact on financial performance.

Reputational risk is recognized quantitatively in the calculation of risk-bearing capacity by applying a flat-rate markdown as part of business risk. This global approach is reassessed each year from a qualitative perspective.

STRATEGIC RISK

Strategic risk is the risk of a direct or indirect loss arising from strategic decisions that are flawed or based on false assumptions.

Strategic risk also includes all risks that result from the integration/reorganization of technical systems, personnel or corporate culture (integration/reorganization risk). These risks may be caused by fundamental decisions about the structure of the business made by Management in relation to the positioning of the Bank in the market.

The objective of the Volkswagen Bank GmbH Group is to manage its acceptance of strategic risk enabling it to systematically leverage earnings potential in its core business. At the same time, the strategic risks must be minimized.

In the worst-case scenario, a materialization of strategic risk could jeopardize the continued existence of the Company as a going concern. Strategic risk is included in the calculation of risk-bearing capacity as part of business risk, and also includes a qualitative markup for climate and sustainability risk drivers.

BUSINESS MODEL RISK

Business model risk arises as a result of the economic dependency of an entity on its group parent. The value for business model risk is derived using a scenario-based approach. The underlying scenario assumes that the Volkswagen Bank GmbH Group is unable to participate in the electric mobility transformation, a development it maps with additional increases in risk parameters. The additional capital that would be required to satisfy all creditor claims is calculated to determine the business model risk. An analysis of business model risk is carried out annually and the value of this risk is currently assessed at €0.

LIQUIDITY RISK

Responsibility for liquidity planning lies with the Treasury department of Volkswagen Bank GmbH and Group companies.

The expected liquidity flows of Volkswagen Bank GmbH are pooled and evaluated by Treasury. Daily liquidity requirements are calculated by Cash Management in the Treasury Back Office of Volkswagen Bank GmbH. Liquidity surpluses and shortfalls are eliminated by investing or raising cash with external banks as well as through ECB tenders.

Risk identification and assessment

In line with the requirements of the ECB's Supervisory Review and Evaluation Process (SREP), the Volkswagen Bank GmbH Group has a sound and effective internal liquidity adequacy assessment process (ILAAP). In addition, the Volkswagen Bank GmbH Group has a comprehensive range of tools appropriate to its business model and business strategy to enable it to measure, monitor and control liquidity risk and the relevant risk subcategories.

In conjunction with various ILAAP metrics, the normative and economic perspectives of liquidity adequacy are assessed over short-, medium- and long-term time horizons. Measuring and limiting the ILAAP metrics ensures that the liquidity position is adequate at all times. In the normative perspective, the LCR is used to assess the short-term liquidity risk; this approach is complemented by an analysis of the net stable funding ratio (NSFR), which is a longer-term structural liquidity ratio. The economic perspective also distinguishes between the analysis time horizons. For the purposes of safeguarding solvency at all times, utilization limits are specified for potential funding over the short- and medium-term time horizons. In this regard, the survival period functions as a key indicator as part of the recovery plan. Unexpected funding risks are quantified in order to manage the medium- to long-term funding structure. Liquidity adequacy is evaluated using a baseline scenario and multiple adverse scenarios, and is complemented by reverse stress tests. Stress tests are applied to funding matrices using a scenario approach with scenario triggers from the Bank itself or the market, or a combination of the two. Two approaches are used to determine the parameters for these stress scenarios. The first approach uses observed historical events and specifies different degrees of impact from hypothetical, but conceivable events. This approach takes account of the relevant aspects of insolvency risk (e.g. non-availability of any external funds as well as heightened outflow of capital from deposits held with the Volkswagen Bank GmbH Group) and rating- or market-driven changes in spreads to quantify the funding risk. A risk assessment is a key component in the system to ensure appropriate liquidity adequacy at all times. All ILAAP metrics are linked with other elements of the ILAAP (including liquidity contingency plan, recovery plan) to ensure an effective overall process is in place. Funding risk is also included in the calculation of risk-bearing capacity for the Volkswagen Bank GmbH Group.

In addition to ensuring appropriate liquidity management, the Group prepares funding matrices, carries out cash flow forecasts and uses this information to determine the relevant range of liquidity coverage.

The decision of the specific type of funding to be performed is influenced by market conditions, e.g. investor demand, on the one hand and by the maturity profiles of the existing funding operations on the other.

The Volkswagen Bank GmbH Group's external rating has an impact on the funding costs of money and capital market programs. As of December 31, 2024, credit rating agencies give Volkswagen Bank GmbH a long-term rating of BBB+ (S&P), A (Fitch) with a stable outlook and A1 (Moody's) with a negative outlook.

Risk monitoring and control

To manage liquidity, the Operational Liquidity Committee (OLC) holds meetings every two weeks at which it monitors the current liquidity situation and the range of liquidity coverage. It decides on funding measures and prepares any necessary decisions for the decision-makers.

Risk Management communicates the main risk management information and relevant early warning indicators relating to illiquidity risk and funding risk. As far as illiquidity risk is concerned, these indicators involve appropriate threshold values for determined degrees of utilization over various time horizons, taking into account access to relevant sources of funding. The indicators relating to funding risk are based on potential funding costs, which are monitored using a system of limits.

A further strict requirement imposed under banking regulations is the need to provide a highly liquid cash buffer and appropriate liquidity reserves to cover any liquidity requirements over seven-day and 30-day time horizons. For this reason, a contingency plan with an appropriate list of action points for obtaining liquidity has been drawn up so that it can be implemented in the event of any liquidity squeeze. A contingency situation may be triggered either by liquidity risk management (risk management) or by liquidity management and planning (OLC). These action points stipulate immediate notification of a set group of recipients including the Management Board in the event that a severe liquidity squeeze should occur. A crisis committee is convened to make all liquidity-related decisions and/or lay the groundwork for decisions by the Management Board.

Risk communication

The ILAAP is a permanent component of the management framework. This means there is regular reporting on all key elements of the ILAAP to the Management Board.

The members of the Management Board of Volkswagen Bank GmbH are informed on a daily basis of outstanding funding, open confirmed bank credit lines and the value of the securities in the operational safe custody account held with Deutsche Bundesbank.

Moreover, the Management Board discloses the appropriateness of the liquidity situation in a final statement based on the annual ILAAP guideline.

Qualitative disclosure of liquidity requirements

Liquidity risk is the risk of a negative variance between actual and expected cash inflows and outflows.

Liquidity risk is defined as the risk of not being able to meet payment obligations in full or when due, or – in the event of a liquidity crisis – the risk of only being able to raise funding at higher market rates or only being able to sell assets at a discount to market prices. This results in a distinction between illiquidity risk (day-to-day cash flow risk including deposit withdrawal/commitment drawdown risk and the risk of delayed repayment of loans on maturity), funding risk (structural liquidity risk) and market liquidity risk.

The primary objective of liquidity management at the Volkswagen Bank GmbH Group is to safeguard the ability of the Company to meet its payment obligations at all times. To this end, the Volkswagen Bank GmbH Group holds liquidity reserves in the form of securities deposited in its operational safe custody account with Deutsche Bundesbank. It also has at its disposal standby lines of credit at other banks to protect against unexpected fluctuations in cash flows. There are no plans to make use of these standby lines of credit; their sole purpose is to serve as backup to safeguard liquidity.

When funding the Group companies, the Volkswagen Bank GmbH Group aims to diversify the funding sources. In addition to direct bank deposits at Volkswagen Bank GmbH, these mostly comprise money and capital market programs as well as asset-backed security transactions. This diversification of funding instruments helps to improve the structure of the balance sheet and reduce dependence on individual markets and products.

To reduce the funding risk, the capital that the companies need is largely raised by matching maturities.

If liquidity risk were to materialize, funding risk would result in higher costs and market liquidity risk would result in lower selling prices for assets, both of which would have a negative impact on results of operations. The consequence of illiquidity risk in the worst-case scenario is insolvency caused by illiquidity. Liquidity risk management at the Volkswagen Bank GmbH Group ensures that this situation does not arise.

Composition of the liquidity buffer

The normative liquidity buffer (HQLA) of the Volkswagen Bank GmbH Group is composed of LCR Level-1 securities and balances held with Deutsche Bundesbank. The economic view includes the unencumbered part of the ECB safe custody account in the liquidity buffer.

Concentration of liquidity and funding sources

The Volkswagen Bank GmbH Group is funded largely through direct banking deposits and by capital market and asset-backed security programs. Volkswagen Bank GmbH also participates opportunistically in the ECB's targeted longer-term refinancing operations (TLTRO).

In addition to a broadly diversified number of funding sources, the Volkswagen Bank GmbH Group has a funding concentration within the Volkswagen Group.

In addition to funding as such, the Volkswagen Bank GmbH Group pursues a central approach for creating liquidity reserves to ensure daily solvency and the observance of liquidity risk indicators and regulatory ratios (including LCR, NSFR) at all times.

Derivative exposures and potential collateral calls

Interest-rate and currency swaps are traded within the Volkswagen Bank GmbH Group and included in the calculation of the LCR. OTC derivative contracts of Volkswagen Bank GmbH are hedged via collateral for each individual counterparty. The OTC derivatives transacted by Volkswagen Leasing GmbH are not collateralized. Derivatives of Volkswagen Bank GmbH handled by a central counterparty (CCP) are collateralized in the form of variation and initial margins.

Derivatives are expected to generate only minor liquidity effects.

Currency mismatch in the LCR

In accordance with the Commission Delegated Regulation (EU) 2015/61 of October 10, 2014, the Volkswagen Bank GmbH Group is required to hold sufficient high-quality liquid assets (HQLA) in the corresponding currency within the following 30 calendar days to cover the net liquidity outflows calculated for the LCR report. A perfect match between the currency of the HQLAs and the denomination of the net liquidity outflows is not sought. Rather, HQLAs are held in the main currency as well as the regulatory currencies for strategic purposes. Corresponding fluctuations and currencies that are not identified as currencies to be bought are compensated for in euros via HQLAs.

Description of the degree of centralization of liquidity management and the interaction between the individual Group institutions

Within the Volkswagen Bank GmbH Group, the LCR is managed centrally by Group Treasury Volkswagen Bank GmbH. The HQLAs for the prudential scope of consolidation of the Volkswagen Bank GmbH Group are held centrally and also managed by Group Treasury.

Other items in the LCR calculation which are not included in the LCR disclosure template but which are considered to be relevant in view of the liquidity profile are planned liquidity inflows (e.g. ABSs or capital market issues) which are not classed as legal cash flows for LCR purposes.

Quantitative disclosure of liquidity requirements

The calculation of the liquidity coverage ratio (LCR), for quantitative information on the LCR, is based on simple averages of the end-of-month reports over the twelve months prior to the end of each quarter.

Basis for calculating LCR in the Volkswagen Bank GmbH Group

Die Berechnung der Liquidity Coverage Ratio (LCR)-Offenlegungsvorlage zu quantitativen Informationen über die LCR basiert grundsätzlich auf den Durchschnittswerten der letzten zwölf Meldestichtage vor dem Offenlegungsdatum 31.Dezember 2024.Diese Werte sind als einfache Durchschnittswerte der Meldungen am Monatsende über die zwölf Monate vor dem Ende eines jeden Quartals zu berechne. Die Ursache für die Abweichung von der Leitlinie zur Offenlegung der Liquiditätsdeckungsquote zur Ergänzung der Offenlegung des Liquiditätsrisikomanagements gemäß Art. 435 der Verordnung (EU) Nr. 575/2013 ist die Neustrukturierung der Volkswagen Bank GmbH Gruppe im Jahr 2024. Diese hat zur Folge, dass das vierte Quartal 2024 nur sechs Durchschnittswerte (vom Zeitraum 31.Juli 2024 bis 31.Dezember 2024) der Meldungen beinhaltet.

TABLE 37: EU LIQ1 – QUANTITATIVE DISCLOSURES ON LCR

		A	B	C	D	E	F	G	H
	in € millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2024	30/09/2024	30/06/2024	31/03/2024
EU 1b	Number of data points used in the calculation of averages	6	3			6	3		
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61	X				23,327.7	26,397.0		
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	49,238.9	48,977.2			2,003.8	2,030.0		
3	*Stable deposits*	11,978.5	9,064.3			598.9	453.2		
4	*Less stable deposits*	13,762.9	15,488.4			1,384.2	1,556.1		
5	Unsecured wholesale funding	10,619.4	10,381.9			5,684.3	5,087.9		
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0.0	0.0			0.0	0.0		
7	*Non-operational deposits (all counterparties)*	10,424.7	10,348.5			5,489.6	5,054.6		
8	*Unsecured debt*	194.7	33.4			194.7	33.4		
9	*Secured wholesale funding*	X				0.0	0.0		
10	Additional requirements	10,290.0	10,263.4			1,409.5	1,318.2		
11	*Outflows related to derivative exposures and other collateral requirements*	199.0	193.0			199.0	193.0		
12	*Outflows related to loss of funding on debt products*	0.0	0.0			0.0	0.0		
13	*Credit and liquidity facilities*	10,091.1	10,070.4			1,210.6	1,125.2		
14	*Other contractual funding obligations*	2,273.1	2,677.6			1,978.4	2,443.0		
15	Other contingent funding obligations	11,310.2	11,183.2			1,104.2	1,090.9		
16	TOTAL CASH OUTFLOWS	X				12,180.2	11,970.1		
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	0.0	0.0			0.0	0.0		
18	Inflows from fully performing exposures	6,968.9	6,649.3			4,563.7	4,402.2		
19	Other cash inflows	2,545.4	2,802.4			1,033.8	1,278.1		
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	X				0.0	0.0		
EU-19b	(Excess inflows from a related specialised credit institution)	X				0.0	0.0		

		A	B	C	D	E	F	G	H
	in € millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2024	30/09/2024	30/06/2024	31/03/2024
20	TOTAL CASH INFLOWS	9,514.4	9,451.7			5,597.5	5,680.3		
EU-20a	*Fully exempt inflows*	0.0	0.0			0.0	0.0		
EU-20b	*Inflows subject to 90% cap*	0.0	0.0			0.0	0.0		
EU-20c	*Inflows subject to 75% cap*	9,514.4	9,451.7			5,597.5	5,680.3		
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER	X				23,327.7	26,397.0		
22	TOTAL NET CASH OUTFLOWS	X				6,582.7	6,289.8		
23	LIQUIDITY COVERAGE RATIO	X				360.08%	423.05%		

Changes in LCR over time

The quarterly averages for LCR are at a high level and significantly exceed the required minimum ratio of 100% on every reference date.

TABLE 38: EU LIQ2 – NET STABLE FUNDING RATIO

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**18,545.3**	**0.0**	**0.0**	**0.0**	**18,545.3**
2	*Own funds*	**18,545.3**	0.0	0.0	0.0	18,529.4
3	*Other capital instruments*	X	0.0	0.0	16.0	16.0
4	**Retail deposits**	**X**	**41,446.1**	**6,433.2**	**2,736.4**	**47,264.2**
5	*Stable deposits*	X	23,990.8	4,738.4	2,082.3	29,375.0
6	*Less stable deposits*	X	17,455.3	1,694.8	654.1	17,889.2
7	**Wholesale funding:**	**X**	**14,967.0**	**3,456.0**	**20,639.6**	**27,191.3**
8	*Operational deposits*	X	0.0	0.0	0.0	0.0
9	*Other wholesale funding*	X	14,967.0	3,456.0	20,639.6	27,191.3
10	**Interdependent liabilities**	**X**	**0.0**	**0.0**	**0.0**	**0.0**
11	**Other liabilities:**	**0.0**	**5,404.2**	**58.3**	**3,271.8**	**3,301.0**
12	*NSFR derivative liabilities*	**0.0**	X	X	0.0	0.0
13	*All other liabilities and capital instruments not included in the above categories*	X	5,404.2	58.3	3,271.8	3,301.0
14	**Total available stable funding (ASF)**	**X**	**X**	**X**	**X**	**96,301.8**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**	**X**	**X**	**X**	**X**	**22.0**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**	**X**	**827.6**	**0.0**	**0.0**	**0.0**
16	**Deposits held at other financial institutions for operational purposes**	**X**	**0.0**	**0.0**	**0.0**	**0.0**
17	**Performing loans and securities:**	**X**	**19,729.5**	**10,579.3**	**40,963.9**	**48,895.2**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*	X	**0.0**	**0.0**	**0.0**	**0.0**
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*	X	**4,889.0**	**1,556.4**	**5,932.8**	**7,199.8**
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sov-ereigns, and PSEs, of which:*	X	**14,261.0**	**6,959.5**	**26,710.4**	**33,316.3**
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	X	**42.8**	**27.8**	**64.2**	**77.0**
22	*Performing residential mortgages, of which:*	X	**0.5**	**0.5**	**17.1**	**0.0**
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	X	**0.0**	**0.0**	**0.0**	**0.0**

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*	X	**578.9**	**2,063.0**	**8,303.6**	**8,379.0**
25	**Interdependent assets**	**X**	**0.0**	**0.0**	**0.0**	**0.0**
26	**Other assets:**		**5,769.2**	**2,084.5**	**20,312.9**	**24,292.3**
27	*Physical traded commodities*	X	**0.0**	**0.0**	**0.0**	**0.0**
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	X	**19.0**	**0.0**	**0.0**	**16.2**
29	*NSFR derivative assets*	X	**1.2**	**0.0**	**0.0**	**1.2**
30	*NSFR derivative liabilities before deduction of variation margin posted*	X	**379.7**	**0.0**	**0.0**	**19.0**
31	*All other assets not included in the above categories*	X	**5,369.2**	**2,084.5**	**20,312.9**	**24,256.0**
32	**Off-balance sheet items**	**X**	**19,186.4**	**516.4**	**1,888.1**	**1,869.0**
33	**Total RSF**	**X**	**X**	**X**	**X**	**75,078.4**
34	**Net Stable Funding Ratio (%)**	**X**	**X**	**X**	**X**	**128.27%**

Exposures to interest rate risk on positions not held in the trading book

DISCLOSURE OF INTEREST RATE RISK ON POSITIONS NOT HELD IN THE TRADING BOOK

The impact of interest rate shocks on the economic value of the Group's banking books is calculated on a monthly basis and their impact on the periodic value on a quarterly basis in accordance with regulatory requirements. In accordance with the Banking Directive, BaFin and the ECB have, among other things, defined six scenarios for uniform, sudden and unexpected interest rate changes for all institutions (parallel and turnaround scenarios subject to an interest floor) and request quarterly reports on the results.

TABLE 39: EU IRRBB1 – INTEREST RATE RISKS ON BANKING BOOK ACTIVITIES

		A	B	C	D
Supervisory shock scenarios		Changes of the economic value of equity		Changes of the net interest income	
	in € millions	Current period	Last period	Current period	Last period
1	Parallel up	–692.6	–467.1	223.8	–158.4
2	Parallel down	608.3	510.5	–224.7	160.9
3	Steepener	421.3	33.7	X	X
4	Flattener	–543.4	–112.5	X	X
5	Short rates up	–706.7	–244.3	X	X
6	Short rates down	730.5	259.2	X	X

The "Last period" presented corresponds to the figures as of June 30, 2023.

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest rate risk in the banking book (IRRBB) consists of potential losses arising as a result of changes in market interest rates. IRRBB occur because of interest rate mismatches between asset and liability items in a portfolio or on the balance sheet. The Volkswagen Bank GmbH Group is exposed to interest rate risk in its banking book. Changes in interest rates that cause interest rate risk to materialize can have a negative impact on financial performance.

The objective of interest rate risk management is to keep the financial losses arising from this category of risk as low as possible. With this in mind, the Management Board has set limits and observation thresholds for this category of risk. If the limits or observation thresholds are exceeded, the situation is escalated on an ad hoc basis to the Management Board and the Asset Liability Management Committee (ALM Committee). Action to reduce risk is discussed and initiated by the ALM Committee.

As part of risk management activities, interest rate risk is included in the monthly risk report with a transparent analysis based on value at risk (VaR), a calculation offsetting the total market risk against the loss ceiling set for the Volkswagen Bank GmbH Group and recommendations for targeted measures to manage the risk. In addition, periodic risk measures for changes in net interest income are calculated and monitored with the help of the limits.

Risk identification and assessment

Interest rate risk for the Volkswagen Bank GmbH Group is determined as part of the monthly monitoring process using the VaR method with a 60-day holding period and a confidence level of 99%. The model is based on a historical simulation and calculates potential losses taking into account 1,460 historical market fluctuations (volatilities). Negative interest rates can also be processed in the historical simulation.

Whereas the VaR calculated for operational management purposes estimates potential losses under historical market conditions, changes in present value are also calculated on the basis of stress test scenarios in which interest rate exposures are subject to exceptional changes in interest rates and worst-case scenarios. The results of the simulations are analyzed to assess whether any of the situations could represent a serious potential risk. This process also includes the monthly quantification and monitoring of the changes in present value resulting from the interest rate shock scenarios of +200 basis points and –200 basis points as specified by the BaFin and from the scenarios relating to interest rate risk in the banking book (IRRBB) specified by the ECB and the Basel Committee on Banking Supervision.

The periodic interest rate risk identifies the risk of negative deviations in planned income due to changes in market yield curves in the +200 and –200 basis points interest rate shock scenarios defined by BaFin as well as the scenarios defined by the ECB and the Basel Committee. The periodic interest rate risk comprises conventional interest income and the results from fair value measurements relevant for interest.

The calculation of interest rate risk uses notional maturities to take into account early repayments under termination rights. The behavior of investors with indefinite deposits is analyzed using internal models and methods for managing and monitoring interest rate risk. The maximum duration of the interest rate adjustment is five years. The average duration of the interest rate adjustment is 1.5 years.

Risk monitoring and control

Treasury is responsible for the management of this risk on the basis of decisions made by the ALM Committee. Interest rate risk is managed by using interest rate derivatives at both micro and portfolio levels. The derivatives are recognized in the banking book. Risk Management is responsible for monitoring and reporting on interest rate risk. The Management Board receives a monthly report on the current interest risk situation with respect to present value and additionally also a quarterly report with respect to periodic value for the Volkswagen Bank GmbH Group.

Exposure to securitization positions

QUALITATIVE DISCLOSURE OF THE RISK FROM SECURITIZATION POSITIONS

Volkswagen Bank GmbH's securitization activities in accordance with Article 242ff. of the CRR are limited to the use of asset-backed securities transactions (ABS). Investments in securitizations of the Volkswagen Financial Services AG Group are carried out solely via the banking book. The investment policy of the Volkswagen Bank GmbH and members of the institution group precludes taking over or retaining resecuritization positions.

Objectives of securitization activity

Securitization by the Volkswagen Bank GmbH institution group primarily serves the purpose of selling receivables in order to raise cash and thus to gain access to another source of funding. ABS transactions also represent a cost-effective form of funding for the seller because the buyer's risk is low. They leverage the capital market and its investors to a greater extent and expand the proportion of funding that is available to the relevant company independently of its rating. This creates a broader and more stable funding and investor base.

The Company may purchase portions of the securities from its own ABS transactions as an investor and deposit them as collateral with the ECB as a liquidity reserve if required.

These transactions also serve to reduce the demands on regulatory capital.

Types of risk associated with securitization

With the exception of moral hazard, the Volkswagen Bank GmbH Group does not retain any risks in connection with the securitization of receivables.

As resecuritization positions are neither assumed nor retained, the associated disclosures are omitted in accordance with Article 449(c) of the CRR.

Roles in the securitization process

The Volkswagen Bank GmbH Group assumes clearly defined roles in the securitization process in the light of the legal framework for securitization transactions. Thus, it originates receivables in the form of finance contracts and leases as well as expectant rights. The structuring and selling process entails selecting and separating the portfolio and contacting external partners as well as the overall coordination of the transaction (attorneys, investment banks, rating agencies, swap partners, auditors, regulatory authorities). The entity also manages the contract pool that has been sold (collection and dunning procedures) and forwards the resulting payments to the special purpose vehicle (SPV, i.e. the servicer). Finally, responsibility is assumed for reporting to investors, banks and credit rating agencies as well as for the regulatory disclosure requirements. The Volkswagen Bank GmbH Group also invests in securitization positions related to its own ABS transactions as well as those of the Volkswagen Financial Services AG subgroup so as to be able to use the securities thus created as collateral for funding from the ECB.

Scope of the institution's activities

The scope of the institution's individual activities is as follows:

TABLE 40: SECURITIZATION: SCOPE OF THE INSTITUTION'S ACTIVITIES

Roles	Scope
Originator	Generation of receivables in the form of financing contracts
	"True sale", i.e. nonrecourse sale of receivables to a single purpose vehicle (SPV)
Structurer	Execution of the feasibility study
	Overall project management
	Definition of portfolio criteria
	Coordination of banks, legal counsel and rating firms to be involved
	Selection of swap partner and other third parties
Servicer	Contract pool management
	Collection of receivables, dunning services
	Forwarding of payments received to the single purpose vehicle
	Monthly reports to rating agencies, investors as well as regulators

Risk monitoring of securitization positions

The securitization positions held by the Volkswagen Bank GmbH Group may be tranches of any seniority (senior, mezzanine, junior). Prior to their sale or issue, a loan approval process is performed in which the Bank front office and back office are involved.

The reports prepared by external credit assessment institutions in connection with an internal evaluation and plausibility check as part of the existing safeguards are used to assess the level of risk.

An internal rating is awarded if an external rating is not available. The only exception is the first loss position, which is deducted directly from the liable capital of the Volkswagen Bank GmbH Group.

Transaction performance is regularly reviewed using the monthly investor reports. The positions are also reviewed as part of an annual resubmission process.

The credit risks arising from the securitization positions are not hedged.

No resecuritization positions are held.

Description of the approaches used to calculate the risk-weighted exposure amounts

The entities of the Volkswagen Bank GmbH institution group determine their own funds requirements using the Standardized Approach to Credit Risk (SACR) based on the IFRS consolidated financial statements of Volkswagen Bank GmbH, taking into account the scope of consolidation in accordance with section 10a(1) sentence 2 of the KWG. Models based on internal ratings or the IRBA approach are not used. In the case of SACR, the relevant risk weighting is determined by allocating the external short and long-term ratings to credit assessment levels or is based on the risk weighting stipulations applicable to the relevant exposure classes (Article 114ff. of the CRR). At the Group level, the requirements for the transfer of the significant risk in accordance with Article 244 of the CRR are fulfilled and options to reduce the risk-weighted exposure amounts to be calculated under Article 247 of the CRR are exercised. Risk-weighted exposure amounts for counterparty default risk are determined for the securitization positions. For this purpose, SEC-ERBA is applied in accordance with Article 263 and 264 of the CRR as of the December 31, 2024 reporting date.

Within Volkswagen Bank GmbH, securitization positions arise from the retention of securities issued by originators within the Volkswagen Bank GmbH institution group. In addition, Volkswagen Bank GmbH invests in securitization positions of entities of the Volkswagen Financial Services AG Group whose originator is not included in the prudential scope of consolidation of Volkswagen Bank GmbH.

Disclosures related to Article 449(f) of the CRR are omitted because no third-party exposures have been securitized.

Accounting policies

The accounting policies of Volkswagen Bank GmbH Group are based on IFRSs as follows.

As the special purpose entities within the Volkswagen Bank GmbH Group are consolidated in accordance with IFRS 10, the sale of receivables constitutes an intragroup transaction from the perspective of the Group. Intragroup transactions are eliminated and thus have no impact on the consolidated statement of financial position.

Thus, even after the transaction has been closed, the receivables sold are recognized in the consolidated financial statements of Volkswagen Bank GmbH as if there had been no sale of receivables. No gain or loss on disposal is recognized through profit or loss either immediately or at a later point in time.

If the investors are not companies of the Volkswagen Bank GmbH Group, bonds and subordinated loans are recognized as liabilities in the consolidated statement of financial position. The securitization transactions reported in the consolidated balance sheet of Volkswagen Bank GmbH are therefore treated as funding within the meaning of the CRR.

If a transaction is overcollateralized, additional exposures are transferred to the special purpose entities. In addition, the special purpose entities place a discount on the purchase price in a cash deposit. Surplus collateralization is not reported in a separate line item of the balance sheet as the receivables are never taken off the balance sheet due to the fact that the special purpose entities are consolidated. Similarly, the claim to payment of the cash deposit is not recognized as an asset as there was no sale due to the consolidation of the special purpose entities. However, the cash deposit is reported separately under assets in the IFRS subgroup consolidated financial statements because the special purpose entities are consolidated.

Subsequent entries are made when the originator collects the installments from the customers as these fall due and transfers them to the special purpose entities. These special purpose entities particularly use these funds to cover recurring costs and to make interest and capital payments on the bonds and subordinated loans issued by them.

For more information, please see the accounting policies described in the IFRS consolidated financial statements of Volkswagen Bank GmbH.

Because only entities that are part of the prudential scope of consolidation may be included in regulatory Group reporting, the special purpose entities that are included in the scope of consolidation under IFRSs but not in the prudential scope of consolidation are deconsolidated for the purposes of the regulatory Group reporting.

Securities purchased and subordinated loans granted are disclosed under assets as securitization positions. They are measured at fair value through profit and loss.

Notwithstanding this, in the case of securitization transactions in which Volkswagen Bank GmbH is both the seller of the receivables and the investor, the securities acquired within the institution group and the subordinated loans granted are no longer included in the regulatory FinRep balance sheet from March 31, 2023 to avoid duplicate recognition of one and the same credit risk in economic terms. However, the presentation of securitization exposures in the FINREP balance sheet was adjusted for prudential purposes as of March 31, 2023. In connection with the deconsolidation of the special purpose vehicles, securitized exposures, securities acquired and subordinated loans granted had originally been reported as assets in the case of securitization transactions in which Volkswagen Bank GmbH was the sole investor. This resulted in an economic view in the duplicate recognition of one and the same credit risk as the credit risk arising from the securities and the subordinated loans was dependent on the performance of the underlying exposure. An offsetting liability ("virtual loan") was recognized for accounting purposes. This ultimately led to an increase in total assets in the FINREP balance sheet. However, the recognition of securitization exposures in accordance with IFRS was modified on the basis of a new interpretation with the result that the duplicate recognition of one and the same credit risk has now been eliminated from the FINREP balance sheet. Consequently, no offsetting liability is required for accounting purposes, ultimately leading to a decline in the total assets shown in the FINREP balance sheet. As Volkswagen Bank GmbH remains the economic owner of the securitized exposures under IFRS, the securities acquired and the subordinated loan granted are no longer included in the prudential balance sheet following the elimination of the duplicate recognition. Accordingly, the effects of fair-value measurement recognized in other comprehensive income are no longer reflected in the equity reported on the face of the balance sheet.

There are no liabilities reported in the balance sheet that are based on obligations to provide financial support for securitized receivables.

Credit rating agencies

Volkswagen Bank GmbH invests in securities of its own ABS transactions which securitize the amounts owed under retail financing.

Ratings from at least two credit rating agencies were used for the securitized exposures.

The following agencies issued ratings for tranches of current asset-backed securitizations issued by Volkswagen Bank GmbH:

> Moody's Investors Service
> Standard & Poor's Global Ratings
> DBRS Ratings
> Fitch Ratings

Disclosures in accordance with Article 449 I of the CRR can be dispensed with as no internal-ratings-based approaches are applied.

Changes versus the previous year

Volkswagen Bank GmbH securitizes retail financing continuously by means of Driver Master Compartment 2 (since July 2015). In the case of Volkswagen Bank GmbH, Italian Branch, this is done with Private Driver Italia 2020-1 (since November 2020) and Private Driver Italia 2024-1 (since June 2024) and, in the case of Volkswagen Bank GmbH, Spanish Branch with Private Driver España 2020-1 (since November 2020).

The aforementioned Driver Italia 2024-1 issue was Volkswagen Bank GmbH's only transaction in 2024.

With respect to the Driver Master Compartment 2 securitization transaction, there was an asset takeout to reduce the volume and a tap-up to increase it in the reporting year.

Since being restructured as of July 1, 2025, Volkswagen Leasing GmbH has been a wholly owned subsidiary of Volkswagen Bank GmbH. Volkswagen Leasing GmbH regularly engages in public ABS transactions in the capital market, these being the VCL 41, VCL 42 and VCL 43 securitization transactions in 2024. In addition, it securitizes lease receivables via VCL Master C1 and expectant rights via VCL Master RVC2 on a continuous basis.

The Group does not maintain a trading book. Statements on trading book exposures in accordance with Article 449(q) of the CRR can therefore be omitted.

Credit support beyond the contractual obligations under Article 248(1) of the CRR is not provided. Statements in accordance with Article 449(r) of the CRR can therefore be omitted.

All securitization transactions in which the Volkswagen Bank GmbH Group is the originator or the investor are traditional securitizations.

In view of the contractually agreed buyback right when the materiality threshold is breached (“clean-up call”), the outstanding exposures under the VCL 34 (June 2024) and VCL 35 (October 2024) securitization transactions were duly repurchased. In the reporting year, Volkswagen Bank GmbH terminated the investment in Driver UK Master C3 and invested in the new Driver UK Master C7 transaction.

QUANTITATIVE DISCLOSURE OF THE RISK FROM SECURITIZATION POSITIONS

The following table shows the securitization positions held. The columns for the originator and sponsor roles (a – k) also include amounts from retained exposures for securitizations for which no significant risk transfer (SRT) was achieved. These amounts represent the regulatory retention of our share in the volumes securitized as an originator or sponsor. The amounts shown are nominal amounts where no SRT was achieved and otherwise the regulatory exposure amounts.

TABLE 41: EU SEC1 – SECURITIZATION POSITIONS IN THE NON-TRADING BOOK

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
	in € millions		of which SRT		of which SRT		of which SRT									
1	**Total exposures**	**27,146.1**	**0.0**	**2,129.9**	**0.0**	**0.0**	**0.0**	**29,276.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**549.9**	**0.0**	**549.9**
2	Retail (total)	7,675.6	0.0	2,129.9	0.0	0.0	0.0	9,805.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	residential mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	other retail exposures	7,675.6	0.0	2,129.9	0.0	0.0	0.0	9,805.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Wholesale (total)	19,470.5	0.0	0.0	0.0	0.0	0.0	19,470.5	0.0	0.0	0.0	0.0	0.0	549.9	0.0	549.9
8	loans to corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	commercial mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	lease and receivables	19,470.5	0.0	0.0	0.0	0.0	0.0	19,470.5	0.0	0.0	0.0	0.0	0.0	549.9	0.0	549.9
11	other wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The following two tables show the securitization positions which have been retained (originator positions) or acquired (investor positions) broken down by risk weighting bands and regulatory approaches.

TABLE 42: EU SEC3 – SECURITIZATION POSITIONS IN THE NON-TRADING BOOK AND ASSOCIATED REGULATORY OWN FUNDS REQUIREMENTS – INSTITUTION ACTING AS AN ORIGINATOR OR SPONSOR

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	in € millions	≤20% RW	>20 % to 50 % RW	>50 % to 100 % RW	>100 % to <1250 % RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250 % RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250 % RW
1	**Total exposures**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
2	Traditional transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Synthetic transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

TABLE 43: EU SEC4 – SECURITIZATION POSITIONS IN THE NON-TRADING BOOK AND ASSOCIATED REGULATORY OWN FUNDS REQUIREMENTS – INSTITUTION ACTING AS AN INVESTOR

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	in € millions	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100 % bis <1250 % RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250 % RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250 % RW
1	**Total exposures**	**0.0**	**549.9**	**0.0**	**0.0**	**0.0**	**0.0**	**549.9**	**0.0**	**0.0**	**0.0**	**193.3**	**0.0**	**0.0**	**0.0**	**15.5**	**0.0**	**0.0**
2	Traditional securitisation	0.0	549.9	0.0	0.0	0.0	0.0	549.9	0.0	0.0	0.0	193.3	0.0	0.0	0.0	15.5	0.0	0.0
3	Securitisation	0.0	549.9	0.0	0.0	0.0	0.0	549.9	0.0	0.0	0.0	193.3	0.0	0.0	0.0	15.5	0.0	0.0
4	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Wholesale	0.0	549.9	0.0	0.0	0.0	0.0	549.9	0.0	0.0	0.0	193.3	0.0	0.0	0.0	15.5	0.0	0.0
7	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Resecuritisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Synthetic securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The following table sets out all outstanding nominal amounts for which the Volkswagen Bank GmbH Group acts as an originator together with the risk exposures classified as in default in accordance with Article 178 of the CRR and the associated specific credit risk adjustments in accordance with Article 110 of the CRR.

TABLE 44: EU SEC5 – EXPOSURES SECURITIZED BY THE INSTITUTION – EXPOSURES IN DEFAULT AND SPECIFIC CREDIT RISK ADJUSTMENTS

		A	B	C
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
	in € millions	Total outstanding nominal amount		
			Of which exposures in default	Total amount of specific credit risk adjustments made during the period
1	**Total exposures**	**30,418.0**	**349.2**	**316.3**
2	Retail (total)	10,947.5	335.8	147.2
3	residential mortgage	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0
5	other retail exposures	10,947.5	335.8	147.2
6	re-securitisation	0.0	0.0	0.0
7	Wholesale (total)	19,470.5	13.4	169.2
8	loans to corporates	0.0	0.0	0.0
9	commercial mortgage	0.0	0.0	0.0
10	lease and receivables	19,470.5	13.4	169.2
11	other wholesale	0.0	0.0	0.0
12	re-securitisation	0.0	0.0	0.0

The outstanding total nominal amount for securitized exposures in the role as originator stands at €30.4 billion as of December 31, 2024. Of this, €349.2 million or 1.1% is classified as in default.

Environmental, social and governance risks (ESG risks)

QUALITATIVE REPORTING

TABLE 45: QUALITATIVE INFORMATION ON ENVIRONMENTAL RISKS (IN ACCORDANCE WITH ARTICLE 449A OF THE CRR)

Row number		Qualitative information - Free format
(a)	Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning	Both the financial industry and the automotive industry are central sectors of the transformation of society and the econ-omy towards greater sustainability. We as Volkswagen Bank GmbH play a major role in the sustainable transformation of mobility. With the Volkswagen Group's ambition to actively shape the transformation of the automotive industry, the Group pur-sues "The Group Strategy – Mobility for Generations"[3] and the sustainability strategy "regenerate+". The aim is to be a leading global provider of sustainable mobility and a role model in environmental protection. Sustainability means striving for economic, social and ecological goals at the same time. We want to create lasting val-ue, offer good working conditions and treat the environment and resources with care. In addition, the Volkswagen Group's environmental policy[4] provides the framework for the brands' environmental activi-ties. For Volkswagen Bank, this joint environmental policy means that we align our core business in particular with these principles and thus support the Group in implementing its environmental goals. We understand sustainability as a holistic concept. For us, sustainability is not a single goal or a one-time measure. It is a comprehensive strategy that permeates all aspects of our actions and decisions, ensuring the long-term success and value creation of our company. We view sustainability as an ongoing process. We do not act statically but adapt our path continuously and consistently. This is done not in isolation but based on internal and external assessments and validations – always in close coordina-tion with the Volkswagen Group. Our sustainability strategy represents our response to the transformation to emission-free mobility: the goals we have set ourselves and the key performing indicators (KPIs) we use to measure the degree to which we achieve our goals. It de-scribes our path to actively meet upcomming challenges, to proactively shape the changes ahead of us and to success-fully take advantage of the opportunities that arise in the transformation. Our mission is to meet our customers' mobility needs with sustainable solutions throughout the entire vehicle lifecycle. Sustainability is thus an important element of our business activity. We are convinced that we can only successfully im-plement our business model in the future through responsible and forward-thinking actions. As a basis, our business activities and our commitment in all areas are guided by clear and immutable principles: > We protect and strengthen our environment. > We treat people with dignity and respect. > We act with integrity and in compliance with regulations. > We recognize our responsibility in society. > We enable sustainable mobility and business models.
		Our four sustainability dimensions Our sustainability strategy is structured into four dimensions > Nature > Employees > Society > Business This translates the classic ESG areas (Environmental, Social, and Governance) into concrete fields of action that reflect our corporate strategy. This section 1 (a) explains the dimensions Nature and Business. Further explanations of the dimensions Employees and Society are provided in section 2 (a).

[3] The Group Strategy | Volkswagen Group
https://www.volkswagen-group.com/de/nachhaltigkeitsstrategie-18157; 10.03.2025

[4] Group Environmental and Energy Policy: We are facing up to the challenges of climate change. We are committed to the Paris Climate Agreement and align our activities with the 1.5 degree target. We are aware of our global responsibility and the impact on the environment and society associated with our actions and with our products. We use our innovative strength to reduce our ecological footprint. We are meeting the associated challenges throughout the entire life cycle of our mobility services. At the same time, our innovations support our customers in reducing their own ecological footprint in terms of mobility and make a significant contribution to maintaining our competitiveness and securing jobs. (Annex 01 to Group Guideline 17, as of February 2025)

Nature

We take ecological responsibility and contribute to the preservation and protection of nature.

Nature is not only our shared living space but also the foundation of our economy and actions. Healthy ecosystems pro-vide essential resources such as clean water, fertile soil, and fresh air – and therefore require our special protection.

At Volkswagen Bank, we have committed ourselves to actively contribute to the protection of nature. We are convinced that protecting nature is not only our responsibility but also an opportunity. By consciously managing natural resources, sustainable value creation can be secured in the long term. Preserving nature protects supply chains, fosters innovation, and strengthens resilience to global challenges.

When looking at emissions within the automotive value chain, emissions from our own business operations and from the use phase of the vehicles we finance and lease are relevant for us. The CO2 emissions from vehicle production are an-chored in the Group strategy and are the responsibility of the manufacturing units. Therefore production emissions are not considered in VWB`s CO2 emissions.

In concrete terms, this means that we at Volkswagen Bank measure CO2 reduction targets both in terms of business op-erations and the vehicle portfolio we finance or lease.

Achieve net-carbon neutral direct emissions in our portfolio by 2030

Referring to the direct emissions of our portfolio means that we are focusing on the emissions of internal combustion engine (ICE) vehicles in our portfolio .

As a captive, we have the task of supporting the Group's brands in opening up market and the transformation to electric mobility. The direct gross emissions of our portfolio are therefore dependent on Group sales.

A fundamental component of the decarbonization of our portfolio is therefore the development of the Volkswagen Group's new car fleet emissions.

By 2050 at the latest, we want to achieve 0t CO2 gross emissions in the direct emissions of our portfolio.

The balance sheet CO2 neutrality means that we control according to net emissions, including emissions compensation.[5] To this end, the CO2 emissions of every new vehicle financing and leasing contract in the new and used car business will be offset from 2027 onwards[6]. (For details, see 1 (c))

Design business operations net-carbon-neutral by 2030

We have it in our hands to make our business operations as climate-friendly as possible. By 2030, our business opera-tions are to become CO2-neutral in terms of balance . To this end, we want to reduce our gross emissions by 50% by 2025 and by 70% by 2030 compared to the base year 2021 through CO2 avoidance and reduction.

Since the largest CO2 emissions are caused by electricity consumption, company cars with combustion engines and business trips, the following levers are available for achieving the reduction targets set:

> Switching to electricity from renewable energies
> Conversion of the company car fleet to BEV
> Reduction of air travel

Comprehensive reporting enables transparency about the main emission drivers per country. Based on this analysis, the most effective measures are implemented locally. We will compensate for unavoidable residual emissions by offsetting. (For details, see 1 (c))

In addition, an ISO 14001-certified environmental management system has been implemented to record, evaluate and minimize the environmental impact of Volkswagen Bank GmbH's business operations at the Braunschweig site, our larg-est property.

Business

We drive our business towards sustainability and actively promote the decarbonization of mobility.

Shaping our business with a future-oriented approach and promoting the shift to sustainable mobility is complex – and at the same time, a unique opportunity. As a sales promoter of the Volkswagen Group and a partner of its brands, we have the opportunity – and thus a decisive lever – to actively advance the sustainable transformation of mobility.

Our products connect people, help spare resources, and make processes simple and efficient. We create mobility con-cepts, develop fleet management solutions, and offer attractive financing and service options.

As part of our sustainability strategy, we have set clear goals for sustainably operating our business model:

We are driving the shift towards sustainable mobility

By 2030, the Volkswagen Group wants to electrify its entire model range. The future viability of environmentally friendly individual mobility depends decisively on the rapid market ramp-up of electric vehicles. Intelligent financing concepts from Volkswagen Bank are an important building block in achieving this goal.

In order to drive the transition to sustainable mobility, 80% of the electric vehicles produced by the Volkswagen Group brands in Europe are to be leased or financed by Volkswagen Financial Services AG by 2030 (in comparison: target for ICE vehicles: 50%).

In addition to enabling electric mobility for private customers through attractive leasing offers, the future-oriented and sustainable orientation of vehicle fleets plays a central role. For this reason, we develop fleet concepts for our customers and support them intensively in building their e-fleet – in close cooperation with the brands of the Volkswagen Group.

We are increasing the share of sustainable refinancing in the capital market

By 2030, we want to increase the share of sustainable refinancing in the capital market to 40%. In 2040, the share of green bonds is expected to be 60%.

The Green Finance Framework of Volkswagen Bank GmbH is the foundation for the sustainable refinancing activities of Volkswagen Financial Services AG, supporting the current sustainability strategy and facilitating the development of a new investor base. The Green Finance Framework covers all refinancing products of Volkswagen Bank GmbH, from clas-sical bonds to ABS (Asset Backed Securities), credit lines, commercial papers, and promissory notes. The funds generated under the framework are exclusively used for refinancing credit and leasing contracts for BEVs (Battery Electric Vehicles). An internal committee of specialists, the Green Finance Committee, oversees compliance with the rules and regulations set out in the Green Finance Framework.

Furthermore, Volkswagen Bank GmbH has developed a framework for green loans with its Green Loan Framework and at the same time created the basis for classifying the loan portfolio on the basis of specific sustainability criteria. Sustaina-ble financing includes, for example, the energy-efficient renovation of buildings, the installation of solar systems or the construction of a charging park at our dealer partners. But this also includes the financing of our customers' electric ve-hicles.

Volkswagen Bank GmbH is mindful of its responsibility as a lender and has been a signatory of the voluntary code of conduct "Responsible Lending for Consumers" since 2010. This code sets standards for the granting of loans and ap-plies to all instalment loans and lines of credit. Volkswagen Bank GmbH has a fundamental interest in granting loans responsibly. Therefore, high standards apply to the granting of consumer loans. The code provides an overview of these standards and includes a series of consumer-friendly regulations that go beyond existing legal requirements.

VWB's sustainability strategy is managed on the basis of concrete KPIs and target values for the year 2030. This control was integrated into the established strategy cycle and planning process. Detailing is given under 1 (e).

[5] The BEVs in our portfolio do not emit any greenhouse gases during use. Accordingly, the specific CO_2 emissions are zero. (See Annex 1 A. Section 1 No. 4 Sentence 5 of the Passenger Car Energy Consumption Labelling Ordinance Pkw-EnVKV). That's why we refer to these vehicles as zero-emission vehicles or zero-emission vehicles in terms of the CO_2 emissions they emit. In contrast to BEVs, ICE vehicles have direct emissions (Scope 1) within the meaning of the GHG.

[6] The emissions of the financed vehicles are not fully compensated, but according to the attribution factor, i.e. proportionately to the extent to which we finance the vehicle.

(b)	Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information about the design of business strategy and processes	Volkswagen Bank GmbH's sustainability goals (KPIs) including decarbonization targets are described in 1(a). Table 46 (see below) provides a compact overview. The risk strategy derived from ESG-business strategy defines the basic understanding and lays the framework for ESG activities for the future by defining the main elements of the risk management framework. At the same time, the focus area of sustainability has become a further component of the risk culture principles as sus-tainability risks are handled with greater awareness and employees become actively involved in the process at an early stage. The ECB's supervisory expectations published in its guide on climate-related and environmental risks are incorpo-rated into the VW Bank's methodologies. VW Bank GmbH (Group) has defined key risk indicators (KRIs) including limits in order to appropriately assess and man-age sustainability risks. The ESG Key Risk Indicators (KRIs) shown in Table 47 are implemented as part of the risk strategy. The limits for ESG KRIs are reviewed at least once a year as part of the review and adjustment process of the business and risk strategy. The review starting in Q3 is based on insights gained from the risk inventory of ESG risk drivers and analyses of the ESG-KRIs limits adequacy. In Q4 ESG-KRIs and their limits are adjusted and adopted as part of the reso-lution on the business and risk strategy at the beginning of the year. As part of the monitoring process, VW Bank has in-cluded ESG-Key Risk Indicators (KRIs) in its quarterly risk management reporting. This includes assessing the intensity of carbon emissions per vehicle on average, the carbon footprint on own business operations, customers ESG-Scores for the finance and leasing business, as well as the expectation of our customers regarding sustainability activity of VW Bank GmbH related to their current perception, as an indicator of ESG-reputation risk. Risk management reports are cre-ated and distributed quarterly to supervisory and management boards as well as further internal addresses, to ensure transparency, and support VW Bank GmbH in managing ESG-related risks effectively. For further information on the management of ESG-KRIs see section 1 (g).
(c)	Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities	Our goal is for the direct emissions of our portfolio to be CO2-neutral by 2030 at the latest. We are actively driving this transformation to sustainable e-mobility through attractive product offerings for private and business customers (see 1 (a) for details). In addition, from 2027 onwards, we will offset the CO2 emissions of every new vehicle financing and leas-ing contract.[7] As part of supporting international nature and climate protection projects, we work closely with Volkswagen Climate Partner. The joint venture between VW Kraftwerk AG GmbH and Climate Partner aims to develop high-quality projects focused on efficiently reducing greenhouse gas emissions. Additionally, the positive impact on biodiversity and local communities and their livelihoods is central. A comprehensive due diligence process ensures the high quality and con-crete implementation of the projects Our compensation portfolio excludes REDD+[8] projects. Rather, we are investing, for example, in two lighthouse projects in the field of agroforestry and reforestation in Brazil (Biriba) and South Africa (East-ern Cape). In order to achieve the goal of making our business operations CO2-neutral by 2030 at the latest, we want to reduce our gross emissions by 70% by 2030 compared to the base year 2021 through CO2 avoidance and reduction, and offset una-voidable residual emissions through offsets. For more than 15 years, Volkswagen Financial Services has been working together with Naturschutzbund Deutschland e.V. (NABU) to protect and restore peatlands. Peatlands play a crucial role in both climate protection and biodiversity. So far, Volkswagen Financial Services has invested around seven million euros in peatland protection projects. Additionally, Volkswagen Financial Services is involved in the restoration of rivers – for example, in the Schunteraue in Braunschweig, the Aller near Verden, and the Dosse and Temnitz in Brandenburg. The goal is to restore the original course of the rivers that have often been straightened, allowing typical species and habitat diversity to return.
(d)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks	Volkswagen Bank GmbH Group`s goal when providing finance is to only accept ESG risks that can be assessed with a high degree of effectiveness based on broad-based expertise in the front office and back office units. The integration of ESG aspects in lending started initially in 2022 in dealer business and became an integral part of the identification of ESG risks for all corporate customers in risk-relevant business in 2023. Several ESG instruments were included in the lending and decision-making processes. The entire implemented ESG instruments follow international standards, e.g. set by the UN Sustainable Development Goals (UN SDG's) and EU Taxonomy Regulation. For financing business within the Volkswagen Bank and its branches an ESG questionnaire entitled "ESG-Scoring light" was introduced in 2022. For leasing business within the Volkswagen Leasing GmbH an external ESG-Score was introduced in 2024. Following perspectives are covered in both scoring-instruments: > Climate protection (emission reduction and energy supplies) and environmental protection as well as the sparing use of raw materials and energy in the "Climate and Environment" segment. > Within "Social", it takes account of occupational health and safety as well as employee co-determination > The "Governance" pillar covers aspects related to good corporate governance and compliance as well as contro-versial business activities. The "ESG-Scoring light" for financing business is not a self-evaluation performed only by the customer. In accordance with our commitment to supporting corporate customers on their transformation journeys, the front office staff use the questionnaire as an opportunity for initiating close talks with customers on ESG matters and on their future orientation and transformation towards a sustainability strategy. This is used as a basis for calculating an ESG score. Potential find-ings from these conversations may find their way into customers' transformation processes. The "ESG-Scoring light" is carried out on an annual basis or when changes during the year become known. Most customers achieve an overall "green" or "amber" rating in the traffic-light system within the "ESG-Scoring light". The external ESG Score delivers total scores, and score results for the pillars "Environmental", "Social" and "Govern-ance". Most lessees within the Volkswagen Leasing GmbH are ranked with a total score result of "3", which can be as-sessed as a medium risk. The external ESG Score became a mandatory part of the credit documentation which is carried out on an annual basis or when changes during the year become known within the Volkswagen Leasing GmbH. Additionally, as part of the corporate analysis performed by the back office, the credit analysts comment on the "ESG key questions" in the form of a further standardized questionnaire, which is included in the credit documentation , voting as a key assumption and finally in the decision. The "ESG key questions" have the aim to identify potential impacts, i.e. to present the impact on customers ESG risks. There are various questions on different pillars regarding climate & environ-ment (divided into physical and transition), social and governance must be commented on individually in case a significant impact has been identified. Moreover, results of the "ESG-Scoring light" or external ESG Score results are to be considered in the assessment of the "ESG key questions". In addition, for customers related to ESG disclosure sustainability strategies or sustainability reports are considered within the credit departments to ensure further ESG related information. The ESG due diligence process, which has been incorporated in the form of "ESG-Scoring light" and the external ESG-Score as well as the "ESG key questions", includes a discussion of critical issues with clients, definition on remediation actions and the identification of supporting opportunities. The approach is to navigate customers on their sustainability journey by being deeply embedded in the transformation over the next coming years. The monitoring of customer's pro-gress towards agreed mitigation actions is also one of the main key activities within the ESG due diligence process.

[7] The emissions of the financed vehicles are not fully compensated, but according to the attribution factor, i.e. proportionately to the extent to which we finance the vehicle.

[8] REDD+: Reducing Emissions from Deforestation and Degradation; Forest conservation projects are heavily criticized due to the risk of greenwashing.

A sufficient lending policy that has been drawn up in connection with these instruments form a basis for employees' work and have been included in the German and European organization manuals. As part of the integration process, the Volkswagen Bank GmbH Group holds several internal conferences and training sessions for target groups for the three lines of defense, including front office, financial risk (back office) and internal audit. Environmental, Social and Govern-ance Risks (ESG risks) The Volkswagen Bank GmbH Group follows high ethical principles in its business activities and complies with applicable German and European laws and regulations, for example on conflict management, antimony laundering, anti-corruption and conflicts of interest, and observes other regulatory requirements. At the end of 2023, criteria were also introduced as the basis for new business decisions by the Volkswagen Bank GmbH Group to exclude controversial industries/business areas aside from predefined uses. Among other things, these criteria support the trans-formation process as defined in the green loan framework. This ensures that allowance is made for strategic reorientation and that the Volkswagen Bank GmbH Group meets the requirements of a sustainable future. The borrower in question is assigned to a sector based on its primary business activity. If it engages in multiple business activities, these must be evaluated in greater detail. Existing loans are reviewed critically in the light of their defined purpose and sector classifica-tion.
While lending and monitoring, the Volkswagen Bank GmbH Group defines exclusion criteria. Through an exclusion list, which has been incorporated in 2024, selected controversial industries / business areas, apart from the defined intended uses that serve, among other things, to support transformation in line with the Green Loan Framework, are restricted.
This ensures that strategic realignments are considered and that the Volkswagen Bank GmbH Group meets the require-ments of a sustainable future. The entire Volkswagen Bank GmbH Group commits not to provide new loans outside the defined intended uses in the specified controversial industries / business areas. Financing provided to borrowers that meet the defined intended uses below will not be restricted by the exclusion list, despite belonging to a controversial industry / business area:

> Vehicle-based financing and vehicle-based leasing, including vehicle financing, leasing, and dealer purchase lines
> Dealer financing, including working capital loans, spare parts financing, and investment loans for dealers, which will be assessed for suitability under the "Green Loan Framework" in the future
> Real estate financing, including new construction financing, energy-efficient construction and renovation, primar-ily for dealers
> Financing without a specific intended use ("Other") in line with the "Green Loan Framework

The Volkswagen Bank GmbH Group classifies the following industries/businesses as controversial:
> Coal-fired power production and mining
> Invasive intervention in ecology and biodiversity to extract oil and natural gas (fracking, oil, sand (etc.)
> Trawler fishing or other harmful fishing methods
> Non-sustainable palm oil production
> Deforestation and uncertified logging
> Stem cell research, animal testing
> Pornography, brothels
> Gambling, including related development and marketing activities
> Tobacco products and e-cigarettes

The industries / business areas classified as controversial are evaluated annually or on an ad-hoc basis to reflect their dynamic development.
Within the Volkswagen Bank GmbH Group, the avoidance of controversial business and economic activities is firmly in-tegrated into the compliance frameworks. A binding code of conduct is already an integral part of the contracts between dealers and the VW Group. In addition, a supplemen-tary compliance policy supports compliance with the sustainability requirements of the VW Group in business relationships.
A binding code of conduct is also part of the Volkswagen Bank GmbH Group for business relationships with customers, business partners, and suppliers. Requirements regarding national and international regulations and conventions, inter-nal norms, and values, such as human rights, labor rights, and compliance aspects, are ensured. Applicable laws and regulations, such as anti-corruption, money laundering, fraud prevention, and cybercrime, are considered and imple-mented within the Volkswagen Bank GmbH Group through work instructions and processes. Monitoring and reporting obligations, as well as communication channels and training, are also integrated for employees. This ensures the follow-ing areas:

> Compliance & Integrity, including the protection of economic and human rights
> Prevention of money laundering, terrorism financing, and criminal activities
> Anti-corruption and fraud prevention.

(e)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels	Volkswagen Bank GmbH Group is a direct and 100% subsidiary of Volkswagen Financial Services AG. The primary responsibility for all sustainability issues lies with the Board of Management of Volkswagen Financial Services AG and, derived from this, the Management Board of VW Bank GmbH. Accordingly, VW Bank's sustainability strategy was derived and adopted from VWFS's sustainability strategy. In order to advise on the Group's orientation and decision-making on sustainability aspects, Volkswagen Financial Services AG relies on the active involvement of various management levels. For their part, the Board of Management and the Chief Representative for Human Resources and Organization of Volkswagen Financial Services AG have made a voluntary commitment to anchor the strategic sustainability goals, in which each sustainability goal is assigned to a board of directors as godparents. This ensures that the material aspects of the sustainability strategy are taken into account in all board decisions. The board sponsor has accepted the sustainability goals and KPIs (Key Performance Indicators) including interim targets. These goals and KPIs are monitored in an ongoing process, whereby they are constantly readjusted in cooperation with the corporate strategy and board sponsors and the associated initiatives are examined. The sustainability issues introduced by the specialist functions and the "Strategy & Sustainability" organizational unit to the Executive Board are integrated into the reporting of the Executive Board to the Supervisory Board. Additionally the position of VW Bank's Chief Sustainability Officer connects the management of VW Bank GmbH and the management board of Volkswagen Financial Services AG. This entrenches the management relevance of sustainability at the highest decision-making level of Volkswagen Bank GmbH and simultaneously creates the basis for driving forward ESG initiatives on a Group-wide basis and across individual business units. The Chief Sustainability Officer is, for example, responsible for aspects of the ESG taxonomy, corresponding definitions and Volkswagen Bank GmbH Group`s overall ESG strategy. In addition, he sets the framework for consistent and comprehensive reporting and ensures that regulatory and market developments touching on ESG matters are monitored and that, where necessary, preliminary impact and gap analyses are initiated. The sustainability strategy of the Volkswagen Bank GmbH is managed on the basis of concrete KPIs and target values for the year 2030 (see 1 (b) above). This control was integrated into the established strategy cycle and planning process. As part of the annual strategy calendar, the strategic goals and KPIs are reported, discussed with relevant stakeholders and corrective measures are decided if necessary. Since 2024, the KPIs of the "nature" dimension, i.e. the CO2 emission targets (portfolio and operational emissions), have been integrated into our planning round process as top KPIs. This means that they are planned with annual targets in the respective planning rounds for the next 5 financial years and reported quarterly as part of the forecasting process. The Strategy Jour Fixes, which take place several times a year, report in detail on the development of the respective strategic annual goals as well as on the strategic top KPIs. Within the annual strategy review, it is important to discuss relevant influences on the strategy with the help of environmental analyses and, if necessary, to define appropriate countermeasures. To steer environmental risk factors within VW Bank GmbH, its management body establishes a risk culture, sets an appropriate risk appetite, derived from the sustainability business strategy, and implements a strong internal control framework, considering also ESG risks. The risk appetite framework integrates ESG goals into the risk management system, which are based on the ESG-risk drivers and their respective transmission channels identified as described in section 1 (j). ESG risks are incorporated into existing risk categories and existing responsibilities of the management body and its committees (see section 1 (f)). The management's knowledge of these risks is assessed and regularly trained.
(f)	Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions	As described in 1(e), the ultimate responsibility for all sustainability issues lies with the management board of Volkswagen Bank GmbH (Group) and the managing directors of its subsidiaries/branches. It decides on the business and risk strategy as well as on the results of the planning round and is therefore a major component of the strategy cycle and planning process. The Volkswagen Bank GmbH Group has established the position of Sustainability Officer as connection to the manage-ment and incorporated ESG risks step by step as an integral part of its risk management framework. Given the interde-pendencies with all other types of risk, ESG risks have also been included in the current governance structure and in committee/line responsibility. For further details see 1 (e) and 1 (g).

(g)	Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels	The Volkswagen Bank GmbH Group has incorporated ESG risks as an integral part of internal governance arrangements in risk management, such as the risk strategy, risk measurement, limitation, monitoring and management. Given the interdependencies with all other types of risk, ESG risks have been included in the current governance structure and in committee/line responsibility. This avoids a duplication of structures and also involves all employees in ESG matters in their existing roles. As a major part of internal governance arrangement, corporate steering department draws up group policies for corporate sustainability and designs the institution's ESG strategy. Risk management department draws up the ESG risk strategy together with corporate sustainability department. The risk strategy sets a focus on addressing key risk drivers with the greatest impact on the portfolio, describing objectives, targets and management measures implemented. Methods for measuring ESG-risks are implemented and integrated into the existing framework across various risk types within risk management. On the one hand, ESG risks are analyzed yearly in form of an ESG-materiality assessment as part of the regular risk inventory process. The materiality assessment comprises comprehensive portfolio assessments, as well as qualitative and quantitative assessments of all known environmental (including physical and transition risk), social and governance risk drivers based on defined transmission channels. For most relevant ESG risk drivers, key risk indicators including targets and limits are defined and integrated in risk strategy and reporting. Regular reporting to the management body within risk management report ensures timely communication and monitoring of significant ESG-risks. Based on regular monitoring and to ensure that timely management actions are taken to adhere to the targets set in the business and risk strategy, also related to ESG risks, VW Bank GmbH Group has established major committees, that involve related governance functions and business lines: > Equity and risk committee > Stress Test committee > Asset Liability management committee > Green finance committee. For the committees shown above VW Bank GmbH Group has defined separate rules and allocated tasks and responsibilities to participants. In particular, the "equity and risk committee", that is composed of decision-makers from finance-, risk-, treasury-, credit department and internal audit, coordinates equity and risk-related issues, discusses the current situation and the development of large volumes, including financing and leasing of battery-electric-vehicles. The stress test committee, involving decision-makers from risk, finance and strategy functions, facilitates information exchange between front and back offices, identifies, discusses current developments and formulates recommendations to the management board regarding scenarios analyzed, including climate-related scenarios. The Asset Liability Management (ALM) Committee, gathering decision makers from finance, treasury, controlling and risk management, discusses the liquidity risk indicators with regard to ESG aspects. The green finance committee is established to monitor compliance with the green finance framework that provides the framework for green refinancing activities such as green bonds issued to the capital market. This committee includes decision-makers and specialists from various business areas, including treasury, sustainability, legal, reporting & controlling. The committees play an essential role in managing various aspects of risk within the organization by including members of the board of management of VW Bank GmbH Group according to their functional responsibilities as well as decision-makers from responsible business lines, ensuring that both financial and ESG considerations are integrated into relevant processes.
(h)	Lines of reporting and frequency of reporting relating to environmental risk	The expansion of risk reporting to include information on the treatment of climate and environmental risks is a major topic in the ESG environment and was integrated into the existing risk reporting framework in 2024. The Management Board of the Volkswagen Bank GmbH Group and the Supervisory Board are informed about climate and environmental risks as part of the quarterly risk management report. Even though the focus in the reporting is on climate and environmental risks, aspects of social and governance risks are also addressed selectively. On the basis of this reporting, the management body can assess the impact of ESG risks on the bank's risk profile on the basis of the aggregated and up-to-date data.
(i)	Alignment of the remuneration policy with in-sti-tution's environmental risk-related objectives	The ESG factor introduced in the 2023 financial year as a multiplier for the annual bonus is composed in equal parts of the components of the decarbonisation index (DKI) at Volkswagen Group level for the Environment (E) topic and the pro-portion of women in management at brand level for the social topic (S). The DKI serves as a measuring instrument for the CO2 emissions of brands producing passenger cars and light commercial vehicles throughout their entire life cycle. The aim is to sustainably reduce carbon and to offset carbon dioxide (CO2) emissions in order to create a CO2-free global economy in the long term. The product life cycle analysis (ecological balance sheet) analyzes the environmental impact of a product throughout its entire life cycle and is included in the DKI. This involves a holistic approach: from vehicle de-velopment via the required raw materials and logistics to production, from the first to the last kilometre on the road and from deregistration to recycling.
(j)	Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework	ESG risks are not treated as a separate risk type within the Volkswagen Bank GmbH Group. Rather, they are assigned to various risk types with their specific risk drivers. Climate and environmental risks in particular dominate sustainability risks, but social risks and governance risks are also considered when ESG risks are identified, evaluated and managed. In the case of climate and environmental risks, a difference is drawn between physical and transitional risks. Physical risks entail the direct impact of environmental changes on companies and their activities. They are linked to physical changes in the environment, such as climate change. Examples include natural disasters and environmental change. Transitional risks are related to the transition to a more sustainable economy and arise from changes in underlying polit-ical, technological, legal or economic conditions. They tend to reflect the ways in which companies respond to change and adapt. For example, new legislation and regulatory requirements pertaining to environmental and climate protection may influence companies' operations or, if consumers increasingly seek sustainable products and services, companies that are unable to respond sustainably may lose market share. Resulting from that, it is the task of each risk type owner to annually identify ESG risk drivers which, if they materialize, are expected to have short-, medium- and long-term effects on the Bank's net assets, financial condition and result of operations as well as its reputation. To gain a full and well-documented overview of the impact of these risk drivers, the associated transmission channels are reconciled with the risk types in existence and their potential financial impact. (Further details see 1 (l)). This materiality assessment is part of the annual risk inventory in order to define material risks within Volkswagen Bank GmbH Group and takes the results of the previous climate stress test into account, which ena-bles a quantitative assessment of relevant ESG risk drivers in the medium- and the long-term. In order to take sustainability risks into account within the short term risk appetite, KRIs have also been defined in Volkswagen Bank GmbH Group with reference to various types of risk. These indicators are rooted within the Risk Appe-tite Framework and the ESG-specific risk appetite is expressed in thresholds or targets depending on the specific KRIs, similar to the limits in the individual risk types. ESG-KRIs are reviewed and adjusted as part of the annual business and risk strategy control process (Illustration 1). A climate stress-testing framework has been developed and provides for the standardized integration of climate and envi-ronmental risks in the stress testing program in order to get a better understanding about the medium and long-term effects of environmental factors and risks. The risk drivers and risk transmission channels to be considered are therefore identified and evaluated as part of the risk inventory. Climate scenarios and climate sensitivity analyses are defined on the basis of this analysis. The results are in turn incorporated in the risk inventory. The framework has been applied since 2023 and thus supporting the systematic analysis of the risk profile including an assessment of the potential impact via a feedback process. The latest institution-wide internal climate stress test was carried out in the first half of 2024 on this basis. It identified possible effects on the Volkswagen Bank GmbH Group's capital and liquidity resources on the basis of various NGFS scenarios, combined with individual short-term effects of varying degrees of severity. The findings were consistent with the previously analyzed scenarios and risk volatilities. In addition, the hypothetical, adverse effects of flooding as a phys-ical risk on the loan portfolio were considered in a sensitivity analysis. These were found to remain within the scope that had previously been identified in standard sensitivity analyses already being performed on a regular basis. Regular ESG related sensitivity analyses were also conducted within operational and funding risks, with the results incorporated in the current risk inventory and capital resources.
(k)	Definitions, methodologies and international standards on which the environmental risk management framework is based	ESG risks are not treated as a separate risk type but are assigned to various risk types with specific risk drivers (1 (j)). Two different perspectives are taken to determine the financed and leased emissions of the portfolio and to monitor them as part of the business and risk strategy – see Section 1 a "the direct emissions of our portfolio will be climate-neutral on the balance sheet by 2030 at the latest". On the one hand, the procedure for the object view according to the PCAF standard and on the other hand the counterparty view analogous to the ECB climate stress test is described. The distinc-tion between these views is based on the different requirements of the addressees, such as disclosure or risk manage-ment. To achieve carbon-neutral business operations by 2030 at the latest, we have implemented an environmental compliance management system (ECMS) in accordance with the DIN EN ISO 14001 and the auditing standard for compliance man-agement systems IDW PS 980. The main focus of our efforts to reduce carbon emissions in operations is explained in 1 (a) and 1 (c). Methodologies in the lending and decision-making processes, also in terms of international standards are described within 1 (d).

(l)	Processes to identify, measure and monitor activities and exposures (and collateral where ap-plicable) sensitive to envi-ronmental risks, covering relevant trans-mission channels	Instruments included in the lending and decision-making processes are described within 1 (d). The current portfolio structure is analyzed to identify the main portfolios in the light of Volkswagen Bank GmbH Group's business model and strategy as well the emissions financed. Geographical risks for the individual portfolios are also examined. This information is used to perform a relevance analysis of all ESG risk drivers in the relevant risk types in the light of the transmission channels on the basis of qualitative expert opinions and quantitative information (materiality assessment). A general risk assessment is performed for less relevant risk types. Finally, the materiality of the risk drivers is assessed in the short term (< 1 year), medium term (1 5 years) and long term (> 5 years). The materiality assessment for these risk drivers is performed as part of the Management Board's existing annual inventory process. The Volkswagen Bank GmbH Group has identified a few key transmission channels for physical and transitory risk drivers for the various risk types. These are shown in Table 48. From the perspective of Volkswagen Bank GmbH Group, automotive financing Group entails mobile assets, for which physical hazards are not a dominant risk driver and therefore play only a subordinate role in the alignment of its business policy. Even so, physical risks are included in risk management. An overall assessment indicates that Volkswagen Bank GmbH Group is primarily exposed to transitory climate and environmental risk drivers with respect to credit, residual value and business risk in the medium and long term. The following risk drivers in particular are of relevance: carbon transition/costs, technological change, and legislation and regulatory requirements. However, the transitional risks relat-ing to the liquidity risk and operational risk may likewise have a material impact. Social and governance risks are not considered to be material for most of the risk types (see also 2 (m)). Regarding the measurement and monitoring of environmental risks we refer to the stress testing framework and conduct-ed sensitivity analyses as described within section 1 (j) as well as the defined KRIs, their limits (section 1 (b)) and the in-tegration of ESG into bank`s reporting (section 1 (h)).
(m)	Activities, commitments and exposures contrib-uting to mitigate envi-ron-mental risks	A risk for Volkswagen Bank GmbH arises from the transformation of the automotive sector and the impact on both vehicle dealers and the residual values of the vehicles. Therefore, on the one hand, supporting an environmentally friendly transformation process of dealers is the declared goal of Volkswagen Bank GmbH. Financing of charging infrastructure and e-bicycles as well as energy-efficient construction and renovation will also be consistently expanded. On the other hand, the Volkswagen Group's mobility transition towards e-mobility is to be supported in the best possible way by attractive leasing offers for battery electric vehicles (BEVs) to retail and corporate customers. On the refinancing side, the mobility turnaround is supported by the issuance of green bonds. The aim here is to align refinancing as a whole more closely with sustainability criteria in the future. Volkswagen Bank GmbH is also making great efforts in its own operations to achieve extensive CO2 neutrality on the balance sheet and to avert physical hazards from acute environmental damage. Environmental protection measures such as reducing energy, water and paper consumption, CO2 emissions and waste generation are pursued with high priority. In addition, potential hazards for employees, buildings or technology and their safeguards, especially from environmental influences, are continuously examined and included in impact analyses in order to define any countermeasures and, if necessary, implement them. Instruments included in the lending and decision-making processes which also include activities to mitigate environmental risks are described within 1 (d). Additionally Volkswagen Bank GmbH is part of the Volkswagen Group Environmental Compliance Management System (ECMS). The Volkswagen Group's ECMS is described in Group Guideline 17 and is based primarily on the environmental management standard ISO 14001 and the auditing standard for compliance management systems IDW PS 980. This includes our own environmental policy statement. Initiatives to achieve strategic sustainability goals and commitments are stated within 1 (a).
(n)	Implementation of tools for identification, meas-urement and manage-ment of environmental risks	Instruments included in the lending and decision-making processes are described within 1 (d). Further tools for identification, measurement and management of environmental risks are described within 1 (j) and 1 (l).
(o)	Results and outcome of the risk tools imple-ment-ed and the esti-mated im-pact of envi-ronmental risk on capi-tal and liquidity risk pro-file	Results and outcome of the risk tools implemented are described within 1 (j) and 1 (l).
(p)	Data availability, quality and accuracy, and ef-forts to improve these aspects	The reporting of climate and environmental risks primarily uses data from the central data warehouse, which is also the central data source for the preparation of reports in risk management and regulatory reporting. To this end, the necessary information on climate and environmental risks was integrated into the existing delivery routes. In addition, methods and processes have been implemented to derive relevant data points (e.g. labelling of customers who are assigned to the top 20 polluters or who are not aligned with the requirements of the Paris Climate Agreement). This information will also be integrated into the central data warehouse in the future. The necessary interfaces are currently being created for this. This allows data delivery processes to be optimized and the central availability of the relevant data to be further improved. The Volkswagen Group Sustainability Report sets out further Group-wide regulations on environmental, social and govern-ance issues and specifies additional specific requirements for dealing with these issues within the Group.
(q)	Description of limits to environmental risks (as drivers of prudential risks) that are set, and trigger-ing escalation and exclu-sion in the case of breaching these limits	Limits as well as escalation processes are described within 1 (b) and 1 (g). In addition, exclusion criteria are listed within 1 (d).
(r)	Description of the link (transmission channels) between environmental risks with credit risk, li-quidity and funding risk, market risk, operational risk and reputational risk in the risk manage-ment framework	Transmission channels for material risk types within VW FS AG are described within 1 (l).

TABLE 46: OBJECTIVES OF THE NH STRATEGY AND KPIS

Ziel	KPI	Zielwert KPI 2030
Die direkten Emissionen unseres Portfolios sind spätestens 2030 bilanziell CO2- neutral	Netto-Emissionen in t CO2	0t
Unser Geschäftsbetrieb ist bis spätestens 2030 bilanziell CO2- neutral	Netto-Emissionen in t CO2	0t
Wir setzen uns für Vielfalt und Inklusion ein	Anteil der Frauen im Management	32%
Wir streben ein hervorragende Mitarbeitererfahrung und leistungsstarke Teams an	Ø Qualifizierungsstunden pro Mitarbeitenden	30h
Wir leisten einen nachhaltigen gesellschaftlichen Beitrag	TBD 2025, abhängig von Entscheidung der VW AG	
Der Schutz unserer Daten hat für uns höchste Priorität	100% der ISO 27001 Anforderungen sind zertifiziert	100%
Wir treiben den Wandel zur nachhaltigen Mobilität	BEV-Neuwagen Penetration	80%
Wir steigern unseren Anteil an nachhaltiger Refinanzierung am Kapitalmarkt	Anteil Green Bonds	40%

TABLE 47: KEY RISK INDICATORS

KRI	Objective / Further Explanation
Intensity of CO_2 emissions from financed/leased vehicles	Monitoring the reduction of average vehicle emissions.
CO_2 footprint of business operations and IT	Identification of activities with the highest CO_2 emissions and derivation of possible savings and efficiency measures.
ESG-Scoring light and external ESG-Scores	A limit has been defined for each market for the maximum share of the overall red ESG score. Compliance with this requirement is reviewed on a quarterly basis.
Sustainability Index (SI)	Reputational risk indicator, which reflects the relationship between customer expectations and the respective status quo based on surveys of our customers - it is not intended to decrease.

TABLE 48: RISK TYPES

Risk type	Transmission channel for physical risks (based on climate and environmental risks)	Transmission channel for transitory risks (based on climate and environmental risks)
credit risk risk	Natural disasters such as droughts, floods or storms are increasing in frequency under different climate scenarios, causing significant economic damage to homes and cars, which would result in rising repair costs or total loss of assets. The solvency of counterparties would be adversely affected, particularly those operating in sectors heavily dependent on natural resources or in particularly vulnerable locations. The risk of increasing car damage could be mitigated by (car) insurance. Environmental changes and resource scarcity can lead to rising costs for car repairs and negatively impact supply chains.	The solvency and the assets of counterparties could be adversely affected by changes in regulation and by the implementation of measures to reduce greenhouse gas emissions. For example, stricter standards for CO_2 emissions or higher CO_2 prices could lead to rising purchase and maintenance costs for cars or mean rising fuel costs. The EU regulation to only allow CO_2-free new cars from 2035 can result in a possible decrease in the residual values of used cars.
residual value risk	No relevance for residual value risk.	The prices of used cars with combustion engine technologies could be affected by the transition to a zero-emission economy, e.g. by increasing the CO2 tax and additional costs for emission certificates. Differences in European markets help to mitigate/compensate for any impact. The discussion and a possible introduction of driving bans of ICEs in inner cities of major European cities impairs the attractiveness of these vehicles with a tendency to have rather negative effects on the residual values of ICEs (opposite effects on the residual values of BEVs).
interest rate risk/other market price risk	Extreme events and long-term climate trends such as desertification and sea-level rise could trigger instabilities that affect supply chains and commodity prices, and induce volatility in market variables.	Expectations regarding new regulatory frameworks, stricter CO_2 guidelines or newly developed green technologies could influence the volatility of market variables such as interest rates.
liquidity risk		Evolving consumer preferences could negatively impact deposits and result in higher funding costs for the Group. The enforcement of new regulatory frameworks and stricter CO_2 guidelines could affect the value of securities, which could lead to the posting of additional collateral.
operational risk	Severe weather events could affect the business continuity ability of the bank and its outsourcing. The well-being of employees and their ability to work and enter premises could be affected.	Legal risks can result in liability claims in the event of non-compliance with laws and regulations in the climate context.
business risk		Customer demand may change due to future regulations. This could lead to higher demand for electric cars with lower demand for used combustion cars.

FIGURE 1: RISK DRIVERS, TRANSMISSION CHANNELS AND FINANCIAL IMPACT

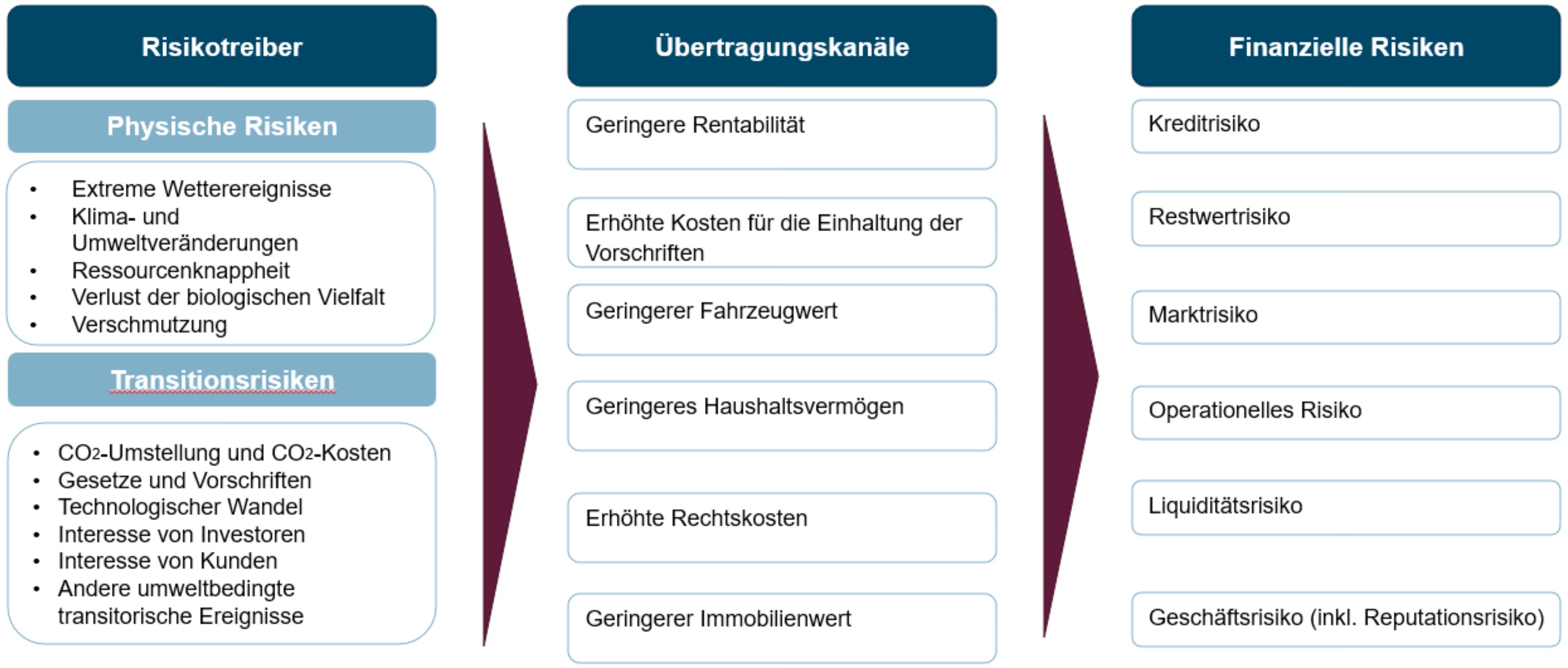


TABLE 49: QUALITATIVE INFORMATION ON SOCIAL RISKS (IN ACCORDANCE WITH ARTICLE 449A OF THE CRR)

Row number		Qualitative information - Free format
(a)	Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, busi-ness model, strategy and financial planning	As an outcome of the double materiality assessment, social risks include our own staff and our related parts of society. **Employees** We are committed to an excellent employee experience and promote a culture of appreciation, trust, and continuous development. Our employees are the heart of our company and crucial to our long-term success. Therefore, we strive to offer them an excellent working environment and comprehensively promote their personal and professional development. As part of our sustainability strategy, we have set clear goals in the areas of employee development, diversity, inclusion, and equality. We are committed to diversity and inclusion We are committed to a work environment characterized by openness, a sense of community, respect, and appreciation. Volkswagen Financial Services was one of the first companies to sign the “Charta der Vielfalt” in 2007, a German corporate initiative to promote diversity. We reject discrimination in any form, promote cooperative behavior in the workplace and are committed to inclusion. We are convinced that integrity and compliance can only be lived in a culture free of fear, and we create the conditions for this. We are particularly concerned about increasing the proportion of women at all levels of the workforce. As a concrete goal, we want to increase the proportion of women in management within Volkswagen Financial Services AG to at least 32.2% by 2030. To make it easier to reconcile work and private life, Volkswagen Financial Services AG founded its own company kindergarten "Frech Daxe" back in 2008. We strive for an excellent employee experience and high-performing teams The transformation to sustainable mobility makes our work more colourful, multifaceted and interesting. We want to exploit these advantages to provide a unique work experience for all employees. It is important to us that everyone can keep up with the change. To this end, intensive investments are being made in training and further education with the aim of increasing the average qualification hours of employees to 30 hours per year by 2030. In addition, the central principles of the management and corporate culture: courage, trust, and customer focus promote cooperation among all employees. Additionally, we offer various internal communication formats for dialogue within Volkswagen Bank GmbH: management conferences, dialogue events and direct exchange between employees and the board or management are well established. Furthermore, the mood barometer makes it possible to record the mood across the entire Volkswagen Group and aims to increase employee satisfaction through subsequent processes, particularly the discussions of results and the measures derived and implemented from them. **Society** We assume social responsibility and advocate for a just, social, and safe society. As a company, we see it as our duty to create added value not only for our employees, customers, and partners but also for society as a whole. We make a sustainable contribution to society Therefore, the Volkswagen Bank GmbH engage in various projects to make a societal contribution, especially at our business locations in the areas culture, sports and social. In addition to its involvement in regional cultural projects, Volkswagen Bank GmbH and Volkswagen Financial Services AG sponsor professional soccer and basketball sports as well as individual young talents in a wide variety of sports. University cooperations with the Technical University of Braunschweig and the University of Hildesheim enable cooperation under the motto "Combining theory and practice". Furthermore, we support a wide range of projects for the education and support of socially disadvantaged children and young people in particular. One example of this is the Foundation – Unsere Kinder in Braunschweig, which we founded back in 2008. The protection of our data is our top priority Protecting sensitive data and defending against cyber threats are essential in an increasingly digitalized world to ensure the trust of our stakeholders. A robust cyber security strategy not only secures our own systems but also contributes to the stability and security of the entire economic environment. As Volkswagen Bank GmbH, we aim to remain leaders in the field of cyber security: Already today, 100% of our IT systems are ISO 27001 certified and thus state-of-the-art.

(b)	Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance as-sessment against these objectives, targets and limits, including forward-looking infor-mation in the design of business strategy and processes	The sustainability goals of the VW Bank GmbH Group (incl. KPIs) related to the social dimension are described in Section 2 (a) and listed in 1 (b). Volkswagen Bank GmbH has been subject to reporting obligations under the German Supply Chain Due Diligence Act (LkSG) since January 1, 2024. It therefore publishes an annual policy statement with the most important content on risk management relating to human rights in its own business area and in the supply chain. Respect for hu-man rights is a central concern for Volkswagen Bank GmbH and its employees. We are convinced that sustainable business is only possible through ethical action and in-tegrity. Volkswagen Bank GmbH stands for individual freedom, fair working condition, open world trade, economic development and peaceful coexistence. Volkswagen Bank GmbH has anchored these expectations in all our relevant business processes as well as in internal and external regulations, such as > our Code of Conduct, > the Social Charta, > the VW Group Environmental Policy that also applies to Volkswagen Bank GmbH, > our Group guidelines, > our Code of Conduct for Business Partners, > in employee training on the Supply Chain Due Diligence Act (LkSG), > in contractual provisions with our business partners and > in our policy statement on human rights (German “Grundsatzerklärung”). Both the policy statement against the background of the Supply Chain Due Diligence Act and the Volkswagen Group's Social Charter, which was adopted a few years ago and also applies to Volkswagen Bank GmbH, are based on an international framework: > The Universal Declaration of Human Rights, codified in particular in the International Covenant on Civil and Political Rights and in the International Covenant on Economic, Social and Cultural Rights (in addition to other applicable human rights treaties under international law, for example the UN Convention on the Rights of the Child) > The ILO core labor standards > Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the ILO > The ten principles of the UN Global Compact > The UN Guiding Principles on Business and Human Rights, > The OECD Guidelines for Multinational Enterprises Risk management plays an overarching role within the Supply Chain Due Diligence Act, because the implementation of the obligations resulting from the Act is based on the results of this risk management (see table 2 (h)). The general business strategy is in line with the requirements of the law.
(c)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities	The policies and procedures described within 1 (d) apply also in context of the strategy of VW FS to mitigate and reduce socially harmful activities. The VW FS strategy applies also to Volkswagen Bank GmbH Group.
(d)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to:	Social risk management is embedded within the Governance structure as described within 1 (e) - (i) whose content applies to environmental, social and governance aspects. Responsibilities of management body are described especially within 1 (e) and (f). For the Sustainability Goals described under 1 (b) within Board of Management of VW FS AG sponsors have been defined (section 1 (e)). The position of VW Bank's Chief Sustainability Officer connects the management of VW Bank GmbH and the management board of Volkswagen Financial Services AG. The success of Volkswagen Bank GmbH depends crucially on everyone behaving honestly, with integrity and ethically correctly. This also means that Volkswagen Bank GmbH reports and communicates truthfully, comprehensively and in a timely manner, both internally and externally. The common goal is to assume responsibility and protect the reputation of Volkswagen Bank GmbH. In line with the principle of sustainability, Volkswagen Bank GmbH is aware of its responsibility for the economic, social and ecological impact of its actions. Acting responsibly and with integrity also means ensuring that the rules applicable within the company are observed and complied with by all employees at all times and everywhere. Board members and managers have a special and responsible role to play here: they act as role models and must prevent irregular behavior within the company, protect their employees and represent Volkswagen Bank GmbH with integrity both internally and externally.
(i)	Activities towards the community and society	
(ii)	Employee relationships and labour standards	
(iii)	Customer protection and product responsibility	

(iV) Human rights

Human Rights Organization

By signing Volkswagen's Social Charter, Volkswagen Bank GmbH undertakes to continuously monitor compliance with it and to assess its application. With the entry into force of the German Supply Chain Due Diligence Act (LkSG), the monitoring of compliance with human rights obligations was implemented with a legally compliant risk management approach. This includes, among other things, the appointment of a Human Rights Officer who monitors this risk management and reports regularly (at least annually) to the Board of Management.
For the anonymous reporting of suspicions and indications of violations, the whistleblower system has been expanded with regard to human rights.
The whistleblower system serves to investigate and sanction as well as to remedy misconduct as well as to analyse the causes and prevent future incidents. The violations of the rules recorded in the whistleblower system are reported to the Board of Management responsible for Compliance and to the Chief Compliance Officer of the Volkswagen Group. This ensures continuous follow-up and evaluation of the effectiveness of the implemented measures.
Volkswagen Bank GmbH uses the Volkswagen Group's responsible supply chain system to systematically carry out risk analyses and identify human rights and social risks in its value chain. On the basis of the analysis results, necessary and appropriate measures are derived. These aim to minimise possible or actual negative impacts on workers in the value chain. As part of its sustainability strategy, Volkswagen Bank GmbH will integrate the issue of human rights even more transparently into procurement and thus into the value chain.
A description of the responsible supply chain system can be found on the Volkswagen Group's website in the section "Sustainability in the Supply Chain".
In addition, the monitoring of compliance with and assessment of the application of the Social Charter takes place at least once a year within the framework of the meeting of the European/World Group Works Council.
Volkswagen Bank GmbH has filled the position of Human Rights Officer at the beginning of 2024. The Human Rights Officer is the contact person for all stakeholders of the company and acts in personal union for both the parent company Volkswagen Financial Services AG and the subsidiary Volkswagen Leasing GmbH, which is subject to reporting obligations. He coordinates on human rights-related issues from authorities, politics and society via a dotted reporting line to the Human Rights Officer of the Volkswagen Group.
His main tasks also include monitoring the appropriateness and effectiveness of risk management for compliance with the due diligence obligations of the LkSG and carrying out risk-based control measures. When it comes to human rights, various second-line functions are also involved, including:

- Compliance department (especially for the whistleblower system)
- HR Compliance
- Occupational Health and Safety
- Environmental Management (especially for the establishment of an Environmental Compliance Management System (ECMS)) and social concerns
- Procurement (e.g. regarding the agreement of the CoC for business partners with suppliers and the granting of the obligation to cooperate in investigations of possible violations in the supply chain by direct suppliers).

In addition to the resources used by Volkswagen Bank GmbH itself for the topic of human rights, there are the following resources at Group level that are also used for Volkswagen Bank GmbH:

- Central Investigation Office of the Volkswagen Group,
- Human Rights Officer of the Volkswagen Group and
- Second line functions of the Volkswagen Group (including HR Compliance, Group Security, Occupational Health and Safety, Group Environmental Compliance, Procurement Sustainability).

The measures to ensure compliance with human rights apply both to direct and indirect suppliers as well as to Volkswagen Bank GmbH's own business units within the scope of the LkSG. The responsibility for the implementation and monitoring of these obligations lies with the management.

Goals and parameters on the subject of human rights

Volkswagen Bank GmbH has introduced preventive measures to avoid possible human rights violations within its own business unit and in the value chain. In addition, Volkswagen Bank GmbH also wants to establish swift conclusion of investigations in the event of suspicions of human rights violations or environmental violations in its own business unit and supply chain. To date, no specific, measurable and results-orientated targets have been set outside the implementation of the requirements of the Supply Chain Due Diligence Act in connection with human rights.

Grievance mechanism

With its independent, impartial and confidential whistleblower system of Volkswagen AG, the Volkswagen Group has established a Group-wide and cross-thematic reporting system for internal and external complaints with various contact channels. Volkswagen Bank GmbH uses this whistleblower system. Information to the whistleblower system can be submitted at any time and in principle in any region.
Anyone can report or complain about potential grievances in the company and along the supply chain, including workers in their own workforce, workers in the value chain and affected communities. Volkswagen Bank GmbH takes every incoming complaint seriously and treats it with the utmost care.
The whistleblower system also provides an independent complaint procedure for information on potential violations of the Supply Chain Due Diligence Act. The system (and with it the Volkswagen Group's Central Investigation Office) is available around the clock. It is accessible internally and externally and allows information to be transmitted (anonymously if desired) by telephone and e-mail, via an Internet-based communication platform, by post or in person. In addition, reports can be submitted to independent external lawyers (ombudsmen) while maintaining the anonymity of the whistleblower.
As part of this, potential violations of the Code of Conduct for Business Partners, including serious risks and human rights and environmental violations by direct and indirect suppliers, can be reported. This also applies to other reports that require immediate action by the company. The Central Investigation Office in the Volkswagen Group informs the responsible departments, which are processing the matter accordingly. This includes, in particular, necessary measures to minimise risks and/or put an end to violations.
Possible reporting channels and further information on the existing complaint procedures are made available to the public, for example, on the website of Volkswagen Financial Services AG (as the parent company of Volkswagen Bank GmbH) and the Volkswagen Group and in the Code of Conduct. In addition, the information about suppliers is provided by the Code of Conduct for Business Partners, and employees can access the necessary information on the intranet. Availability and input channels are continuously checked for technical functionality.
The whistleblower system guarantees the greatest possible protection for whistleblowers and those affected. This also includes the possibility of anonymous reporting and communication. Volkswagen Bank GmbH assures that it will not take any action to identify anonymous whistleblowers who do not abuse the whistleblower system. Incoming reports will be treated confidentially. The whistleblower system is designed to ensure that complainants are not disadvantaged as a result of their reports. The persons entrusted with processing the information and discussing a matter are obliged to act impartially and to maintain confidentiality. They perform these tasks independently and without being bound by instructions.
The process for dealing with human rights-related complaints is described in the Volkswagen Group's Rules of Procedure. If a suspicion is assumed, it is examined which investigative or clarification measures (so-called follow-up measures) are necessary in the individual case. This includes, for example, conducting a formal internal investigation. If necessary, interim measures may be taken or ordered. In addition, it is examined to what extent the company may or should take further legal and factual measures on the basis of the complaint at this stage.
Depending on the outcome of the follow-up measures, business decisions are made to adequately counter any violation or risk that may have been identified, e.g. through personnel measures or adjustments to processes. This can lead to the dismissal of employees and the termination of business relationships. If, in the case of complaints relevant to the Supply Chain Due Diligence Act, a grievance has been found in the company's own business area in Germany, countermeasures are taken and monitored in order to immediately end the risk or violation and avoid recurrence.
This principle also applies to the company's own business abroad – subject to conflicting national regulations. In order to ensure that the principle of equal treatment is also adhered to when follow-up measures are taken, both the works council and the equal opportunities officer act as a possible contact point for their own workforce to address suspicions of unequal treatment or similar concerns.

(e)	Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body	Social risk management is embedded within the Governance structure as described within 1 (e) - (i) whose content applies to environmental, social and governance aspects. Integration of measures to manage social factors and risks are described especially within 1 (g). Measures to manage human rights and related social risks are described in section 2(d).
(f)	Lines of reporting and frequency of reporting relating to social risk	Social risk management is embedded within the Governance structure as described within 1 (e) - (i) whose content applies to environmental, social and governance aspects. Lines of reporting as well as reporting frequency are described especially within 1 (h). An internal reporting, reflecting ESG-aspects, has been structured within the Volkswagen Bank GmbH Group. Among others the "ESG-Scoring light" is part of the internal reporting. The sub-score results of the "ESG-Scoring light" in the pillars "Environmental", "Social" and "Governance" as well as the "Overall" score are reported transparently. The sub-score social covers occupational health, safety and employee co-determination. Lines of reporting and frequency regarding human rights and related risks are described in section 2(d).
(g)	Alignment of the remuneration policy in line with institution's social risk-related objectives	The ESG factor introduced in the financial year 2023 as a multiplier for the annual bonus is composed in equal parts of the components of the decarbonisation index (DKI) at Volkswagen Group level for the Environment (E) and the proportion of women in management at brand level for the Social area (S). The Governance (G) criterion is already taken into account by the culture and integrity component. The proportion of women in management measures the proportion of women in management in relation to man-agement as a whole. Companies with diverse teams are more successful and generally generate higher returns. VW Bank GmbH Group is therefore striving to increase the proportion of women in management. The ESG factor ranges between 0.7 and 1.3. The target achievement for criterion S is determined by the management / the supervisory board on the basis of the previously defined target values.
(h)	Definitions, methodologies and international standards on which the social risk management framework is based	Social risk management is embedded within the risk management framework above whose content applies for many aspects to environmental, social and governance aspects. Definitions, methodologies and international standards on which the social risk management framework is based are described especially within 2 (b). Monitoring risk management for human rights is one of the core functions of the Human Rights Officer. The risk management approach comprises recurring steps for the following areas > Own business area > direct suppliers and > indirect suppliers. For all areas, the underlying risks are analysed in a fundamentally abstract manner. The business areas and the countries in which either subsidiaries or suppliers are located are analysed. With the help of international studies, internationally applicable indices and expert knowledge from our own employee network, a good abstract view of possible risks in our own area of activity and in the supply chain is created in the first step. The abstract risks can already be used to derive focus areas for specific risks. Concrete risks can be easily identified internally through interviews with various parties and hints from company's own whistleblower system. With regard to direct suppliers, specific risks can be provided on the basis of information from the company's own whistleblower system or from specific press reports. International press reports are checked annually by an external specialised service provider for possible indications of human rights or environmental violations. If the analysis reveals a suspected risk as a violation, the German law (LkSG) only recognises these possible scenarios > breaches in the own business area must be remedied (immediately) > in the case of suppliers, breaches must also either be remedied directly, a plan with a short time horizon must be drawn up in which the breaches are remedied or, if this does not help, the supply relationship must be terminated. The only difference between direct and indirect suppliers is the type of risk analysis. In the case of direct suppliers, risks must be analysed on an ongoing or recurring basis, whereas in the case of indirect suppliers, an event-driven risk analysis must be carried out. These occasions can relate to a report from the direct supplier as well as information from the whistleblower system or the press that the company becomes aware of. Volkswagen Bank GmbH is often not directly aware of the indirect suppliers and is therefore dependent on the assistance of the direct suppliers and on information from whistleblowers or the press.
(i)	Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels	Social risk management is embedded within the risk management framework as described within 1 (j, k, l, n) whose content applies to environmental, social and govern-ance aspects. Processes to identify, measure and monitor activities and exposures sensitive to social risk are described especially within 1 (l). The policies and procedures described within 1 (d) apply also in context of social risks. In order to ensure sufficiently ESG-risks related to counterparties Volkswagen Bank GmbH Group has incorporated "ESG key questions" within the back office depart-ments covering the three pillars "Environmental", "Social" and "Governance". The purpose of the "ESG key questions" is to identify possible impacts, i.e. how is a counter-party exposed to ESG-risks. Social risks are therefore considered within the back offices and documented within the credit application processes. An evaluation whether the counterparty is exposed to social risks is done and is common practise since years. The "ESG key question" for the pillar "Social" includes human rights, social and working standards. Within the back offices a consideration to which extend the counterparty takes social actions and prepares oneself to contribute to safety at work, e.g. health protection, compliance with accident prevention regulations is ensured. Processes to identify measure and monitor human rights and related social risks are described in section 2(d).

(j) Activities, commitments and assets contributing to mitigate social risk

For Volkswagen Bank GmbH Group, a whole set of avoiding and mitigation social risks is incorporated within the risk policies. Exclusions of controversial business and economic practices are therefore integrated into the compliance frameworks and in the lending policies (1 (d)). A binding Code of Conduct is as well part of the contracts between the authorized dealer and the brand, and a supplementary compliance guideline flanks the Volkswagen Group's requirements for sustainability in its relationships with business partners. This ensures that requirements for national and international requirements and conventions, internal standards and values, such as human rights, labour rights, occupational health and safety and compliance aspects, are met. Moreover, sufficient monitoring, reporting obligations and mandatory trainings of the employees are incorporated. The behaviour and consideration in order to ensure "Social" aspects are also considered.

Activities towards the community and society. Together with its parent company Volkswagen Financial Services, Volkswagen Bank is fully committed to support society, culture, education and sport. In addition to social and educational projects, an internal focus is on a comprehensive cyber security strategy to ensure the trust of all stakeholders and the stability of the economic system - 100% of the IT systems are ISO 27001 certified. In terms of culture, the company supports the Braunschweig International Film Festival, the "ART MOBIL" for schoolchildren and senior citizens and the "GroßerHausBesuch" concert series, among others. In terms of sport, it supports Eintracht Braunschweig, the Basketball Lions and talented young players. It also cooperates with universities, such as the TU Braunschweig and the University of Hildesheim on the subject of artificial intelligence. The "Our Children in Braunschweig" foundation, established in 2008, supports disadvantaged children in education, music, exercise and nutrition. Other projects are implemented directly by the local national company in the respective markets.
Employees are guided in their daily work by a generally applicable organizational handbook (OHB). This organizational handbook serves as a guide for employees and creates a uniform basis at both national and international level. The organizational handbook covers various areas, such as structural and procedural organization as well as department-specific guidelines. It is accessible via an internal platform. An international version in English serves as a guide for the subsidiaries when implementing processes in accordance with the specifications of the headquarters.
The Code of Conduct (CoC) lays the foundation for integrity and compliant behavior within the Volkswagen Group. It acts as a central element to raise awareness of responsible behavior and decision-making, provides assistance and provides contact persons. In addition to the International Bill of Human Rights and the core labor standards of the International Labor Organization (ILO), the United Nations Convention against Corruption is also anchored in the CoC. Non-compliance with the Code of Conduct can lead to considerable damage, not only for Volkswagen Bank GmbH, but also for employees, business partners and other stakeholders.
The Code of Conduct is supplemented by internal guidelines and regulations as well as contractual employment agreements. In addition, national and international legal regulations are observed, which generally also means that Volkswagen Bank GmbH does not participate in activities that are based on fraud, embezzlement, blackmail, theft, embezzlement or other deliberate damage to the assets of customers or third parties.
To anchor the national and international legal regulations in the company, the "Anti-Corruption" guidelines for employees are available at all times in the digital organization manual. In addition, the guideline on avoiding conflicts of interest and corruption in the OHB can be accessed. Together with its accompanying documents, this guideline also sets out the content of guest hospitality and the handling of invitations and gifts. These internal guidelines apply uniformly to all employees within the companies of Volkswagen Bank GmbH. The compliance function has implemented control measures to monitor compliance with the requirements within the companies (see section 2 (k)).

Compliance trainings
The contents of the CoC and other internal organizational topics related to governance are communicated to employees in various training sessions. Compliance training at Volkswagen Bank GmbH is based on statutory requirements and the Volkswagen Group's specifications. The Volkswagen Group defines minimum requirements for the essential content and process-related design of training formats. Preventive compliance work is fundamentally based on employee training measures. This is based on a risk-oriented and target group-specific training concept, which was updated in the reporting year. Volkswagen Bank GmbH thereby pursues the goal of preventing general compliance risks as well as risks of money laundering and fraud.
Knowledge of the obligation to report serious breaches of regulations and the disclosure of any conflicts of interest are also part of the certification.
Business partners from sales and procurement are also trained on a risk-based basis. The Code of Conduct for Business Partners forms the basis for this.

Communication for preventative compliance
Communication is a key component of awareness work. Preventive compliance work is fundamentally based on communication and awareness-raising measures for employees.
As part of the existing communication and awareness-raising measures, the Board of Management ("Tone from the Top") and middle management ("Tone from the Middle") communicate the central importance of Integrity & Compliance (I&C) for the company and its employees to employees of Volkswagen Bank GmbH companies. The contents of the Code of Conduct were communicated to employees via the intranet and to the public via the Internet.
The Compliance Helpdesk has also established itself as a central advice center. The Compliance Helpdesk ensures that employees receive appropriate advice on the Code of Conduct and all compliance-relevant topics. It can be contacted both personally and digitally (e.g. by email). The team answers specific compliance questions - for example regarding invitations and gifts as well as sponsoring and general questions from employees and provides support in the implementation of internal company requirements and guidelines. Tasks and case studies from consulting practice are addressed as part of compliance communication. The aim is to provide employees with specific recommendations for future, similar issues and to improve the internal control system. The internal responsibilities relating to the Compliance Helpdesk are anchored in the written rules.

Investigation of complaints or incidents
Compliance with laws, rules and internal regulations is a priority for the Volkswagen Group. Only if rules and standards are complied with can damage to the Volkswagen Group and Volkswagen Bank GmbH, employees and business partners be averted. Misconduct must therefore be uncovered at an early stage, dealt with and combated immediately. For this reason, the Central Investigation Office (ZAO) of Volkswagen AG has been commissioned to operate an independent, impartial and confidential whistleblower system.
In addition to the whistleblower system and the Investigation Office, violations of the CoC, including cases of corruption and bribery, can be investigated decentrally and by Internal Audit, Corporate Security or HR. The Compliance unit is generally involved in the processing of all cases relating to corruption and bribery and calls in other units for case processing if necessary. The compliance unit acts independently of the management, so that independent case processing is guaranteed.
The Responsible Supply Chain System (ReSC system) is in place for violations of company principles within the supply chain.
An additional option for reporting violations of the CoC, for example, is the Group-wide "Hot Topic" reporting. Hot topic reporting plays an important role in compliance work. It helps to pass on information on compliance-relevant, systemic incidents and escalate them throughout the organization.
The involvement of the Legal department at Volkswagen Bank GmbH is governed by specific regulations at OHB based on the Volkswagen Group's specifications. In accordance with these regulations, the Legal department must be consulted in the event of legal issues affecting one of the aforementioned companies as well as in the event of criminal matters that could result in reputational damage. Internal reports are submitted to the Board of Management of Volkswagen Financial Services AG and the Group Chief Compliance Officer of Volkswagen AG at least once a year. In addition, the results of the annual compliance report of are passed on to the Supervisory Board.

Commitments and activities to mitigate human rights and related social risks are described in section 2(d).

(k)	Implementation of tools for identification and management of social risk	ESG risks are not treated as a separate risk type within the Volkswagen Bank GmbH Group. Rather, they are assigned to various risk types with their specific risk drivers. Climate and environmental risks in particular dominate sustainability risks, but social risks and governance risks are also considered when ESG risks are identified, evaluated and managed (see (j) and 1 (l). In the case of social risks, identification is performed on portfolio level regarding their specific impact on country risk, based on internationally accepted data and information sources such as S&P risk atlas, the International Labour Organisation or European Standards. On a more granular level, social risks are also part of a sector specific risk driver assessment. As social risks are not categorized as material risk drivers there are no separate sensitivity analyses in place. Nevertheless, selected social risk drivers may be integral part of climate stress test scenarios of VW Bank GmbH Group. Measures relating to compliance Risk assessment in accordance with the internal compliance risk assessment Financial Services AG companies have implemented an internal compliance risk assessment (ICRA). It determines the compliance risks in the Group. As part of the ICRA assessment process, risk positions in connection with money laundering, fraud and general compliance risks are identified and aggregated into a risk at company level. The ICRA risk assessment is fully updated every three years. In the event of material changes in business operations (e.g. new companies or business areas), the risk assessment for the companies concerned is updated annually. Each controlled company must implement appropriate measures based on its risk profile. In addition, it defines ICRA standards in areas such as the Code of Conduct, whistleblower system, compliance training and communication. The Group Chief Integrity & Compliance Officer of Volkswagen AG reports on the implementation status to the "Group Board of Management Committee on Integrity and Compliance" on an ad hoc basis or at least once a year. The reporting also includes Volkswagen Bank GmbH. Measures to identify and manage human rights and related social risks are described in section 2(d). Further tools for identification, measurement and management of social risks are described within 2 (h) and 2 (i). On an exposure level, instruments included in the lending and decision-making processes are described within 1 (d).
(l)	Description of setting limits to social risk and cases to trigger escala-tion and exclusion in the case of breaching these limits	Potential limits, controversial sectors and exclusion criteria are listed within 1 (d). Processes related to the ESG-Scoring KRIs, including social risk aspects, are described within 1(b). Further information to limit, manage and escalate human rights and related social risks are described in section 2(d).
(m)	Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, mar-ket risk, operational risk and reputational risk in the risk management framework	Social risks are not material for VW Bank GmbH Group. As one driver of particular relevance, corporate customers in certain sectors may face challenges resulting from ageing workforce and changing social trends, which would have an impact in the long term. Car dealers might additionally be impacted by a change in the mobility behavior of customers in the long term. In order to consider the latter potential impact, changing mobility behavior is part of the climate stress test of VW Bank GmbH Group in 2024. Transmission channels for material risk types within VW FS AG are described within the following table and 2 (i).

TABLE 50: QUALITATIVE INFORMATION ON BUSINESS RISKS (IN ACCORDANCE WITH ARTICLE 449A OF THE CRR)

Row number		Qualitative information - Free format
(a)	Institution's integration in their governance arrangements of the governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics	The Volkswagen Bank GmbH Group offers a wide range of direct banking products, including financing and leasing vehicles from all brands of the VW Group, as well as savings and investment products, credit cards, and current accounts. However, most of the Volkswagen Bank GmbH Group's portfolio consists of vehicle financing and vehicle leasing. The remaining financing categories include dealer and real estate financing, as well as financing without a specific intended use. The Volkswagen Bank GmbH Group recognizes its economic and social responsibility as a financial institution and has incorporated the "Green Loan Framework" to promote and define sustainable financing. The strategic goal of the Volkswagen Bank GmbH Group is to drive the transition to emission-free mobility. The "Green Loan Framework" assesses whether the generated funds are used for sustainable purposes, such as refinancing credit and leasing contracts for more environmentally friendly electric and hybrid vehicles. Moreover, the Volkswagen Bank GmbH Group has implemented the "ESG-Scoring light "for financing business and an external ESG-Scores for leasing business as well as corresponding "ESG key questions" within the credit process to assess the sustainability of risk relevant customers. This enables the Volkswagen Bank GmbH Group to support customers who adhere to sustainable practices and standards. Governance criteria like: › Precautions regarding data protection and defense cyber criminality › Reporting and persecuting compliance violations (money laundering etc.) › Equal rights (inclusion, development of gender neutral renumeration) › Corporate principles considering ESG aspects (environmental and climate improvement, social engagement, compliance, development of a sustainability strategy and their organizational incorporation) are checked and assessed by credit departments and any relevancies are considered within the credit documentation. Checking counterparties' governance aspects became a mandatory part of the credit documentation which is carried out on an annual basis or when changes during the year become known. Within the Volkswagen Bank GmbH Group, the avoidance of controversial business and economic activities is firmly integrated into the compliance frameworks. A binding code of conduct is already an integral part of the contracts between dealers and the VW Group. In addition, a supplementary compliance policy supports compliance with the sustainability requirements of the VW Group in business relationships. A binding code of conduct is also part of the Volkswagen Bank Group for business relationships with customers, business partners, and suppliers. Requirements regarding national and international regulations and conventions, internal norms, and values, such as human rights, labor rights, and compliance aspects, are ensured. Applicable laws and regulations, such as anti-corruption, money laundering, fraud prevention, and cybercrime, are considered and implemented within the Volkswagen Bank GmbH Group through work instructions and processes. Monitoring and reporting obligations, as well as communication channels and training, are also integrated for employees. This ensures the following areas: › Compliance & Integrity including the protection of economic and human rights › Prevention of money laundering, terrorism financing, and criminal activities › Anti-corruption and fraud prevention Against this background, the Volkswagen Bank GmbH Group has implemented an exclusion list for credit approvals, which excludes financing to high-risk customers in controversial industries / business areas outside of the defined intended uses. The policies and procedures described within 1 (d) apply also in context of governance risks.
(b)	Institution's accounting of the counterparty's highest governance body's role in non-financial reporting	The procedures described within 3 (a) also ensure the assessment of counterparties governance body's role.
(c)	Institution's integration in governance arrangements of the governance performance of their counterparties including:	(i) Criteria to exclude harmful industries are defined in 1 (d). (ii) The Volkswagen Bank GmbH Group has incorporated ESG risks step by step as an integral part of its risk management framework as described in 1 (j). (ii, iii – vi) The Volkswagen Bank Group GmbH follows high ethical principles in its business activities and complies with applicable German and European laws and regulations. Aspects like conflict management, inclusiveness, anti-corruption, anti-money laundering and conflict of interest are strictly observed, also on counterparty level. Therefore, the checking and assessment of ESG aspects have been integrated into the lending procedures for entire corporate customers. Observing governance aspects play a significant role in the "ESG-Scoring light", within the external ESG Score results as well as in the assessment of the "ESG key questions" Governance criteria like: • Precautions regarding data protection and defense cyber criminality • Reporting and persecuting compliance violations (money laundering etc.) • Equal rights (inclusion, development of gender neutral renumeration) • Corporate principles considering ESG aspects (environmental and climate improvement, social engagement, compliance, development of a sustainability strategy and their organizational incorporation) are checked and assessed by credit departments and any relevancies are considered within the credit documentation. Checking counterparties' governance aspects became a mandatory part of the credit documentation which is carried out on an annual basis or when changes during the year become known. Furthermore, governance risks aspects like management quality, i.e. skills, qualification, reliability of the management and succession planning, are an immanent part of the corporate rating model. In addition, there are several override reasons of the calculated rating results, also for governance aspects, like legal breaches or acute successor problems.
(i)	Ethical considerations	
(ii)	Strategy and risk management	
(iii)	Inclusiveness	
(iv)	Transparency	
(v)	Management of conflict of interest	
(vi)	Internal communication on critical concerns	

(d)	Institution's integration in risk management arrangements the governance performance of their counterparties considering:	
(i)	Ethical considerations	
(ii)	Strategy and risk management	The procedures described within 3 (c) are also part of various guidelines.
(iii)	Inclusiveness	
(iv)	Transparency	
(v)	Management of conflict of interest	
(vi)	Internal communication on critical concerns	

QUANTITATIVE REPORTING

TABLE 51: BANKING BOOK – INDICATORS OF POTENTIAL TRANSITORY RISKS RELATING TO CLIMATE CHANGE: CREDIT QUALITY OF THE EXPOSURES BY SECTOR, EMISSIONS AND REMAINING TERM

	SECTOR/SUBSECTOR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
			Of which non-performing exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	in € millions		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
1	**Exposures towards sectors that highly contribute to climate change***	**27,166.0**	**7,997.7**	**202.6**	**18,450.6**	**838.1**	**–748.6**	**–417.8**	**–435.0**	**44.645.364**	**39.973.929**	**0.0**	**26,005.4**	**447.0**	**446.2**	**267.4**	**2**
2	A - Agriculture, forestry and fishing	102.8	0.000	0.1	126.6	4.3	–4.5	–4.1	–4.0	65.661	22.526	0.0	95.5	7.3	0.1	0.0	2
3	B - Mining and quarrying	26.3	7.390	0.0	24.8	0.4	–0.8	–0.6	–0.2	14.832	4.268	0.0	26.1	0.2	0.0	0.0	2
4	B.05 - Mining of coal and lignite	0.9	0.870	0.0	0.4	0.0	–0.0	–0.0	0.0	435	266	0.0	0.9	0.0	0.0	0.0	2
5	B.06 - Extraction of crude petroleum and natural gas	2.8	2.800	0.0	2.6	0.0	–0.1	–0.1	0.0	1.493	502	0.0	2.8	0.0	0.0	0.0	2
6	B.07 - Mining of metal ores	0.6	0.000	0.0	0.3	0.0	–0.0	–0.0	0.0	247	148	0.0	0.6	0.0	0.0	0.0	2
7	B.08 - Other mining and quarrying	18.4	0.000	0.0	18.1	0.2	–0.6	–0.4	–0.2	10.841	2.883	0.0	18.2	0.2	0.0	0.0	2
8	B.09 - Mining support service activities	3.7	3.730	0.0	3.4	0.1	–0.1	–0.1	–0.1	1.817	469	0.0	3.7	0.0	0.0	0.0	2
9	C - Manufacturing	2,964.2	10.110	89.0	2,830.6	73.4	–92.4	–71.8	–29.7	1.773.494	690.510	0.0	2,883.8	13.1	0.3	67.0	2
10	C.10 - Manufacture of food products	205.3	0.000	0.0	161.7	5.1	–7.3	–3.9	–3.1	113.676	39.128	0.0	203.4	2.0	0.0	0.0	2
11	C.11 - Manufacture of beverages	29.1	0.000	0.0	26.4	0.3	–0.6	–0.5	–0.1	24.035	8.508	0.0	28.4	0.7	0.0	0.0	2
12	C.12 - Manufacture of tobacco products	1.2	0.000	0.0	1.1	0.0	–0.0	–0.0	–0.0	2.087	295	0.0	1.1	0.0	0.0	0.0	2
13	C.13 - Manufacture of textiles	43.2	0.000	0.0	34.6	2.6	–1.9	–0.7	–1.2	20.924	7.365	0.0	43.0	0.2	0.0	0.0	2
14	C.14 - Manufacture of wearing apparel	32.8	0.000	1.6	26.3	1.0	–1.4	–0.6	–0.8	17.695	7.329	0.0	32.3	0.5	0.0	0.0	2
15	C.15 - Manufacture of leather and related products	10.6	0.000	0.0	7.9	0.2	–0.3	–0.2	–0.1	4.462	1.708	0.0	10.6	0.1	0.0	0.0	2
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	110.4	0.000	0.0	82.0	2.3	–3.0	–2.0	–0.8	40.934	13.404	0.0	109.7	0.7	0.0	0.0	2
17	C.17 - Manufacture of pulp, paper and paperboard	38.3	0.000	0.0	35.9	0.6	–0.9	–0.7	–0.3	22.869	7.354	0.0	38.2	0.1	0.0	0.0	2
18	C.18 - Printing and service activities related to printing	54.7	0.000	0.0	42.5	1.7	–1.7	–0.9	–0.7	21.652	9.820	0.0	54.5	0.2	0.0	0.0	2
19	C.19 - Manufacture of coke oven products	10.1	10.110	0.0	10.1	0.0	–0.1	–0.1	0.0	5.653	1.981	0.0	9.9	0.2	0.0	0.0	2
20	C.20 - Production of chemicals	94.1	0.000	0.4	86.1	2.6	–2.7	–1.7	–0.9	79.924	28.188	0.0	93.9	0.2	0.0	0.0	2
21	C.21 - Manufacture of pharmaceutical preparations	76.7	0.000	0.4	74.3	1.0	–1.3	–0.9	–0.4	51.769	20.739	0.0	76.6	0.1	0.0	0.0	1
22	C.22 - Manufacture of rubber products	150.4	0.000	0.0	137.8	4.3	–3.9	–2.3	–1.6	87.302	32.270	0.0	149.3	1.1	0.0	0.0	2
23	C.23 - Manufacture of other non-metallic mineral products	88.0	0.000	0.1	73.9	2.6	–2.5	–1.5	–0.9	58.845	18.917	0.0	87.5	0.4	0.0	0.0	2
24	C.24 - Manufacture of basic metals	65.7	0.000	0.0	54.0	2.8	–2.1	–1.0	–1.0	51.351	29.758	0.0	65.3	0.3	0.0	0.0	2
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	479.4	0.000	0.0	403.8	8.5	–12.8	–7.7	–4.5	211.686	76.277	0.0	477.2	1.9	0.3	0.0	2
26	C.26 - Manufacture of computer, electronic and optical products	224.9	0.000	4.1	211.7	3.8	–5.1	–3.4	–1.7	184.878	83.737	0.0	224.6	0.3	0.0	0.0	2
27	C.27 - Manufacture of electrical equipment	177.8	0.000	0.0	162.7	3.9	–4.8	–3.3	–1.5	112.064	43.077	0.0	177.4	0.4	0.0	0.0	2
28	C.28 - Manufacture of machinery and equipment n.e.c.	303.9	0.000	1.2	479.8	7.8	–13.0	–9.2	–3.9	308.845	107.826	0.0	302.9	1.0	0.0	0.0	2
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	351.5	0.000	80.8	378.7	9.7	–14.0	–23.7	–1.4	131.369	72.299	0.0	284.4	0.2	0.0	67.0	
30	C.30 - Manufacture of other transport equipment	33.3	0.000	0.1	29.4	1.1	–1.1	–0.7	–0.4	25.240	9.867	0.0	33.2	0.1	0.0	0.0	2
31	C.31 - Manufacture of furniture	55.2	0.000	0.0	45.9	1.9	–1.9	–1.1	–0.7	30.828	8.756	0.0	54.5	0.7	0.0	0.0	2
32	C.32 - Other manufacturing	156.5	0.000	0.1	133.0	3.2	–3.8	–2.5	–1.2	80.256	28.845	0.0	156.0	0.5	0.0	0.0	2
33	C.33 - Repair and installation of machinery and equipment	171.1	0.000	0.2	131.3	6.7	–6.3	–3.3	–2.8	85.150	33.060	0.0	169.9	1.3	0.0	0.0	2
34	D - Electricity, gas, steam and air conditioning supply	126.2	126.230	1.6	110.9	2.1	–3.2	–2.5	–0.6	76.177	41.161	0.0	124.4	1.9	0.0	0.0	2

	SECTOR/SUBSECTOR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
			Of which non-performing exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	in € millions		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
35	D35.1 - Electric power generation, transmission and distribution	107.6	107.620	1.5	93.6	1.9	−2.6	−2.0	−0.5	26.418	15.962	0.0	106.0	1.6	0.0	0.0	2
36	D35.11 - Production of electricity	63.7	63.660	1.3	56.3	1.8	−1.8	−1.4	−0.4	37.683	19.119	0.0	62.1	1.5	0.0	0.0	2
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	12.3	12.320	0.1	11.5	0.2	−0.5	−0.3	−0.1	7.926	3.898	0.0	12.0	0.3	0.0	0.0	2
38	D35.3 - Steam and air conditioning supply	6.3	6.300	0.0	5.9	0.0	−0.1	−0.1	−0.0	4.150	2.182	0.0	6.3	0.0	0.0	0.0	2
39	E - Water supply; sewerage, waste management and remediation activities	166.4	0.000	0.0	159.4	3.0	−4.0	−3.4	−1.1	82.408	26.680	0.0	157.7	8.8	0.0	0.0	2
40	F - Construction	2,108.7	0.000	0.0	2,099.3	102.3	−102.9	−63.6	−78.3	1.012.841	389.997	0.0	2,068.3	39.6	0.0	0.8	2
41	F.41 - Construction of buildings	470.1	0.000	0.0	316.9	21.1	−21.8	−9.3	−11.5	220.341	110.282	0.0	464.2	5.2	0.0	0.8	2
42	F.42 - Civil engineering	223.6	0.000	0.0	175.6	12.5	−10.5	−4.3	−6.1	93.016	26.911	0.0	219.7	4.0	0.0	0.0	2
43	F.43 - Specialised construction activities	1,414.9	0.000	0.0	1,606.8	68.7	−70.5	−50.0	−60.6	699.484	252.804	0.0	1,384.5	30.5	0.0	0.0	2
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	19,031.3	7,612.510	111.8	10,821.1	429.2	−380.0	−177.4	−183.3	39.859.642	38.331.589	0.0	18,514.4	201.6	118.5	196.9	1
45	H - Transportation and storage	1,556.2	241.400	0.0	1,463.3	171.7	−112.6	−60.9	−97.1	1.299.994	233.642	0.0	1,451.2	104.7	0.0	0.3	3
46	H.49 - Land transport and transport via pipelines	754.4	226.320	0.0	870.7	93.3	−49.4	−38.7	−55.9	603.689	95.645	0.0	661.5	92.9	0.0	0.0	3
47	H.50 - Water transport	29.6	15.080	0.0	10.1	0.1	−0.4	−0.3	−0.1	50.588	46.760	0.0	29.5	0.0	0.0	0.0	1
48	H.51 - Air transport	40.4	0.000	0.0	36.0	1.0	−1.3	−1.0	−0.3	17.497	7.593	0.0	40.4	0.0	0.0	0.0	2
49	H.52 - Warehousing and support activities for transportation	579.6	0.000	0.0	463.4	41.8	−40.5	−14.5	−25.9	558.314	71.449	0.0	569.4	10.2	0.0	0.0	2
50	H.53 - Postal and courier activities	152.2	0.000	0.0	83.1	35.4	−21.1	−6.5	−14.9	69.907	12.194	0.0	150.3	1.5	0.0	0.3	2
51	I - Accommodation and food service activities	255.5	0.000	0.0	405.0	13.4	−14.6	−20.7	−15.3	164.405	71.132	0.0	248.4	7.0	0.0	0.0	2
52	L - Real estate activities	828.3	0.000	0.0	409.6	38.3	−33.8	−12.9	−25.2	295.908	162.424	0.0	435.6	63.0	327.3	2.4	8
53	**Exposures towards sectors other than those that highly contribute to climate change***	**7,345.5**	**0.000**	**1.1**	**7,608.7**	**294.9**	**−355.6**	**−255.2**	**−198.2**	**7.423.983**	**3.814.722**	**0.0**	**7,120.3**	**110.7**	**18.3**	**96.3**	
54	K - Financial and insurance activities	0.0	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
55	Exposures to other sectors (NACE codes J, M - U)	7,345.5	0.000	1.1	7,608.7	294.9	−355.6	−255.2	−198.2	7.423.983	3.814.722	0.0	7,120.3	110.7	18.3	96.3	
56	**TOTAL**	**34,511.5**	**7,997.7**	**203.7**	**26,059.2**	**1,132.9**	**−1,104.2**	**−673.0**	**−633.2**	**52.069.347**	**43.788.651**	**0.0**	**33,125.7**	**557.8**	**464.4**	**363.7**	**2**

* In accordance with Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks - Regulation on climate benchmark standards - Recital 6: Sectors listed in Sections A to H and Section L of Annex 1 to Regulation (EC) No. 1893/2006

Table 45 is required to show those assets that are exposed to ESG risks as a result of the transition to a carbon-neutral economy. Here, the focus is particularly on exposures to non-financial corporates operating in carbon-intensive sectors. The volume that is not in line with the goals and agreements of the Paris Climate Agreement of the European Union must also be presented transparently.

To identify relevant corporates, the Volkswagen Bank GmbH's entire portfolio of financial and non-financial corporates was analyzed at the customer level. Classification based on NACE codes[9] was used to determine the corporates affected by exclusions in connection with the Paris-aligned EU benchmarks in points d) to g) and Art. 12.2. An analysis was performed to determine whether a corporate whose main activities corresponded to this NACE code came within one of the four categories. Where this was the case, the customer with the corresponding NACE code was classified as affected. Where such an evaluation was not possible, an expert opinion concerning the customer impact was derived from external data.

On balance, only a small proportion of Volkswagen Bank GmbH's business involves sectors that are affected by the exclusion of the Paris-aligned EU benchmarks. The proportion stands at 2.78% in the case of nonfinancial corporates, with the total coming to only 2.18%.

As real estate accounts for only a minor part of Volkswagen Bank GmbH's portfolio of collateral, the disclosure of data on the energy classes for this collateral has been dispensed with.

[9]Nomenclature statistique des activités économiques dans la Communauté européenne (NACE) is the system for the statistical classification of economic activities in the European Union. It is a four-digit classification system that provides the framework for the collection and presentation of a wide range of statistical data broken down by economic activity in the economy (e.g. production, employment, national accounts) and from other domains within the European Statistical System (ESS) This was primarily done on the basis of the two-digit NACE codes, with the four-digit NACE codes applied where necessary.

TABLE 52: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE RISKS: EXPOSURES TO THE 20 MOST CARBON-INTENSIVE CORPORATES

	A	B	C	D	E
in € millions	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1	2.3	0.00%	0.0	3	7

* For counterparties that are among the world's 20 largest carbon-emitting corporates.

Table 46 discloses the Volkswagen Bank GmbH Group's banking book exposure to the world's largest greenhouse gas emitters. The aim is to provide transparency regarding a possible deterioration in the credit quality of exposures to the largest greenhouse gas emitters due to transition risks as well as possible concentration risks in this context.

To identify such counterparties, a list from "InfluenceMAP" based on the ongoing work of the Carbon Disclosure Project in collaboration with the Climate Accountability Institute was used. On balance, the Volkswagen Bank GmbH Group has a very low exposure at all to these corporates in its banking book. The exposures that were identified entail finance or leases for vehicles.

TEMPLATE 53: BANKING BOOK - INDICATORS OF POTENTIAL CLIMATE RISKS: ALIGNMENT METRIC

	A	B	C	D	E	F	G
	Sektor	NACE-Sektoren	Bruttobuchwert (in Mio. €)	Alignment Metrik	Referenzjahr	Distanz zum IEA NZE2050-Szenario in % *	Zielwert (Referenzjahr + 3 Jahre)
1	Automotive	Alle	29.796,6	Durchschnittlicher CO_2 Ausstoß in Gramm pro km: 132,74	31.12.2024	25,2%	„Die angegebenen Metriken wurden im Einklang mit dem Geschäftsmodell der VW Bank GmbH gewählt und ordnen daher alle fahrzeuggebundenen Geschäfte dem Sektor „Automotive“ zu, unabhängig vom eigentlichen Wirtschaftszweig der jeweiligen Kunden. Der Fokus liegt auf der CO2-Intensität der Fahrzeuge im Portfolio sowie dem Anteil karbonarmer Technologien am Neugeschäft. Zielwerte für 2027 für die VW Bank GmbH werden im Zuge der Neustrukturierung der VW Bank Gruppe derzeit neubewertet und können daher zum jetzigen Zeitpunkt nicht berichtet werden.“
2	Automotive		5.737,9	Durchschnittlicher Anteil von low carbon Technologien: 16,3%	31.12.2024	-74,5%	„Die angegebenen Metriken wurden im Einklang mit dem Geschäftsmodell der VW Bank GmbH gewählt und ordnen daher alle fahrzeuggebundenen Geschäfte dem Sektor „Automotive“ zu, unabhängig vom eigentlichen Wirtschaftszweig der jeweiligen Kunden. Der Fokus liegt auf der CO2-Intensität der Fahrzeuge im Portfolio sowie dem Anteil karbonarmer Technologien am Neugeschäft. Zielwerte für 2027 für die VW Bank GmbH werden im Zuge der Neustrukturierung der VW Bank Gruppe derzeit neubewertet und können daher zum jetzigen Zeitpunkt nicht berichtet werden.“

* Aktuelle Distanz zum Zwischenziel für 2030 des NZE2050-Szenarios in % (je Metrik)

TABLE 54: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE CHANGE PHYSICAL RISK: EXPOSURES SUBJECT TO PHYSICAL RISK

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount (Mln EUR)													
		of which exposures sensitive to impact from climate change physical events													
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Europe		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	102.8	95.5	1.7	0.1	0.0	2	31.5	41.3	24.4	54.1	3.8	–3.8	–1.6	–1.9
2	B - Mining and quarrying	26.3	13.2	0.0	0.0	0.0	2	3.9	5.3	4.0	11.9	0.2	–0.4	–0.3	–0.2
3	C - Manufacturing	2,964.2	1,611.4	4.4	0.3	0.0	2	523.4	793.8	298.9	1,441.9	37.6	–62.2	–46.4	–15.2
4	D - Electricity, gas, steam and air conditioning supply	126.2	70.6	0.1	0.0	0.0	2	27.2	28.4	15.2	66.2	1.7	–2.2	–1.7	–0.4
5	E - Water supply; sewerage, waste management and remediation activities	166.4	72.7	0.6	0.0	0.0	3	20.9	31.0	21.4	63.1	1.7	–1.9	–1.2	–0.7
6	F - Construction	2,108.7	1,517.0	13.8	0.0	0.8	2	498.4	616.8	416.4	1,043.7	97.4	–89.3	–33.2	–53.1
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	19,031.3	7,496.6	36.2	28.0	87.1	1	2,336.6	3,200.6	2,110.8	4,308.1	317.2	–240.5	–88.3	–124.3
8	H - Transportation and storage	1,556.2	746.1	31.0	0.0	0.0	2	208.5	315.8	252.7	457.1	116.8	–73.6	–23.9	–48.7
9	L - Real estate activities	828.3	288.4	23.2	24.5	1.9	6	82.5	176.0	79.4	217.0	18.8	–16.9	–7.8	–7.4
10	Loans collateralised by residential immovable property	25.1	12.3	0.4	3.3	0.1	2	0.1	11.9	2.2	1.1	12.0	–7.4	–0.0	–7.4
11	Loans collateralised by commercial immovable property	2,422.0	970.9	55.1	65.1	17.8	3	17.8	593.0	196.7	556.8	69.9	–53.6	–24.9	–23.6
12	Repossessed colalterals	0.0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Other relevant sectors (breakdown below where relevant)	5,889.1	884.0	17.3	9.2	0.0	3	133.6	704.0	73.0	240.0	49.9	–61.3	–12.2	–26.1

Table 54 requires the disclosure of information on banking book positions (including loans and advances, debt securities, and equity instruments not held for trading or sale) with nonfinancial corporates, loans secured by real estate, and repossessed real estate collateral that are particularly exposed to the physical risks of climate change and related chronic and acute climate-related hazards. The exposures identified are allocated to those economic sectors (NACE sectors) and geographic areas in which the counterparty operates or the asset underlying the collateral is located that are subject to acute and chronic climate change events.

Volkswagen Bank GmbH's activities are for the most part confined to the countries of the European Union as well as the United Kingdom. Although the physical risks differ in the way they impact different locations, they are still similar in the individual countries from a portfolio perspective. Hazards caused by flood, heavy rain, water shortages, heat and fire are generally relevant in all European countries, although fire and heat are assumed to pose somewhat greater hazards in southern regions. On the other hand, the exposure of the Volkswagen Bank GmbH Group's portfolio to tsunamis, hurricanes and earthquakes is considered to be generally low. Accordingly, no distinction is made in the disclosures in table 47 between the individual countries in which the Volkswagen Bank GmbH Group operates.

A methodology for analyzing physical risks has been developed, making it possible to assess the exposure of non-financial corporations and real-estate assets to these risks and the impact that this has on the Volkswagen Bank GmbH Group's portfolio. Exposures are evaluated at the postcode level. To ensure the widest possible coverage of the risks, data from various portals or providers was used (particularly GFDRR – ThinkHazard!).

It initially examined the exposure of the various portfolios of the Volkswagen Bank GmbH Group to the individual risks. The situation prevailing at the various locations was assessed on the basis of hazard maps and defined thresholds. The hazardous situations are broken down into different levels subject to prior consideration of the assumed probabilities.

As well as this, a distinction is drawn between chronic and acute physical risks with respect to exposure to physical risks. Chronic risks are those that develop over time and may gradually worsen. We assign the hazards of "heat" and "water scarcity" to these. All other hazards are classified as acute physical risks as they may occur suddenly and have immediate effects.

The analysis shows that, although the exposures in Volkswagen Bank GmbH's banking book are subject to acute and chronic risks, the proportion of such risks can be assumed to be moderate. This is due to the fact that exposure to physical risks tends to be lower in the case of vehicle-related financing or leasing business, as vehicles are mobile and are initially not exposed to certain hazards (e.g. heat, water shortages, heavy rain).

Overall, no mitigating effects (e.g. insurance) were taken into account in the assessment of exposure to individual hazards.

TABLE 55: SUMMARY OF THE KEY PERFORMANCE INDICATORS (KPI) FOR TAXONOMY-ALIGNED ASSETS

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets)*
GAR stock	**0.5%**	0.0%	0.5%	0.3%
GAR flow	0.1%	0.0%	0.1%	0.1%

*% of assets covered by the KPI over banks´ total assets

TABLE 56: ASSETS INCLUDED IN THE CALCULATION OF GAR

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
																	Disclosure reference date T
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	39,625.4	27,344.6	595.9	403.1	0.3	178.6	1.1	0.3	0.0	0.0	0.0	27,345.7	596.2	403.1	0.3	178.6
2	**Financial corporations**	744.7	166.9	17.0	0.9	0.3	1.9	1.1	0.3	0.0	0.0	0.0	168.0	17.3	0.9	0.3	1.9
3	Credit institutions	642.4	64.5	16.1	0.0	0.3	1.9	1.1	0.3	0.0	0.0	0.0	65.6	16.4	0.0	0.3	1.9
4	Loans and advances	241.1	37.4	4.2	0.0	0.2	1.7	1.1	0.1	0.0	0.0	0.0	38.5	4.3	0.0	0.2	1.7
5	Debt securities, including UoP	401.3	27.1	11.9	0.0	0.2	0.2	0.0	0.2	0.0	0.0	0.0	27.1	12.1	0.0	0.2	0.2
6	Equity instruments	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0
7	Other financial corporations	102.3	102.3	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	102.3	0.9	0.9	0.0	0.0
8	of which investment firms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Debt securities, including UoP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Equity instruments	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0
12	of which management companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
																	Disclosure reference date T
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transi-tional/ad-aptation	Of which enabling
13	Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Debt securities, including UoP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Equity instruments	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0
16	of which insurance undertakings	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0	0.0
17	Loans and advances	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0	0.0
18	Debt securities, including UoP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Equity instruments	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	1,263.3	1,261.1	206.0	29.2	0.0	176.7	0.0	0.0	0.0	0.0	0.0	1,261.1	206.0	29.2	0.0	176.7
21	Loans and advances	1,263.3	1,261.1	206.0	29.2	0.0	176.7	0.0	0.0	0.0	0.0	0.0	1,261.1	206.0	29.2	0.0	176.7
22	Debt securities, including UoP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23	Equity instruments	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0
24	**Households**	37,520.3	25,838.9	371.3	371.3	0.0	0.0	0.0	0.0	X	X	0.0	25,838.9	371.3	371.3	0.0	0.0
25	of which loans collateralised by residential immovable property	17.2	17.2	0.0	0.0	0.0	0.0	0.0	0.0	X	X	0.0	17.2	0.0	17.2	0.0	0.0
26	of which building renovation loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	X	X	0.0	0.0	0.0	0.0	0.0	0.0
27	of which motor vehicle loans	28,752.5	25,821.7	371.3	371.3	0.0	0.0	0.0	0.0	X	X	0.0	25,821.7	371.3	371.3	0.0	0.0
28	**Local governments financing**	97.0	77.7	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	77.7	1.6	1.6	0.0	0.0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
29	Housing financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	Other local governments financing	97.0	77.7	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	77.7	1.6	1.6	0.0	0.0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	**TOTAL GAR ASSETS**	39,625.4	27,344.6	595.9	403.1	0.3	178.6	1.1	0.3	0.0	0.0	0.0	27,345.7	596.2	403.1	0.3	178.6
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	46,213.0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
34	Loans and advances	44,739.9	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
35	Debt securities	1,473.1	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
36	Equity instruments	0.0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	16.9	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
38	Loans and advances	0.5	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
39	Debt securities	0.0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
40	Equity instruments	16.4	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
41	Derivatives	173.8	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
42	On demand interbank loans	283.3	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
43	Cash and cash-related assets	1.5	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
44	Other assets (e.g. Goodwill, commodities etc.)	43,696.7	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	130,010.5	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	2,253.3	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
47	Central banks exposure	12,442.4	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
48	Trading book	96.1	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	14,791.8	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
50	**TOTAL ASSETS**	144,802.3	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

In addition to the assets classified as debt securities towards companies that are subject to disclosure in accordance with Articles 19a or 29a of Directive 2013/34/EU and in accordance with Commission Implementing Regulation (EU) 2021/2178, Volkswagen Bank GmbH includes "motor vehicle loans" to "households" (Activity 6.5) in the numerator of the "green asset ratio" (GAR).

Also included, but of minor importance, are assets classified as "loans and advances" to companies that are subject to disclosure requirements in accordance with Articles 19a or 29a of Directive 2013/34/EU and Commission Implementing Regulation (EU) 2021/2178.

Real estate financing, which could otherwise be allocated to one of the Group 7 activities in accordance with the annexes to Commission Delegated Regulation (EU) 2021/2139, is not included due to the minor volumes involved.

Where it is necessary to test tires in order to determine the taxonomy alignment of vehicle financing, the financed gross book value is weighted using the procurement ratios for the potentially fitted tires, as information on the tires actually fitted is not available.

Volkswagen Bank GmbH assumes on the basis of an exchange with the Volkswagen Group that the "Do-No-Significant-Harm" (DNSH) criteria in connection with vehicle finance are fulfilled by the EU type approval procedure, as well as the performance of test drives and the observance of recycling requirements. Only vehicles from the Volkswagen Group are taken into account, as corresponding information from other manufacturers cannot be obtained.

Volkswagen Bank GmbH only considers electric-only vehicles in the "use-of-proceeds-known" cases of vehicle financing, as it cannot generally be assumed that the DNSH criterion for the prevention and reduction of environmental pollution with respect to observance of the emission limits for clean light commercial vehicles is complied with.

Table 57: GAR (%)

		Â	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	% (compared to total covered assets in the denominator)	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	**GAR**	**21.0%**	**0.5%**	**0.3%**	**0.0%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**21.0%**	**0.5%**	**0.3%**	**0.0%**	**0.1%**	**27.4%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	21.0%	0.5%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.0%	0.5%	0.0%	0.0%	0.1%	27.4%
3	Financial corporations	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.5%
4	Credit institutions	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.4%
5	Other financial corporations	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
6	of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7	of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9	Non-financial corporations subject to NFRD disclosure obligations	1.0%	0.2%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.2%	0.0%	0.0%	0.1%	0.9%
10	Households	19.9%	0.3%	0.3%	0.0%	0.0%	X	X	X	X	X	19.9%	0.3%	0.3%	0.0%	0.0%	25.9%
11	of which loans collateralised by residential immovable property	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12	of which building renovation loans	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	of which motor vehicle loans	19.9%	0.3%	0.3%	0.0%	0.0%	X	X	X	X	X	19.9%	0.3%	0.3%	0.0%	0.0%	25.9%
14	Local government financing	0.1%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
15	Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
16	Other local governments financing	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF
Offenlegungsstichtag T: KPI -Bewegung															
Klimaschutz (CCM)					Anpassung an den Klimawandel (CCA)					GESAMT (CCM + CCA)					
Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiefähig)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiefähig)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiefähig)					Anteil der gesamten erfassten Vermögenswerte
	Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiekonform)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiekonform)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiekonform)				
		Davon Spezialkredite	Davon Übergangstätigkeiten	Davon ermöglichende Tätigkeiten			Davon Spezialkredite	Davon Anpassungstätigkeiten	Davon ermöglichende Tätigkeiten			Davon Spezialkredite	Davon Übergangs-/Anpassungstätigkeiten	Davon ermöglichende Tätigkeiten	
9,4%	**0,1%**	**0,1%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**9,4%**	**0,1%**	**0,1%**	**0,0%**	**0,0%**	**8,5%**
9,4%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	9,4%	0,1%	0,1%	0,0%	0,0%	8,5%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,3%	0,0%	0,0%	0,0%	0,0%	0,3%
9,0%	0,1%	0,1%	0,0%	0,0%	0,0%	X	X	X	X	9,0%	0,1%	0,1%	0,0%	0,0%	8,1%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
9,0%	0,0%	0,1%	0,0%	0,0%	0,0%	X	X	X	X	9,0%	0,1%	0,1%	0,0%	0,0%	8,1%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Remuneration policy

In 2024, the Group was restructured under the “Coral” program. With the new Volkswagen Financial Services AG, a financial holding company was established effective July 1, 2024. Volkswagen Bank became a wholly owned subsidiary of Volkswagen Financial Services AG, while Volkswagen Leasing GmbH was spun off to Volkswagen Bank as of July 1, 2024. Restructuring has given rise to a group as defined in section 27(1) of the InstitutsVergV (Remuneration Ordinance for Institutions).

Under Art. 450 of the CRR, certain quantitative and qualitative disclosures are required on the categories of employees whose activities have a material impact on the overall risk profile (“risk-takers”). This report contains the relevant information for 2024 for the regulatory scope of consolidation including the foreign branches and subsidiaries.

The reporting logic is based on the origin principle, meaning that payments attributable to 2024 are reported. Accordingly, it includes payments that have been made in 2025 for 2024, such as the payment of variable remuneration.

REMUNERATION GOVERNANCE

Management, which consists of the institution’s managing directors, is responsible for structuring the employee remuneration system. The remuneration of the managing directors is governed by their service contracts and comes within the responsibility of the Supervisory Board.

Volkswagen Bank GmbH has adopted Volkswagen AG’s management remuneration system, the principles of which are set out in writing in organizational guidelines and whose appropriateness is reviewed annually by Volkswagen Bank GmbH. The “Variable Remuneration” company agreement, which implements the requirements of the Remuneration Ordinance for Institutions (InstitutsVergV) in conjunction with the employee representatives and creates a uniform understanding and greater transparency for employees, was again applied in 2024.

The services of Deloitte Legal Rechtsanwaltsgesellschaft mbH were used as an external consulting firm.

After the Supervisory Board was heard, a Remuneration Officer and a Deputy Remuneration Officer were appointed for Volkswagen Bank GmbH. The Remuneration Officer’s main duty is to ensure appropriate, permanent and effective control of the remuneration system and the remuneration of the employees. Remuneration Officers are required to monitor the appropriateness of the remuneration for employees who are not managing directors. This is documented in the annual remuneration control report. In addition, they are required to support the Supervisory Board and the remuneration control committee with their monitoring and structuring duties with respect to all remuneration systems.

Volkswagen Bank GmbH’s Supervisory Board receives an annual report on the structure and appropriateness of the remuneration system. A remuneration control committee has been established at Volkswagen Bank GmbH in accordance with section 25d (12) of the German Banking Act.

This committee performs the statutory duties specified by the German Banking Act and the Remuneration Ordinance for Institutions. It supports the Supervisory Board in appropriately structuring the institution’s management remuneration system. It also provides assistance with monitoring the appropriate structuring of the remuneration systems for non-management employees, particularly for the head of the risk-controlling and compliance functions as well as for employees who exert a material influence on the company’s overall risk profile. In addition, it assesses the impact of the remuneration systems on risk, capital and liquidity management and seeks to ensure that they are aligned to the business and risk strategy, which takes due account of the company's assets and sustainability risks. The remuneration control committee also supports the Supervisory Board in monitoring the proper inclusion of the internal control function and all other relevant areas in the structuring of the remuneration systems.

It is composed of the Chairman of the Supervisory Board as well as two other Supervisory Board members, one of whom is an employee representative. Under the remuneration control committee's rules of procedure, at least one member must have sufficient specific knowledge and professional experience in the area of risk management and risk controlling, particularly with regard to mechanisms for the alignment of the remuneration systems with the company's overall risk appetite and risk strategy and its equity position. The remuneration control committee met a total of four times in 2024, preparing corresponding resolutions for the Supervisory Board.

PRINCIPLES OF THE REMUNERATION SYSTEM

The remuneration strategy is materially shaped by the business and risk strategy, which takes account of the Company's corporate culture and sustainability risks (ESG) to encourage responsible and risk-conscious conduct on the part of all employees.

The business and risk strategy is based on the MOBILITY2030 strategy of the Financial Services Group Division, which also includes Volkswagen Bank GmbH. Within MOBILITY2030, particular importance is attached to ESG as part of the strategic thrust "Sustainability" with the overall objective of "We drive the transition to emission-free mobility along the Volkswagen Group's ESG principles".

The remuneration policy makes sure that customer and consumer rights and interests are duly taken into account. Moreover, it ensures the availability of human resources in terms of both quantity and quality.

The remuneration policy for all employees is gender-neutral, i.e. employees receive equal pay for the same or equivalent work regardless of their gender. Volkswagen Bank GmbH's remuneration policy supports equal pay in practice. In addition to the application of the Pay Transparency Act, various internal committees are responsible for ensuring equal pay (e.g. "Remuneration Committee" and "Remuneration Commission"). The neutral framework is provided by the "Variable Remuneration" company agreement, the existing salary bands and job evaluation. The remuneration processes stipulate that one line manager alone cannot decide on an employee's remuneration, but that an adjustment to remuneration is always decided in accordance with the dual sign-off principle. In addition, awareness of the purposes of the General Equal Treatment Act is raised in all remuneration negotiations. Moreover, the diversity guideline is applied. In addition to gender diversity, it also addresses age, cultural background, sexual identity and inclusion.

The remuneration system includes fixed and variable components. These are appropriately balanced to prevent any incentives for accepting unreasonably high risks. As a general rule, a maximum ratio of 1:1 is applied. In this connection, the sole owner has passed a resolution pursuant to section 6 of the Remuneration Ordinance for Institutions in connection with section 25a (5) sentence 5 of the German Banking Act stipulating that the ratio of fixed to variable remuneration may not exceed 1:2 in the case of members of the management group, the upper management group and the top management group as well as other management. This has been reported to BaFin.

The remuneration systems are structured in such a way as to ensure that they are not inconsistent with the monitoring function of the control units (e.g. risk management, compliance, back office and internal auditing). In particular, there is no risk of any conflict of interests. Overall, remuneration in the control units permits adequate human resources in terms of both quantity and quality and primarily comprises fixed components. As a general principle, no guaranteed variable remuneration or retention bonus are granted. Exceptions are only possible in justified individual cases and within the scope permitted by section 5 (5) and 5 (7) of the Remuneration Ordinance for Institutions. Any compensation or severance payments that are made are consistent with the long-term interests of Volkswagen Bank GmbH and section 5 (6) of the Remuneration Ordinance for Institutions as well as the severance payment framework. Corresponding payments that come within the scope of section 20 of the Remuneration Ordinance for Institutions are subject to the special retention and pay-out requirements.

Provisions are set aside for the year to which the variable remuneration is attributable on the basis of the reasons for vesting. Variable remuneration is awarded and paid only if the conditions set out in section 7 of the Remuneration Ordinance for Institutions have been satisfied and the variable remuneration is consistent with the company's earnings for the year. Allowance is made for risk-bearing capacity, multi-year capital planning and the earnings situation. Appropriate equity and liquidity resources as well as the permanent maintenance or restoration of the combined capital buffer requirements in accordance with section 10i of the German Banking Act must be ensured. Total variable remuneration is composed of the variable remuneration provided by Volkswagen Bank GmbH and all subordinate companies or branches.

Employees may not restrict or nullify the risk-orientation of variable remuneration by means of hedging or other counter measures. This includes external hedging by means of agreements with third parties as well as internal arrangements with other employees.

THE REMUNERATION SYSTEM

The remuneration system includes fixed and variable components, ancillary benefits and company pension scheme commitments. Reasonable remuneration in line with customary market practices is paid.

The remuneration framework is aligned to the value of the function performed. Allowance is made for requirements with regard to defined and Group-wide evaluation criteria as well as allocation to employee levels and salary groups. These are assigned to basic salary bands and a bonus framework that applies to all the functions of these employee levels and salary groups. The remuneration framework for the control functions is also based on the value of these functions. This ensures that tasks of the same value are assigned to the same remuneration framework and that the control activity is not restricted.

In addition to market practice, the remuneration levels and structures within the Volkswagen Group are taken into account for the purposes of determining remuneration levels to ensure appropriate employee mobility between the Group companies. The remuneration structure is such that no incentive is created for accepting unreasonably high risks.

FIXED REMUNERATION

The collective bargaining agreement between Volkswagen AG and IG Metall also applies to the employees of Volkswagen Bank GmbH, who are bound by it under a subordinate collective bargaining agreement.

The employees of Volkswagen Bank GmbH who are not subject to the collective bargaining agreement receive remuneration in excess of the payscale. The individual monthly salary ensures basic remuneration sufficient to cover the cost of living, allowing the individual employee to align their performance to the company's interests without becoming dependent on the variable remuneration. In this way, performance of the duties arising from the function in question is duly recompensed. The underlying remuneration bands are regularly reviewed and adjusted. At the same time, Volkswagen Bank endeavors to grant remuneration in line with the market levels in order to recruit and retain qualified employees.

VARIABLE REMUNERATION

Employees coming within the scope of the collective bargain agreement receive variable remuneration in line with that agreement. However, in accordance with section 1 (4) of the Remuneration Ordinance for Institutions, this does not constitute variable remuneration as defined in that ordinance.

The remuneration system recompenses the individual's performance and gives employees a share of the profits earned by Volkswagen Bank GmbH and the Volkswagen Group. The variable remuneration as defined in the Remuneration Ordinance for Institutions for employees outside the scope of the collective bargaining agreement is composed of an annual bonus and a long-term bonus. The variable remuneration is measured on a single-year (annual bonus) and multi-year (long-term bonus) basis and includes three aspects – group/institution, organizational unit and individual. The control and measurement parameters are derived from the business and risk strategy and take account of the defined risk, equity and liquidity indicators. Negative contributions to performance reduce the amount of the variable remuneration, including in the event of (premature) termination of the employment contract. The bonus is settled in May of the year following the approval of the applicable annual financial statements and subsequently paid out. The variable remuneration is granted in cash and is not a fixed part of the annual salary. Rather, it is a voluntary benefit with which the employees are given a share of the company's profit.

All bonus-entitled employees participate on the basis of their individual salary group. The amount of the annual bonus is tied to the institution's performance and calculated on the basis of a one-year measurement period. The annual bonus is determined by the Management Board or the Supervisory Board. Performance is calculated on the basis of the adjusted return on equity (ROE) of the Volkswagen Financial Services Group (including Volkswagen Bank GmbH). The annual bonus is derived from the individual target amount of the employee eligible for the bonus and the two weighted components of the annual bonus, i.e. the KPI component on the one hand and the individual component on the other. The KPI component is determined by reference to financial and non-financial KPIs comprising the total financial target achievement multiplied by the ESG factor. The individual component is composed of the payout factor for the overall performance category of performance management and the KPI component.

Accordingly, qualitative and quantitative factors are used to determine the individual component. Volkswagen AG's standardized process for target agreement discussions is applied to all managers worldwide. This not only involves defining the targets for the coming year but also includes an assessment of the target achievement level reached in the previous year and of the manager's performance. The individual payout factor is determined in a shared process involving Human Resources and the line manager as well as the responsible member of management within the framework of comparative discussions. It is fixed on the basis of firmly defined assumptions and benchmarks for the various combinations of performance assessment and target achievement subject to reasonable discretion. This ensures that any negative deviations in the individual contribution to the company's performance may result in a reduction in or even the full loss of the variable remuneration.

In a second step, the provisional target achievement level/annual bonus is multiplied with a risk parameter representing limit utilization at the group and institution level; this risk parameter is determined annually at the discretion of the managing directors and the Supervisory Board of Volkswagen Bank GmbH in the light of limit utilization. The combination of ROE with a risk parameter ensures that the calculation of the annual bonus takes account of both performance and the risks assumed.

The individual bonus component in the annual bonus was introduced for the first time in 2024 and replaces the personal performance factor. Target achievement for the annual bonus in any given year is capped at 175%.

The ESG factor introduced in 2023 comprises the following components in equal parts: the decarbonization index (DKI) components at the Group level in the case of the environment (E) criterion and female representation in management at the brand level in the case of the social (S) criterion. The governance (G) criterion is also included in the culture and integrity component. The DKI is used to measure the carbon emissions of the brands producing passenger cars and light commercial vehicles over the entire life cycle. The aim is to achieve a permanent reduction in carbon emissions and to offset carbon dioxide (CO_2) emissions to secure a zero-carbon global economy in the long term. The product life cycle analysis (ecological footprint) records the environmental impact of a product during its entire life cycle and is included in the DKI. To this end, it takes an end-to-end view including vehicle development, the sourcing of the raw materials required, logistics, production, use from the first to the last kilometer on the road, deregistration and recycling.

Female representation in management measures the proportion of women in management relative to management as a whole. Companies with diverse teams are more successful and generally earn higher returns. For this reason, Volkswagen Bank GmbH is striving to increase female representation in management. The ESG factor can range between 0.7 and 1.3. Target achievement for the E criterion is calculated annually by the Volkswagen Group and the results made available to the Group brands. Target achievement for the S criterion is determined by the Management Board and/or the Supervisory Board on the basis of previously defined targets. The figure calculated for the annual bonus is additionally multiplied with the ESG factor determined for the year in question, resulting in the individual initial input for the annual bonus.

The long-term bonus takes account of internal and external success factors and reflects the development of Group enterprise value and management performance. With its focus on earnings per share, the share price and the dividend, it links the Group's profitability with investor interests on the basis of a three-year measurement period. All bonus-entitled employees participate on the basis of their individual salary group. The absolute amount of the target achievement for the long-term bonus is capped at 250% in any given year.

However, payment of the variable remuneration components does not depend only on solely economic parameters but also on compliance with the culture and integrity rules in force in the Volkswagen Group and at Volkswagen Bank GmbH. Against this backdrop, a review is performed to determine if a corrective is required on the basis of the culture and integrity rules in force in the Volkswagen Group and at Volkswagen Bank GmbH ("culture and integrity corrective"). The deciding factor for the culture and integrity corrective is whether relevant misconduct has occurred during the assessment period. The review is performed on the basis of individual misconduct and organizational fault. In the case of the upper management group, the company may at its own reasonable discretion reclaim the full amount of the gross payout if it subsequently becomes aware of or discovers any misconduct which, had such misconduct been known from the outset, would have justified the imposition of a 100% culture and integrity corrective.

OTHER SECONDARY BENEFITS

In addition to fixed and variable remuneration, Volkswagen Bank GmbH grants its employees secondary and social benefits. These are non-discretionary arrangements that are based on Group-wide or Bank-wide rules and therefore do not constitute any incentive to take unreasonable risks.

MANAGEMENT REMUNERATION SYSTEM

The Supervisory Board of Volkswagen Bank GmbH is responsible for determining the remuneration for the managing directors of Volkswagen Bank GmbH. Management remuneration is composed of fixed and variable remuneration. In addition, secondary benefits are provided in line with standard market practice. The amount of the remuneration appropriately reflects the managing directors' duties and performance. The variable remuneration is measured in accordance with the Volkswagen Group's management remuneration system. This system provides for a multi-year measurement basis. In accordance with section 7 of the Remuneration Ordinance for Institutions, the Supervisory Board determines the variable remuneration for the managing directors on the basis of the criteria that also apply to the employees of Volkswagen Bank GmbH. In addition, the special risk-taker requirements apply to the managing directors.

RISK-TAKER REQUIREMENTS

The special requirements defined in the Remuneration Ordinance for Institutions apply to risk-takers, i.e. employees whose activities exert a material influence on the overall risk profile. At its own instigation, Volkswagen Bank GmbH performs an annual risk analysis to identify the risk-takers. This includes all subordinate companies as well as the branches of Volkswagen Bank GmbH.

The risk-takers were identified for 2024 on the basis of section 18 of the Remuneration Ordinance for Institutions in connection with Delegated Regulation (EU) No. 923/2021 to supplement Directive 2013/36/EU. 531 functions at Volkswagen Bank in Germany (including three managers and 12 members of the Supervisory Board[10]) have been identified as risk takers. An additional 33 employees within the Volkswagen Bank Group (including non-German companies) have been identified.

The variable remuneration of risk-takers is also measured in accordance with the Volkswagen Group's management remuneration system. Payment of the variable remuneration is subject to the special requirements defined in the Remuneration Ordinance for Institutions. In some cases, payment must be spread over several years and is tied to the company's sustained development. 40% of the variable remuneration for risk-takers is paid immediately. 60% is deferred over a period of four to five years. In the case of managing directors, a deferral period of five years applies. If the variable remuneration calculated for a given year is below the exemption limit set by the competent authority for that year, the bonus is paid out immediately in cash. The variable remuneration calculated for risk-takers for a given year does not give rise to any claim to such a bonus or a corresponding entitlement. The value of the bonus is merely a variable giving rise to the right to error-free calculation of the bonus. 50% of the part granted or deferred is tied to Volkswagen Bank GmbH's sustainable further development ("sustainability component"). The amount paid out under the sustainability component is tied to an indicator-based calculation of enterprise value, reflecting changes in the adjusted Tier 1 capital. It is subject to an additional vesting period of twelve months.

In the case of risk-takers, the deferred parts of the deferred shares of the variable remuneration are subject to a penalty check before payment. A reduction in or complete forfeiture of the variable remuneration is possible if the penalty check provides evidence of any breach of duty or integrity. In addition to the penalty check, backtesting is carried out to determine whether the original calculation of the variable remuneration is retrospectively still correct.

Management or, in the case of the managing directors, the Supervisory Board make a discretionary decision concerning a possible reduction or forfeiture of any deferred tranches.

In addition, the remuneration system for risk-takers at Volkswagen Bank GmbH provides for the possibility of reclaiming variable remuneration that has already been paid out under certain conditions and for claims to payment to expire in the event of any negative deviations in the contribution to the company's performance as defined in section 18 (5) in connection with section 20 (5) of the Remuneration Ordinance for Institutions ("clawback").

[10] including eight employees in the Volkswagen Group and three externals

The penalty check for the deferred payments for risk-takers in accordance with section 20 (5) of the Remuneration Ordinance for Institutions was applied for 2024. The retained portions of the variable remuneration accruing in previous years were paid out in full in the reporting period.

QUANTITATIVE REPORTING

TABLE 58: EU REM1 – REMUNERATION AWARDED FOR THE FINANCIAL YEAR

			A	B	C	D
			MB Supervisory function1)	MB Management function	2)	Other identified staff
1	Fixed remuneration	Number of identified staff3)	12	3	41	15
2		**Total fixed remuneration**	**0.1**	**0.8**	**6.6**	**1.8**
3		Of which: cash-based	0.1	0.8	6.6	1.8
4		(Not applicable in the EU)	x	x	x	x
EU-4a		Of which: shares or equivalent ownership interests	0.0	0.0	0.0	0.0
5		Of which: share-linked instruments or equivalent non-cash instruments	0.0	0.0	0.0	0.0
EU-5x		Of which: other instruments	0.0	0.0	0.0	0.0
6		(Not applicable in the EU)	x	x	x	x
7		Of which: other forms	0.0	0.0	0.0	0.0
8	Variable remuneration	(Not applicable in the EU)	x	x	x	x
9		Number of identified staff3)	12	3	41	15
10		**Total variable remuneration**	**0.0**	**0.6**	**3.0**	**0.6**
11		Of which: cash-based	0.0	0.3	1.7	0.5
12		Of which: deferred	0.0	0.2	0.8	0.1
EU-13a		Of which: shares or equivalent ownership interests	0.0	0.0	0.0	0.0
EU-14a		Of which: deferred	0.0	0.0	0.0	0.0
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0.0	0.3	1.3	0.2
EU-14b		Of which: deferred	0.0	0.3	1.3	0.2
EU-14x		Of which: other instruments	0.0	0.0	0.0	0.0
EU-14y		Of which: deferred	0.0	0.0	0.0	0.0
15		Of which: other forms	0.0	0.0	0.0	0.0
16		Of which: deferred	0.0	0.0	0.0	0.0
17	**Total remuneration (2 + 10)**		**0.1**	**1.5**	**9.6**	**2.5**

"The table includes discrepancies caused by rounding.

1) In accordance with a resolution passed by the shareholders´ meeting, the members of the Supervisory Board who are not employees of the Volkswagen Group are generally entitled to annual remuneration. This remuneration is independent of the performance of the Bank. The members of the Supervisory Board who are employees of the Volkswagen Group receive a lump-sum remuneration from VW Bank. If they are also members of other supervisory boards of Group companies of Volkswagen AG, remuneration received for these functions is deducted from their entitlement.
2) 2)Senior management of VW FS and Managing Directors of subsidiaries and branches
3) The number of risk takers shown here does not include any employees receiving remuneration under collective bargaining agreements, as these are expressly excluded from the requirements of the IVV in accordance with section 1(4) of the IVV.

TABLE 59: EU REM2 – SPECIAL PAYMENTS TO STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

		A	B	C	D
		MB Supervisory function	MB Management function	Other senior management2)	Other identified staff
	Guaranteed variable remuneration awards - Number of identified staff				
1	Guaranteed variable remuneration awards - Number of identified staff	0.0	0.0	0.0	0.0
2	Guaranteed variable remuneration awards -Total amount	0.0	0.0	0.0	0.0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0.0	0.0	0.0	0.0
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0.0	0.0	0.0	0.0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0.0	0.0	0.0	0.0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0.0	0.0	1	0.0
7	Severance payments awarded during the financial year - Total amount	0.0	0.0	n/a1)	0.0
8	Of which paid during the financial year	0.0	0.0	0.0	0.0
9	Of which deferred	0.0	0.0	0.0	0.0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0.0	0.0	0.0	0.0
11	Of which highest payment that has been awarded to a single person	0.0	0.0	0.0	0.0

1) Senior management of VW FS and Managing Directors of subsidiaries and branches

TABLE 60: EU REM3 – DEFERRED REMUNERATION

	Deferred and retained remuneration	A Total amount of deferred remuneration awarded for previous performance periods	B Of which due to vest in the financial year	C Of which vesting in subsequent financial years	D Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	E Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	F Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	EU-G Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	EU-H Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**
2	Cash-based	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Share-linked instruments or equivalent non-cash instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Other instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Other forms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	**MB Management function**	**4.9**	**1.2**	**3.8**	**x**	**x**	**0.0**	**1.2**	**0.8**
8	Cash-based	2.0	0.5	1.5	0.0	0.0	0.0	0.5	0.0
9	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Share-linked instruments or equivalent non-cash instruments	3.0	0.7	2.3	0.0	0.0	0.0	0.7	0.8
11	Other instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Other forms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	**Other senior management1)**	**9.0**	**2.1**	**6.8**	**x**	**x**	**0.1**	**2.2**	**1.2**
14	Cash-based	3.5	0.7	2.8	0.0	0.0	0.0	0.7	0.0
15	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16	Share-linked instruments or equivalent non-cash instruments	5.5	1.5	4.0	0.0	0.0	0.1	1.6	1.2
17	Other instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	Other forms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	**Other identified staff**	**1.6**	**0.6**	**1.0**	**0.0**	**0.0**	**0.0**	**0.7**	**0.3**
20	Cash-based	0.6	0.2	0.3	0.0	0.0	0.0	0.2	0.0
21	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Deferred and retained remuneration	A Total amount of deferred remuneration awarded for previous performance periods	B Of which due to vest in the financial year	C Of which vesting in subsequent financial years	D Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	E Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	F Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	EU-G Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	EU-H Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
22	Share-linked instruments or equivalent non-cash instruments	1.1	0.4	0.6	0.0	0.0	0.0	0.4	0.3
23	Other instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	Other forms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	**Total amount**	**15.5**	**4.0**	**11.6**	**0.0**	**0.0**	**0.1**	**4.1**	**2.3**

The table includes discrepancies caused by rounding.

1) Senior management of VW FS and Managing Directors or subsidiaries and branches

TABLE 61: EU REM4 – REMUNERATION OF 1 MILLION EUR OR MORE PER YEAR

		A
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	0
2	1 500 000 to below 2 000 000	0
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0
x	To be extended as appropriate, if further payment bands are needed.	

TABLE 62: EU REM5 – INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

		A	B	C	D	E	F	G	H	I	J
		Management body remuneration			Business areas						
	in Mio. €	MB Supervisory function1)	MB Management function	MB Management function	Investment banking	Retail banking	Retail banking	Asset management	Corporate functions	Corporate functions	Total
1	**Total number of identified staff²)**	12	3	15	0	7	1	4	9	35	71
2	Of which: members of the MB	12	3	15	x	x	x	x	x	x	**x**
3	Of which: other senior management	x	x	x	0	6	1	3	6	25	**x**
4	Of which: other identified staff	x	x	x	0	1	0	1	3	10	**x**
5	**Total remuneration of identified staff**	**0.1**	**1.5**	**1.6**	**–**	**2.0**	**k.A.³⁾**	**0.6**	**2.2**	**7.3**	**13.7**
6	Of which: variable remuneration	–	0.6	0.6	–	0.6	k.A.³)	0.1	0.6	2.3	**4.3**
7	Of which: fixed remuneration	0.1	0.8	1.0	–	1.4	k.A.³)	0.5	1.6	5.0	**9.3**

The table includes discrepancies caused by rounding.

1) In accordance with a resolution passed by the shareholders´ meeting, the members of the Supervisory Board who are not employees of the Volkswagen Group are generally entitled to annual remuneration. This remuneration is independent of the performance of the Bank. The members of the Supervisory Board who are employees of the Volkswagen Group receive a lump-sum remuneration from VW Bank. If they are also members of other supervisory boards of Group companies of Volkswagen AG, remuneration received for these functions is deducted from their entitlement
2) The number of risk takers shown here does not include any employees receiving remuneration under collective bargaining agreements, as these are expressly excluded from the requirements of the IVV in accordance with section 1(4) of the IVV.

Leverage

QUALITATIVE DISCLOSURE OF THE LEVERAGE RATIO

Reporting on changes in the leverage ratio is included in Volkswagen Bank GmbH's capital planning process. The leverage ratio is regularly monitored as part of capital planning.

Reference should be made to the separate chapter for details of the changes in Common Equity Tier 1 capital and Tier 1 capital.

QUANTITATIVE DISCLOSURE OF THE LEVERAGE RATIO

The following table reconciles the assets shown in the annual report published by Volkswagen Bank GmbH on an IFRS basis with the total exposure measure used to calculate the regulatory leverage ratio.

TABLE 51: EU LR1 – LRSUM – SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

		A
	in € millions	Applicable amount
1	Total assets as per published financial statements	144,257.6
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	–1,021.2
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0.0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0.0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from total exposure measure in accordance with point (i) of Article 429a(1) CRR)	–1.3
6	Adjustment for regularway purchases and sales of financial assets subject to trade date accounting	0.0
7	Adjustment for eligible cash pooling transactions	0.0
8	Adjustments for derivative financial instruments	–27.1
9	Adjustment for securities financing transactions (SFTs)	0.0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13,163.9
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0.0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0.0
12	Other adjustments	–2,799.8
13	**Total exposure measure**	**153,572.2**

The following table provides an overview of the individual components of the total exposure measure and compares the current reporting period with June 30, 2024.

TABLE 59: EU LR2 – LRCOM – LEVERAGE RATIO COMMON DISCLOSURE

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
	in € millions	T	T-1
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	138,893.8	88,378.2
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0.0	0.0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.0	0.0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0.0	0.0
5	(General credit risk adjustments to on-balance sheet items)	0.0	0.0
6	(Asset amounts deducted in determining Tier 1 capital)	–152.8	–271.1
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**138,741.0**	**88,107.1**
Risikopositionen aus Derivaten			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	700.7	78.2
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0.0	0.0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	966.6	133.9
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0.0	0.0
EU-9b	Exposure determined under Original Exposure Method	0.0	0.0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0.0	0.0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0.0	0.0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	0.0	0.0
11	Adjusted effective notional amount of written credit derivatives	0.0	0.0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.0	0.0
13	**Total derivatives exposures**	**1,667.3**	**212.1**
Risikopositionen aus Wertpapierfinanzierungsgeschäften (SFTs)			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0.0	0.0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.0	0.0
16	Counterparty credit risk exposure for SFT assets	0.0	0.0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0.0	0.0
17	Agent transaction exposures	0.0	0.0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0.0	0.0
18	**Total securities financing transaction exposures**	**0.0**	**0.0**
Securities financing transaction (SFT) exposures			
19	Off-balance sheet exposures at gross notional amount	21,243.0	14,204.1
20	(Adjustments for conversion to credit equivalent amounts)	–8,079.0	–11,728.9
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0.0	0.0
22	Off-balance sheet exposures	13,163.9	2,475.3
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0	0.0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0.0	0.0
EU-22c	(-) (Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0.0	0.0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0.0	0.0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0.0	0.0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0.0	0.0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0.0	0.0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0.0	0.0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0.0	0.0
EU-22k	**(Total exempted exposures)**	**0.0**	**0.0**
Capital and total exposure measure			

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
	in € millions	T	T-1
23	Tier 1 capital	18,350.2	10,618.5
24	**Total exposure measure**	**153,572.2**	**90,794.5**
Leverage ratio			
25	Leverage ratio (%)	11.95%	11.70%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	11.95%	11.70%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.95%	11.70%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	**Overall leverage ratio requirement (%)**	**3.00%**	**3.00%**
Choice on transitional arrangements and relevant exposures			
EU-27	Choice on transitional arrangements for the definition of the capital measure	n/a	n/a
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	0.0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	0.0
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	153,572.2	90,794.5
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	153,572.2	90,794.5
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	11.95%	11.70%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	11.95%	11.70%

The leverage ratio excluding the impact of any temporary exclusions for central bank reserves stands at 11.95% in the current reporting period. This ratio corresponds to the leverage ratio including the impact of any temporary exclusions for central bank reserves. This is due to the fact that Volkswagen Bank GmbH does not make use of the option to temporarily apply the exemption for central bank reserves.

TABLE 60: EU LR3 – LRSPL – SPLIT-UP OF ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

		A
	in € millions	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	138,893.8
EU-2	Trading book exposures	0.0
EU-3	Banking book exposures, of which:	138,893.8
EU-4	Covered bonds	240.3
EU-5	Exposures treated as sovereigns	16,683.3
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	156.8
EU-7	Institutions	3,725.0
EU-8	Secured by mortgages of immovable properties	0.0
EU-9	Retail exposures	42,943.0
EU-10	Corporates	33,711.4
EU-11	Exposures in default	2,393.4
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	39,040.6

As a non-trading book institution, Volkswagen Bank GmbH has on-balance-sheet exposures of €138.9 billion that are held solely in the banking book. At 30.9%, retail risk exposures of €42.9 billion constitute the largest item.

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