VOLKSWAGEN BANK

GMBH

HALF-YEARLY FINANCIAL REPORT

JANUARY – JUNE

2021

Key Figures

€ million	June 30, 2021	Dec. 31, 2020
Total assets	65,264	66,941
Loans to and receivables from customers attributable to		
Retail financing	32,390	33,808
Dealer financing	10,600	11,549
Leasing business	2,783	2,814
Customer deposits	26,642	28,694
Equity	10,707	10,313

€ million	H1 2021	H1 2020
Operating result	430	471
Profit before tax	407	491
Profit after tax	191	358

Percent	June 30, 2021	Dec. 31, 2020
Equity ratio	16.4	15.4

Percent	March 31, 2021[2]	Dec. 31, 2020
Common Equity Tier 1 capital ratio[1]	18.9	17.1
Tier 1 capital ratio[1]	18.9	17.1
Total capital ratio[1]	18.9	17.1

Headcount	June 30, 2021	Dec. 31, 2020
Employees	1,908	1,931

1 Regulatory ratios in accordance with Article 92(1) of the CRR.
2 The regulatory capital ratios as of March 31, 2021 are presented here. The capital ratios as of June 30, 2021 will be calculated within the required time frame stipulated by the banking regulator by no later than August 11, 2021.

RATING (AS OF JUNE 30)	STANDARD & POOR'S			MOODY'S INVESTORS SERVICE		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Volkswagen Bank GmbH	A–2	BBB+	stable	P–1	A1	stable

All figures shown in the report are rounded, so minor discrepancies may arise when amounts are added together. The comparative figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.

Report on Economic Position

COVID-19 PANDEMIC

At the end of 2019, initial cases of a potentially fatal respiratory disease became known in China. This disease is attributable to a novel coronavirus. Infections also appeared outside China from mid-January 2020. The number of infections rose sharply over the course of 2020, albeit with differences in timing and regional spread. Around the world, measures were taken and adapted at national level and with varying levels of intensity based on the situation. However, these ultimately failed to bring the spread of the SARS-CoV-2 virus under control. Aid packages to support the economy were agreed by the European Commission and by numerous governments in Europe and other regions, and economic stimulus measures were introduced to counter the pandemic's impact. Throughout the whole of 2020, the global spread of the SARS-CoV-2 virus brought enormous disruption to all areas of everyday life and the economy.

The rapid increase in the rate of infection continued in many places throughout the first quarter of 2021. This was accompanied by ongoing disruption – such as contact and mobility restrictions or limitations on business activities – in many parts of the world. With the increased availability of testing capacity and vaccines, some countries have permitted the extensive reopening of society and the economy. In China in particular, the measures taken have resulted in a removal of restrictions. In most of the world, the second quarter of 2021 was characterized by declining infection rates and therefore further easing of the containment measures. However, some countries in South and Central America, Asia and Europe recorded a new rise in infections, which was primarily due to new variants of the SARS-COV-2 virus. Some restrictions returned in response to the situation.

OVERALL ASSESSMENT OF BUSINESS PERFORMANCE

The Management Board of Volkswagen Bank GmbH considers the course of business in 2021 to date to have been satisfactory. Profit before tax for the first half of the year amounted to €407 million, which was lower than the figure for the corresponding prior-year period (€491 million). The total number of contracts in the Volkswagen Bank GmbH Group amounted to 3.6 million as of the reporting date. The number of new contracts acquired in the first six months of 2021 was 0.5 million.

In the first half of fiscal year 2021, the changes to the Volkswagen Bank GmbH Group's credit risk were in line with expectations and the quality of the lending portfolio remained stable. Only a marginal proportion of the lending portfolio has been affected by the use of statutory payment moratoria by Volkswagen Bank GmbH's borrowers. Residual value risk in the Volkswagen Bank GmbH Group also generally remained steady with no noticeable problems.

GENERAL ECONOMIC DEVELOPMENT

The global spread of the SARS-CoV-2 virus and the associated restrictions continued in the first half of 2021 to varying degrees. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to a renewed rise in infections at a national level. Compared with the prior-year period, the global economy recorded positive growth. In both the advanced economies and the emerging markets, the average rate of expansion of gross domestic product (GDP) was far higher than the negative growth seen in the first half of 2020. At a national level, performance during the reporting period was in part dependent on the extent to which the negative impacts of the Covid-19 pandemic were already materializing and the degree of intensity applied to the measures taken to contain the spread. The governments and central banks of numerous countries around the world continued to maintain their expansive fiscal and monetary policy measures. Interest rates remained relatively low. On average, prices for energy and other commodities rose significantly compared with the prior-year period. Global trade in goods increased in the reporting period.

The economies of Western Europe recorded markedly positive growth overall from January to June 2021 compared with the prior-year period. This trend was seen in nearly all countries in Northern and Southern Europe due among other things to falling infection rates in many countries during the second quarter, which led to the relaxing of measures to contain the pandemic.

On the whole, Germany reported a positive growth rate over the reporting period. The unemployment rate rose slightly compared with the prior-year period, while the number of employees affected by short-time working (Kurzarbeit) remained high. Confidence in the industrial and service sectors rose on average, consumer confidence was slightly above the level for the same period of the previous year.

As a whole, the economies in Central and Eastern Europe showed an increase in real absolute GDP in the first six months of the year compared with the first half of 2020.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Automotive financial services enjoyed a high level of demand in the first half of 2021. This was attributable to a number of factors, notably the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic exerted downward pressure on demand for financial services in virtually every region.

The European passenger car market continued to be affected by the ramifications of the Covid-19 pandemic in the reporting period, although vehicle deliveries sharply exceeded those of the prior-year period, which had been weak because of the pandemic. Demand for financing agreements and leases for new vehicles was also higher than in the equivalent 2020 period, but there was nevertheless a year-on-year fall in the proportion of total sales accounted for by these contracts. The campaign business related to the financing of used vehicles also benefited from a positive trend, with after-sales products such as inspection, maintenance and spare parts agreements particularly enjoying further growth in the current market environment.

Also in Germany, the financial services business continued to be impacted by the pandemic. The number of new financing agreements in respect of new and used vehicles fell below the level in the prior-year period, although the used vehicle business registered an uptrend, particularly in the second quarter. New business involving maintenance and insurance products was lower than in the corresponding prior-year period, except in the case of a few individual products.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

Between January and June 2021, global demand for passenger cars rose sharply on the whole compared with the weak level recorded in the prior-year period (+29.1%). However, the growth was uneven owing to the effects of the Covid-19 pandemic, which varied strongly from region to region both in the first six months of 2020 and in 2021. The increases in Western Europe, Central and Eastern Europe were roughly in line with the global average.

Global demand for light commercial vehicles between January and June 2021 was up significantly on the prior-year level.

In Western Europe, demand for passenger cars in the reporting period was up sharply on the previous year. The continuing restrictions aimed at containing the Covid-19 pandemic led to a year-on-year decline in deliveries in the first two months of 2021. From March onwards, demand in the individual months exceeded that of the previous year, which had been affected by the pandemic as of the last third of the first quarter and particularly in the second quarter of 2020. The performance of the large individual passenger car markets was positive without exception: from January to June 2021, new registrations of passenger cars in France, the United Kingdom, Italy and Spain recorded above-average double-digit growth rates.

In the first half of 2021, the volume of new registrations of light commercial vehicles in Western Europe was much higher than the prior-year figure.

Demand for passenger cars in Germany rose significantly between January and June 2021. In addition to the effects of the Covid-19 pandemic, early purchases in the fourth quarter of 2020 in anticipation of the expiry of the temporary reduction in value-added tax (VAT) led to a lower volume of new registrations in the first few months of the reporting period.

Demand for light commercial vehicles in Germany in the reporting period was substantially higher than in the same period of 2020.

In the Central and Eastern Europe region, there was a strong rise in sales of passenger cars in the first six months of 2021 compared with the prior year. The development of demand varied from market to market. In the Central European EU countries as a whole, a lower absolute increase in demand was registered.

Registration volumes for light commercial vehicles in Central and Eastern Europe rose sharply year-on-year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was much higher in the reporting period compared with the prior year. Compared with the previous year, which had been adversely affected by the Covid-19 pandemic, a recovery of the truck markets could be observed worldwide.

Demand in the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), was also up sharply on the previous year's level in the first half of 2021. Growth could be observed in almost all truck markets in the region. Poland saw demand virtually double, while the UK recorded growth of more than 40%. France and Germany also saw an appreciable rise in demand.

CHANGES IN EQUITY INVESTMENTS

There were no material changes to the basis of consolidation for the Volkswagen Bank GmbH Group in the first half of 2021.

FINANCIAL PERFORMANCE

The companies in the Volkswagen Bank GmbH Group performed satisfactorily in the first half of 2021. At €407 million, profit before tax was lower than the figure achieved in the corresponding period of the previous year (€491 million).

Interest income came to €736 million (previous year: €722 million), a slight increase on the prior-year figure. Interest expenses fell by €5 million to €67 million (previous year: €72 million). Net income from leasing transactions amounted to €130 million compared with €123 million in the first six months of the previous year. The provision for credit risks amounted to a net reversal of €47 million (previous year: net addition of €60 million), which equated to a substantial year-on-year decrease.

General and administrative expenses rose slightly, from €405 million to €410 million.

Net other operating income declined by €150 million to €1 million, which was mainly attributable to the absence of the positive non-recurring items that had been included in the corresponding prior-year figure.

Including the net loss on measurement at fair value of €13 million, the net income from service contracts of €2 million, the net loss on hedges of €12 million and the other components of profit or loss, the Volkswagen Bank GmbH Group generated a profit after tax of €191 million (previous year: €358 million).

NET ASSETS AND FINANCIAL POSITION

The following disclosures on net assets and financial position relate to the changes compared with the balance sheet date of December 31, 2020.

Lending business

The lending business of the Volkswagen Bank GmbH Group mainly consists of vehicle-related loans granted to retail customers, business customers and dealers. These assets amounted to a total of €48.7 billion (previous year: €51.2 billion) and accounted for approximately 74.6% of the Group's total assets. The fall in the volume of loans and receivables was attributable to the disruption of production and deliveries caused by the increase in demand for semiconductors and to the Covid-19 pandemic.

In the first half of 2020, the volume of retail financing declined from €33.8 billion to €32.4 billion. In the retail financing business, 365 thousand new contracts were entered into during the first six months of 2021; as of the reporting date, the portfolio consisted of 2.7 million current contracts. Germany continued to be responsible for the greatest proportion of the retail financing portfolio in the Volkswagen Bank GmbH Group, accounting for 43.3% of new contracts and 56.8% of current contracts.

The lending volume in dealer financing – which comprises loans to and receivables from dealers in connection with financing for inventory vehicles, as well as working capital and investment loans – went down from €11.5 billion to €10.6 billion.

Receivables from leasing transactions remained unchanged at €2.8 billion and lease assets amounted to €2.1 billion (previous year: €1.8 billion).

Some 55 thousand new leases were signed in the reporting period, bringing the total number of current contracts as of the reporting date to 273 thousand.

Compared to the position at the end of the previous year, the total assets of the Volkswagen Bank GmbH Group had decreased from €66.9 billion to €65.3 billion as of the reporting date.

KEY FIGURES BY SEGMENT AS OF JUNE 30, 2021

in thousands [1]	VW Bank Group	of which: Germany	of which: Italy	of which: France	of which: Spain	of which: other branches/subsidiaries
Current contracts[2]	3,566	1,549	454	844	455	264
Automotive retail financing	2,585	1,429	414	123	447	171
Consumer retail financing	114	104	–	–	8	3
Leasing business	273	–	–	259	–	14
Service/insurance	594	17	40	462	–	75
New contracts[2]	535	158	80	192	49	56
Automotive retail financing	355	149	80	33	49	44
Consumer retail financing	10	9	–	–	–	1
Leasing business	55	–	0	53	0	3
Service/insurance	115	0	0	107	0	8
€ million						
Loans to and receivables from customers attributable to						
Retail financing	32,390	21,420	4,903	777	4,436	855
Direct banking	317	302	–	0	1	15
Dealer financing	10,600	4,861	695	1,764	912	2,369
Leasing business	2,783	–	–	2,668	1	114
Lease assets	2,051	1	–	2,046	–	4
Percent						
Penetration rates[3]	17.2	6.7	39.7	46.4	27.4	8.8

1 All figures shown are rounded; minor discrepancies may arise from addition of these amounts.
2 Current contracts and new contracts in each case in relation to the markets shown for the Volkswagen Bank GmbH Group
3 Ratio of new contracts for new Group vehicles to deliveries of Group vehicles in each case in relation to the markets shown for the Volkswagen Bank GmbH Group

Deposit business and borrowings

Significant liability items were liabilities to customers of €34.1 billion (previous year: €35.4 billion), notes and commercial paper issued of €7.3 billion (previous year: €8.7 billion) and liabilities to banks of €10.2 billion (previous year: €9.7 billion).

The customer deposits reported within liabilities to customers amounted to €26.6 billion as of June 30, 2021 (previous year: €28.7 billion).

In addition to the security provided by statutory deposit guarantees, Volkswagen Bank GmbH is also covered by its ongoing membership in the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.).

Equity

Volkswagen Bank GmbH's subscribed capital remained unchanged at €318 million; capital reserves amounted to €8.9 billion (previous year: €8.5 billion).

Equity in accordance with IFRSs as of June 30, 2021 was €10.7 billion (previous year: €10.3 billion). This resulted in an equity ratio of 16.4% based on total assets of €65.3 billion.

The regulatory capital ratios were determined in accordance with the Credit Risk Standardized Approach (CRSA) and the standardized approach for operational risk.

Report on Opportunities and Risks

REPORT ON OPPORTUNITIES

Macroeconomic opportunities

The risk of bottlenecks and disruptions in the supply of semiconductor components has intensified across the entire industry. The adverse impact expected as a result is more likely to affect the second half of the year, prompting the Volkswagen Group to lower its forecast for deliveries to customers. The Management Board of Volkswagen Bank GmbH anticipates that deliveries to Volkswagen Group customers will be noticeably up on the previous year in 2021 under persistently challenging market conditions, assuming that containment of the Covid-19 pandemic is successful. Volkswagen Bank GmbH is supporting the positive trend in deliveries by providing financial services products designed to promote sales.

However, a further contraction in global economic growth or a protracted period of below-average growth rates cannot be completely ruled out. The macroeconomic environment could also give rise to opportunities for the Volkswagen Bank GmbH Group if actual trends turn out to be better than forecast.

Strategic opportunities

The Volkswagen Bank GmbH Group is continuing to pursue a strategy that focuses on the digitalization and optimization of its product portfolio. It is increasingly leveraging the opportunities for growth in the areas of mobility-related consumer credit and used vehicle finance. A second area of focus is the continuous, dynamic streamlining of all processes and systems in order to improve productivity. First and foremost, the priority is to achieve efficiency by focusing on the needs of the customer. This will continue to lay the foundations for Volkswagen Bank GmbH to impress its customers over the coming years with innovative, country-specific financial products, thereby helping to nurture long-term customer loyalty.

RISK REPORT

There were no material changes in the reporting period to the details set out in the report on opportunities and risks in the 2020 Annual Report.

Human Resources Report

Volkswagen Bank GmbH employed 1,113 people in Germany as of June 30, 2021 (December 31, 2020: 1,138).

A total of 795 people (December 31, 2020: 793) were employed at the international branches of Volkswagen Bank GmbH.

Report on Expected Developments

Our planning is based on the assumption that global economic output will recover overall in 2021, provided lasting containment of the Covid-19 pandemic is achieved. This growth will most likely be sufficient for the economy to exceed its pre-pandemic level. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively affected by continuing geopolitical tensions and conflicts. We anticipate that both the advanced economies and the emerging markets will experience positive momentum.

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2021. Overall, the volume of demand worldwide for new vehicles is expected to be noticeably up on the previous year, but will not reach the pre-pandemic level, provided successful containment of the Covid-19 pandemic is achieved. For 2021, we anticipate that the volume of new passenger car registrations in Western Europe will be noticeably above that recorded in the previous year. In the German passenger car market, we expect a moderate increase in demand in 2021. Sales of passenger cars in 2021 are expected to noticeably exceed the prior-year figures in markets in Central and Eastern Europe.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed in 2021; on the whole, we anticipate a moderate rise in demand for 2021, assuming that containment of the Covid-19 pandemic is successful.

For 2021, we expect a substantially positive development in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group.

We anticipate that automotive financial services will prove highly important to global vehicle sales in 2021, particularly in the context of the ongoing challenges posed by the Covid-19 pandemic.

For 2021, we therefore predict that the penetration rate will be at the level of the previous year, although it is anticipated that there will be a return to growth in deliveries. New contracts are projected to significantly exceed the prior-year level, although current contracts will remain stable. Business volume is expected to stabilize at the 2020 level. The volume of deposits will probably fall significantly below the current level as a result of business policy decisions. After adjusting for positive non-recurring items in 2020, we expect the operating result and return on equity for fiscal year 2021 to fall moderately below the prior-year level. Based on a slight rise in overhead costs, the cost/income ratio for 2021 is likely to be similar to the prior-year figure.

This report contains forward-looking statements on the business development of the Volkswagen Bank GmbH Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions in terms of the global economy and of the financial and automotive markets, which Volkswagen Financial Services AG has made on the basis of the information available and which it currently considers to be realistic. The estimates given entail a degree of risk, and the actual developments may differ from those forecast. Any unexpected fall in demand or economic stagnation in the key sales markets of the Volkswagen Group will have a corresponding impact on the development of our business. The same applies in the event of material changes in exchange rates against the euro. The same applies should the actual effects of the Covid-19 pandemic differ from the scenario assumed in this report. In addition, expected business development may vary if the assessments of the key performance indicators and of risks and opportunities presented in the 2020 Annual Report do not develop in line with current expectations, or additional risks and opportunities or other factors emerge that affect the development of the business.

Interim Consolidated Financial Statements (Condensed)

Income Statement of the Volkswagen Bank GmbH Group

€ million	Note	Jan. 1 – June 30, 2021	Jan. 1 – June 30, 2020	Change in percent
Interest income from lending transactions and marketable securities		736	722	1.9
Income from leasing transactions		590	461	28.0
Depreciation, impairment losses and other expenses from leasing transactions		–460	–338	36.1
Net income from leasing transactions		130	123	5.7
Interest expense		–67	–72	–6.9
Income from service contracts		30	28	7.1
Expenses from service contracts		–28	–32	–12.5
Net income from service contracts		2	–3	X
Provision for credit risks		47	–60	X
Fee and commission income		85	97	–12.4
Fee and commission expenses		–69	–78	–11.5
Net fee and commission income		17	19	–10.5
Net gain or loss on hedges		–12	–8	50.0
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income		–13	3	X
General and administrative expenses	1	–410	–405	1.2
Other operating income		27	169	–84.0
Other operating expenses		–26	–18	44.4
Net other operating income/expenses		1	151	–99.3
Operating result		**430**	**471**	**–8.7**
Share of profits and losses of equity-accounted joint ventures		8	20	–60.0
Net gain or loss on miscellaneous financial assets		0	0	X
Other financial gains or losses		–31	0	X
Profit before tax		**407**	**491**	**–17.1**
Income tax expense		–216	–133	62.4
Profit after tax		**191**	**358**	**–46.6**
Profit after tax attributable to the sole shareholder		191	358	–46.6
German GAAP profit attributable to the sole shareholder in the event of profit transfer		190	353	–46.2

Statement of Comprehensive Income of the Volkswagen Bank GmbH Group

€ million	Jan. 1 – June 30, 2021	Jan. 1 – June 30, 2020
Profit after tax	**191**	**358**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	22	–1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–7	0
Pension plan remeasurements recognized in other comprehensive income, net of tax	16	–1
Fair value valuation of other participations and securities (equity instruments) recognized in other comprehensive income that will not be reclassified to profit or loss, net of tax	1	0
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	–	–
Items that will not be reclassified to profit or loss	**16**	**–1**
Exchange differences on translating foreign operations		
Gains/losses on currency translation recognized in other comprehensive income	11	–24
Transferred to profit or loss	–	–
Exchange differences on translating foreign operations, before tax	11	–24
Deferred taxes relating to exchange differences on translating foreign operations	–	–
Exchange differences on translating foreign operations, net of tax	11	–24
Hedging transactions		
Fair value changes recognized in other comprehensive income (OCI I)	3	16
Transferred to profit or loss (OCI I)	–3	17
Cash flow hedges (OCI I), before tax	–1	33
Deferred taxes relating to cash flow hedges (OCI I)	0	–10
Cash flow hedges (OCI I), net of tax	–1	23
Fair value changes recognized in other comprehensive income (OCI II)	–	–
Transferred to profit or loss (OCI II)	–	–
Cash flow hedges (OCI II), before tax	–	–
Deferred taxes relating to cash flow hedges (OCI II)	–	–
Cash flow hedges (OCI II), net of tax	–	–
Fair value valuation of securities and receivables (debt instruments) recognized in other comprehensive income that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–24	23
Transferred to profit or loss	–	–
Fair value valuation of securities and receivables (debt instruments) recognized in other comprehensive income that may be reclassified to profit or loss, before tax	–24	23
Deferred taxes relating to fair value valuation of securities and receivables (debt instruments) recognized in other comprehensive income that may be reclassified profit or loss	7	–7
Fair value valuation of securities and receivables (debt instruments) recognized in other comprehensive income that may be reclassified to profit or loss, net of tax	–17	16
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	–	–
Items that may be reclassified to profit or loss	**–7**	**15**
Other comprehensive income, before tax	9	30
Deferred taxes relating to other comprehensive income	1	–16
Other comprehensive income, net of tax	**10**	**14**
Total comprehensive income	**201**	**372**
Total comprehensive income attributable to Volkswagen AG	201	372

Balance Sheet
of the Volkswagen Bank GmbH Group

€ million	Note	June 30, 2021	Dec. 31, 2020	Change in percent
Assets				
Cash reserve		7,011	7,056	–0.6
Loans to and receivables from banks		458	348	31.6
Loans to and receivables from customers attributable to				
Retail financing		32,390	33,808	–4.2
Dealer financing		10,600	11,549	–8.2
Leasing business		2,783	2,814	–1.1
Other loans and receivables		2,914	3,077	–5.3
Total loans to and receivables from customers		48,687	51,249	–5.0
Derivative financial instruments		9	48	–81.3
Marketable securities		4,398	3,806	15.6
Equity-accounted joint ventures		285	278	2.5
Miscellaneous financial assets		8	8	0.0
Intangible assets	2	18	33	–45.5
Property and equipment	2	26	27	–3.7
Lease assets	2	2,050	1,788	14.7
Investment property		0	0	X
Deferred tax assets		1,738	1,719	1.1
Income tax assets		35	17	X
Other assets		540	563	–4.1
Total		**65,264**	**66,941**	**–2.5**

€ million	Note	June 30, 2021	Dec. 31, 2020	Change in percent
Equity and Liabilities				
Liabilities to banks		10,168	9,744	4.4
Liabilities to customers		34,096	35,404	–3.7
Notes, commercial paper issued		7,304	8,702	–16.1
Derivative financial instruments		28	24	16.7
Provisions		517	534	–3.2
Deferred tax liabilities		1,860	1,847	0.7
Income tax liabilities		346	155	X
Other liabilities		197	171	15.2
Subordinated capital		41	49	–16.3
Equity		10,707	10,313	3.8
Subscribed capital		318	318	0.0
Capital reserves		8,881	8,498	4.5
Retained earnings		1,527	1,511	1.1
Other reserves		–19	–13	46.2
Total		**65,264**	**66,941**	**–2.5**

Statement of Changes in Equity of the Volkswagen Bank GmbH Group

€ million	Subscribed capital	Capital reserves	Retained earnings	OTHER RESERVES: Currency translation	OTHER RESERVES: Hedging transactions: Cash flow hedges (OCI I)	OTHER RESERVES: Hedging transactions: Deferred hedging costs (OCI II)	OTHER RESERVES: Equity and debt instruments	OTHER RESERVES: Equity-accounted investments	Non-controlling interests	Total equity
Balance as of Jan. 1, 2020	**318**	**8,498**	**1,223**	**–48**	**0**	**–**	**35**	**0**	**–**	**10,027**
Profit after tax	–	–	358	–	–	–	–	–	–	358
Other comprehensive income, net of tax	–	–	–1	–24	23	–	16	–	–	14
Total comprehensive income	**–**	**–**	**357**	**–24**	**23**	**–**	**16**	**–**	**–**	**372**
Capital increases	–	–	–	–	–	–	–	–	–	–
Other changes[1]	–	–	–353	–	–	–	–	–	–	–353
Balance as of June 30, 2020	**318**	**8,498**	**1,227**	**–71**	**23**	**–**	**51**	**0**	**–**	**10,046**
Balance as of Jan. 1, 2021	**318**	**8,498**	**1,511**	**–70**	**1**	**–**	**56**	**–**	**–**	**10,313**
Profit after tax	–	–	191	–	–	–	–	–	–	191
Other comprehensive income, net of tax	–	–	16	11	–1	–	–16	–	–	10
Total comprehensive income	**–**	**–**	**207**	**11**	**–1**	**–**	**–16**	**–**	**–**	**201**
Capital increases	–	383	–	–	–	–	–	–	–	383
Other changes[1]	–	–	–190	–	–	–	–	–	–	–190
Balance as of June 30, 2021	**318**	**8,881**	**1,527**	**–59**	**0**	**–**	**40**	**–**	**–**	**10,707**

1 The figures show the share of HGB profit attributable to the sole shareholder.

Cash flow statement of the Volkswagen Bank GmbH Group

€ million	Jan. 1 – June 30, 2021	Jan. 1 – June 30, 2020
Profit before tax	**407**	**491**
Depreciation, amortization, impairment losses and reversals of impairment losses	116	132
Change in provisions	–17	–47
Change in other noncash items	–58	–1
Loss on disposal of financial assets and items of property and equipment	0	0
Net interest expense and dividend income	–737	–727
Other adjustments	0	–1
Change in loans to and receivables from banks	–106	–135
Change in loans to and receivables from customers	2,802	2,757
Change in lease assets	–480	–171
Change in other assets related to operating activities	23	32
Change in liabilities to banks	425	–1,220
Change in liabilities to customers	–1,134	1,923
Change in notes, commercial paper issued	–1,399	–226
Change in other liabilities related to operating activities	26	20
Interest received	804	799
Dividends received	0	0
Interest paid	–67	–72
Income taxes paid	–49	–52
Cash flows from operating activities	**557**	**3,502**
Proceeds from disposal of investment property	–	–
Acquisition of investment property	–	–
Proceeds from disposal of subsidiaries and joint ventures	–	–
Acquisition of subsidiaries and joint ventures	–	0
Proceeds from disposal of other assets	0	1,328
Acquisition of other assets	–1	–1
Change in investments in marketable securities	–593	–123
Cash flows from investing activities	**–594**	**1,204**
Proceeds from changes in capital	383	–
Dividend payment/profit transfer to Volkswagen AG	–383	–365
Loss assumed by Volkswagen AG	–	–
Change in cash funds attributable to subordinated capital	–8	–39
Repayment of liabilities arising from leases	–1	–1
Cash flows from financing activities	**–9**	**–405**
Cash and cash equivalents at end of prior period	**7,056**	**3,471**
Cash flows from operating activities	557	3,502
Cash flows from investing activities	–594	1,204
Cash flows from financing activities	–9	–405
Effect of exchange rate changes	0	–11
Cash and cash equivalents at end of period	**7,011**	**7,761**

See note (6) for disclosures on the cash flow statement.

Notes to the Interim Consolidated Financial Statements

of the Volkswagen Bank GmbH Group as of June 30, 2021

General Information

Volkswagen Bank GmbH is a limited liability company (Gesellschaft mit beschränkter Haftung, GmbH) under German law. It has its registered office at Gifhorner Strasse, Braunschweig, Germany, and is registered in the Braunschweig commercial register (HRB 1819).

Volkswagen AG, Wolfsburg, is the sole shareholder of Volkswagen Bank GmbH.

Volkswagen AG and Volkswagen Bank GmbH have entered into a control and profit-and-loss transfer agreement.

Basis of Presentation

Volkswagen Bank GmbH prepared its consolidated financial statements for the year ended December 31, 2020 in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as in accordance with the additional disclosures required by German commercial law under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). These interim consolidated financial statements for the period ended June 30, 2021 have therefore also been prepared in accordance with IAS 34 and represent a condensed version compared with the full consolidated financial statements. No review of these interim consolidated financial statements has been carried out by an auditor.

Unless otherwise stated, all amounts are shown in millions of euros (€ million). All amounts shown are rounded, so minor discrepancies may arise when amounts are added together.

Accounting Policies

Volkswagen Bank GmbH has applied all financial reporting standards adopted by the EU and subject to mandatory application as of January 1, 2021.

The discount rate applied to German pension provisions reported in these interim consolidated financial statements was 1.1% (December 31, 2020: 0.7%). The increase in the discount rate led to a reduction of the pension provisions, the associated deferred taxes and the actuarial losses on pension provisions recognized in equity under retained earnings.

The income tax expense for the interim consolidated financial statements has been calculated in accordance with IAS 34 (Interim Financial Reporting) using the average tax rate anticipated for the entire fiscal year.

Otherwise, the same consolidation methods and accounting policies as those applied in the 2020 Consolidated Financial Statements (as described in the “Accounting Policies” disclosures) have generally been used in the preparation of the interim consolidated financial statements and the calculation of the prior-year comparative figures. A detailed description of these methods and policies was published in the notes to the consolidated financial statements in the 2020 Annual Report.

In addition, the effects of new standards were described in detail under “New and Revised IFRSs Not Applied”. The 2020 Consolidated Financial Statements can also be accessed on the internet at www.vwfs.com/arvwbank20.

Impact of the Covid-19 Pandemic

During the first half of 2021, the rates of infection leveled off, not least due to the progress of the vaccination program. Ongoing disruption – such as contact and movement restrictions or limitations on business activities – nevertheless continued in many parts of Europe because of various factors, particularly the prevalence of virus variants.

The preparation of the financial statements was affected by the Covid-19 pandemic in a number of ways, notably in the areas described below.

Regarding the impairment of financial assets, the credit risk and residual value risk situation remained stable in the first half of fiscal year 2021. Following the containment of the pandemic in many regions, support measures such as the deferral of payments were scaled back; these measures only affected portfolios to a marginal degree. No material additional impairment losses were recognized in respect of financial assets in the first half of 2021 as a consequence of the Covid-19 pandemic.

Impairment tests carried out in the previous year were reviewed in the first half of fiscal year 2021 to assess whether there had been any further impairment of goodwill, brand names, or selected joint ventures. In this process, planning year 2021 was adjusted in line with the latest projections, cost of capital rates were updated for the first half of fiscal year 2021 and individual measurement parameters were realigned. Overall, the reviews led to the recognition of impairment losses for goodwill and brand names (see note (2)).

For further information in this regard please also refer to the details in the Report on Economic Position in the Interim Management Report.

Basis of Consolidation

In addition to Volkswagen Bank GmbH, the consolidated financial statements cover all significant German and non-German subsidiaries, including structured entities, that are controlled directly or indirectly by Volkswagen Bank GmbH. This is the case if Volkswagen Bank GmbH has power over potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the potential subsidiaries, and has the ability to use its power to influence those returns.

There were no material changes to the basis of consolidation for the Volkswagen Bank GmbH Group in the first half of 2021.

Interim Consolidated Financial Statements Disclosures

1. General and Administrative Expenses

€ million	Jan. 1 – June 30, 2021	Jan. 1 – June 30, 2020
Personnel expenses	–101	–98
Non-staff operating expenses	–295	–293
Advertising, public relations and sales promotion expenses	–4	–7
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	–11	–6
Other taxes	–1	–1
Income from the reversal of provisions and accrued liabilities	1	0
Total	**–410**	**–405**

2. Changes in Selected Assets

€ million	Net carrying amount as of Jan 1, 2021	Additions/ changes in basis of consolidation	Disposals/ other changes	Amortization/ depreciation/ impairment losses	Net carrying amount as of June 30, 2021
Intangible assets	33	1	0	16	18
Property and equipment	27	0	0	2	26
Lease assets	1,788	658	178	218	2,050

The figure for amortization and impairment losses relating to intangible assets includes impairment losses of €13 million. The brand name recognized as an asset in the Bank's Polish branch with a carrying amount of €6 million was written off in full; an impairment loss of €7 million was recognized in respect of the goodwill, reducing its carrying amount to €9 million. The figure for depreciation and impairment losses relating to lease assets includes impairment losses of €6 million.

3. Classes of Financial Instruments

Financial instruments are divided into the following classes in the Volkswagen Bank GmbH Group:

> Measured at fair value
> Measured at amortized cost
> Derivative financial instruments designated as hedges
> Not allocated to any measurement category
> Credit commitments and financial guarantees (off-balance-sheet)

The following table shows a reconciliation of the balance sheet items to the classes of financial instruments:

€ million	BALANCE SHEET ITEM		MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST[1]		DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES		NOT ALLOCATED TO ANY MEASUREMENT CATEGORY	
	June 30, 2021	Dec. 31, 2020	**June 30, 2021**	Dec. 31, 2020	**June 30, 2021**	Dec. 31, 2020	**June 30, 2021**	Dec. 31, 2020	**June 30, 2021**	Dec. 31, 2020
Assets										
Cash reserve	7,011	7,056	–	–	7,011	7,056	–	–	–	–
Loans to and receivables from banks	458	348	–	–	458	348	–	–	–	–
Loans to and receivables from customers	48,687	51,249	–	–	45,905	48,434	–	–	2,783	2,814
Derivative financial instruments	9	48	1	14	–	–	8	34	–	–
Marketable securities	4,398	3,806	4,398	3,806	–	–	–	–	–	–
Equity-accounted joint ventures	285	278	–	–	–	–	–	–	285	278
Miscellaneous financial assets	8	8	0	0	–	–	–	–	8	8
Income tax assets	35	17	–	–	–	9	–	–	35	9
Other assets	540	563	–	–	351	372	–	–	189	191
Total	**61,432**	**63,373**	**4,400**	**3,820**	**53,724**	**56,219**	**8**	**34**	**3,300**	**3,300**
Equity and Liabilities										
Liabilities to banks	10,168	9,744	–	–	10,168	9,744	–	–	–	–
Liabilities to customers	34,096	35,404	–	–	34,009	35,317	–	–	88	87
Notes, commercial paper issued	7,304	8,702	–	–	7,304	8,702	–	–	–	–
Derivative financial instruments	28	24	1	4	–	–	27	20	–	–
Income tax liabilities	346	155	–	–	258	151	–	–	88	5
Other liabilities	197	171	–	–	66	45	–	–	131	126
Subordinated capital	41	49	–	–	41	49	–	–	–	–
Total	**52,180**	**54,247**	**1**	**4**	**51,845**	**54,007**	**27**	**20**	**307**	**217**

1 Some of the loans to and receivables from customers have been designated as hedged items in fair value hedges and are therefore subject to fair value adjustments. The loans to and receivables from customers in the class “Measured at amortized cost” are therefore measured neither entirely at fair value nor entirely at amortized cost.

The “Credit commitments and financial guarantees” class contains obligations under irrevocable credit commitments amounting to €2,489 million (Dec. 31, 2020: €2,124 million).

4. Fair Value Disclosures

The principles and methods of fair value measurement have generally remained unchanged compared with those applied in the previous year. Detailed disclosures on the measurement principles and methods can be found in the 2020 Annual Report.

For the purposes of fair value measurement and the associated disclosures, fair values are classified using a three-level measurement hierarchy. Classification to the individual levels is dictated by the extent to which the main inputs used in determining the fair value are or are not observable in the market.

Level 1 is used to report the fair value of financial instruments such as marketable securities for which a quoted price is directly observable in an active market.

Level 2 fair values are measured on the basis of inputs observable in the markets, such as exchange rates or yield curves, using market-based valuation techniques. Fair values measured in this way include those for derivatives.

Level 3 fair values are measured using valuation techniques incorporating at least one input that is not directly observable in an active market.

Securities from ABS transactions of unconsolidated structured entities are allocated to Level 3. Equity investments measured at fair value through other comprehensive income and using inputs that are not observable in the market are also reported under Level 3. The main inputs used to measure these equity investments are strategic planning and cost of equity rates.

There was no need to reclassify instruments to different hierarchy levels in the reporting period.

The following table shows the allocation of financial instruments measured at fair value and derivative financial instruments designated as hedges to the three-level fair value hierarchy by class:

	LEVEL 1		LEVEL 2		LEVEL 3	
€ million	June 30, 2021	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	–	–
Derivative financial instruments	–	–	1	14	–	–
Marketable securities	3,859	3,288	–	–	539	517
Miscellaneous financial assets	–	–	–	–	0	0
Derivative financial instruments designated as hedges	–	–	8	34	–	–
Total	**3,859**	**3,288**	**9**	**48**	**539**	**517**
Equity and Liabilities						
Measured at fair value						
Derivative financial instruments	–	–	1	4	–	–
Derivative financial instruments designated as hedges	–	–	27	20	–	–
Total	**–**	**–**	**28**	**24**	**–**	**–**

The following table shows the changes in marketable securities and miscellaneous financial assets measured at fair value and allocated to Level 3.

€ million	2021	2020
Balance as of Jan. 1	**517**	**664**
Foreign exchange differences	25	–44
Portfolio changes	0	–112
Changes in basis of consolidation	–	–
Measured at fair value through profit or loss	–3	–
Measured at fair value through other comprehensive income	–	–
Balance as of June 30	**539**	**507**

In the reporting period, €13 million of gains and losses measured at fair value through profit or loss were reported under net gain or loss on financial instruments measured at fair value (previous year: none).

The risk variables relevant to the fair value of the loans to and receivables from customers and marketable securities are risk-adjusted interest rates. A sensitivity analysis is used to quantify the impact from changes in risk-adjusted interest rates on profit or loss after tax. If risk-adjusted interest rates as of June 30, 2021 had been 100 basis points higher, profit after tax would have been €0 million higher (previous year: €0 million). If risk-adjusted interest rates as of June 30, 2021 had been 100 basis points lower, profit after tax would have been €0 million lower (previous year: €0 million).

The risk variables relevant to the fair value of equity investments are the growth rate within strategic planning and the cost of equity rates. If a 10% change were applied to the financial performance (which takes into account the relevant risk variables) of the equity investments measured at fair value through other comprehensive income, there would be no material change to equity.

The table below shows the fair values of the financial instruments.

€ million	FAIR VALUE June 30, 2021	FAIR VALUE Dec. 31, 2020	CARRYING AMOUNT June 30, 2021	CARRYING AMOUNT Dec. 31, 2020	DIFFERENCE June 30, 2021	DIFFERENCE Dec. 31, 2020
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	–	–
Derivative financial instruments	1	14	1	14	–	–
Marketable securities	4,398	3,806	4,398	3,806	–	–
Miscellaneous financial assets	0	0	0	0	–	–
Measured at amortized cost						
Cash reserve	7,011	7,056	7,011	7,056	–	–
Loans to and receivables from banks	458	348	458	348	–	–
Loans to and receivables from customers	47,350	49,928	45,905	48,434	1,446	1,494
Income tax assets	–	9	–	9	–	–
Other assets	351	372	351	372	–	–
Derivative financial instruments designated as hedges	8	34	8	34	–	–
Not allocated to any measurement category						
Lease receivables	2,725	2,776	2,783	2,814	–58	–38
Equity and Liabilities						
Measured at fair value						
Derivative financial instruments	1	4	1	4	–	–
Measured at amortized cost						
Liabilities to banks	9,963	9,622	10,168	9,744	–206	–122
Liabilities to customers	34,174	35,466	34,009	35,317	165	149
Notes, commercial paper issued	7,305	8,704	7,304	8,702	1	2
Current tax liabilities	258	151	258	151	–	–
Other liabilities	66	45	66	45	0	0
Subordinated capital	44	51	41	49	3	2
Derivative financial instruments designated as hedges	27	20	27	20	–	–

The difference between the fair value and carrying amount of irrevocable credit commitments is not material because of the short maturity and the variable interest rate linked to the market interest rate. Nor is the difference between carrying amount and fair value of financial guarantees material.

Segment reporting

5. Breakdown by Geographical Market

The presentation of the reportable segments in accordance with IFRS 8 is based on the internal control and reporting structure of the Volkswagen Bank GmbH Group and is broken down according to the geographical markets in which the Volkswagen Bank GmbH Group operates.

Accordingly, the reportable segments are as follows: Germany, Italy, Spain, France and Other; the branches in the Netherlands, Greece, the United Kingdom, Portugal and Poland are reported on in the “Other” segment. The branch in Ireland was closed on June 30, 2020. The Ireland Branch, the income it generated and the expenses it incurred up to the date of disposal of its non-regulated business (mainly comprising finance leases and dealer financing) to Volkswagen Financial Services Ireland Ltd., Dublin, Ireland, and the transfer of its other business to Volkswagen Bank GmbH was also allocated to the “Other” segment for the presentation of the prior-year figures.

The operating result is reported as the primary key performance indicator to the chief operating decision-makers. The information made available to management for management purposes is based on the same accounting policies as those used for external financial reporting.

All business transactions between the segments – where such transactions take place – are conducted on an arm’s-length basis.

In accordance with IFRS 8, non-current assets are reported exclusive of financial instruments, deferred tax assets, post-employment benefits and rights under insurance contracts.

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2020:

	JAN. 1 – JUNE 30, 2020						
€ million	Germany	Italy	Spain	France	Other	Consoli-dation	Group
Interest income from lending transactions and marketable securities in respect of third parties	422	94	99	20	87	–	722
Intersegment interest income from lending transactions and marketable securities	52	–	–	–	–	–52	–
Income from leasing transactions with third parties	–	–	0	447	14	–	461
of which impairment reversals in accordance with IAS 36	–	–	–	2	–	–	2
Depreciation, impairment losses and other expenses from leasing transactions	–	–	–	–338	–1	–	–338
of which impairment losses in accordance with IAS 36	–	–	–	–6	–	–	–6
Net income from leasing transactions	–	–	0	109	14	–	123
Interest expense	–62	–11	–11	–13	–26	52	–72
Income from service contracts with third parties	–	–	–	28	–	–	28
Expenses from service contracts	–	–	–	–32	–	–	–32
Net income from service contracts	–	–	–	–3	–	–	–3
Provision for credit risks	–22	–18	1	–13	–4	–4	–60
Fee and commission income from third parties	21	26	23	18	10	–	97
Fee and commission expenses	–13	–24	–27	–6	–8	–	–78
Net fee and commission income	7	2	–4	11	2	–	19
Net gain or loss on hedges	–8	–	0	–	–	–	–8
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	–1	0	4	–	0	0	3
General and administrative expenses	–270	–22	–24	–60	–30	1	–405
Other operating income	67	4	3	2	94	–1	169
Other operating expenses	–9	–2	–3	–2	–1	–	–18
Net other operating income/expenses	59	1	0	0	93	–1	151
Operating result	**176**	**46**	**65**	**51**	**136**	**–4**	**471**

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2021:

	JAN. 1 – JUNE 30, 2021						
€ million	Germany	Italy	Spain	France	Other	Consoli-dation	Group
Interest income from lending transactions and marketable securities in respect of third parties	428	116	103	19	71	–	736
Intersegment interest income from lending transactions and marketable securities	50	–	–	–	–	–50	–
Income from leasing transactions with third parties	–	–	0	587	3	–	590
of which impairment reversals in accordance with IAS 36	–	–	–	0	–	–	0
Depreciation, impairment losses and other expenses from leasing transactions	–	–	–	–458	–1	–	–460
of which impairment losses in accordance with IAS 36	–	–	–	–6	–	–	–6
Net income from leasing transactions	–	–	0	129	1	–	130
Interest expense	–61	–17	–14	–14	–10	50	–67
Income from service contracts with third parties	1	–	–	29	–	–	30
Expenses from service contracts	–1	–	–	–27	–	–	–28
Net income from service contracts	0	–	–	2	–	–	2
Provision for credit risks	45	–3	–7	–11	24	0	47
Fee and commission income from third parties	17	14	22	20	12	–	85
Fee and commission expenses	–10	–23	–14	–11	–10	–	–69
Net fee and commission income	7	–10	9	8	2	–	17
Net gain or loss on hedges	–12	–	1	–	–	–	–12
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	–57	0	–1	–	–3	47	–13
General and administrative expenses	–262	–26	–30	–62	–30	0	–410
Other operating income	7	3	10	6	1	0	27
Other operating expenses	–4	–1	–10	–2	–8	–	–26
Net other operating income/expenses	4	1	0	4	–7	0	1
Operating result	**141**	**61**	**59**	**75**	**47**	**47**	**430**

Information on the main products (lending and leasing business) can be taken directly from the income statement.

The breakdown of noncurrent assets in accordance with IFRS 8 and of the additions to noncurrent lease assets by geographical market is shown in the following tables.

	JUNE 30, 2020						
€ million	Germany	Italy	Spain	France	Other	Consolidation	Total
Noncurrent assets	272	10	5	1,652	36	–	1,975
Additions to noncurrent lease assets[1]	0	–	–	285	–	–	285
Additions to miscellaneous assets[1]	0	10	0	0	0	–	11

1 Additions have been specifically defined and the prior-year figures adjusted accordingly.

	JUNE 30, 2021						
€ million	Germany	Italy	Spain	France	Other	Consolidation	Total
Noncurrent assets	95	7	5	2,061	25	198	2,389
Additions to noncurrent lease assets	–	–	–	655	3	–	658
Additions to miscellaneous assets	–	0	–	0	1	–	1

The following table shows the reconciliation to consolidated revenue, consolidated operating result and consolidated profit before tax.

€ million	Jan. 1 – June 30, 2021	Jan. 1 – June 30, 2020
Segment revenue	**1,506**	**1,367**
Consolidation	–50	–52
Consolidated revenue	**1,456**	**1,316**
Segment profit or loss (operating result)	**383**	**474**
Consolidation	47	–4
Operating result	**430**	**471**
Share of profits and losses of equity-accounted joint ventures	8	20
Net gain or loss on miscellaneous financial assets	0	0
Other financial gains or losses	–31	0
Profit before tax	**407**	**491**

Other Disclosures

6. Cash Flow Statement

The Volkswagen Bank GmbH Group's cash flow statement documents changes in cash and cash equivalents attributable to cash flows from operating, investing and financing activities. The narrow definition of cash and cash equivalents comprises only the cash reserve, which consists of cash-in-hand and central bank balances.

7. Off-Balance-Sheet Liabilities

CONTINGENT LIABILITIES

The only other contingent liabilities as of June 30, 2021 were not material. As of December 31, 2020, there were no other contingent liabilities. No disclosures have therefore been provided on their financial impact, uncertainty or potential reimbursement.

OTHER FINANCIAL OBLIGATIONS

€ million	DUE 2021	DUE 2022 – 2025	DUE From 2026	TOTAL Dec. 31, 2020
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	1,924	0	0	1,924
Leasing and rental contracts	3	0	–	3
Miscellaneous financial obligations	11	–	–	11

€ million	DUE by June 30, 2022	DUE July 1, 2022 – June 30, 2026	DUE From July 1, 2026	TOTAL June 30, 2021
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	2,281	0	0	2,281
Leasing and rental contracts	1	0	–	1
Miscellaneous financial obligations	9	–	–	9

Drawdowns on irrevocable credit commitments are possible at any time.

8. Related Party Disclosures

Related parties as defined by IAS 24 are natural persons and entities that Volkswagen Bank GmbH has control over or over which it has significant influence, or natural persons and entities that have control over or can exercise significant influence over Volkswagen Bank GmbH, or who are under the influence of another related party of Volkswagen Bank GmbH.

Volkswagen AG, Wolfsburg, is the sole shareholder of Volkswagen Bank GmbH.

Porsche Automobil Holding SE, Stuttgart, held the majority of the voting rights in Volkswagen AG as of the reporting date. The Extraordinary General Meeting of Volkswagen AG held on December 3, 2009 approved the creation of rights of appointment for the State of Lower Saxony. As a result, Porsche SE can no longer appoint a majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore deemed to be a related party as defined by IAS 24. According to a notification dated January 4, 2021, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights in Volkswagen AG on December 31, 2020. They therefore indirectly have significant influence over the Volkswagen Bank GmbH Group. As mentioned above, the General Meeting of Volkswagen AG on December 3, 2009 also resolved that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

The sole shareholder, Volkswagen AG, and Volkswagen Bank GmbH have entered into a control and profit-and-loss transfer agreement.

Volkswagen AG and other related parties in Volkswagen AG's group of consolidated entities provide the entities in the Volkswagen Bank GmbH Group with funding on an arm's-length basis. Volkswagen AG and its subsidiaries have also furnished collateral in the Bank's favor as part of the operating business.

The production companies and importers in the Volkswagen Group provide the entities in the Volkswagen Bank GmbH Group with financial subsidies to support sales promotion campaigns.

Business transactions with unconsolidated subsidiaries, joint ventures, associates and other related parties in Volkswagen AG's group of consolidated entities are processed at arm's length.

The two tables below show the transactions with related parties. In these tables, the exchange rates used are the closing rate for asset and liability items, and the weighted average rates for the year for income statement items.

	INTEREST INCOME H1		INTEREST EXPENSES H1		GOODS AND SERVICES PROVIDED H1		GOODS AND SERVICES RECEIVED H1	
€ million	2021	2020	2021	2020	2021	2020	2021	2020
Supervisory Board	0	0	0	0	–	–	–	–
Management Board/Board of Management	0	0	0	0	–	–	–	–
Volkswagen AG	4	0	–	–	6	14	1	–7
Porsche SE	–	–	–	–	–	–	–	–
Other related parties in the consolidated entities	–62	29	0	–1	103	1,430	113	–105
Non-consolidated subsidiaries	–	–	–	–	–	–	–	–
Joint ventures	1	2	–	–	0	0	101	–111
Associates	–	–	–	–	–	–	–	–

€ million	Loans to and receivables from		Valuation allowances on impaired loans and receivables		Of which additions in current year		Liabilities to	
	June 30, 2021	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020
Supervisory Board	0	0	–	–	–	–	5	4
Management Board/Board of Management	0	0	–	–	–	–	12	8
Volkswagen AG	1	2	–	–	–	–	2,955	3,031
Porsche SE	–	–	–	–	–	–	–	–
Other related parties in the consolidated entities	2,116	2,054	–	–	–	–	4,610	3,732[1]
Non-consolidated subsidiaries	0	0	–	–	–	–	136	129
Joint ventures	1,984	2,202	–	–	–	–	24	98
Associates	–	–	–	–	–	–	1	1

1 Prior-year figures adjusted

The “Other related parties in the group of consolidated entities” line includes, in addition to sister entities, joint ventures and associates that are related parties in Volkswagen AG’s group of consolidated entities but do not directly belong to Volkswagen Bank GmbH. The relationships with the Supervisory Board and the Board of Management comprise relationships with the relevant groups of people at Volkswagen Bank GmbH and the Group parent company Volkswagen AG. As in the prior year, relationships with pension plans and the State of Lower Saxony were of lesser significance.

“Goods and services received” mainly related to IT and other services in connection with financing transactions. “Goods and services provided” largely arose in connection with income from finance cost subsidies received and from the provision of services. In the first half of 2021, the Volkswagen Bank GmbH Group did not make any capital contributions to related parties (previous year: €4 million). In addition, the Volkswagen Bank GmbH Group received capital contributions from Volkswagen AG in an amount of €383 million (previous year: none).

Some members of the Management Board and Supervisory Board/Audit Committee of Volkswagen Bank GmbH are members of supervisory boards of other entities in the Volkswagen Group with which transactions are sometimes conducted in the normal course of business. All transactions with these related parties are on an arm’s-length basis.

9. Governing Bodies of the Volkswagen Bank GmbH Group

The members of the Management Board are as follows:

DR. MICHAEL REINHART (UNTIL JANUARY 31, 2021)
Chairman of the Management Board
Corporate Management of Volkswagen Bank GmbH
Finance, Volkswagen Bank GmbH (Group Treasury & Investor Relations only)

DR. MICHAEL REINHART (AS OF FEBRUARY 1, 2021)
Chairman of the Management Board
Corporate Management of Volkswagen Bank GmbH

OLIVER ROES (AS OF FEBRUARY 1, 2021)
Member of the Management Board of Volkswagen Bank GmbH. Responsible for Finance.

CHRISTIAN LÖBKE (UNTIL JANUARY 31, 2021)
Member of the Management Board of Volkswagen Bank GmbH. Responsible for Risk Management.
Finance, Volkswagen Bank GmbH (excl. Group Treasury & Investor Relations)

CHRISTIAN LÖBKE (AS OF FEBRUARY 1, 2021)
Member of the Management Board of Volkswagen Bank GmbH. Responsible for Risk Management.

DR. VOLKER STADLER
Member of the Management Board of Volkswagen Bank GmbH. Responsible for Operations.

The members of the Supervisory Board as of the reporting date June 30, 2021 were as follows:

DR. JÖRG BOCHE
Chairman
Executive Vice President of Volkswagen AG
Head of Group Treasury

DR. INGRUN-ULLA BARTÖLKE
Deputy Chairwoman
Head of Group Accounting and External Reporting of Volkswagen AG

SILVIA STELZNER
Deputy Chairwoman
Member of the Joint Works Council of Volkswagen Financial Services AG and
Volkswagen Bank GmbH

MARKUS BIEBER
Managing Director of the General Works Council of Volkswagen AG

BIRGIT DIETZE (UNTIL APRIL 30, 2021)
District Manager of IG Metall Berlin-Brandenburg-Saxony

FRANK FIEDLER
Member of the Board of Management of Volkswagen Financial Services AG
Finance and Purchasing

PROF. DR. SUSANNE HOMÖLLE (CHAIRWOMAN)
Chair of Banking and Finance, University of Rostock

THOMAS KÄHMS
Member of the Joint Works Council of Volkswagen Financial Services AG and
Volkswagen Bank GmbH

REINHARD MATHIEU
Head of Basic Regulatory Issues & Reporting at Volkswagen Bank GmbH

LUTZ MESCHKE
Deputy Chairman of the Board of Management and member of the Board of Management of
Dr. Ing. h.c. F. Porsche AG
Finance and IT

JÜRGEN ROSEMANN
Member of the Joint Works Council of Volkswagen Financial Services AG and
Volkswagen Bank GmbH

LARS HENNER SANTELMANN
Chairman of the Board of Management of Volkswagen Financial Services AG

CONNY SCHÖNHARDT (AS OF JUNE 18, 2021)
Trade Union Secretary at the IG Metall Executive Board, Vehicle-Production department

The composition of the committees of the Supervisory Board of Volkswagen Bank GmbH was as follows as of the reporting date, June 30, 2021:

MEMBERS OF THE AUDIT COMMITTEE
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Prof. Dr. Susanne Homölle (Deputy Chairwoman)
Frank Fiedler
Silvia Stelzner

MEMBERS OF THE RISK COMMITTEE
Prof. Dr. Susanne Homölle (Chairwoman)
Dr. Jörg Boche (Deputy Chairman)
Frank Fiedler
Silvia Stelzner

MEMBERS OF THE NOMINATION COMMITTEE
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Thomas Kähms (Deputy Chairman)
Lars Henner Santelmann

MEMBERS OF THE REMUNERATION COMMITTEE
Dr. Jörg Boche (Chairman)
Dr. Ingrun-Ulla Bartölke (Deputy Chairwoman)
Thomas Kähms
Lars Henner Santelmann

10. Events After the Balance Sheet Date

There were no significant events in the period between the reporting date for the interim consolidated financial statements and July 23, 2021.

Braunschweig, July 23, 2021

Volkswagen Bank GmbH
The Management Board

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Braunschweig, July 23, 2021

Volkswagen Bank GmbH
The Management Board

Dr. Michael Reinhart

Oliver Roes

Christian Löbke

Dr. Volker Stadler

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