VOLKSWAGEN BANK

GMBH

HALF-YEARLY FINANCIAL REPORT
JANUARY – JUNE

2023

INTERIM MANAGEMENT REPORT

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Key Figures

€ million	June 30, 2023	Dec. 31, 2022
Total assets	70,423	61,225
Loans to and receivables from customers attributable to		
Retail financing	28,454	28,864
Dealer financing	14,027	12,523
Leasing business	3,214	3,054
Lease assets	34,635	26,226
Equity	10,974	10,909

€ million	H1 2023	H1 2022
Operating result	359	334
Profit before tax	376	312
Profit after tax	257	236

Percent	June 30, 2023	Dec. 31, 2022
Equity ratio[1]	15.6	17.8

Percent	March 31, 2023[2]	Dec. 31, 2022[3]
Common Equity Tier 1 capital ratio[1]	18.2	18.2
Tier 1 capital ratio[1]	18.2	18.2
Total capital ratio[1]	18.2	18.3

Headcount	June 30, 2023	Dec. 31, 2022
Employees	1,517	1,506

1 Regulatory ratios in accordance with Article 92(1) of the CRR.
2 The regulatory capital ratios as of March 31, 2023 are presented here. The capital ratios as of June 30, 2023 will be calculated within the required time frame stipulated by the banking regulator by no later than August 11, 2023.
3 The regulatory capital ratios disclosed in the Pillar 3 Disclosure Report as of December 31, 2022 are presented here. The capital ratios were updated in accordance with EBA-Q&A 2018_4085 of May 15, 2020 following the publication of the annual report for the year ended December 31, 2022.

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 fiscal year.

Report on Economic Position

RESTRUCTURING OF THE VOLKSWAGEN FINANCIAL SERVICES AG AND VOLKSWAGEN BANK GMBH SUBGROUPS

In March 2023, the management board of Volkswagen Financial Services AG and the board of managing directors of Volkswagen Bank GmbH resolved to initiate a reorganization of the subgroups of Volkswagen Financial Services AG and Volkswagen Bank GmbH.

To implement the planned reorganization, the majority of the German and European companies (including the respective subsidiaries and participations) as well as other assets, liabilities and further legal relationships of Volkswagen Financial Services AG and Volkswagen Bank GmbH (including its participations) shall be consolidated under a new financial holding company supervised by the ECB. The shares in Volkswagen Leasing GmbH shall be completely transferred to Volkswagen Bank GmbH. The current Volkswagen Financial Services AG shall act as a holding company for non-European companies. Both the new financial holding company and the holding company for non-European companies will continue to be an integral part of the Volkswagen Group, as wholly owned subsidiaries of Volkswagen AG but with different geographic business focus.

By bundling its activities in an European financial services provider, the refinancing strength of Volkswagen Bank GmbH can best be used for the growth of the leasing business in Germany and Europe. The Volkswagen Group is thus laying the foundation for the successful implementation of the Group's strategy in the mobility sector, taking into account the regulatory framework.

A company-wide program has been set up to prepare for and implement the restructuring. Numerous workstreams, such as supervisory law, company law and tax, regulatory reporting, treasury, human resources, risk management, data provision, IT and processes, accounting and controlling as well as sales, will ensure that all the necessary steps are initiated and implemented and any emerging risks are mitigated in a timely manner.

It is intended to complete the main steps of the reorganization mid-2024.

OVERALL ASSESSMENT OF BUSINESS PERFORMANCE

Given the global political and economic situation, the Management Board of Volkswagen Bank GmbH considers business performance in 2023 to date to have been satisfactory. Profit before tax for the first half of the year amounted to €376 million, which was higher than the figure for the corresponding prior-year period (€312 million). The total number of contracts in the Volkswagen Bank GmbH Group amounted to 3.2 million as of the reporting date. The number of new contracts acquired in the first half of the year was 0.5 million.

The volume of loans and receivables in the credit risk portfolio increased compared with December 2022, with pre-crisis levels reached in dealer financing in particular. The quality of the credit risk portfolio remained stable and there was thus far no sign of material negative effects of the Russia-Ukraine conflict, increases in the price of energy and the cost of living or high inflation. Residual value risk in the Volkswagen Bank GmbH Group continued to move in a positive direction in the first half of fiscal year 2023. The used vehicle market benefited from sustained high gains from the remarketing of vehicles due to the still-restricted availability of supplier parts, although the first downward trends in used vehicle prices are now apparent as deliveries of new vehicles rise. Current developments and events that could impact residual values continue to be closely monitored and taken into account where necessary.

GENERAL ECONOMIC DEVELOPMENT

The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted deliveries to Europe, particularly deliveries of gas. Although calm began to return to the energy and commodity markets in recent months, some raw material prices remain comparatively elevated. Furthermore, salary trends in the overheated labor markets, among other factors, pose the threat of continued high inflation.

Following the slump in global economic output in 2020, the incipient recovery due to baseline and catch-up effects in 2021 and further normalization of economic activity in 2022 despite the Russia-Ukraine conflict, economic growth continued to recover in the reporting period on average, albeit with diminishing momentum compared with the prior year. This was mainly due to weaker growth in the advanced economies, whereas the rate of change in the emerging markets remained virtually the same overall. At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation – mainly by raising interest rates and scaling back bond-buying – which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the previous year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods expressed in nominal terms decreased in the reporting period.

The economy in Western Europe recorded positive but lower growth in the first half of 2023, as in the same period of the previous year. This trend was seen in many countries in Northern and Southern Europe. The main reasons for this were the in some cases momentarily significant increases in energy and commodity prices, which had substantially pushed up inflation rates in the previous year and thus had a negative impact on consumer confidence. The recovery in consumer sentiment in the European Union that commenced in the second half of 2022 continued at a low level in the reporting period, while the mood among companies progressively darkened. In addition, the restrictive monetary policy measures taken to rein in inflation impacted on both consumer spending and investment.

Germany registered negative economic growth in the reporting period. Compared with the same period of the prior year, the seasonally adjusted unemployment figures rose on average. After reaching historically high levels in 2022, monthly inflation rates fell though stayed relatively high.

The economies in Central and Eastern Europe recorded growth in real gross domestic product (GDP) overall in the first six months of 2023, that was lower compared with the prior-year period. While economic output in Central Europe developed at a comparatively low positive rate, GDP in the Eastern Europe region rose again in the second quarter of 2023 for the first time since the outbreak of the Russia-Ukraine conflict versus the same period of the previous year. Inflation rates across the entire Central and Eastern Europe region declined on average in the reporting period, but remained at a high level.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was at a high level in the first half of 2023; however, higher interest rates put pressure on demand for financial services in almost all regions.

The European passenger car market was still affected by shortages in the reporting period. Vehicle deliveries nevertheless increased and were up on the prior-year period. Demand for financial services products also grew; however, as a percentage of vehicle deliveries, the figure was down on the equivalent figure for 2022. The positive trend in the financing of used vehicles continued. The sale of after-sales products such as servicing, maintenance and spare parts agreements continued to expand.

In Germany, persistent challenges presented by parts supply in vehicle production and by logistics chains continued to impact vehicle sales and the financial services business. Nevertheless, the increase in deliveries of new vehicles led to a higher volume of both leasing and financing contracts in the first half of 2023. New vehicle penetration was down on the comparative figure for 2022, however. New contracts for used vehicles exceeded the previous year’s levels. The number of new after-sales contracts also increased and was above the 2022 level in the reporting period. The number of new contracts in the insurance business was also higher year-on-year.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In the first half of 2023, the volume of the passenger car market worldwide was noticeably above the comparative figure for 2022 at 36.5 million vehicles (+9.2%). The performance of the largest passenger car markets was positive, due among other things to the weak prior-year figures. While the supply situation for intermediates improved compared with 2022, particularly the consequences of the Russia-Ukraine conflict and pull-forward effects generated by state subsidies expiring at the end of the previous year dampened the trend in new registrations in individual markets. Significant growth was recorded in the overall markets of the Western Europe region. The markets of the Central and Eastern Europe region were slightly or noticeably higher than the prior-year level.

In the first half of 2023, the global volume of new registrations for light commercial vehicles was significantly higher (+15.5%) than in the previous year.

In Western Europe, the number of new passenger car registrations in the first half of the 2023 reporting year increased significantly year-on-year by 17.9% to 6.0 million vehicles. The performance of the large individual passenger car markets was positive across the board: France (+15.4%), United Kingdom (+18.4%), Italy (+22.7%) and Spain (+23.2%) all exceeded the levels recorded in the first half of 2022 by a significant to strong degree.

The volume of new registrations for light commercial vehicles in Western Europe in the reporting period was significantly higher than for the same period of the previous year (+13.5%).

At 1.4 million, the total number of new passenger car registrations in Germany in the first six months of 2023 was significantly higher than the weak prior-year level (+12.9%). Disruption in global logistic chains restricted vehicle availability at the beginning of the year. More recently, parts availability improved further, giving a boost to domestic production. Production in Germany in the first half of 2023 rose to 2.2 million vehicles (+32.4%) and passenger car exports grew to 1.7 million units (+32.5%).

Sales of light commercial vehicles in Germany in the first six months of 2023 were significantly higher than the 2022 figure with an increase of 17.2%.

In the Central and Eastern Europe region, the volume of the passenger car market rose noticeably (+5.2%) after the severe slump in 2022 as a whole. However, the pace of growth varied in the individual markets. After the weak prior-year figures, a significant recovery could be observed in Central Europe, specifically in the Czech Republic (+16.8%) and Poland (+12.1%).

In the first half of 2023, the market volume of light commercial vehicles in Central and Eastern Europe was noticeably down on the prior-year level (–6.7%).

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 2023.

FINANCIAL PERFORMANCE

The companies in the Volkswagen Bank GmbH Group performed satisfactorily in the first half of 2023. Profit before tax came to €376 million, an increase on the figure achieved in the prior-year period (€312 million).

Due to the general rise in interest rates and the year-on-year improvement in vehicle availability, interest income was up significantly on the prior-year figure to €1,006 million (previous year: €655 million). Interest expense rose by €393 million to €467 million (previous year: €74 million). Net income from leasing transactions amounted to €196 million compared with €151 million in the first six months of the previous year. The net addition to provisions for credit risks remained stable at €37 million (previous year: net addition of €39 million).

General and administrative expenses fell slightly, from €422 million to €397 million. Net other operating income increased by €13 million to €22 million

Including the net gain on measurement at fair value of €–7 million, net expense from service contracts of €1 million, the net gain on hedges of €2 million and the other components of profit or loss, the Volkswagen Bank GmbH Group generated profit after tax of €257 million (previous year: €236 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, 2022.

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 €49.5 billion (previous year: €48.2 billion) and accounted for approximately 70.3% of the Group’s total assets.

In the first half of 2023, the volume of retail financing declined from €28.9 billion to €28.5 billion. In the retail financing business, 357 thousand new contracts were entered into during the first six months of 2023; as of the reporting date, the portfolio consisted of 2.3 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 47.6% of new contracts and 53.5% 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 – rose from €12.5 billion to €14.0 billion.

Receivables from leasing transactions amounted to €3.2 billion (previous year: €3.1 billion) and lease assets rose from €2.7 billion to €3.0 billion.

Some 65 thousand new leases were signed in the reporting period, bringing the total number of current contracts as of the reporting date to 318 thousand.

Compared to the position at the end of the previous year, the total assets of the Volkswagen Bank GmbH Group increased from €61.2 billion to €70.4 billion as of the reporting date. The rise is due especially to the increase in the cash reserve to €11.2 billion (previous year: €3.5 billion).

KEY FIGURES BY SEGMENT AS OF JUNE 30, 2023

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]	3,195	1,225	394	955	365	257
Automotive retail financing	2,144	1,096	392	129	358	169
Consumer retail financing	127	119	–	–	8	1
Leasing business	318	–	–	297	–	21
Service/insurance	607	9	2	529	–	66
New contracts[2]	558	170	71	217	39	61
Automotive retail financing	346	160	71	30	39	47
Consumer retail financing	11	10	–	–	–	1
Leasing business	65	–	–	58	–	7
Service/insurance	136	–	–	129	–	7
€ million						
Loans to and receivables from customers attributable to						
Retail financing	28,454	17,676	5,227	779	3,897	876
Direct banking	368	343	–	–	1	24
Dealer financing	14,027	6,875	942	2,003	898	3,308
Leasing business	3,214	–	–	2,968	–	246
Lease assets	2,976	1	–	2,975	–	–
Percent						
Penetration rates[3]	16.0	6.1	34.4	49.5	23.2	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 €41.6 billion (previous year: €32.4 billion), notes and commercial paper issued of €5.1 billion (previous year: €4.1 billion) and liabilities to banks of €9.8 billion (previous year: €11.2 billion). The latter declined in the first half of the year as a result of the partial repayment of amounts borrowed under the targeted longer term refinancing operations (TLTRO III).

Having risen in the second quarter in particular as a result of business policy decisions around the building-up of deposits, the customer deposits reported within liabilities to customers amounted to €34.6 billion as of June 30, 2023 (previous year: €26.2 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: €8.9 billion).

Equity in accordance with IFRSs as of the reporting date was €11.0 billion (previous year: €10.9 billion). This resulted in an equity ratio of 15.6% based on total assets of €70.4 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 Management Board of Volkswagen Bank GmbH anticipates that, amid challenging market conditions, deliveries to customers of the Volkswagen Group in 2023 will stand between 9 million and 9.5 million vehicles. This assumes that the shortages of intermediates and commodities and the bottlenecks in logistics will become less intense. Challenges will arise in particular from the economic situation, the increasing intensity of competition, volatile commodity, energy and foreign exchange markets, and more stringent emissions-related requirements. Volkswagen Bank GmbH supports this still positive trend by providing financial services products designed to promote sales.

The macroeconomic environment could also give rise to further 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. Particular attention is being given to the continuous, dynamic streamlining of all processes and systems in order to improve productivity and respond to customer needs. 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 2022 Annual Report.

Human Resources Report

Volkswagen Bank GmbH employed 1,088 people in Germany as of June 30, 2023 (December 31, 2022: 1,098).

A total of 429 people (December 31, 2022: 408) 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 grow overall in 2023 albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to increasingly dampen consumer spending. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks continue to be associated with the Russia-Ukraine conflict. We assume that both the advanced economies and the emerging markets will show positive momentum on average, but with below-average growth in gross domestic product (GDP).

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will intensify further. Uncertainty may arise from the continued shortage of intermediates and commodities. This may be further exacerbated by the fallout from the Russia-Ukraine conflict and, in particular, lead to rising prices and a declining availability of energy.

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2023. Overall, the global volume of new car sales is expected to be noticeably higher than in the previous year. For 2023, we anticipate that the volume of new passenger car registrations in Western Europe will be significantly above that recorded in the previous year. In the German passenger car market, we predict a noticeable increase in the volume of new registrations in 2023 compared with the previous year. Sales of passenger cars in 2023 are expected to significantly exceed the prior-year figures in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed; on the whole, we expect a significant increase in the sales volume for 2023.

We assume that automotive financial services will prove highly important to global vehicle sales in 2023.

Forecasting the interest rate risk at Group level is only possible to a limited extent. As a result of the current crises, interest rates are rising across the main financial markets. We expect interest rates in the eurozone to also rise slightly by the end of the year. Interest rate risk is monitored continuously. Potential changes in interest rates are simulated if necessary to determine their effect on profits.

We predict that the penetration rate will be at the level of the previous year, although it is anticipated that there will be a strong growth in deliveries. We therefore expect new contracts to show a noticeable increase on the prior-year level. With the volume of the expiring legacy portfolio being larger than the volume of new business in the same period, however, the contract portfolio is expected to be down slightly on the prior-year level. Business volume is expected to stabilize at the 2022 level. The volume of deposits is projected to be well above last year's level due to business policy decisions around the building-up of deposits. Due to factors such as positive non-recurring items in 2022, increased funding costs and margin pressures in the competitive arena, we expect the operating result for fiscal 2023 to be noticeably lower than in the previous year. Nevertheless, we expect to achieve a cost/income ratio and return on equity in line with the prior-year figures.

This report contains forward-looking statements on the business development of the Volkswagen Bank GmbH Group. These statements are based on assumptions relating to changes in the economic, political and legal environment in individual countries, economic regions and markets, in particular for financial services and the automotive industry; these assumptions have been made on the basis of the information available and Volkswagen Bank GmbH currently considers them to be realistic. The estimates given entail a degree of risk, and actual developments may differ from those forecast. If material parameters relating to key sales markets vary from the assumptions, or material changes arise from the exchange rates, energy or other commodities or supply of parts relevant to the Volkswagen Group, the performance of the business will be affected accordingly. In addition, expected business performance may vary if the key performance indicators and risks and opportunities presented in the 2022 Annual Report turn out to be different from current expectations, or additional risks and opportunities or other factors emerge that affect the development of the business.

Income Statement

of the Volkswagen Bank GmbH Group

€ million	Note	Jan. 1 – June 30, 2023	Jan. 1 – June 30, 2022	Change in percent
Interest income from lending transactions and marketable securities		1,006	655	53.5
Income from leasing transactions		713	600	18.9
Depreciation, impairment losses and other expenses from leasing transactions		–517	–449	15.1
Net income from leasing transactions		196	151	30.3
Interest expense		–467	–74	X
Income from service contracts		52	30	75.5
Expenses from service contracts		–51	–33	53.4
Net income from service contracts		1	–3	X
Provision for credit risks		–37	–39	–3.8
Fee and commission income		68	79	–14.8
Fee and commission expenses		–28	–27	4.5
Net fee and commission income		40	53	–24.6
Net gain or loss on hedges		2	3	–27.5
Net gain/loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income		–7	1	X
General and administrative expenses	1	–397	–422	–5.8
Other operating income		45	25	79.4
Other operating expenses		–22	–16	39.2
Net other operating income/expenses		22	9	X
Operating result		**359**	**334**	**7.6**
Share of profits and losses of equity-accounted joint ventures		17	4	X
Net gain/loss on miscellaneous financial assets		0	–25	X
Other financial gains or losses		0	0	X
Profit before tax		**376**	**312**	**20.4**
Income tax expense		–119	–76	56.3
Profit after tax		**257**	**236**	**8.7**
Profit after tax attributable to the sole shareholder		257	236	8.7
German GAAP profit attributable to the sole shareholder in the event of profit transfer		233	78	X

Statement of Comprehensive Income

of the Volkswagen Bank GmbH Group

€ million	Jan. 1 – June 30, 2023	Jan. 1 – June 30, 2022
Profit after tax	**257**	**236**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	–1	80
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	0	–24
Pension plan remeasurements recognized in other comprehensive income, net of tax	–1	56
Fair value valuation of equity instruments 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	**0**	**56**
Exchange differences on translating foreign operations		
Gains/losses on currency translation recognized in other comprehensive income	13	–5
Transferred to profit or loss	–	–
Exchange differences on translating foreign operations, before tax	13	–5
Deferred taxes relating to exchange differences on translating foreign operations	–	–
Exchange differences on translating foreign operations, net of tax	13	–5
Hedging transactions		
Fair value changes recognized in other comprehensive income (OCI I)	–31	10
Transferred to profit or loss (OCI I)	39	–12
Cash flow hedges (OCI I), before tax	9	–2
Deferred taxes relating to cash flow hedges (OCI I)	–3	1
Cash flow hedges (OCI I), net of tax	6	–1
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 debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	36	–228
Transferred to profit or loss	–3	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	33	–228
Deferred taxes relating to fair value valuation of debt instruments that may be reclassified to profit or loss	–10	68
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	23	–160
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	**42**	**–166**
Other comprehensive income, before tax	54	–155
Deferred taxes relating to other comprehensive income	–12	45
Other comprehensive income, net of tax	**42**	**–110**
Total comprehensive income	**298**	**126**
Total comprehensive income attributable to Volkswagen AG	298	126

Balance Sheet

of the Volkswagen Bank GmbH Group

€ million	Note	June 30, 2023	Dec. 31, 2022	Change in percent
Assets				
Cash reserve		11,155	3,543	X
Loans to and receivables from banks		396	233	70.2
Loans to and receivables from customers attributable to				
Retail financing		28,454	28,864	–1.4
Dealer financing		14,027	12,523	12.0
Leasing business		3,214	3,054	5.2
Other loans and receivables		3,835	3,744	2.5
Total loans to and receivables from customers		49,530	48,186	2.8
Value adjustment on portfolio fair value hedges		–3	–	X
Derivative financial instruments		15	51	–71.7
Marketable securities		3,914	4,131	–5.2
Equity-accounted joint ventures		262	245	6.8
Miscellaneous financial assets		3	3	–
Intangible assets	2	4	4	–15.3
Property and equipment	2	20	23	–13.6
Lease assets	2	2,976	2,677	11.1
Investment property		0	0	–27.0
Deferred tax assets		1,537	1,559	–1.4
Current tax assets		52	91	–42.8
Other assets		562	480	17.1
Total		**70,423**	**61,225**	**15.0**

€ million	Note	June 30, 2023	Dec. 31, 2022	Change in percent
Equity and Liabilities				
Liabilities to banks		9,847	11,185	–12.0
Liabilities to customers		41,643	32,351	28.7
Notes, commercial paper issued		5,130	4,099	25.2
Derivative financial instruments		76	15	X
Provisions		180	171	5.3
Deferred tax liabilities		1,914	1,910	0.2
Current tax liabilities		291	200	45.4
Other liabilities		337	354	–4.7
Subordinated capital		30	31	–1.3
Equity		10,974	10,909	0.6
Subscribed capital		318	318	–
Capital reserves		8,881	8,881	–
Retained earnings		2,050	2,027	1.1
Other reserves		–274	–317	–13.5
Total		**70,423**	**61,225**	**15.0**

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, 2022	**318**	**8,881**	**1,701**	**–57**	**0**	**–**	**18**	**–**	**–**	**10,861**
Profit after tax	–	–	236	–	–	–	–	–	–	236
Other comprehensive income, net of tax	–	–	56	–5	–1	–	–160	–	–	–110
Total comprehensive income	**–**	**–**	**292**	**–5**	**–1**	**–**	**–160**	**–**	**–**	**126**
Capital increases	–	–	–	–	–	–	–	–	–	–
Other changes[1]	–	–	–78	–	–	–	–	–	–	–78
Balance as of June 30, 2022	**318**	**8,881**	**1,915**	**–62**	**–1**	**–**	**–142**	**–**	**–**	**10,908**
Balance as of Jan. 1, 2023	**318**	**8,881**	**2,027**	**–69**	**–7**	**–**	**–241**	**–**	**–**	**10,909**
Profit after tax	–	–	257	–	–	–	–	–	–	257
Other comprehensive income, net of tax	–	–	–1	13	6	–	24	–	–	42
Total comprehensive income	**–**	**–**	**256**	**13**	**6**	**–**	**24**	**–**	**–**	**298**
Capital increases	–	–	–	–	–	–	–	–	–	–
Other changes[1]	–	–	–233	0	0	–	–	–	–	–233
Balance as of June 30, 2023	**318**	**8,881**	**2,050**	**–56**	**–1**	**–**	**–218**	**–**	**–**	**10,974**

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, 2023	Jan. 1 – June 30, 2022
Profit before tax	**376**	**312**
Depreciation, amortization, impairment losses and reversals of impairment losses	245	264
Change in provisions	9	–78
Change in other noncash items	–20	39
Loss on disposal of financial assets and items of property and equipment	0	0
Net interest expense and dividend income	–604	–639
Other adjustments	1	–1
Change in loans to and receivables from banks	–161	148
Change in loans to and receivables from customers	–1,227	–567
Change in lease assets	–530	–368
Change in other assets related to operating activities	–79	–166
Change in liabilities to banks	–1,341	–2,002
Change in liabilities to customers	9,219	–222
Change in notes, commercial paper issued	1,031	–440
Change in other liabilities related to operating activities	–17	13
Interest received	1,071	713
Dividends received	0	0
Interest paid	–467	–74
Income taxes paid	24	–44
Cash flows from operating activities	**7,531**	**–3,111**
Proceeds from disposal of investment property	–	–
Acquisition of investment property	–	–
Proceeds from disposal of subsidiaries and joint ventures	–	–
Acquisition of subsidiaries and joint ventures	–	–
Proceeds from disposal of other assets	1	0
Acquisition of other assets	0	0
Change in investments in marketable securities	257	12
Cash flows from investing activities	**257**	**11**
Proceeds from changes in capital	–	–
Distribution/profit transfer to Volkswagen AG	–182	–563
Loss assumed by Volkswagen AG	–	–
Change in cash funds attributable to subordinated capital	0	–4
Repayment of liabilities arising from leases	–2	–1
Cash flows from financing activities	**–185**	**–569**
Cash and cash equivalents at end of prior period	**3,543**	**11,022**
Cash flows from operating activities	7,531	–3,111
Cash flows from investing activities	257	11
Cash flows from financing activities	–185	–569
Effect of exchange rate changes	9	1
Cash and cash equivalents at end of period	**11,155**	**7,354**

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, 2023

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, 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, 2022 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, 2023 have therefore also been prepared in accordance with IAS 34 and represent a condensed version compared with the full consolidated financial statements. These interim financial statements have not been reviewed by an auditor.

Unless otherwise stated, 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, 2023.

The discount rate applied to German pension provisions reported in these interim consolidated financial statements was 3.6% (December 31, 2022: 3.7%). The decrease in the discount rate led to an increase 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 is calculated in accordance with IAS 34 (Interim Financial Reporting) using the average tax rate anticipated for the entire fiscal year.

Some countries in which the Volkswagen Group operates have introduced statutory provisions governing minimum taxation in accordance with the OECD guidelines establishing a new global minimum taxation regime. In line with the amendments to IAS 12 adopted by the IASB in May 2023, the Volkswagen Group does not take into account the potential effects of those provisions on deferred taxes.

Otherwise, the same consolidation methods and accounting policies as those applied in the 2022 consolidated financial statements 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 2022 Annual Report.

In addition, the effects of new standards were described in detail under "New and Revised IFRSs Not Applied". The 2022 Consolidated Financial Statements can also be accessed on the internet at www.vwfs.com/arvwbank22.

Effects of the Russia-Ukraine Conflict

The start of the Russia-Ukraine conflict in February 2022 triggered a humanitarian crisis and global market upheaval. Prices rose substantially, particularly on the energy and commodity markets, and there were sharp increases in interest and inflation rates worldwide. In the first half of fiscal year 2023, markets appeared to be normalizing to some extent.

The direct exposure of the Volkswagen Bank GmbH Group in Russia is very limited. Two financial guarantees have been issued for OOO Volkswagen Bank RUS, Moscow, which are fully covered by cash collateral provided by Volkswagen Financial Services AG and Volkswagen AG. The carrying amount of the 1.0% equity interest in OOO Volkswagen Bank RUS, Moscow had already been written down to €1 in the previous year.

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

Provision for Credit Risks

Both historical information, such as average historical default probabilities for each portfolio, and forward looking information, such as macroeconomic factors and trends (e.g. the rate of change for gross domestic product), linked to expected credit losses, is used to determine the measurement parameters for calculating the provision for credit risks.

The Volkswagen Bank GmbH Group normally analyzes three scenarios: a baseline scenario, a positive scenario and a negative scenario. In the consolidated financial statements for the year ended December 31, 2022, the Volkswagen Bank GmbH Group included a fourth scenario in the calculations to account for the geopolitical effects of the Russia-Ukraine conflict and the resulting uncertainty surrounding energy supplies.

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 2023.

Interim Consolidated Financial Statements Disclosures

1. General and Administrative Expenses

The breakdown of general and administrative expenses is shown in the following table:

€ million	Jan. 1 – June 30, 2023	Jan. 1 – June 30, 2022
Personnel expenses	–93	–102
Non-staff operating expenses	–290	–309
Advertising, public relations and sales promotion expenses	–8	–6
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	–4	–4
Other taxes	–3	0
Income from the reversal of provisions and accrued liabilities	0	0
Total	**–397**	**–422**

2. Changes in Selected Assets

€ million	Net carrying amount as of January 1, 2023	Basis of consolidation additions/changes	Disposals/ other changes	Depr./amort./ impairment	Net carrying amount as of June 30, 2023
Intangible assets	4	0	0	1	4
Property and equipment	23	1	–1	3	20
Lease assets	2,677	769	–239	232	2,976

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 relevant balance sheet items to the classes of financial instruments:

			CLASSES OF FINANCIAL INSTRUMENTS									
	BALANCE SHEET ITEM		MEASURED AT AMORTIZED COST		MEASURED AT FAIR VALUE		DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES		NOT ALLOCATED TO ANY MEASUREMENT CATEGORY		NOT ALLOCATED TO ANY CLASS OF FINANCIAL INSTRUMNETS	
€ million	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022
Assets												
Cash reserve	11,155	3,543	11,155	3,543	–	–	–	–	–	–	–	–
Loans to and receivables from banks	396	233	396	233	–	–	–	–	–	–	–	–
Loans to and receivables from customers	49,530	48,186	46,316	45,131	–	–	–	–	3,214	3,054	0	0
Value adjustment on portfolio fair value hedges	–3	–	–3	–	–	–	–	–	–	–	–	–
Derivative financial instruments	15	51	–	–	11	15	3	36	–	–	–	–
Marketable securities	3,914	4,131	–	–	3,914	4,131	–	–	–	–	–	–
Equity accounted joint ventures	262	245	–	–	–	–	–	–	–	–	262	245
Miscellaneous financial assets	3	3	–	–	0	0	–	–	–	–	3	3
Current tax assets	52	91	7	56	–	–	–	–	–	–	45	35
Other assets	562	480	377	329	–	–	–	–	–	–	185	151
Total	**65,887**	**56,962**	**58,250**	**49,291**	**3,926**	**4,146**	**3**	**36**	**3,214**	**3,054**	**494**	**434**
Equity and liabilities												
Liabilities to banks	9,847	11,185	9,847	11,185	–	–	–	–	–	–	–	–
Liabilities to customers	41,643	32,351	41,579	32,272	–	–	–	–	15	17	49	62
Notes, commercial paper issued	5,130	4,099	5,130	4,099	–	–	–	–	–	–	–	–
Derivative financial instruments	76	15	–	–	11	4	65	11	–	–	–	–
Current tax liabilities	291	200	231	192	–	–	–	–	–	–	60	8
Other liabilities	337	354	114	157	–	–	–	–	–	–	223	197
Subordinated capital	30	31	30	31	–	–	–	–	–	–	–	–
Total	**57,355**	**48,235**	**56,931**	**47,936**	**11**	**4**	**65**	**11**	**15**	**17**	**332**	**268**

The “Credit commitments and financial guarantees” class contains obligations under irrevocable credit commitments and financial guarantees amounting to €11,613 million (December 31, 2022: €12,150 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 2022 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 this equity investment 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, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	–	–
Derivative financial instruments	–	–	11	15	–	–
Marketable securities	3,418	3,640	–	–	496	491
Miscellaneous financial assets	–	–	–	–	0	0
Derivative financial instruments designated as hedges	–	–	3	36	–	–
Total	**3,418**	**3,640**	**15**	**51**	**496**	**491**
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	–	–	11	4	–	–
Derivative financial instruments designated as hedges	–	–	65	11	–	–
Total	**–**	**–**	**76**	**15**	**–**	**–**

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

€ million	2023	2022
Balance as of Jan. 1	**491**	**548**
Foreign exchange differences	16	–12
Changes in basis of consolidation	0	–
Portfolio changes	0	0
Measured at fair value through profit or loss	–11	–1
Measured at fair value through other comprehensive income	–	–
Balance as of June 30	**496**	**535**

In the reporting period, €11 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: €1 million).

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, 2023 had been 100 basis points higher, profit after tax would have been €9.7 million higher (previous year: €0 million). If risk-adjusted interest rates as of June 30, 2023 had been 100 basis points lower, profit after tax would have been €9.9 million lower (previous year: €0 million).

The risk variables relevant to the fair value of the equity investment 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		CARRYING AMOUNT		DIFFERENCE	
	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	–	–
Derivative financial instruments	11	15	11	15	–	–
Marketable securities	3,914	4,131	3,914	4,131	–	–
Miscellaneous financial assets	0	0	0	0	–	–
Measured at amortized cost						
Cash reserve	11,155	3,543	11,155	3,543	–	–
Loans to and receivables from banks	396	233	396	233	–	–
Loans to and receivables from customers	45,957	44,378	46,316	45,131	–359	–754
Current tax assets	7	56	7	56	–	–
Other assets	377	329	377	329	–	–
Derivative financial instruments designated as hedges	3	36	3	36	–	–
Not allocated to any measurement category						
Lease receivables	3,139	2,978	3,214	3,054	–75	–77
Change in fair value from portfolio fair value hedges	–	–	–	–	–	–
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	11	4	11	4	–	–
Measured at amortized cost						
Liabilities to banks	9,989	10,930	9,847	11,185	143	–256
Liabilities to customers	40,222	31,947	41,579	32,272	–1,357	–325
Notes, commercial paper issued	5,134	4,099	5,130	4,099	4	–
Current tax liabilities	231	192	231	192	–	–
Other liabilities	114	157	114	157	0	0
Subordinated capital	26	31	30	31	–4	1
Derivative financial instruments designated as hedges	65	11	65	11	–	–

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.

As the primary key performance indicator, the operating result is reported 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, noncurrent 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 2023:

€ million	JAN. 1 – JUNE 30, 2023						
	Germany	Italy	Spain	France	Other	Consoli-dation	Group
Interest income from lending transactions and marketable securities in respect of third parties	537	148	106	65	150	–	1,006
Intersegment interest income from lending transactions and marketable securities	239	2	0	0	0	–241	–
Income from leasing transactions with third parties	–	–	0	708	5	–	713
of which impairment reversals in accordance with IAS 36 in accordance with IAS 36	–	–	–	–	–	–	–
Intersegment income from leasing transactions	–	–	–	–	–	–	–
Depreciation, impairment losses and other expenses from leasing transactions	–	–	–	–516	–1	–	–517
of which impairment losses in accordance with IAS 36	–	–	–	–4	–	–	–4
Net income from leasing transactions	–	–	0	192	5	–	196
Interest expense	–456	–46	–37	–77	–93	241	–467
Income from service contracts with third parties	–	–	–	52	–	–	52
of which period-related income	–	–	–	–	–	–	–
of which income related to a point in time	–	–	–	52	–	–	52
Expenses from service contracts	–	–	–	–51	–	–	–51
Net income from service contracts	–	–	–	1	–	–	1
Provision for credit risks	–32	0	0	–14	5	3	–37
Fee and commission income from third parties	16	3	19	17	13	–	68
Fee and commission expenses	–4	0	–8	–13	–4	–	–28
Net fee and commission income	13	2	11	5	9	–	40
Net gain or loss on hedges	2	–	–	–	–	0	2
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	43	–	0	–	–11	–39	–7
General and administrative expenses	–248	–23	–32	–66	–29	0	–397
Other operating income	23	4	6	1	1	9	45
Other operating expenses	–13	0	–5	–3	–1	–	–22
Net other operating income/expenses	10	3	1	–2	1	9	22
Operating result	**108**	**86**	**51**	**104**	**36**	**–26**	**359**

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2022:

	JAN. 1 – JUNE 30, 2022						
€ million	Germany	Italy	Spain	France	Other	Consolidation	Group
Interest income from lending transactions and marketable securities in respect of third parties	366	110	89	17	74	–	655
Intersegment interest income from lending transactions and marketable securities	55	–	–	–	–	–55	–
Income from leasing transactions with third parties	–	–	0	598	2	–	600
of which impairment reversals in accordance with IAS 36 in accordance with IAS 36	–	–	–	0	–	–	0
Intersegment income from leasing transactions	–	–	–	–	–	–	–
Depreciation, impairment losses and other expenses from leasing transactions	–	–	–	–448	0	–	–449
of which impairment losses in accordance with IAS 36	–	–	–	–6	–	–	–6
Net income from leasing transactions	–	–	0	149	1	–	151
Interest expense	–72	–15	–9	–12	–22	55	–74
Income from service contracts with third parties	–	–	–	30	–	–	30
of which period-related income	–	–	–	–	–	–	–
of which income related to a point in time	–	–	–	30	–	–	30
Expenses from service contracts	0	–	–	–33	–	–	–33
Net income from service contracts	0	–	–	–3	–	–	–3
Provision for credit risks	–24	–8	–1	–6	3	–2	–39
Fee and commission income from third parties	15	7	21	19	18	–	79
Fee and commission expenses	3	–7	–13	–7	–4	–	–27
Net fee and commission income	18	0	7	12	15	–	53
Net gain or loss on hedges	3	–	–	–	–	0	3
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	–134	–	0	–	–1	137	1
General and administrative expenses	–285	–21	–28	–63	–25	0	–422
Other operating income	9	3	6	3	1	3	25
Other operating expenses	–2	–2	–5	–1	–1	–5	–16
Net other operating income/expenses	7	1	1	2	0	–2	9
Operating result	**–66**	**67**	**60**	**96**	**45**	**132**	**334**

The reported impairment losses and reversals of impairment losses in accordance with IAS 36 related to lease assets.

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:

	JAN. 1 – JUNE 30, 2023						
€ million	Germany	Italy	Spain	France	Other	Consolidation	Total
Noncurrent Assets	267	4	4	2,984	6	–	3,264
Additions to noncurrent lease assets	–	–	–	769	–	–	769

	JAN. 1 – JUNE 30, 2022						
€ million	Germany	Italy	Spain	France	Other	Consolidation	Total
Noncurrent Assets	266	5	4	2,366	7	–	2,649
Additions to noncurrent lease assets	–	–	–	497	–	–	497

Investment recognized under other assets was of minor significance.

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

Mio. €	Jan. 1 – June 30, 2023	Jan. 1 – June 30, 2022
Segment revenue	**2,080**	**1,430**
Consolidation	–241	–55
Group revenue	**1,839**	**1,375**
Segment profit or loss (operating result)	**385**	**202**
Consolidation	–26	132
Operating result	**359**	**334**
Share of profits and losses of equity-accounted joint ventures	17	4
Net gain or loss on miscellaneous financial assets	0	–25
Other financial gains or losses	0	0
Profit before tax	**376**	**312**

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, 2023 were not material. The only other contingent liabilities as of December 31, 2022 were not material. No disclosures have therefore been provided on their financial impact, uncertainty or potential reimbursement.

OTHER FINANCIAL OBLIGATIONS

€ million	DUE by June 30, 2024	DUE July 1 2024 – June 30,2028	DUE From July 1, 2028	TOTAL June 30, 2023
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	11,352	–	–	11,352
Long-term leasing and rental contracts	1	1	–	1
Miscellaneous financial obligations	8	–	–	8

€ million	DUE 2023	DUE 2024–2027	DUE From 2028	TOTAL Dec. 31, 2022
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	11,856	0	0	11,856
Long-term leasing and rental contracts	1	0	–	2
Miscellaneous financial obligations	7	–	–	7

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 cannot elect all of the shareholder representatives to the Supervisory Board of Volkswagen AG via the annual general meeting 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 9, 2023, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights in Volkswagen AG on December 31, 2022. 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.

€ million	INTEREST INCOME H1		INTEREST EXPENSES H1		GOODS AND SERVICES PROVIDED H1		GOODS AND SERVICES RECIEVED H1	
	2023	2022	2023	2022	2023	2022	2023	2022
Supervisory Board	0	0	0	0	–	–	–	–
Management Board/ Board of Management	0	0	0	0	–	–	–	–
Volkswagen AG	11	9	–25	–	18	10	0	2
Porsche SE	–	–	–	–	–	–	–	–
Other related parties in the consolidated entities	12	–94	–28	0	122	109	97	105
Non-consolidated subsidiaries	–	–	–	–	–	–	–	–
Joint ventures	30	2	0	–	0	0	90	98
Associates	–	–	–	–	–	–	0	0

€ million	LOANS TO AND RECEIVABLES FROM		VALUATION ALLOWANCES ON IMPAIRED LOANS AND RECEIVABLES		OF WHICH ADDITIONS IN CURRENT YEAR		LIABILITIES TO	
	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022
Supervisory Board	0	0	–	–	–	–	4	3
Management Board/ Board of Management	0	0	–	–	–	–	8	6
Volkswagen AG	5	43	–	–	–	–	3,076	2,863
Porsche SE	–	–	–	–	–	–	–	–
Other related parties in the consolidated entities	2,173	2,306	–	–30	–	–30	4,605	4,209
Non-consolidated subsidiaries	0	0	–	–	–	–	123	155
Joint ventures	2,494	2,412	–	–	–	–	208	326
Associates	–	–	–	–	–	–	1	1

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 Management Board/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. VW Bank GmbH did not receive any capital contributions from Volkswagen AG in the first half of 2023 or in the first half of 2022. In the first half of the year, the Volkswagen Bank GmbH Group also did not make any capital contributions to related parties (previous year: €0.5 million).

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 conducted 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 JUNE 30, 2023)
Chair of the Management Board
Corporate Management of Volkswagen Bank GmbH

DR. VOLKER STADLER
Operations, Volkswagen Bank GmbH (until June 30, 2023)
Chair of the Management Board (as of July 1, 2023)
Corporate Management & Operations, Volkswagen Bank GmbH (as of July 1, 2023)

OLIVER ROES
Member of the Management Board of Volkswagen Bank GmbH. Responsible for Finance.

CHRISTIAN LÖBKE
Member of the Management Board of Volkswagen Bank GmbH. Responsible for Risk Management.

The members of the Supervisory Board as of the reporting date June 30, 2023 were as follows:

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

BJÖRN BÄTGE
Deputy Chair
Group Treasury – Head of Global Markets of Volkswagen AG

SILVIA STELZNER
Deputy Chair
Executive Director of the Joint Works Council of Volkswagen Financial Services AG and of Volkswagen Bank GmbH

SARAH AMELING-ZAFFIRO
Deputy Director 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

DR. CHRISTIAN DAHLHEIM
Chair of the Board of Management of Volkswagen Financial Services AG

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

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

MARKUS KONRADT
Member of the Management Board of the Management Association of Volkswagen Financial Services AG and Volkswagen Bank GmbH

KATRIN ROHMANN
Public auditor

CONNY SCHÖNHARDT
Trade union secretary for the IG Metall Board of Management in the unit for vehicle construction coordination

MIRCO THIEL
Executive Director of the Joint Works Council of Volkswagen Financial Services AG and of Volkswagen Bank GmbH

The composition of the committees of the Supervisory Board of Volkswagen Bank GmbH was as follows as of the reporting date, June 30, 2023:

MEMBERS OF THE AUDIT COMMITTEE
Katrin Rohmann (Chair)
Prof. Dr. Susanne Homölle (Deputy Chair)
Frank Fiedler
Silvia Stelzner

MEMBERS OF THE RISK COMMITTEE
Prof. Dr. Susanne Homölle (Chair)
Björn Bätge (Deputy Chair)
Sarah Ameling-Zaffiro
Frank Fiedler

MEMBERS OF THE NOMINATION COMMITTEE
Dr. Ingrun-Ulla Bartölke (Chair)
Silvia Stelzner (Deputy Chair)
Dr. Christian Dahlheim

MEMBERS OF THE REMUNERATION COMMITTEE
Dr. Ingrun-Ulla Bartölke (Chair)
Björn Bätge (Deputy Chair)
Dr. Christian Dahlheim
Silvia Stelzner

10. Events After the Balance Sheet Date

On July 12, 2023, after obtaining the final approvals from the relevant bodies in the first half of 2023, Volkswagen Financial Services AG and Volkswagen Bank GmbH signed a framework agreement with TRATON SE and TRATON Financial Services AB regarding the transfer of significant parts of new global financial services business at MAN and Volkswagen Truck & Bus. The signing of the framework agreement will be followed by local agreements in the individual markets that will transfer the rights to provide financial solutions to MAN and Volkswagen Truck & Bus customers on a country-by-country basis. Existing customer contracts will remain with Volkswagen Financial Services AG and Volkswagen Bank GmbH. The sale is of limited relevance to Volkswagen Bank GmbH, with only the bank branches in Portugal and Italy currently pursuing new MAN Financial Services financing business.

Up to July 21, 2023, there were no other significant events that would have required a significantly different presentation of the assets, liabilities, financial position and profit or loss.

Braunschweig, July 21, 2023

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 21, 2023

Volkswagen Bank GmbH
The Management Board

Dr. Volker Stadler

Oliver Roes

Christian Löbke

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