VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

PILLAR 3 DISCLOSURE REPORT

IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION

AS OF DECEMBER 31

2024

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

Foreword

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

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

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

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

Following the acquisition of 100% of the shares in Volkswagen Bank GmbH, Volkswagen Financial Services AG has been operating as the parent company within the financial holding group since July 1, 2024 for regulatory purposes and is also responsible for implementing the regulatory requirements within the group. This also includes the obligation to make regular disclosures in accordance with Article 433 of the CRR. Volkswagen Financial Services AG is classed as a large institution in accordance with Article 4 (1) 146 in conjunction with Article 11 (2) (c) of the CRR and therefore observes the frequency requirements stipulated in Art. 433a of the CRR.

Where tables show a progression over time, the figures for periods before July 1, 2024 are not presented due to the change in the reporting entity structure.

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

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

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

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

Braunschweig, March 2025

The Board of Management

Disclosure of key metrics

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

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

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

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

TABLE 1: EU KM1 – KEY METRICS TEMPLATE

		A	B	C	D	E
	in € millions	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	30,439.5	27,681.5			
2	Tier 1 capital	30,439.5	27,681.5			
3	Total capital	33,185.4	30,427.8			
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	164,779.5	166,512.1			
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	18.47%	16.62%			
6	Tier 1 ratio (%)	18.47%	16.62%			
7	Total capital ratio (%)	20.14%	18.27%			
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.25%			
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.27%	1.27%			
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.69%			
EU 7d	Total SREP own funds requirements (%)	10.25%	10.25%			
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%			
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%			
9	Institution specific countercyclical capital buffer (%)	0.97%	0.96%			
EU 9a	Systemic risk buffer (%)	0.04%	0.04%			
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%			
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%			
11	Combined buffer requirement (%)	3.51%	3.50%			
EU 11a	Overall capital requirements (%)	13.76%	13.75%			
12	CET1 available after meeting the total SREP own funds requirements (%)	9.89%	8.02%			
	Leverage ratio					
13	Total exposure measure	201,214.6	210,602.7			
14	Leverage ratio (%)	15.13%	13.14%			
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%			
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%			
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%			
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%			
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%			
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	23,435.5	26,535.6			
EU 16a	Cash outflows - Total weighted value	15,826.3	15,475.1			
EU 16b	Cash inflows - Total weighted value	6,604.4	6,368.1			
16	Total net cash outflows (adjusted value)	9,221.9	9,107.0			
17	Liquidity coverage ratio (%)	263.10%	301.20%			

		A	B	C	D	E
	in € millions	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
	Net Stable Funding Ratio					
18	Total available stable funding	135,084.1	136,940.1			
19	Total required stable funding	118,382.3	115,285.8			
20	NSFR ratio (%)	114.10%	118.80%			

Volkswagen Financial Service’s total capital of €33,185.4 million is composed of Common Equity Tier 1 (CET1) capital of €30,439.5 million and Tier 2 (T2) capital of €2.746.0 million.

As of December 31, 2024, the total risk exposure amount stands at €164,779.5 million and the leverage ratio at 15.13%.

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

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

Following the restructuring of the Group as of July 1, 2024, the new Volkswagen Financial Services AG financial holding group is only subject to the regulatory requirements from that date. Accordingly, the key metrics for the new financial holding group apply for the first time as of September 30, 2024.

Scope of application/companies consolidated

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

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

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

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

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

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

		A)	B)	C)
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	in € millions	As at period end	As at period end	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements				
1	Cash reserve	12,444	13,174	n/a
2	Loans to and receivables from banks	962	1,020	n/a
3	Loans to and receivables from customers	120,491	123,596	n/a
4	Value adjustmenst for portfolio fair value	113	113	n/a
5	Derivative financial instruments	531	508	n/a
6	Marketable securities	3,561	3,743	n/a
7	Equity-accounted joint ventures	1,263	0	n/a
8	Miscellaneous financial assets	150	892	n/a
9	Intangible assets	139	200	d)
10	Property and equipment	373	314	n/a
11	Lease assets	46,779	49,769	n/a
12	Investment property	8	23	n/a
13	Deferred tax assets	1,240	1,217	e)+f)
14	Income tax assets	95	247	n/a
15	Other assets	4,098	4,656	n/a
16	Assets held for sale	49	672	n/a
17	**Total assets**	**192,297**	**200,143**	**n/a**
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements				
1	Liabilities to banks	5,748	6,248	n/a
2	Liabilities to customers	82,711	100,774	n/a
3	Notes, commercial paper issued	61,735	51,439	n/a
4	Derivative financial instruments	1,164	1,100	n/a
5	Provisions for pensions and othe post-employments benefits	365	357	n/a
6	other reserves	939	451	n/a
7	Deferred tax liabilities	2,038	2,131	n/a
8	Income tax liabilities	751	760	n/a
9	Other liabilities	2,565	2,527	n/a
10	Subordinated capital	2,745	2,565	n/a
11	Equity	31,535	31,791	n/a
12	**Total liabilities**	**192,297**	**200,143**	**n/a**
Shareholders' Equity				
1	Subscribed captital	250	250	a)
2	Capital reserves	16,713	17,016	c)
3	Retained earnings	14,741	14,691	b)
4	Other reserves	-169	-166	c)
5	**Total shareholders' equity**	**31,535**	**31,791**	**n/a**

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

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

		A	B	C	D	E	F	G
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
	in € millions			Subject to the credit risk framework	Subject to the CCR framework		Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset clases according to the balance sheet in the published financial statements							
1	Cash reserve	12,444	13,174	12,444			228	
2	Loans to and receivables from banks	962	1,020	1,020			380	
3	Loans to and receivables from customers	120,491	123,596	123,596			34,405	0
4	Value adjustments for portfolio fair value	113	113	113			30	0
5	Derivative financial instruments	531	508	508	508		136	
6	Marketable securities	3,561	3,743	3,183		560	10	0
7	Equity-accounted joint ventures	1,263	0	0			0	
8	Miscellaneous financial assets	150	892	892			3	
9	Intangible assets	139	200	0			58	200
10	Property and equipment	373	314	314			60	
11	Lease assets	46,779	49,769	49,769			9,191	
12	Investment property	8	23	23			0	
13	Deferred tax assets	1,240	1,217	1,217			824	0
14	Income tax assets	95	247	247			4	
15	**Other assets**	**4,098**	**4,656**	**4,656**			**6,134**	
16	Assets held for sale	49	672	672			0	
17	**Total assets**	**192,297**	**200,143**	**197,982**	**508**	**560**	**51,464**	**200**

		A	B	C	D	E	F	G
		Buchwerte gemäß veröffentlichtem Jahresabschluss	Buchwerte gemäß aufsichtlichem Konsolidierungs-kreis	Buchwerte der Posten, die				
	in Mio. €			dem Kreditrisikorahmen unterliegen	dem CCR-Rahmen unterliegen	dem Verbriefungs¬rahmen unterliegen	dem Marktrisikorahmen unterliegen	keinen Eigenmittel-anforderungen unterliegen oder die Eigenmittelabzügen unterliegen
	Aufschlüsselung nach Passivaklassen gemäß Bilanz im veröffentlichten Jahresabschluss							
1	Verbindlichkeiten gegenüber Kreditin-stituten	5.748	6.248	0	0	0	2.838	3.410
2	Verbindlichkeiten gegenüber Kunden	82.711	100.774	0	0	0	4.387	98.953
3	Verbriefte Verbind-lichkeiten	61.735	51.439	0	0	0	13.389	38.050
4	Derivative Finan-zinstrumente	1.164	1.100	0	0	0	139	961
5	Rückstellungen für Pensionen und ähn-liche Verpflichtun-gen	365	357	0	0	0	0	357
6	Versicherungstech-nische und sonstige Rückstellungen	939	451	0	0	0	32	419
7	Passive latente Steuern	2.038	2.131	0	0	0	863	1.268
8	Ertrag-steuerverpflich-tungen	751	760	0	0	0	46	714
9	Sonstige Verpflich-tungen	2.565	2.527	0	0	0	451	2.060
10	Nachrangkapital	2.745	2.565	0	0	0	0	16
11	Eigenkapital	31.535	31.791	0	0	0	6.113	25.678
12	**Gesamtpassiva**	**192.297**	**200.143**	**0**	**0**	**0**	**28.257**	**171.886**

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

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

		A	B	C	D	E
		Total	Items subject to			
	in € millions		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**199,943**	**197,982**	**508**	**560**	**51,464**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**0**	**0**	**0**	**0**	**28,257**
3	**Total net amount under the scope of prudential consolidation**	**199,943**	**197,982**	**508**	**560**	**23,206**
4	**Off-balance-sheet amounts**	**25,332**	**25,332**			**x**
5	Differences in valuations		-11			x
6	Differences due to different netting rules, other than those already included in row 2					x
7	Differences due to consideration of provisions		1,756			x
8	Differences due to the use of credit risk mitigation techniques (CRMs)					x
9	Differences due to credit conversion factors		-21,870			x
10	Differences due to Securitisation with risk transfer		0			x
11	Other differences		-6,139	2,495	-560	x
12	**Exposure amounts considered for regulatory purposes**	**206,034**	**197,049**	**3,003**	**0**	**5,982**

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

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

A	B	C	D	E	F	G	H
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Volkswagen Bank GmbH	full	x					CRR Credit Institution
Volkswagen Leasing GmbH	full	x					Financial institution
Volkswagen Finance sluzby Slovensko s.r.o.	At equity	x					Financial institution
DFM N.V.	At equity	x					Financial institution
Volkswagen Financial Services (UK) Ltd.	full	x					Financial institution

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

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

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

SEPARATE CONSIDERATION FOR EXCLUSION DUE TO MATERIALITY – REGULATORY VIEW

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

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

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

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

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

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

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

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

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

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

With an NPL ratio of 3.76% (FINREP), Volkswagen Financial Services AG is below the 5% threshold. Accordingly, the quantitative information required under Art. 442 of the CRR is only disclosed in accordance with the disclosure requirements (templates EU CQ7, EU CR2a, EU CQ2, EU CQ6, EU CQ8 not used).

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

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

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

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

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

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

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

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

Own funds

PILLAR 1 REQUIREMENTS

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

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

The capital buffers for globally or otherwise systemically important institutions do not apply to Volkswagen Financial Services AG.

PILLAR 2 REQUIREMENTS

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

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

Structure of own funds

DISCLOSURE OF OWN FUNDS

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

Own funds in accordance with Art. 72 of the CRR are composed of Tier 1 and Tier 2 capital for both the financial holding group and the institution group. No additional Tier 1 capital has been issued by Volkswagen Financial Services AG or any of the group entities included in the prudential scope of consolidation.

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

COMPOSITION OF OWN FUNDS

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

The information in the table refers to the consolidated level of Volkswagen Financial Services AG and is based on IFRS accounting.

TABLE 6: EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	13,223.5	a)
	of which: Instrument type 1	0.0	n/a
	of which: Instrument type 2	0.0	n/a
	of which: Instrument type 3	0.0	n/a
2	Retained earnings	14,551.8	b)
3	Accumulated other comprehensive income (and other reserves)	3,670.8	c)
EU-3a	Funds for general banking risk	0.0	n/a
4	Amount of qualifying items referred to in Art. 484 (3) and the related share premium accounts subject to phase out from CET1	0.0	n/a
5	Minority interests (amount allowed in consolidated CET1)	0.0	n/a
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	139.7	n/a
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	31,585.7	n/a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
7	Additional value adjustments (negative amount)	–11.3	n/a
8	Intangible assets (net of related tax liability) (negative amount)	–200.1	d)
9	Not applicable	X	X
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Art. 38 (3) are met) (negative amount)	0.0	e)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	–13.3	n/a
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	n/a
13	Any increase in equity that results from securitised assets (negative amount)	0.0	n/a
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0.0	n/a
15	Defined-benefit pension fund assets (negative amount)	0.0	n/a
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0.0	n/a
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–60.3	n/a
20	Not applicable	X	X
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.0	n/a
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0.0	n/a
EU-20c	of which: securitisation positions (negative amount)	0.0	n/a
EU-20d	of which: free deliveries (negative amount)	0.0	n/a
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Art. 38 (3) are met) (negative amount)	0.0	f)
22	Amount exceeding the 17,65% threshold (negative amount)	0.0	n/a
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0.0	n/a
24	Not applicable	X	X
25	of which: deferred tax assets arising from temporary differences	0.0	n/a
EU-25a	Losses for the current financial year (negative amount)	0.0	n/a
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.0	n/a
26	Not applicable	X	X
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.0	n/a
27a	Other regulatory adjusments	–861.3	n/a
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	–1,146.3	n/a
29	Common Equity Tier 1 (CET1) capital	30,439.5	n/a

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0.0	n/a
31	of which: classified as equity under applicable accounting standards	0.0	n/a
32	of which: classified as liabilities under applicable accounting standards	0.0	n/a
33	Amount of qualifying items referred to in Art. 484 (4) and the related share premium accounts subject to phase out from AT1	0.0	n/a
EU-33a	Amount of qualifying items referred to in Art. 494a(1) subject to phase out from AT1	0.0	n/a
EU-33b	Amount of qualifying items referred to in Art. 494b(1) subject to phase out from AT1	0.0	n/a
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0.0	n/a
35	of which: instruments issued by subsidiaries subject to phase out	0.0	n/a
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0.0	n/a
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0.0	n/a
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	n/a
41	Not applicable	X	X
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0.0	n/a
42a	Other regulatory adjustments to AT1 capital	0.0	n/a
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0.0	n/a
44	Additional Tier 1 (AT1) capital	0.0	n/a
45	Tier 1 capital (T1 = CET1 + AT1)	30,439.5	n/a
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	2,746.0	g)
47	Amount of qualifying items referred to in Art. 484 (5) and the related share premium accounts subject to phase out from T2 as described in Art. 486 (4) CRR	0.0	n/a
EU-47a	Amount of qualifying items referred to in Art. 494a (2) subject to phase out from T2	0.0	n/a
EU-47b	Amount of qualifying items referred to in Art. 494b (2) subject to phase out from T2	0.0	n/a
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0.0	n/a
49	of which: instruments issued by subsidiaries subject to phase out	0.0	n/a
50	Credit risk adjustments	0.0	n/a
51	Tier 2 (T2) capital before regulatory adjustments	2,746.0	n/a
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0.0	n/a

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
54a	Not applicable	X	X
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	n/a
56	Not applicable	X	X
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0.0	n/a
EU-56b	Other regulatory adjusments to T2 capital	0.0	n/a
57	Total regulatory adjustments to Tier 2 (T2) capital	0.0	n/a
58	Tier 2 (T2) capital	2,746.0	n/a
59	Total capital (TC = T1 + T2)	33,185.4	n/a
60	Total risk exposure amount	164,779.5	n/a
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	18.47%	n/a
62	Tier 1	18.47%	n/a
63	Total capital	20.14%	n/a
64	Institution CET1 overall capital requirements	9.28%	n/a
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.97%	n/a
67	of which: systemic risk buffer requirement	0.04%	n/a
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	n/a
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.27%	n/a
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.89%	n/a
69	Not applicable	X	X
70	Not applicable	X	X
71	Not applicable	X	X
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	95.1	n/a
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	601.8	n/a
74	Not applicable	X	X
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Art. 38 (3) are met)	1,225.7	n/a

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0.0	n/a
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,836.2	n/a
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0.0	n/a
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0.0	n/a
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0.0	CC
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0.0	n/a
82	Current cap on AT1 instruments subject to phase out arrangements	0.0	n/a
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0.0	n/a
84	Current cap on T2 instruments subject to phase out arrangements	0.0	n/a
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0.0	n/a

COMMON EQUITY TIER 1 CAPITAL

Common Equity Tier 1 capital primarily consists of equity reported in the balance sheet as defined in IFRS. Generally, the equity reported in the balance sheet is composed of ordinary share capital and disclosed reserves. Volkswagen Financial Services AG' and Volkswagen Bank GmbH's share capital is fully paid up and unrestricted. In connection with group restructuring, Volkswagen Bank GmbH was transferred to Volkswagen Financial Services AG and is thus no longer a subsidiary of Volkswagen AG but of Volkswagen Financial Services AG. However, the profit transfer agreement between Volkswagen Bank GmbH and Volkswagen AG is still in force. For this reason, Volkswagen Bank GmbH's share capital is temporarily no longer included at the sub-consolidated level as there must be a parent/subsidiary relation between Volkswagen Bank GmbH and Volkswagen Financial Services AG for the requirements for inclusion in accordance with Art. 28(3) of the CRR to be satisfied. The necessary adjustment is to be made by the end of the year, after which it will be possible for Volkswagen Bank GmbH's share capital to be included again. The disclosed reserves consist of the capital reserves and retained earnings. Moreover, Common Equity Tier 1 capital includes retained profits which have not yet been approved and are not tied to planned dividend payouts or foreseeable expenses (e.g. tax expenses). A special reserve for general banking risks recognized by Volkswagen Bank GmbH in accordance with section 340g of the *Handelsgesetzbuch* (HGB – German Commercial Code) is reported in the eligible disclosed reserves.

The following table shows the total amount of the additional valuation adjustments (AVAs) that are deducted from Common Equity Tier 1 capital as part of a prudent valuation of assets. In accordance with

Art. 34 of the CRR in connection with Art. 105 of the CRR, this prudent valuation applies to all assets recognized at fair value. Regulatory law provides for two methods for determining the additional valuation adjustments. The simplified approach pursuant to Art. 105 of the CRR in conjunction with Art. 4 DVO 2016/101 may be applied up to a threshold of €15 billion based on the sum total of the absolute exposure amounts on and off the balance sheet measured at fair value. The basic approach must be applied if this threshold is exceeded. As Volkswagen Financial Services AG remains below the threshold of €15 billion at a consolidated level, it applies the simplified approach for calculating additional valuation adjustments. In view of the minor importance of exposures measured at fair value, a deduction of €11.2 million was made on the reporting date.

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

		A	B	C	D	E	EU E1	EU E2	F	G	H
	in € millions	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Not applicable	X	X	X	X	X	X	X	X	X	X
3	Close-out cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Concentrated positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Early termination	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Model risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Operational risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Not applicable	X	X	X	X	X	X	X	X	X	X
9	Not applicable	X	X	X	X	X	X	X	X	X	X
10	Future administrative costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Not applicable	X	X	X	X	X	X	X	X	X	X
12	**Total Additional Valuation Adjustments (AVAs)**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**11.3**	**0.0**	**0.0**

TIER 2 CAPITAL

Tier 2 capital comprises long-term subordinated liabilities, reduced by amortization in accordance with Article 64 of the CRR.

The subordinated liabilities, which are subject to interest at market rates, have original maturities of 15 years and are due for settlement no later than 2032.

MAIN CHARACTERISTICS OF OWN FUNDS INSTRUMENTS

The conditions set out in Art. 28 of the CRR must be satisfied for Common Equity Tier 1 instruments to be included. At the consolidated level, Volkswagen Financial Services AG currently only includes its ordinary share capital (Instrument 1) and three subordinated bonds (Instrument 2) in its own funds. The requirements for inclusion specified in Art. 63 of the CRR have been satisfied. These requirements particularly include subordination over insolvency creditors and an original term of at least five years. The subordinated bonds have been publicly placed and can be identified by reference to their international securities identification number (ISIN).

The following table presents the main characteristics of these own funds instruments.

TABLE 8: EU CCA – MAIN CHARACTERISTICS OF REGULATORY OWN FUNDS INSTRUMENTS

		a	b	c	d
		Instrument 1	Instrument 2	Instrument 3	Instrument 4
1	Issuer	Volkswagen FS AG	Volkswagen FS AG	Volkswagen FS AG	Volkswagen FS AG
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Bilateral agreements	n/a	n/a	n/a
2a	Public or private placement	k.A.	Public placement	Public placement	Public placement
3	Governing law(s) of the instrument	German law	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	n/a	n/a	n/a	n/a
	Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Common Equity Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated / solo&(sub-)consolidated	(Sub)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	ordinary shares	Subordinated bond	Subordinated bond	Subordinated bond
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	250,0 Mio. €	1000,1 Mio. €	500,5 Mio. €	1245,4 Mio. €
9	Nominal amount of instrument	250,0 Mio. €	1000,0 Mio. €	500,0 Mio. €	1245,0 Mio. €
EU-9a	Issue price	Various	1000,0 Mio. €	500,0 Mio. €	1245,0 Mio. €
EU-9b	Redemption price	n/a	1000,0 Mio. €	500,0 Mio. €	1245,0 Mio. €
10	Accounting classification	Share capital	Liability – amortized cost	Liability – amortized cost	Liability – amortized cost
11	Original date of issuance	Various	09.12.2016	16.01.2017	30.08.2017
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	09.12.2031	16.01.2032	30.08.2032
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	Termination option for tax event	Termination option for tax event	Termination option for tax event
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Variable	Fix	Fix	Fix
18	Coupon rate and any related index	n/a	0.1 % p.a.	0.1 % p.a.	0.1 % p.a.
19	Existence of a dividend stopper	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory	Mandatory

		a	b	c	d
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a
30	Write-down features	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a
34a	Type of subordination (only for eligible liabilities)	n/a	n/a	n/a	n/a
EU-34b	Ranking of the instrument in normal insolvency proceedings	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to AT1 instruments	Subordinate to insolvency creditors	Subordinate to insolvency creditors	Subordinate to insolvency creditors
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a
37a	Link to the full term and conditions of the instrument (signposting)	n/a	Link	Link	Link

Own funds requirements

QUALITATIVE DISCLOSURE OF OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

RISK INVENTORY/RISK QUANTIFICATION

The objective of the risk inventory, which has to be carried out at least annually, is to identify the main categories of risk. To do this, all known risk categories are analyzed to determine whether they exist at Volkswagen Financial Services AG and are relevant. The relevant risk categories are analyzed in more detail in the risk inventory and quantified, while non-quantifiable risk categories are assessed by experts, and then evaluated in terms of their materiality for Volkswagen Financial Services AG. In accordance with the requirements set out in the ECB Guide to the internal capital adequacy assessment process (ICAAP) and the ECB Guide to the internal liquidity adequacy assessment process (ILAAP), the risk inventory is carried out using both the economic and normative perspectives and, in addition, a gross approach (i.e. an analysis of the risks that does not take into account specific techniques designed to mitigate the underlying risks). Volkswagen Financial Services AG also has an ILAAP-specific framework for risk identification in place as required by the ILAAP guide.

The risk inventory carried out for 2024 came to the conclusion that the quantifiable risk categories counterparty risk, direct residual value risk, interest rate risk, credit spread risk in the banking book (CSRBB), other market risks, funding risk and operational risk, as well as the non-quantifiable risk category business risk, consisting of earnings risk, reputation risk and strategic risk including

the ESG add-on, as well as business model risk, must be classified as material risk categories. The indirect residual value risk is considered immaterial due to their low share of the overall risk. Other existing subcategories of risk are included within the categories specified above.

In addition, a risk inventory was performed during the year based on the restructuring of Volkswagen Financial Services AG to ensure that risks could be assessed as of July 1, 2024. The above-mentioned risks (see “Risk strategy and risk management” chapter) were identified. The materiality of the risks as stated above was reaffirmed.

CAPITAL ADEQUACY (INCLUDING RISK-BEARING CAPACITY)

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

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

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

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

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

As of December 31, 2024, risk-taking potential amounted to €26.1 billion and comprised CET1 capital (€27.6 billion) and accumulated earnings[1] (€0.9 billion) less hidden charges and loss allowance shortfalls (€2.4 billion in total). This item is the reference point for risk tolerance and risk appetite and takes the form of an overall risk limit for the Group (fixed at €21.295 billion as of December 31, 2024).

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

The limit system is structured in a way that the adherence to the risk limits ensures not only the management of operating and strategic risk and earnings, but also compliance with regulatory requirements. Risk Management monitors compliance with the risk limits as part of its quarterly analysis of the risk-bearing capacity. The risk limit system for the Volkswagen Financial Services AG Group is recalibrated at least once a year in a resolution adopted by the Board of Management of Volkswagen Financial Services AG.

RISK QUANTIFICATION

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

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

The main risks are quantified as part of the economic risk-bearing capacity analysis with a confidence level of 99.9% and a time horizon of one year. In addition to determining the risk-bearing capacity in a normal scenario, the Volkswagen Financial Services AG Group also conducts group-wide stress tests and reports the results to the Board of Management. Stress tests are used to examine the potential impact from exceptional but plausible events on the risk-bearing capacity and earnings performance of the Volkswagen Financial Services AG Group. The purpose of these scenarios is to facilitate early identification of those risks that would be particularly affected by the trends simulated in the scenarios so that any

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

necessary corrective action can be initiated in good time. The stress tests include both a historical scenario (a repeat of the financial crisis in the years 2008 to 2010) and a hypothetical scenario (a sharp drop in sales in the Volkswagen Group). These scenarios, which cover all categories of risk, are supplemented by sensitivity analyses specific to risk categories. Appended to these analyses are regular stress test analyses with a multi-year time horizon for the normative perspective. In addition, annual reverse stress tests are used to identify what events could represent a threat to the ability of the Volkswagen Financial Services AG Group to continue as a going concern. Stress tests using a multi-year time horizon (for example an economic downturn) are also conducted annually together with a climate stress test which analyzes the C&E risks for the Volkswagen Financial Services AG Group.

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

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

Aggregation of risks, analysis of results

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

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

DISCLOSURE OF OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

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

(CVA). The credit risk excluding the counterparty credit risk accounts for 88.7% of the total risk exposure amount, thus constituting the largest risk type.

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

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

		RISK WEIGHTED EXPOSURE AMOUNTS (RWEAS)		TOTAL OWN FUNDS REQUIREMENTS
		a	b	c
	in € millions	Dec 31, 2024		Dec 31, 2024
1	Credit risk (excluding CCR)	146,168.1	147,706.0	11,693.4
2	Of which the standardised approach	146,168.1	147,706.0	11,693.4
3	Of which the Foundation IRB (F-IRB) approach	0.0	0.0	0.0
4	Of which: slotting approach	0.0	0.0	0.0
EU 4a	Of which: equities under the simple riskweighted approach	0.0	0.0	0.0
5	Of which the Advanced IRB (A-IRB) approach	0.0	0.0	0.0
6	Counterparty credit risk - CCR	2,857.6	3,115.5	228.6
7	Of which the standardised approach	727.9	750.1	58.2
8	Of which internal model method (IMM)	0.0	0.0	0.0
EU 8a	Of which exposures to a CCP	2.8	3.0	0.2
EU 8b	Of which credit valuation adjustment - CVA	2,126.9	2,362.3	170.2
9	Of which other CCR	0.0	0.0	0.0
10	Not applicable	X	X	X
11	Not applicable	X	X	X
12	Not applicable	X	X	X
13	Not applicable	X	X	X
14	Not applicable	X	X	X
15	Settlement risk	0.0	0.0	0.0
16	Securitisation exposures in the non-trading book (after the cap)	0.0	0.0	0.0
17	Of which SEC-IRBA approach	0.0	0.0	0.0
18	Of which SEC-ERBA (including IAA)	0.0	0.0	0.0
19	Of which SEC-SA approach	0.0	0.0	0.0
EU 19a	Of which 1250%	0.0	0.0	0.0
20	Position, foreign exchange and commodities risks (Market risk)	5,981.5	6,048.1	478.5
21	Of which the standardised approach	5,981.5	6,048.1	478.5
22	Of which IMA	0.0	0.0	0.0
EU 22a	Large exposures	0.0	0.0	0.0
23	Operational risk	9,772.3	9,642.5	781.8
EU 23a	Of which basic indicator approach	0.0	0.0	0.0
EU 23b	Of which standardised approach	9,772.3	9,642.5	781.8
EU 23c	Of which advanced measurement approach	0.0	0.0	0.0
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	4,719.7	5,912.9	377.6
25	Not applicable	X	X	X
26	Not applicable	X	X	X
27	Not applicable	X	X	X
28	Not applicable	X	X	X
29	**Total**	**164,779.5**	**166,512.1**	**13,182.4**

The credit risk excluding the counterparty credit risk stood at €146,168.1 million as of December 31, 2024 and had therefore declined slightly by €1,537.9 million over the previous quarter. Volkswagen Financial Services AG uses the Credit Risk Standardized Approach (CRSA) to quantify credit risks. Further information on the composition of credit risk excluding counterparty credit risk can be seen in tables 23 and 24.

The decrease in the counterparty credit risk from €257.8 million to €2,857.6 million is primarily attributable to the credit valuation adjustment (CVA) as well as the decreased SA-CCR replacement costs due to changed market values. Further information on the composition of counterparty credit risk can be found in Tables 30 through 34.

At €9,772.3 million, operational risk increased slightly over the previous quarter's figure of €9,642.5 million. Volkswagen Financial Services AG applies the Standardized Approach in this connection.

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

DISCLOSURE OF COUNTERCYCLICAL CAPITAL BUFFERS

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

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

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

At 46.3%, the own funds requirements for Germany of €5,409.0 million constitute the greatest proportion in the calculation of the countercyclical capital buffer. The countries listed cover more than 97% of Volkswagen Financial Services AG's own funds requirements. A further disaggregation of the countries listed under "Other" has been dispensed with for materiality reasons.

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

	in € millions	a
1	Total risk exposure amount	164,779.5
2	Institution specific countercyclical capital buffer rate	0.9704%
3	Institution specific countercyclical capital buffer requirement	1,599.0

Volkswagen Financial Services AG's institution-specific countercyclical capital buffer stands at 0.9704% at the consolidated level as of December 31, 2024.

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

		A	B	C	D	E	F	G	H	I	J	K	L	M
	in € millions	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
010	Breakdown by country:	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Securitisation exposures Exposure value for non-trading book	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	BE	3,782.8	0.0	0.0	0.0	0.0	3,782.8	285.0	0.0	0.0	285.0	3,562.1	2.4%	1.00%
	CZ	2,497.0	0.0	0.0	0.0	0.0	2,497.0	177.1	0.0	0.0	177.1	2,214.2	1.5%	1.25%
	DE	87,904.9	0.0	0.0	0.0	0.0	87,904.9	5,409.0	0.0	0.0	5,409.0	67,612.9	46.3%	0.75%
	DK	1,946.3	0.0	0.0	0.0	0.0	1,946.3	148.5	0.0	0.0	148.5	1,856.1	1.3%	2.50%
	ES	7,405.5	0.0	0.0	0.0	0.0	7,405.5	496.5	0.0	0.0	496.5	6,206.8	4.2%	0.00%
	FR	12,379.8	0.0	0.0	0.0	0.0	12,379.8	786.2	0.0	0.0	786.2	9,827.8	6.7%	1.00%
	GB	28,618.6	0.0	0.0	0.0	0.0	28,618.6	1,632.6	0.0	0.0	1,632.6	20,408.1	14.0%	2.00%
	IE	1,699.3	0.0	0.0	0.0	0.0	1,699.3	107.4	0.0	0.0	107.4	1,342.4	0.9%	1.50%
	IT	13,823.7	0.0	0.0	0.0	0.0	13,823.7	835.1	0.0	0.0	835.1	10,438.7	7.1%	0.00%
	NL	9,742.1	0.0	0.0	0.0	0.0	9,742.1	675.3	0.0	0.0	675.3	8,441.5	5.8%	2.00%
	NO	1,555.6	0.0	0.0	0.0	0.0	1,555.6	118.7	0.0	0.0	118.7	1,483.3	1.0%	2.50%
	PL	6,860.7	0.0	0.0	0.0	0.0	6,860.7	450.3	0.0	0.0	450.3	5,629.4	3.9%	0.00%
	SE	3,729.1	0.0	0.0	0.0	0.0	3,729.1	230.0	0.0	0.0	230.0	2,874.8	2.0%	2.00%
	Sonstige	4,898.3	0.0	0.0	0.0	0.0	4,898.3	335.0	0.0	0.0	335.0	4,187.3	2.9%	0.22%
020	**Gesamt**	**186,843.8**	**0.0**	**0.0**	**0.0**	**0.0**	**186,843.8**	**11,686.8**	**0.0**	**0.0**	**11,686.8**	**146,085.4**	**100.0%**	

Risk management objectives and policy

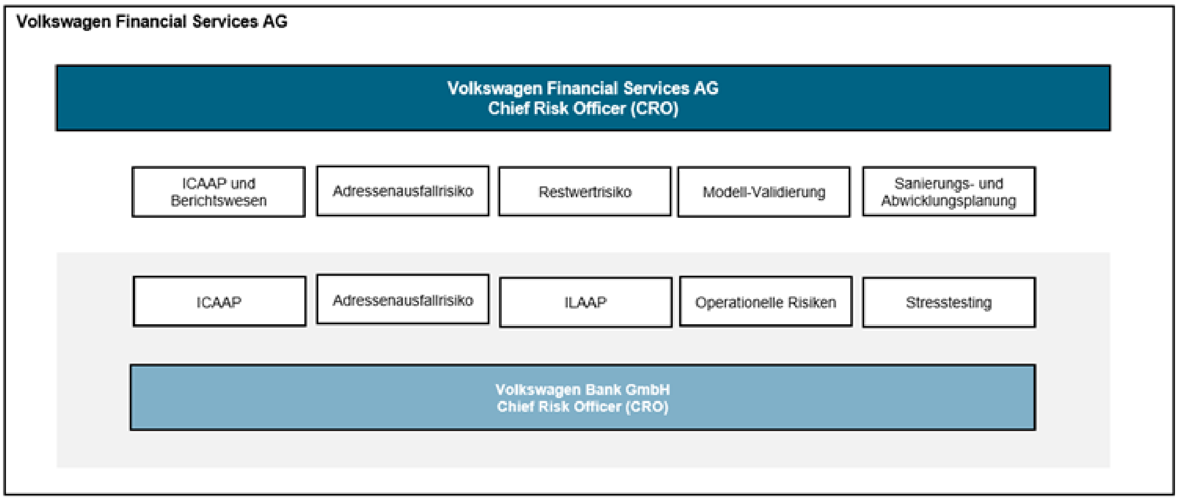
ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT

At Volkswagen Financial Services AG, risk is defined as the danger of loss or damage that could occur if an expected future development turns out to be less favorable than planned. Volkswagen Financial Services AG is exposed to a large number of risks typical for the financial services sector within the scope of its primary operating activities, and enters into those risks in the context of its agreed risk strategy to ensure that it can selectively exploit any resulting market opportunities.

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

Responsibility for risk management at Volkswagen Financial Services AG lies with the Board of Management as a whole, whereby the Chief Risk Officer (CRO) is responsible for its operational implementation. In this role, the CRO submits regular reports to the Board of Management as a whole and the Supervisory Board on the overall risk position of Volkswagen Financial Services AG.

The Board of Management is supported by several risk management units that were established to perform the operational risk control functions. This means that Volkswagen Financial Services AG and Volkswagen Bank GmbH manage the risks using an integrated approach. In practice, operational implementation for the residual value risk processes, defined model validation activities and recovery and resolution planning lies with Volkswagen Financial Services AG's risk management units. The expertise of the risk management function at Volkswagen Bank GmbH is additionally used for liquidity risk (ILAAP), operational risk and stress testing activities. Risk-bearing capacity is determined and the internal capital



adequacy of Volkswagen Financial Services AG and Volkswagen Bank GmbH is assessed (under the internal capital adequacy assessment process – ICAAP) in close collaboration between the two companies; counterparty default risk is managed in the same way.

Volkswagen Financial Services AG has implemented appropriate procedures to ensure the adequacy of the risk management system. The Internal Audit department monitors the individual elements in the system regularly on a risk-oriented basis.

As a consequence of the restructuring of the Volkswagen Financial Services companies under company law in 2024 and the associated qualified holding procedure, the Volkswagen Financial Services AG Group has the same Pillar 2 requirement as Volkswagen Bank GmbH, equal to 2.25%. The Pillar 2 requirement is determined and reviewed annually by the ECB as the banking supervisor. It must be satisfied in addition to the Pillar 1 minimum capital requirements and covers risks that are underestimated in the minimum capital requirements or are not covered by them.

The clear, unequivocal separation of tasks and areas of responsibility, both organizationally and in terms of personnel ensures that the system is fully functioning at all times and regardless of the personnel involved.

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

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

Local risk management is responsible for implementing and complying with Volkswagen Financial Services AG's risk management requirements in each market.

In summary, ongoing risk monitoring, open and direct communication with the Board of Management and integrating the insights gained into operational risk management form the basis for optimal leverage of market potential from the Board of Management's perspective, based on informed and effective management of Volkswagen Financial Services AG's overall risk.

RISK STRATEGY AND RISK MANAGEMENT

Fundamental decisions relating to strategy and the instruments of risk management are the responsibility of the Board of Management of Volkswagen Financial Services AG.

As part of this overall responsibility, the Board of Management has implemented a strategy process and a business and risk strategy. The Group-wide MOBILITY2030 business strategy sets out the fundamental views of the Board of Management of Volkswagen Financial Services AG on key matters relating to business policy. It includes the objectives for each major business activity and the strategic areas for action to achieve the relevant objectives. Moreover, the business strategy serves as the starting point for the preparation and associated development of the risk strategy.

The risk strategy is reviewed annually and on an ad hoc basis, adapted as necessary and discussed with and approved by the Board of Management of Volkswagen Financial Services AG, based on the risk inventory, the risk-bearing capacity and the legal requirements. The risk strategy describes the main risk management goals and action plans for each category of risk taking into account the business policy focus, risk tolerance and risk appetite. A review is carried out annually to establish whether the goals of the risk strategy have been attained. The origins of any discrepancies that arise are analyzed and then discussed with Volkswagen Financial Services AG's Board of Management.

The risk strategy contains all material quantifiable and unquantifiable risks. More detailed information and specific examples of the individual risk categories are presented in the form of subrisk strategies and operationalized in the business and risk planning process.

The Board of Management of Volkswagen Financial Services AG is responsible for determining and subsequently implementing the Volkswagen Financial Services AG Group's overall risk strategy.

RISK CULTURE

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

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

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

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

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

RISK CONCENTRATIONS

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

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

> Just a few borrowers/contracts account for a large proportion of the loans (counterparty concentrations)

A small number of sectors account for a large proportion of the loans (sector concentrations)

> Many of the loans are to businesses within a defined geographical area (regional concentrations)
> Loans/receivables are secured by just one type of collateral or by a limited range of collateral types (collateral concentrations)
> Volkswagen Financial Services AG's income is generated from just a few sources (income concentrations).

These potential concentrations are mitigated by diversification, for example with regard to the dimensions of brands, models and countries.

Counterparty concentrations from customer financing are only of minor significance because of the large proportion of business accounted for by retail lending. In terms of regional distribution, the Company aims for broadly based diversification of business across regions.

In contrast, sector concentrations in the dealer business are part of the nature of the business for a captive provider and these concentrations are therefore individually analyzed.

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

MODEL RISK

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

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

RISK REPORTING

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

- Presentation of the risk situation for the main risk categories
- Results of the risk-bearing capacity analysis using the economic and normative perspectives
- Overview of outsourcing activities and business continuity management
- Overview of ad hoc cases

The following information is also presented to the Board of Management in the quarterly ICAAP report:

- Presentation and evaluation of stress test results in various scenarios (historical and hypothetical)
- Presentation and evaluation of the sensitivity analyses for the individual risk types
- Normative/economic reconciliation of capital requirement (for each risk category)
- Commentary on the changes in risk-bearing capacity in the individual perspectives and scenarios

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

The high quality of the information contained in the risk reports about structures and trends in the portfolios is maintained by a process of constant refinement and ongoing adjustment in line with current circumstances.

RECOVERY AND RESOLUTION PLANNING

During the second half of the year, Volkswagen Financial Services AG began preparing the first of its own recovery plans for the newly founded Volkswagen Financial Services AG Group, which is scheduled to take effect and be submitted to the European Central Bank in the first quarter of fiscal year 2025. A draft of the new Group-wide recovery plan was submitted to the European Central Bank, as the competent supervisory authority, in the course of the fiscal year.

The recovery plan covers matters including a system to ensure that adverse developments are identified promptly, and the possible measures that could be used by the Group in different stress scenarios to safeguard or restore a robust financial footing. Specifically, recoverability is analyzed and evaluated on the basis of three different stress scenarios.

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

Volkswagen Financial Services AG has additionally assisted the competent resolution authorities with the preparation of a Group resolution plan during the current fiscal year. The objective of the resolution plan is to safeguard the resolvability of the Group. This involves Volkswagen Financial Services AG providing the resolution authorities with information and analyses for this purpose in accordance with its supporting duties as defined in section 42 of the Recovery and Resolution Act (SAG). Volkswagen Financial Services AG expects to receive a Group resolution plan, including the determination of the relevant resolution entity, during the course of fiscal year 2025.

CURRENT REGULATORY FACTORS

Following years of tightening of the regulatory framework for institution and financial holding groups as a result of the financial crisis, the banking crisis in the USA and the problems affecting Swiss bank Credit Suisse, the narrative of the upcoming EU legislative period will shift to the topic of competitiveness as the European Union's ability to compete against China and the USA is declining. At the moment, however, this is not likely to have a positive impact on the regulatory framework requirements, except for selective improvements. Admittedly, no major regulatory initiatives are planned in the near future at Level I legislation, i.e. in terms of new EU regulations and directives. However, the existing comprehensive mandates of numerous European directives and regulations for the EU Commission, in particular the banking package, i.e. CRR III (Capital Requirements Regulation, CRD VI (Capital Requirements Directive) and DORA on the adoption of delegated acts and on MIFIR, etc. suggest a further large number of new, tighter regulatory requirements at Level II, which are essentially drafted by the European Banking Authority (EBA) and also ESMA, and supplemented by guidance at Level III. Experience shows that the draft legislation may contain significant, but as yet unforeseen, tightening that will need to be identified and highlighted by the associations during the expected consultation processes. Volkswagen Financial Services AG, for the financial holding group, and Volkswagen Bank GmbH (Group), as part of the VW Financial Services AG financial holding group, will consider these and implement and incorporate the final drafts. This may also have implications for the business and risk strategy.

Following over two years of deliberations, the Council and EU Parliament accepted compromise drafts for CRR III and CRD VI that were agreed by the trilogue parties in November 2023 and came into effect on July 9, 2024. The CRR III is concerned primarily with the implementation of Basel IV (also referred to by the Basel Committee as the completion of Basel III). In addition, the definitions have been broadened, causing the prudential scope of consolidation to widen at the level of the financial holding group. This relates in particular to the definition of ancillary services undertakings, which will result in two additional companies having to be included in the prudential scope of consolidation of the Volkswagen Financial Services AG financial holding group. As the provisions are worded very vaguely and leave large scope for interpretation, the EBA has been mandated with publishing guidance to specify the characteristics of the definitions in greater detail within 18 months of CRR III coming into effect. Furthermore, the EBA has published a number of draft Commission-delegated regulations on CRR III, which will be accepted by the Council and the EU Parliament by way of the consent procedure following their acceptance by the EU Commission. In addition to the reporting requirements, they include specific requirements for the individual types of risk that must be backed by capital. Most of the CRR III requirements are applicable as of January 1, 2025, although the CRR III reporting requirements will not have to be implemented until June 30, 2025. The first-time application of the market risk requirements has been postponed by one year. Volkswagen Bank GmbH and Volkswagen Financial Services AG have launched a CRR III implementation project to ensure compliance with the requirements of CRR III and the accompanying delegated regulation.

CRD VI, which also came into force on July 9, 2024, focuses on the topic of sustainability risks. Its intention is that institutions should in future be required to create transition plans for their transition to sustainable operation. As soon as a ministerial draft of a CRD VI transposition act is presented in 2025, Volkswagen Financial Services AG and Volkswagen Bank GmbH will analyze and evaluate it, and derive and effect the necessary implementation measures. As a significant financial holding company and the parent company of the Volkswagen Financial Services AG financial holding group, Volkswagen Financial Services AG has been subject to direct supervision by the ECB since July 1, 2024. This means that it must comply with the EBA guidelines, the requirements of the ECB and the requirements of the German Federal Financial Supervisory Authority (BaFin), including the Minimum Requirements for Risk Management (MaRisk), insofar as the latter has not limited the scope of its requirements to less significant institutions. Volkswagen Financial Services AG is also subject to the ECB's Supervisory Review and Evaluation Process (SREP). The EBA has published guidelines concerning SREP implementation and assessment and updates them from time to time. The EBA published its most recent set of revised guidelines on SREP and supervisory stress testing, which came into effect on January 1, 2023, on March 18, 2022. The revised SREP guidelines serve largely to implement requirements of CRD V, incorporate the stipulations of various new and revised EBA guidelines and are intended to help refine supervisory practice. The changes being introduced also include a requirement that ESG risks be incorporated into business model analysis. ESG risks and their consequences are to be assessed in this context with regard to the viability and sustainability of the business model and the long-term resilience of the financial holding group. In future, this assessment will probably also have an increased effect on the level of the overall SREP score determined by the ECB.

Once the SREP has been completed, Volkswagen Financial Services AG (Group) – like the other significant institutions – will be notified of any additional capital requirements or expectations under Pillar 2 and any recommendations for implementation that Volkswagen Financial Services AG (Group) must take into account. In light of the fact that subsidiaries of Volkswagen Financial Services AG, in particular Volkswagen Bank GmbH and Volkswagen Leasing GmbH, are large-scale originators of securitizations, the provisions of the German Securitization Regulation and the requirements for STS securitizations are highly relevant for these companies.

The provisions of the Prudential Backstop Regulation for nonperforming loans as described in Article 47a of the CRR, which entered into force on April 26, 2019, also have a regulatory effect on the capital requirement for credit risk. Regulatory minimum capital requirements for risk exposures that have been nonperforming for more than two years have been in force since 2021. Failure to comply in full with the regulatory minimum capital requirement necessitates a deduction from the Common Equity Tier 1 capital. There are deductions from equity in light of the fact that vehicle collateral is currently not eligible for prudential purposes for the Volkswagen Financial Services AG (Group) financial holding group, which applies the CRSA. This deduction from equity also affects Pillar 2.

The Volkswagen Financial Services AG financial holding group must also ensure that its management of nonperforming loans complies with the EBA Guidelines on management of nonperforming and forborne exposures, the ECB's Guidance to banks on nonperforming loans and the revised MaRisk published in August 2021. More significant implications for the credit risk strategy can arise should the proportion of nonperforming risk exposures reach or exceed 5% at the level of the Volkswagen Financial Services AG financial holding group or at the level of the Volkswagen Bank Group. The Volkswagen Financial Services AG financial holding group must comply with the EBA Guidelines on Loan Origination and Monitoring, which define wide-ranging requirements for the assessment of lending operations and thus have implications for credit decisions. IT implementation was completed ahead of the establishment of the financial holding group.

There are regulatory effects arising from the stipulations concerning interest rate risk, These include the guidelines on interest rate risks for the banking book (IRRBB) and credit spread risk arising from banking book activities (CSRBB), which were to be implemented by July 1 upon the establishment of the financial holding group. The adopted delegated act regarding CRD V on the supervisory IRRB outlier test specifies the six supervisory shock scenarios plus the criteria to be used to assess whether there is a strong decline in net interest income or in the economic value of equity that could trigger supervisory measures. The IRRBB package is rounded off by extensive reporting requirements on interest rate risk, which were required to be implemented by September 30, 2024. Accordingly, the first report had to be submitted by September 30, 2024. The LiMA project will ensure sustainable IT implementation. Other regulatory effects on risk management in Pillar II stem in particular from the supervisory requirements for IT in financial institutions (BAIT), the EBA Guidelines on ICT and security risk management and the EBA Guidelines on outsourcing arrangements, which are considered in the MaRisk published in August 2021. The BAIT were re-published on January 10, 2025 in a somewhat reduced form.

In addition, the Digital Operational Resilience Act (DORA) for the financial sector, which took effect on January 17, 2025, will be of major relevance in the future and significantly shape the requirements for IT, as well as the relationship with ICT service providers. DORA is intended to establish a standardized framework for the effective and all-inclusive management of cybersecurity and ICT risk for financial market participants and critical ICT service providers as defined in the Regulation. It aims to ensure that resilient operation can be maintained in the event of serious disruption that could potentially jeopardize the security of the network and information systems so that financial market participants can continue to work securely and reliably even if information and communication technology (ICT) is affected by a major incident. DORA focuses on six main areas: ICT risk management, the reporting of ICT-related incidents and material cyberthreats, digital operational resilience testing (including threat-led penetration testing, TLPT), third-party ICT risk management, a European oversight framework for critical third-party ICT service providers, and information sharing and (cyber) emergency exercises.

A large proportion of the DORA requirements are already familiar from the aforementioned EBA Guidelines on ICT and security risk management and EBA Guidelines on outsourcing arrangements and from the supervisory requirements for IT in financial institutions (BAIT) and MaRisk. What the regulation does, in effect, is elevate many requirements that are already known onto a statutory footing. BaFin has exempted financial undertakings that are directly subject to the DORA Regulation from the scope of BAIT in order to avoid double regulation. This means that the Volkswagen Bank GmbH and Volkswagen Leasing GmbH subsidiaries are no longer directly governed by the BAIT. However, the BAIT continue to apply to Volkswagen Financial Services as the parent company of the Volkswagen Financial Services AG Group. BaFin announced on January 10, 2025 that the BAIT are expected to be repealed by December 31, 2026. It can be expected that, either in the context of the CRD VI Implementation Act or in the context of the next amendment of the MaRisk, parent companies such as Volkswagen Financial Services AG that, as financial holding companies, do not fall directly within the scope of DORA, will be required by analogy to implement the DORA requirements Group-wide by December 31, 2026.

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

One project implements the requirements of DORA and the associated delegated regulations. The objective is to implement regulatory requirements from DORA and to strengthen the resilience of the Volkswagen Financial Services AG Group to cyber risks.

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

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

The Guide focuses on seven key areas: a) the responsibilities of the management body, b) the scope of application of the data governance framework, c) key roles and responsibilities for data governance, d) the implementation of an integrated data architecture at group level, e) the effectiveness of data quality controls, f) the timeliness of internal risk reporting and g) implementation programs. Volkswagen Financial Services AG is taking this topic very seriously and is implementing the individual elements in line with a plan presented to the Board of Management. Christian Löbke, Deputy CRO of Volkswagen Financial Services AG, is Head of Data Governance.

Considering climate and environmental risks in risk management, including transition risks, will continue to be important in light of the tougher regulatory requirements to be expected. This will require the Volkswagen Financial Services AG Group to address these risks, which can be drivers of existing risk types, in detail and factor them into the identification, assessment, monitoring and management of risk categories. Whereas large amounts of data are already being collected to identify and assess potential climate and environmental risks, whether for internal risk management or for public disclosure purposes, the issue of the relevance and quality of this data for managing transition plans will become increasingly important.

The ECB Guide on climate-related and environmental risks is of particular importance in this context, and the requirements it contains are expected to be implemented in line with a plan agreed with the ECB following the establishment of the financial holding group. This plan also includes the new Volkswagen

Bank Group with Volkswagen Leasing GmbH as a subsidiary of Volkswagen Bank GmbH. The requirements of this Guide are expected to be implemented for the Volkswagen Financial Services Group by the end of September 2025, based on the methodology developed for the Volkswagen Bank Group in the form existing until June 30, 2024; however, the materiality assessment of the risks is expected to be completed by June 30, 2025.

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

It is worth noting that ESG risks must not only be taken into account comprehensively in risk management; a comprehensive disclosure of ESG risks is now required, and this trend is set to increase. For example, the Volkswagen Financial Services AG financial holding group's Pillar 3 Disclosure Report is required to include comprehensive sustainability-related disclosures for the first time. In particular, this concerns information on CO_2 emissions, including those related to vehicle financing (Scope 3 emissions) and the green asset ratio. The green asset ratio expresses the proportion of loans and receivables that satisfy the taxonomy criteria in the Taxonomy Regulation and the current associated Delegated Regulation (EU) 2021/2139.

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

Finally, the Corporate Sustainability Reporting Directive (CSRD) entered into force during 2023 but has not yet been transposed into national law. Due to the end of the so-called traffic light coalition in Germany, this will probably not happen until 2025. In the future, Volkswagen Financial Services AG and its Volkswagen Bank GmbH and Volkswagen Leasing GmbH subsidiaries, as large publicly traded companies, will be required to disclose extensive sustainability-related information in their individual (sub)group management reports. This includes the required disclosure in accordance with Article 8 of the Taxonomy Regulation and the Delegated Regulation (EU) 2021/2178. The sustainability and transformation strategy and the transition plans with defined target dates for reducing CO_2 emissions will also be covered by the disclosure requirements. This will have implications for the Volkswagen Financial Services AG Group and its risk management, as well as for the assessment of the Volkswagen Financial Services AG Group's transition risk. The details are set out in a delegated act that is now in force. Initial publication is expected as of December 31, 2025.

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

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

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

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

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

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

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

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

NEW PRODUCT AND NEW MARKET PROCESS

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

Volkswagen Financial Services AG maintains a product manual containing details of all products and markets intended to form part of the business activities.

OVERVIEW OF RISK CATEGORIES

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

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

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

The Board of Management of Volkswagen Financial Services AG has approved the following risk statements:

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

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

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

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

Consequently, we, as the Board of Management of Volkswagen Financial Services AG, consider the risk management systems established by the Volkswagen Financial Services AG Group to be appropriate for its profile and strategy."

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

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

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

TABLE 13: CHANGES IN RISK CATEGORIES

	DEC 31,2024		SEP 30,2023	
Risk categories	€ million	Share in %	€ million	Share in %
Credit risk	6,875	43	6,786	43
Shareholder, issuer and counterparty risk	1,140	7	1,196	8
Residual value risk	4,849	30	4,477	29
Interest rate risk in the banking book (IRRBB)	2,245	14	2,164	14
	102	1	95	1
Other market risks (currency and rund price risk)	326	2	349	2
Liquidity risk (funding risk)	62	0	22	0
Operational risk	418	3	448	3
Business risk	0	0	0	0
Total	**16,017**	**100**	**15,537**	**100**

The confidence level is 99.9% as standard.

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

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

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

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

Number of directorships held by members of the Management Board

The following tables show the number of directorships held by members of the Management Board and the Supervisory Board of Volkswagen Financial Services AG.

TABLE 14: NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF

	Anzahl Leitungsfunktionen per 31.12.2024	davon Leitungsfunktionen im Volkswagen Konzern per 31.12.2024	Anzahl Aufsichtsfunktionen per 31.12.2024	davon Aufsichtsfunktionen im Volkswagen Konzern per 31.12.2024
Dr. Christian Dahlheim	1	1	9	8
Anthony Bandmann	1	1	10	9
Dr. Ingrun-Ulla Bartölke	1	1	6	6
Frank Fiedler	1	1	5	5
Dr. Alena Kretzberg	2	2	4	2

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

	of which management functions in the Volkswagen Group as of Dec. 31, 2024	of which management functions in the Volkswagen Group as of Dec. 31, 2024	Number of supervisory functions as of Dec. 31, 2024	of which supervisory functions in the Volkswagen Groupas of Dec. 31, 2024
Dr. Arno Antlitz	1	1	8	8
Dr. Hans Peter Schützinger	3	3	10	8
Andreas Krauß	0	0	1	1
Garnet Alps	0	0	1	1
Sarah Ameling-Zaffiro	0	0	2	2
Philip Laucks	0	0	1	1
Jürgen Mahnkopf	0	0	3	3
Jürgen Rittersberger	1	1	11	8
Sabine Schmittroth	1	0	2	1
Holger Siedentopf	0	0	1	1
Mirko Thiel	0	0	1	1

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

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

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

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

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

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

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

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

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

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

Diversity is one of the criteria for the composition of management bodies. The concept of diversity is also taken into account when selecting the members of the management bodies. Above all, Volkswagen Bank GmbH endeavors to achieve diversity in terms of age, gender, geographical origin, as well as educational and professional background with, in particular, appropriate consideration of women. The proportion of women on the Supervisory Board of Volkswagen Financial Services AG stands at 36% (target: 25%). There is adequate representation of employees on the Supervisory Board. The target for female representation on the Board of Management is 20%.

Information about the Risk Committee

The Risk Committee held two meetings in the reporting period. During the reporting period, there were no urgent transactions that would have required a decision by circulation of written resolutions for approval. The Committee has four members. The average attendance rate was 87.5%.

At its meeting on August 30, 2024, the Risk Committee discussed the business and risk strategy and the ad hoc risk inventory of Volkswagen Financial Services AG (Group). The Committee also discussed the outcome of the Supervisory Review and Evaluation Process (SREP) in 2025 and the current capital ratios of Volkswagen Financial Services AG (Group). In addition, the Committee was informed about the current status of the large exposure of Volkswagen Financial Services AG (Group) and the management of residual values and residual value risk, and discussed these matters.

At the meeting on November 11, 2024, the Committee was presented with the organizational structure of risk management at Volkswagen Financial Services AG (Group) as a result of the internal restructuring as of July 1, 2024, as well as the risk management report of Volkswagen Financial Services AG (Group) dated September 30, 2024. In addition, the Committee was informed about the initial conduct of the EBA/ECB stress test for Volkswagen Financial Services AG in 2025. Furthermore, the Committee dealt with other aspects of residual value and residual value risk management.

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

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

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

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

Credit risk and credit risk mitigation

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

Volkswagen Financial Services AG defines nonperforming in accordance with Article 442(a) of the CRR in line with Article 178 of the CRR as follows:

An obligor is deemed to be nonperforming if,

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

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

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

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

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

Description of the procedures applied when recognizing provisions for credit risks

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

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

Recognition of specific value allowances

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

Recognition of portfolio-based specific value allowances

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

Recognition of portfolio-based provisions for credit risks

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

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

Credit risk

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

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

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

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

Risk identification and assessment

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

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

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

Rating systems for corporate customers

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

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

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

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

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

Scoring Systems in the Retail Business

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

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

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

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

Supervision and review of retail and corporate systems

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

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

Risk monitoring and control

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

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

QUANTITATIVE DISCLOSURE OF CREDIT AND DILUTION RISK

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

TABLE 16: EU CR1-A – MATURITY OF EXPOSURES

		A	B	C	D	E	F
		Net exposure value					
	in € millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	5,098.0	24,332.2	68,242.8	7,960.6	11,015.9	116,649.5
2	Debt securities	0.0	559.8	2,005.6	152.0	2,758.3	5,475.7
3	Total	5,098.0	24,892.0	70,248.4	8,112.6	13,774.2	122,125.2

NONPERFORMING AND FORBORNE EXPOSURES

At 2.45%, Volkswagen Financial Services AG's NPL ratio (FINREP) is below the 5% threshold.

TABLE 17: EU CQ1 – CREDIT QUALITY OF FORBORNE EXPOSURES

		A	B	C	D	E	F	G	H
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
	in € millions	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	**Cash balances at central banks and other demand deposits**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
010	**Loans and advances**	**374.6**	**120.0**	**119.5**	**119.5**	**–2.7**	**–54.9**	**279.6**	**54.6**
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	0.4	0.0	0.0	0.0	–0.0	0.0	0.2	0.0
040	Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	0.4	0.1	0.1	0.1	0.0	–0.0	0.3	0.0
060	Non-financial corporations	324.9	74.2	73.9	73.9	–2.2	–26.9	262.4	39.9
070	Households	49.0	45.8	45.5	45.5	–0.5	–28.0	16.7	14.6
080	**Debt Securities**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
090	**Loan commitments given**	**37.8**	**34.9**	**34.9**	**34.9**	**0.2**	**7.6**	**4.2**	**4.2**
100	**Total**	**412.4**	**154.9**	**154.4**	**154.4**	**–2.6**	**–47.4**	**283.8**	**58.8**

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

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

		A	B	C	D	E	F	G	H	I	J	K	L
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
	in € millions		Not past due or Past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past-due or past-due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**13,114.5**	**13,114.5**	**0.0**	**3.4**	**3.1**	**0.0**	**0.0**	**0.4**	**0.0**	**0.0**	**0.0**	**3.4**
010	**Loans and advances**	**116,727.6**	**116,071.6**	**656.0**	**2,926.6**	**1,517.3**	**436.8**	**441.2**	**308.4**	**198.2**	**13.4**	**11.4**	**2,844.4**
020	Central banks	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	416.9	415.6	1.3	8.9	5.3	1.2	1.7	0.6	0.1	0.0	0.0	6.7
040	Credit institutions	503.2	503.1	0.2	1.0	0.8	0.1	0.1	0.1	0.0	0.0	0.0	1.0
050	Other financial corporations	4,850.7	4,846.1	4.6	18.2	11.4	2.9	2.0	1.0	0.7	0.0	0.1	16.8
060	Non-financial corporations	49,161.1	48,814.5	346.7	1,502.9	931.5	174.8	203.4	109.8	72.2	4.8	6.5	1,434.5
070	Of which SMEs	6,941.3	6,878.3	63.0	158.6	85.0	19.5	17.6	13.1	22.5	0.7	0.2	141.9
080	Households	61,795.2	61,491.9	303.3	1,395.6	568.4	257.8	234.1	196.8	125.2	8.5	4.8	1,385.3
090	**Debt Securities**	**5,427.9**	**5,427.9**	**0.0**	**47.8**	**47.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**47.8**
100	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	General governments	2,205.5	2,205.5	0.0	47.8	47.8	0.0	0.0	0.0	0.0	0.0	0.0	47.8
120	Credit institutions	400.8	400.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	2,314.1	2,314.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	507.4	507.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	**Off-balance sheet exposures**	**25,372.8**	X	X	**320.0**	X	X	X	X	X	X	X	**248.3**
160	Central banks	0.0	X	X	0.0	X	X	X	X	X	X	X	0.0
170	General governments	65.6	X	X	0.9	X	X	X	X	X	X	X	0.8
180	Credit institutions	30	X	X	0.0	X	X	X	X	X	X	X	0.0
190	Other financial corporations	887.6	X	X	2.0	X	X	X	X	X	X	X	1.6
200	Non-financial corporations	18,059.6	X	X	281.7	X	X	X	X	X	X	X	214.6
210	Households	6,330.4	X	X	35.4	X	X	X	X	X	X	X	31.3
220	**Total**	**160,642.8**	**134,613.9**	**656.0**	**3,297.8**	**1,568.2**	**436.8**	**441.2**	**308.7**	**198.2**	**13.4**	**11.4**	**3,144.0**

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

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

		A	B	C	D	E	F	G
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing					
	in € millions			of which: defaulted	of which: subject to impairment			
010	**On balance sheet exposures**	**125,130.0**	**2,974.5**	**2,892.2**	**125,130.0**	**–3,004.8**	**X**	**0.0**
020	Germany	49,411.1	1,702.5	1,700.1	49,411.1	–1,543.2	X	0.0
030	United Kingdom	23,398.2	205.4	199.7	23,398.2	–255.6	X	0.0
040	Italy	9,494.8	108.8	71.8	9,494.8	–116.9	X	0.0
050	France	8,407.2	334.9	328.0	8,407.2	–412.3	X	0.0
060	Spain	6,137.7	103.3	103.0	6,137.7	–177.9	X	0.0
070	Others	28,281.0	519.6	489.5	28,281.0	–498.9	X	0.0
080	**Off balance sheet exposures**	**25,692.8**	**320.0**	**248.3**	**X**	**X**	**60.7**	**X**
090	Germany	14,161.0	166.8	138.9	X	X	43.2	X
100	United Kingdom	2,800.3	0.0	0.0	X	X	0.0	X
110	France	1,975.4	41.9	33.6	X	X	0.8	X
120	The Netherlands	1,776.8	13.1	13.0	X	X	7.6	X
130	Italy	1,377.2	64.7	40.2	X	X	1.5	X
140	Others	3,602.1	33.5	22.7	X	X	7.6	X
150	**Total**	**150,822.7**	**3,294.4**	**3,140.6**	**125,130.0**	**–3,004.8**	**60.7**	**0.0**

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

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

		A	B	C	D	E	F
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
	in € millions						
010	Agriculture, forestry and fishing	353.1	22.0	21.1	353.1	–22.5	0.0
020	Mining and quarrying	52.0	2.5	2.5	52.0	–3.0	0.0
030	Manufacturing	4,250.1	103.9	98.9	4,250.1	–124.3	0.0
040	Electricity, gas, steam and air conditioning supply	156.7	2.5	1.8	156.7	–3.7	0.0
050	Water supply	240.9	9.4	9.3	240.9	–8.3	0.0
060	Construction	3,622.4	150.9	143.6	3,622.4	–147.0	0.0
070	Wholesale and retail trade	27,455.5	540.3	510.0	27,455.5	–502.0	0.0
080	Transport and storage	2,076.7	201.4	195.8	2,076.7	–137.2	0.0
090	Accommodation and food service activities	420.7	18.5	17.3	420.7	–18.9	0.0
100	Information and communication	869.8	21.8	20.7	869.8	–24.7	0.0
110	Real estate activities	0.0	0.0	0.0	0.0	0.0	0.0
120	Financial and insurance actvities	960.1	41.3	40.0	960.1	–36.9	0.0
130	Professional, scientific and technical activities	2,938.1	57.0	53.9	2,938.1	–134.7	0.0
140	Administrative and support service activities	5,103.7	248.6	240.5	5,103.7	–198.8	0.0
150	Public administration and defense, compulsory social security	0.0	0.0	0.0	0.0	0.0	0.0
160	Education	273.7	8.8	8.3	273.7	–9.4	0.0
170	Human health services and social work activities	807.0	20.0	18.5	807.0	–22.3	0.0
180	Arts, entertainment and recreation	185.6	5.3	4.7	185.6	–6.2	0.0
190	Other services	898.0	48.8	47.7	898.0	–32.6	0.0
200	**Total**	**50,664.1**	**1,502.9**	**1,434.5**	**50,664.1**	**–1,432.5**	**0.0**

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

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

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

		A
	in € millions	Gross carrying amount
010	Initial stock of non-performing loans and advances	2,721.8
020	Inflows to non-performing portfolios	552.8
030	Outflows from non-performing portfolios	–347.9
040	Outflows due to write-offs	0.0
050	Outflow due to other situations	–347.9
060	Final stock of non-performing loans and advances	2,926.6

Volkswagen Financial Services AG's performing and non-performing exposures and related provisions break down as follows:

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

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated im-pair-ment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
in € millions			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On perform-ing expo-sures	On non-performing exposures
005	**Cash balances at central banks and other demand deposits**	**13,114.5**	**12,733.8**	**380.7**	**3.4**	**0.0**	**0.4**	**–0.0**	**–0.0**	**–0.0**	**–0.0**	**0.00**	**–0.0**	**0.0**	**0.0**	**–0.0**
010	**Loans and advances**	**116,727.6**	**46,459.3**	**66,913.4**	**2,926.6**	**306.7**	**2,412.5**	**–1,608.1**	**–305.2**	**–1,307.4**	**–1,396.7**	**–37.4**	**–1,305.8**	**–29.8**	**67,012.3**	**1,286.9**
020	Central banks	0.5	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
030	General governments	416.9	13.6	403.1	9.0	3.8	5.1	–5.6	–0.1	–5.5	–1.7	–0.1	–1.6	–0.3	312.0	5.3
040	Credit institutions	503.2	450.7	52.5	1.0	0.2	0.9	–1.2	–0.5	–0.7	–0.2	0.0	–0.2	0.0	37.9	0.6
050	Other financial corporations	4,850.7	362.5	1,313.0	18.2	3.8	13.4	–16.4	–1.6	–14.8	–9.9	–0.5	–9.1	–0.0	420.5	7.4
060	Non-financial corporations	49,161.1	19,173.5	29,828.4	1,502.9	177.2	1,157.8	–781.2	–148.5	–632.8	–651.3	–17.8	–597.2	–16.2	30,548.8	731.5
070	Of which: SMEs	6,941.3	2,923.8	4,016.7	158.6	30.6	116.2	–105.3	–27.6	–77.9	–63.5	–2.2	–55.3	–0.1	3,701.9	69.0
080	Households	61,795.2	26,459.0	35,315.9	1,395.6	121.8	1,235.3	–803.6	–154.5	–653.6	–733.6	–19.0	–697.7	–13.4	35,692.8	542.2
090	**Debt Securities**	**5,427.9**	**2,679.1**	**434.7**	**47.8**	**47.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
100	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	General governments	2,205.5	1,833.0	372.6	47.8	47.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	400.9	338.7	62.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	2,314.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	507.4	507.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	Off-balance sheet exposures	**25,372.8**	**9,253.1**	**16,119.7**	**320.0**	**79.5**	**233.6**	**23.2**	**14.1**	**16.3**	**37.5**	**0.1**	**30.8**	**0.0**	**873.5**	**17.7**
160	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated im-pair-ment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
in € millions			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On perform-ing expo-sures	On non-performing exposures
170	General governments	65.7	0.1	65.6	0.9	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0
180	Credit institutions	29.5	0.1	29.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
190	Other financial corporations	887.6	49.6	838.0	2.0	1.4	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	18.1	0.0
200	Non-financial corporations	18,059.6	7,341.4	10,718.2	281.7	58.1	219.4	16.5	9.2	14.5	34.7	0.0	28.1	0.0	766.6	17.2
210	Households	6,330.4	1,862.0	4,468.5	35.4	19.2	13.5	6.7	4.9	1.8	2.8	0.1	2.7	0.0	88.4	0.4
220	**Total**	**160,642.8**	**71,125.3**	**83,848.5**	**3,297.9**	**434.0**	**2,646.4**	**–1,584.9**	**–291.0**	**–1,291.1**	**–1,359.2**	**–37.4**	**–1,275.0**	**–29.8**	**67,885.8**	**1,304.6**

QUALITATIVE DISCLOSURE OF THE USE OF THE STANDARDIZED APPROACH

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

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

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

QUANTITATIVE DISCLOSURE OF THE USE OF THE STANDARDIZED APPROACH

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

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

TABLE 23: EU CR5 – STANDARDIZED APPROACH

		RISK WEIGHT																
	in € millions	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Sonstige	Total	Of which unrated
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	13,750.6	0.0	0.0	0.0	228.3	0.0	0.0	0.0	0.0	0.0	0.0	1,225.7	0.0	0.0	0.0	15,204.7	0.0
2	Regional government or local authorities	921.6	0.0	0.0	0.0	290.3	0.0	1.7	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	1,213.7	0.0
3	Public sector entities	570.5	0.0	0.0	0.0	77.6	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	648.2	0.0
4	Multilateral development banks	79.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	79.5	79.5
5	International organisations	140.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	140.8	140.8
6	Institutions	0.0	0.0	0.0	0.0	1,250.5	0.0	9.3	0.0	0.0	9.7	0.0	0.0	0.0	0.0	0.0	1,269.5	0.0
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	212.0	0.0	0.0	56,931.4	0.0	0.0	0.0	0.0	0.0	57,143.4	57,143.4
8	Retail	0.0	0.0	0.0	0.0	0.0	45.5	0.0	0.0	58,940.0	0.0	0.0	0.0	0.0	0.0	0.0	58,985.5	58,985.5
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	489.7	1,444.6	0.0	0.0	0.0	0.0	1,934.3	1,934.3
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Covered bonds	0.0	0.0	0.0	240.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	240.3	240.3
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Unit or shares in collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	63.3	0.0	791.6	0.0	0.0	0.0	854.9	854.9
16	Other items	2,496.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,489.2	0.0	0.0	0.0	0.0	49,349.1	59,334.5	59,334.5
17	**TOTAL**	**17,959.3**	**0.0**	**0.0**	**240.3**	**1,846.7**	**45.5**	**222.9**	**0.0**	**58,940.0**	**64,983.5**	**1,444.6**	**2,017.4**	**0.0**	**0.0**	**49,349.1**	**197,049.4**	**178,713.2**

HEDGING AND MITIGATION OF CREDIT RISK

Collateral

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

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

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

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

		EXPOSURES BEFORE CCF AND BEFORE CRM		EXPOSURES POST CCF AND POST CRM		RWAS AND RWAS DENSITY	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	15,204.0	3.3	15,204.0	0.7	3,110.1	20.5%
2	Regional government or local authorities	1,202.5	53.9	1,202.5	11.2	59.0	4.9%
3	Public sector entities	633.6	64.6	634.9	13.4	15.6	2.4%
4	Multilateral development banks	79.5	0.0	79.5	0.0	0.0	0.0%
5	International organisations	140.8	0.0	140.8	0.0	0.0	0.0%
6	Institutions	1,312.0	253.8	1,240.0	29.5	264.4	20.8%
7	Corporates	57,611.7	17,426.4	55,562.6	1,580.8	54,876.6	96.0%
8	Retail	57,306.0	7,226.1	57,306.0	1,679.5	43,178.3	73.2%
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0%
10	Exposures in default	1,907.4	303.5	1,878.5	55.8	2,656.6	137.3%
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0%
12	Covered bonds	240.3	–	240.3	–	24.0	10.0%
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0%
14	Collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0%
15	Equity	854.9	–	854.9	–	2,042.4	238.9%
16	Other items	57,094.7	–	59,243.4	91.1	39,941.0	67.3%
17	**TOTAL**	**193,587.4**	**25,331.6**	**193,587.4**	**3,462.0**	**146,168.1**	**74.2%**

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

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

> Cash on deposit for loan commitments of Volkswagen Financial Services AG within the meaning of Article 197(1)(a) of the CRR.
> Collateral or shares in liability towards KfW under express pandemic loans

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

USE OF CREDIT RISK MITIGATION TECHNIQUES

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

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

		UNSECURED CARRYING AMOUNT	SECURED CARRYING AMOUNT			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
	in € millions	a	b	c	d	e
1	Loans and advances	49,144.1	68,299.2	68,125.7	173.5	0.0
2	Debt securities	5,475.7	0.0	0.0	0.0	0.0
3	Total	54,619.8	68,299.2	68,125.7	173.5	0.0
4	Of which non-performing exposures	243.0	1,286.9	1,280.7	6.2	0.0
EU-5	Of which defaulted	236.2	1,250.7	1,244.7	6.1	0.0

Encumbered and unencumbered assets

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

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

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

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

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

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

As of the December 31, 2024 reporting date, the carrying amount of the encumbered assets was €13,084 million (previous year: €11,286 million).

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

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

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

TABLE 26: EUR AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

		CARRYING AMOUNT OF ENCUMBERED ASSETS		FAIR VALUE OF ENCUMBERED ASSETS		CARRYING AMOUNT OF UNENCUMBERED ASSETS		FAIR VALUE OF UNENCUMBERED ASSETS	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLAof which EHQLA and HQLA
	in € millions	010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**13,084.0**	**0.0**	**X**	**X**	**191,561.2**	**15,893.7**	**X**	**X**
030	Equity instruments	16.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
040	Debt securities	0.0	0.0	0.0	0.0	5,475.7	2,679.9	3,187.5	2,613.7
050	of which: covered bonds	0.0	0.0	0.0	0.0	279.0	0.0	312.0	0.0
060	of which: securitisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
070	of which: issued by general governments	0.0	0.0	0.0	0.0	2,253.3	2,253.3	2,171.4	2,171.4
080	of which: issued by financial corporations	0.0	0.0	0.0	0.0	2,714.9	455.5	1,016.1	442.3
090	of which: issued by non-financial corporations	0.0	0.0	0.0	0.0	507.4	507.4	0.0	0.0
120	**Other assets**	**317.0**	**0.0**	**X**	**X**	**69,068.8**	**100.8**	**X**	**X**

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

				UNENCUMBERED	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
	in € millions	010	030	040	060
130	**Collateral received by the disclosing institution**	**0.0**	**0.0**	**0.0**	**0.0**
140	Loans on demand	0.0	0.0	0.0	0.0
150	Equity instruments	0.0	0.0	0.0	0.0
160	Debt securities	0.0	0.0	0.0	0.0
170	of which: covered bonds	0.0	0.0	0.0	0.0
180	of which: securitisations	0.0	0.0	0.0	0.0
190	of which: issued by general governments	0.0	0.0	0.0	0.0
200	of which: issued by financial corporations	0.0	0.0	0.0	0.0
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand	0.0	0.0	0.0	0.0
230	Other collateral received	0.0	0.0	0.0	0.0
240	**Own debt securities issued other than own covered bonds or securitisations**	**0.0**	**0.0**	**0.0**	**0.0**
241	**Own covered bonds and securitiation issued and not yet pledged**	**X**	**X**	**0.0**	**0.0**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**13,084.0**	**0.0**	**X**	**X**

TABLE 28: EU AE3 – SOURCES OF ENCUMBRANCE

		MATCHING LIABILITIES, CONTINGENT LIABILITIES OR SECURITIES LENT	ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED OTHER THAN COVERED BONDS AND SECURITISATIONS ENCUMBERED
	in € millions	010	030
010	Carrying amount of selected financial liabilities	13,084.0	13,084.0

Counterparty credit risk (CCR)

DISCLOSURE OF COUNTERPARTY CREDIT RISK

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

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

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

Risk identification and assessment

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

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

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

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

Risk monitoring and control

Limits are assigned for counterparty/issuer risk on an aggregated basis and backed by internal capital under the Group ICAAP (internal capital adequacy assessment process) process. To establish effective monitoring and control, volume limits are specified for each counterparty and issuer. The Treasury

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

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

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

QUANTITATIVE DISCLOSURE OF COUNTERPARTY CREDIT RISK

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

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

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

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

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

Other companies within the Volkswagen Financial Services AG financial holding group engage in derivatives transactions without margin agreements. These are Volkswagen Financial Services AG (Germany), Volkswagen Leasing GmbH (Germany), Volkswagen Financial Services (UK) Ltd. (United Kingdom), Volkswagen D'Ieteren Finance S.A. (Belgium), Volkswagen Financial Services N.V. (Netherlands), Volkswagen Finans Sverige AB (Sweden) and Volkswagen Pon Financial Services B.V. (Netherlands).

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

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

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

		A	B	C	D	E	F	G	H
	in € millions	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	0.0	0.0	X	1.4	0.0	0.0	0.0	0.0
EU2	EU - Simplified SA-CCR (for derivatives)	0.0	0.0	X	1.4	0.0	0.0	0.0	0.0
1	SA-CCR (for derivatives)	742.3	1,307.4	X	1.4	2,866.6	2,866.6	2,861.6	727.9
2	IMM (for derivatives and SFTs)	X	X	0.0	0.0	0.0	0.0	0.0	0.0
2a	Of which securities financing transactions netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
2b	Of which derivatives and long settlement transactions netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
2c	Of which from contractual cross-prod-uct netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
3	Financial collateral simple method (for SFTs)	X	X	X	X	0.0	0.0	0.0	0.0
4	Financial collateral comprehensive method (for SFTs)	X	X	X	X	0.0	0.0	0.0	0.0
5	VaR for SFTs	X	X	X	X	0.0	0.0	0.0	0.0
6	**Total**	**X**	**X**	**X**	**X**	**2,866.6**	**2,866.6**	**2,861.6**	**727.9**

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

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

		A	B
	in € millions	Exposure value	RWEA
1	Total transactions subject to the Advanced method	0.0	0.0
2	(i) VaR component (including the 3× multiplier)	X	0.0
3	(ii) stressed VaR component (including the 3× multiplier)	X	0.0
4	Transactions subject to the Standardised method	2,864.5	2,126.9
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0.0	0.0
5	Total transactions subject to own funds requirements for CVA risk	2,864.5	2,126.9

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

TABLE 33: EUR CCR8 – EXPOSURES TO CCPS

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

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

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

		RISIKOGEWICHT											
	in € millions	a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Regional government or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	International organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Institutions	0.0	141.6	0.0	0.0	2,719.2	29.5	0.0	0.0	0.0	0.0	0.0	2,890.2
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Retail	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0		0.0
9	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	112.9	0.0	112.9
11	**Total exposure value**	**0.0**	**141.6**	**0.0**	**0.0**	**2,719.2**	**29.5**	**0.0**	**0.0**	**0.0**	**112.9**	**0.0**	**3,003.1**

Market risk

All companies in the Volkswagen Financial Services AG institution group are classified as non-trading book institutions. The financial holding group does not run a trading book. In the area of market risk, the financial holding group currently enters into currency risk. Own funds requirements stand at €478.5 million. Own risk models are not in use at this time.

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

The own funds required for foreign-currency risks multiplied by a factor of 12.5 equal €5,981.5 million as of December 31, 2024, equivalent to 3.6% of total risk exposure.

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

		A
	in € millions	RWEAs
	Outright products	X
1	Interest rate risk (general and specific)	0.0
2	Equity risk (general and specific)	0.0
3	Foreign exchange risk	5,981.5
4	Commodity risk	0.0
	Options	X
5	Simplified approach	0.0
6	Delta-plus approach	0.0
7	Scenario approach	0.0
8	Securitisation (specific risk)	0.0
9	**Total**	**5,981.5**

Foreign-currency risks primarily arise from the translation into euros of the capital resources of the two bank branches in Poland and the United Kingdom as well as the own funds of Volkswagen Financial Services (UK) Ltd. (United Kingdom), Volkswagen Møller Bilfinans AS (Norway), Volkswagen Finans Sverige AB (Sweden), Volkswagen Semler Finans Danmark A/S (Denmark), movon AG (Switzerland), Volkswagen Financial Services Polska Sp. z o.o. (Poland) and SkoFIN s.r.o. (Czech Republic).

Operational risk

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

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

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

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

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

Risk identification and assessment

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

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

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

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

Risk monitoring and control

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

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

Risk communication

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

Important causes of risk are described in detail below.

COMPLIANCE, CONDUCT AND INTEGRITY RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISK FROM OUTSOURCING ACTIVITIES

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

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

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

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

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

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

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

Risk identification and assessment

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

Risk monitoring and control

The risks from outsourcing activities are documented as part of operational risk. To ensure effective management of outsourcing risk, the Volkswagen Bank GmbH Group has issued a framework policy specifying the constraints that outsourcing arrangements must observe. Before any activity is outsourced, the circumstances must be examined with a focus on risk to determine the risk in each case. This analysis procedure is one of the components of the constraints and ensures that an adequate level of monitoring and control is applied. In this regard, the Outsourcing Coordination function carries out checks, in particular in subsequent procedures, to establish whether the quality of performance is in line with the contractually agreed targets and, where appropriate, initiates corrective measures to ensure such quality of performance is delivered. The framework policy also specifies that all outsourced activities must be agreed with the Outsourcing Coordination unit. This coordination unit is therefore informed about all outsourcing activities and the associated risks, and communicates these risks to the Management Board on a quarterly basis.

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

BUSINESS CONTINUITY MANAGEMENT (BCM)

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

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RISKS

In the risk category IT and infrastructure, the focus is on information security, stability and compliance. As regards cyber risks, a general rise in the number of cyber attacks on businesses and their customers was evident. The nature of these attacks is continually evolving and becoming increasingly professionalized (examples being ransomware attacks, supply chain attacks). In light of the potential losses arising from the disruption or interruption of business operations, preventive and countermeasures are being continuously implemented and refined to maintain resilient IT systems at Volkswagen Financial Services AG. Priority is given to safeguarding the confidentiality, integrity, authenticity and availability of information as a basis for digital business operations and operational resilience. The preventive measures are based on various instruments of the Three Lines of Defense model to ensure security, stability and compliance within the entire IT-based business operations. Identified potential vulnerabilities are systematically transferred to the IT risk process, assessed and appropriately managed in accordance with the risk appetite.

Quantitative disclosure of operational risk

The Volkswagen Bank GmbH institution group uses the Standardized Approach to determine the capital requirement for operational risks. Own funds requirements stand at €781.8 million.

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

		A	B	C	D	E
	Banking activities	Own funds requirements			Own funds requirements	Risk exposure amount
	in € millions	Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	0.00	0.00	0.00	0.00	0.00
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	6,249.68	5,318.63	6,018.90	781.78	9,772.29
3	Subject to TSA:	6,249.68	5,318.63	6,018.90	X	X
4	Subject to ASA:	0.00	0.00	0.00	X	X
5	Banking activities subject to advanced measurement approaches AMA	0.00	0.00	0.00	0.00	0.00

Other financial risks

SHAREHOLDER RISK

Shareholder risk refers to the risk that after contributions of capital or loans regarded as equity are made to a company, losses with negative effects on the carrying amount of the shareholding might occur (e.g. silent contributions). In principle, Volkswagen Financial Services AG only makes such equity investments to help it achieve its corporate objectives. The investments must therefore support its own operating activities and are intended to be held on a long-term basis. If shareholder risk were to materialize in the form of a loss of fair value or even the complete loss of an equity investment, this would have a direct impact on relevant financial data. The net assets and financial performance of Volkswagen Financial Services AG would be adversely affected by write-downs recognized in profit or loss.

Risk identification and assessment

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

Risk monitoring and control

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

RESIDUAL VALUE RISK

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

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

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

Risk identification and assessment

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

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

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

In the case of indirect residual value risk, the risk arising from the determination of residual value in terms of the residual value risk calculation is generally quantified using a methodology similar to that applied to direct residual value risk, plus standard additional risk parameters (dealer default and other factors specific to this risk category).

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

Risk monitoring and control

Risk Management monitors direct residual value risk within Volkswagen Financial Services AG. As part of risk management procedures, the adequacy of the provision for risks and the potential residual value risk are regularly reviewed in respect of direct residual value risk; residual value opportunities are disregarded in the recognition of the provision for risks.

The distribution of risks means that the risks incurred in the individual contract analysis are not always fully covered due to the different curve progressions of the residual value (digressive curve) and repayment (progressive) during the term of the lease. Consequently, in future, for the risks already identified the risk amounts allocated during the residual term must be earned and transferred to depreciation.

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

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

BUSINESS RISK

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

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

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

Earnings risk (specific profit or loss risk)

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

Earnings risk includes the following risks:

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

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

Risk identification and assessment

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

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

Risk monitoring and control

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

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

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

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

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

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

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

The objective of the Volkswagen Financial Services AG Group is to manage its exposure to strategic risk in order to systematically leverage earnings potential in its core business. At the same time, the strategic risks must be minimized.

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

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

LIQUIDITY RISK
Responsibility for liquidity planning lies with the Treasury department of Volkswagen Financial Services AG and Group companies.

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

Risk identification and assessment

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

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

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

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

The Volkswagen Financial Services AG Group's external rating has an impact on the funding costs of money and capital market programs. As of December 31, 2024, credit rating agencies give the Volkswagen Financial Services AG Group a long-term rating of BBB+ (S&P), A- (Fitch) with a stable outlook and A3 (Moody's) with a negative outlook.

Risk monitoring and control

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

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

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

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

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

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

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

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

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

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

If liquidity risk were to materialize, funding risk would result in higher costs and market liquidity risk would result in lower selling prices for assets, both of which would have a negative impact on results of operations. The consequence of illiquidity risk in the worst-case scenario is insolvency caused by illiquidity. The consequence of illiquidity risk in the worst-case scenario is insolvency caused by illiquidity. Volkswagen Financial Services AG manages liquidity risk to prevent this situation from arising.

Composition of the liquidity buffer

The normative liquidity buffer (HQLA) of the Volkswagen Bank GmbH Group is composed of LCR Level1 securities and balances held with Deutsche Bundesbank. The economic view includes the unencumbered part of the ECB safe custody account in the liquidity buffer.

Concentration of liquidity and funding sources

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

In addition to a broadly diversified number of funding sources, the Volkswagen Financial Services AG Group's funding is concentrated within the Volkswagen Group.

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

Derivative exposures and potential collateral calls

Interest-rate and currency swaps are traded within the Volkswagen Financial Services AG Group and included in the calculation of the LCR. OTC derivative contracts are hedged via collateral for each individual counterparty for Volkswagen Bank GmbH. Derivatives of Volkswagen Bank GmbH handled by a central counterparty (CCP) are collateralized in the form of variation and initial margins. In the case of all the other companies in the Volkswagen Financial Services AG Group, OTC derivatives are not collateralized.

Derivatives are expected to generate only minor liquidity effects.

Currency mismatch in the LCR

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

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

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

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

Quantitative disclosure of liquidity requirements

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

Basis for calculating the LCR of the Volkswagen Financial Services AG Group

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

TABLE 37: EU LIQ1 – QUANTITATIVE DISCLOSURES ON LCR

		A	B	C	D	E	F	G	H
	in € millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2024	30/09/2024	30/06/2024	31/03/2024
EU 1b	Number of data points used in the calculation of averages	6	3			6	3		
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61	X	X			23,435.5	26,535.6		
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	50,064.5	49,797.4			2,124.7	2,156.6		
3	*Stable deposits*	12,022.1	9,070.2			601.1	453.5		
4	*Less stable deposits*	14,544.6	16,302.7			1,502.9	1,682.4		
5	Unsecured wholesale funding	11,160.2	9,990.7			6,774.7	6,121.9		
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0.0	0.0			0.0	0.0		
7	*Non-operational deposits (all counterparties)*	10,262.5	9,194.2			5,877.0	5,325.4		
8	*Unsecured debt*	897.7	796.5			897.7	796.5		
9	*Secured wholesale funding*	X	X			0.0	0.0		
10	Additional requirements	11,967.2	12,449.0			2,376.5	2,586.6		
11	*Outflows related to derivative exposures and other collateral requirements*	1,095.2	1,356.4			1,095.2	1,356.4		
12	*Outflows related to loss of funding on debt products*	0.0	0.0			0.0	0.0		
13	*Credit and liquidity facilities*	10,872.0	11,092.6			1,281.3	1,230.2		
14	*Other contractual funding obligations*	3,726.6	3,832.2			3,203.5	3,327.6		
15	Other contingent funding obligations	15,554.1	16,663.1			1,346.8	1,282.4		
16	TOTAL CASH OUTFLOWS	X	X			15,826.3	15,475.1		
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	0.0	0.0			0.0	0.0		
18	Inflows from fully performing exposures	9,420.0	8,337.1			5,362.3	4,806.8		
19	Other cash inflows	2,756.0	3,085.2			1,242.1	1,561.4		
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	X	X			0.0	0.0		
EU-19b	(Excess inflows from a related specialised credit institution)	X	X			0.0	0.0		
20	TOTAL CASH INFLOWS	12,176.0	11,422.0			6,604.4	6,368.1		

		A	B	C	D	E	F	G	H
	in € millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2024	30/09/2024	30/06/2024	31/03/2024
EU-20a	*Fully exempt inflows*	0.0	0.0			0.0	0.0		
EU-20b	*Inflows subject to 90% cap*	0.0	0.0			0.0	0.0		
EU-20c	*Inflows subject to 75% cap*	12,176.0	11,422.3			6,604.4	6,368.1		
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER	X	X			23,435.5	26,535.6		
22	TOTAL NET CASH OUTFLOWS	X	X			9,221.9	9,107.0		
23	LIQUIDITY COVERAGE RATIO	X	X			263.1%	301.2%		

Changes in LCR over time

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

TABLE 38: EU LIQ2 – NET STABLE FUNDING RATIO

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**31,457.8**	**0.0**	**0.0**	**2,746.8**	**31,457.8**
2	*Own funds*	**31,457.8**	**0.0**	0.0	2,746.8	31,457.8
3	*Other capital instruments*	X	0.0	0.0	0.0	0.0
4	**Retail deposits**	**X**	**42,175.3**	**6,433.3**	**2,736.6**	**47,920.9**
5	*Stable deposits*	X	23,991.3	4,738.4	2,082.9	29,376.1
6	*Less stable deposits*	X	18,184.0	1,694.9	653.7	18,544.8
7	**Wholesale funding:**	**X**	**14,906.6**	**9,234.9**	**40,324.9**	**50,149.7**
8	*Operational deposits*	X	0.0	0.0	0.0	0.0
9	*Other wholesale funding*	X	14,906.6	9,234.9	40,324.9	50,149.7
10	**Interdependent liabilities**	**X**	**0.0**	**0.0**	**0.0**	**0.0**
11	**Other liabilities:**	**90.5**	**8,633.4**	**509.8**	**5,300.9**	**5,555.8**
12	*NSFR derivative liabilities*	**90.5**	X	X	0.0	0.0
13	*All other liabilities and capital instruments not included in the above categories*	X	8,633.4	509.8	5,300.9	5,555.8
14	**Total available stable funding (ASF)**	X	X	X	X	135,084.1
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**	**X**	**X**	**X**	**X**	**22.0**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**	**X**	**827.6**	**0.0**	**0.0**	**0.0**
16	**Deposits held at other financial institutions for operational purposes**	**X**	**0.0**	**0.0**	**0.0**	**0.0**
17	**Performing loans and securities:**	**X**	**24,763.3**	**15,331.9**	**70,182.7**	**79,441.3**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*	X	**0.0**	**0.0**	**0.0**	**0.0**
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*	X	**2,012.0**	**1,302.1**	**5,471.8**	**6,324.0**
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sov-ereigns, and PSEs, of which:*	X	**22,172.0**	**11,966.3**	**56,390.0**	**64,738.3**
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	X	**537.8**	**184.8**	**1,387.9**	**1,263.5**
22	*Performing residential mortgages, of which:*	X	**0.5**	**0.5**	**17.3**	**0.0**
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	X	**0.0**	**0.0**	**0.0**	**0.0**

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*	X	**578.9**	**2,063.0**	**8,303.6**	**8,379.0**
25	**Interdependent assets**	**X**	**0.0**	**0.0**	**0.0**	**0.0**
26	**Other assets:**		**8,091.4**	**4,947.2**	**30,478.3**	**36,658.9**
27	*Physical traded commodities*	X	**0.0**	**0.0**	**0.0**	**0.0**
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	X	**19.0**	**0.0**	**0.0**	**16.2**
29	*NSFR derivative assets*	X	**0.0**	**0.0**	**0.0**	**0.0**
30	*NSFR derivative liabilities before deduction of variation margin posted*	X	**888.3**	**0.0**	**0.0**	**44.4**
31	*All other assets not included in the above categories*	X	**7,184.1**	**4,947.2**	**30,478.3**	**36,598.3**
32	**Off-balance sheet items**	**X**	**23,023.8**	**626.4**	**2,024.6**	**2,260.2**
33	**Total RSF**	**X**	**X**	**X**	**X**	**118,382.3**
34	**Net Stable Funding Ratio (%)**	**X**	**X**	**X**	**X**	**114.1%**

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

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

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

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

		A	B	C	D
Supervisory shock scenarios		Changes of the economic value of equity		Changes of the net interest income	
	in € millions	Current period	Last period	Current period	Last period
1	Parallel up	–1,169.9	x	91.8	x
2	Parallel down	1,001.2	x	–92.6	x
3	Steepener	768.0	x	X	X
4	Flattener	–981.2	x	X	X
5	Short rates up	–1,255.9	x	X	X
6	Short rates down	1,306.0	x	X	X

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

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

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

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

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

Risk identification and assessment

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

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

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

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

Risk monitoring and control

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

Exposure to securitization positions

QUALITATIVE DISCLOSURE OF THE RISK FROM SECURITIZATION POSITIONS

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

Objectives of securitization activity

The main purpose of the securitization operations pursued by the Volkswagen Financial Services AG Group is to sell receivables in order to generate liquidity and thus to gain access to another source of funding. ABS transactions also represent a cost-effective form of funding for the seller because the buyer's risk is low. They leverage the capital market and its investors to a greater extent and expand the proportion of funding that is available to the relevant company independently of its rating. This creates a broader and more stable funding and investor base.

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

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

Types of risk associated with securitization

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

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

Roles in the securitization process

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

Scope of the institution's activities

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

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

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

Risk monitoring of securitization positions

The securitization positions held by Volkswagen Bank GmbH as an institution within the Volkswagen Financial Services Group may entail tranches of any seniority (senior, mezzanine, junior). Other companies within the Volkswagen Financial Services AG Group only invest in subordinated tranches (junior, subordinated).

Prior to their sale or issue, a loan approval process is performed in which the Bank front office and back office are involved.

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

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

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

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

No resecuritization positions are held.

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

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

Within Volkswagen Financial Services AG, securitization positions arise from the retention of securities issued by originators in the Volkswagen Financial Services AG financial holding group.

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

Accounting policies

The accounting policies of Volkswagen Financial Services AG Group are based on IFRSs as follows.

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

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

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

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

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

For more information, please see the accounting policies described in the IFRS consolidated financial statements of Volkswagen Financial Services AG.

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

Purchased securities and subordinated loans granted are generally disclosed under assets as securitization positions. These securities are measured at fair value through profit and loss.
The subordinated loans granted are reported with other receivables from customers. They are also measured at fair value through profit and loss. However, the presentation of securitization exposures in the FINREP balance sheet was adjusted for prudential purposes as of March 31, 2023. In connection with the deconsolidation of the special purpose vehicles, securitized exposures, securities acquired and subordinated loans granted had originally been reported as assets in the case of securitization transactions in which Volkswagen Bank GmbH was the sole investor. This resulted in an economic view in the duplicate recognition of one and the same credit risk as the credit risk arising from the securities and the subordinated loans was dependent on the performance of the underlying exposure. An offsetting liability ("virtual loan") was recognized for accounting purposes. This ultimately led to an increase in total assets in

the FINREP balance sheet. However, the recognition of securitization exposures in accordance with IFRS was modified on the basis of a new interpretation with the result that the duplicate recognition of one and the same credit risk has now been eliminated from the FINREP balance sheet. Consequently, no offsetting liability is required for accounting purposes, ultimately leading to a decline in the total assets shown in the FINREP balance sheet. As Volkswagen Bank GmbH remains the economic owner of the securitized exposures under IFRS, the securities acquired and the subordinated loan granted are no longer included in the prudential balance sheet following the elimination of the duplicate recognition. Accordingly, the effects of fair-value measurement recognized in other comprehensive income are no longer reflected in the equity reported on the face of the balance sheet.

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

Credit rating agencies

Volkswagen Bank GmbH invests in the securities arising from its own ABS transactions as well as in the securities under the ABS transactions of Volkswagen Financial Services UK in which amounts owed under retail finance are securitized.

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

The following agencies issued ratings for tranches of current asset-backed securitizations issued by the Volkswagen Financial Services AG Group:

> Moody's Investors Service
> Standard & Poor's Global Ratings
> DBRS Ratings
> Fitch Ratings
> Creditreform Rating
> Scope Ratings
> KBRA

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

Changes versus the previous year

Various companies within the Volkswagen Financial Services AG Group securitize their receivables.

Volkswagen Bank GmbH Group

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

The aforementioned Driver Italia 2024-1 issue was Volkswagen Bank GmbH's only transaction in 2024. With respect to the Driver Master Compartment 2 securitization transaction, there was an asset take-out to reduce the volume and a tap-up to increase it in the reporting year.

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

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

Volkswagen Financial Services UK

In 2024, Volkswagen Financial Services UK issued Driver UK 8 (March 2024) and Driver UK 9 (October 2024) and securitized the loan receivables on an ongoing basis under Driver UK Master 6 and Driver UK Master C7.

Driver UK Master C3 (September 2024) and Private Driver UK 2020-1 (May 2024) were repurchased and terminated.

Volkswagen D'leteren Finance SA

Volkswagen D'leteren Finance SA securitizes loan receivables under Driver Belgium Master on an ongoing basis.

Volkswagen Finans Sverige AB

In Sweden, Volkswagen Finans Sverige AB securitizes lease receivables through VCL Master Sweden on an ongoing basis.

Volkswagen Pon Financial Services B.V.

The Dutch company Volkswagen Pon Financial Services B.V. securitizes lease receivables and residual values through VCL Master Netherlands on an ongoing basis.

Volkswagen Financial Services Polska Sp. z o.o.

Since 2023, Volkswagen Financial Services Polska Sp. z o.o. has been securitizing lease receivables through VCL Master Poland.

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

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

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

QUANTITATIVE DISCLOSURE OF THE RISK FROM SECURITIZATION POSITIONS

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

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

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
	in € millions		of which SRT		of which SRT		of which SRT									
1	**Total exposures**	**27,788.0**	**0.0**	**1,814.2**	**0.0**	**0.0**	**0.0**	**29,602.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
2	Retail (total)	7,675.6	0.0	556.5	0.0	0.0	0.0	8,232.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	residential mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	other retail exposures	7,675.6	0.0	556.5	0.0	0.0	0.0	8,232.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Wholesale (total)	20,112.4	0.0	1,257.7	0.0	0.0	0.0	21,370.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	loans to corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	commercial mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	lease and receivables	20,112.4	0.0	1,257.7	0.0	0.0	0.0	21,370.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	other wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

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

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

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

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

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

		A	B	C
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
	in € millions	Total outstanding nominal amount		
			Of which exposures in default	Total amount of specific credit risk adjustments made during the period
1	**Total exposures**	**45,595.8**	**462.1**	**375.6**
2	Retail (total)	11,558.1	341.8	152.7
3	residential mortgage	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0
5	other retail exposures	11,558.1	341.8	152.7
6	re-securitisation	0.0	0.0	0.0
7	Wholesale (total)	34,037.7	120.3	222.9
8	loans to corporates	0.0	0.0	0.0
9	commercial mortgage	0.0	0.0	0.0
10	lease and receivables	34,037.7	120.3	222.9
11	other wholesale	0.0	0.0	0.0
12	re-securitisation	0.0	0.0	0.0

The outstanding total nominal amount for securitized exposures in the role as originator stands at €45.6 billion as of December 31, 2024. Of this, €462.1 million or 1.0% is classified as in default.

Environmental, social and governance risks (ESG risks)

QUALITATIVE REPORTING

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

Zeilennummer		Qualitative Angaben – Freitext
(a)	Geschäftsstrategie des Instituts zur Einbeziehung von Umweltfaktoren und -risiken unter Berücksichtigung der Auswirkungen von Umweltfaktoren und -risiken auf das Geschäftsumfeld, das Geschäftsmodell, die Strategie und die Finanzplanung des Instituts	Sowohl die Finanzindustrie als auch die Automobilindustrie sind zentrale Sektoren des gesellschaftlichen und wirtschaftlichen Wandels hin zu mehr Nachhaltigkeit. Als Volkswagen Financial Services AG sind wir der größte Automobilfinanz- und Mobilitätsdienstleister Europas. Als 100%ige Tochtergesellschaft und Absatzförderer des Volkswagen Konzerns spielen wir bei der nachhaltigen Transformation der Mobilität eine zentrale Rolle. Mit dem Anspruch, den Wandel innerhalb der Automobilindustrie aktiv zu gestalten, verfolgt der Volkswagen Konzern die Konzernstrategie „The Group Strategy – Mobility for generations“ sowie die Nachhaltigkeitsstrategie „regenerate+“. Der Anspruch ist es, ein führender globaler Anbieter nachhaltiger Mobilität und ein Vorbild für den Schutz der Umwelt zu sein. Nachhaltigkeit bedeutet, wirtschaftliche, soziale und ökologische Zielsetzungen gleichzeitig anzustreben. Wir wollen bleibende Werte schaffen, gute Arbeitsbedingungen bieten und verantwortungsvoll mit der Umwelt und den Ressourcen umgehen. Darüber hinaus gibt die Umweltpolitik des Volkswagen Konzerns den Rahmen für die Umweltaktivitäten der Marken vor. Für Volkswagen Financial Services bedeutet diese gemeinsame Umweltpolitik, dass wir insbesondere unser Kerngeschäft an diesen Prinzipien ausrichten und damit den Konzern bei der Umsetzung seiner Umweltziele unterstützen. Nachhaltigkeit verstehen wir dabei als ganzheitliches Konzept. Für uns ist Nachhaltigkeit kein einzelnes Ziel oder eine einmalige Maßnahme. Sie ist Teil einer umfassenden Strategie, die sämtliche Aspekte unseres Handelns und unserer Entscheidungen durchdringt und den Erfolg und die Wertschöpfung unseres Unternehmens langfristig sichert. Wir betrachten Nachhaltigkeit als einen kontinuierlichen Prozess, denn wir handeln nicht statisch, sondern passen unseren Weg kontinuierlich und konsequent an. Dies geschieht nicht isoliert, sondern auf Basis interner und externer Bewertungen und Validierungen – immer in enger Abstimmung mit dem Volkswagen Konzern. Unsere Nachhaltigkeitsstrategie ist unsere Antwort auf die Transformation hin zur emissionsfreien Mobilität: die Ziele, die wir uns gesetzt haben, und die Leistungsindikatoren (Key Performance Indicator; KPI), mit denen wir messen, inwieweit wir unsere Ziele erreichen. Die Strategie beschreibt dabei unseren Weg, den anstehenden Herausforderungen aktiv zu begegnen, die vor uns liegenden Veränderungen proaktiv zu gestalten und die sich aus der Transformation ergebenden Chancen erfolgreich zu nutzen. Unser Ziel ist es, die Anforderungen unserer Kunden an Mobilität über den gesamten Lebenszyklus eines Fahrzeugs hinweg mit nachhaltigen Lösungen zu erfüllen. Somit bildet Nachhaltigkeit ein wichtiges Element unserer Geschäftstätigkeit. Wir sind überzeugt, dass wir unser Geschäftsmodell in Zukunft nur durch verantwortungsvolles und vorausschauendes Handeln erfolgreich umsetzen können. Als Grundlage für unsere geschäftlichen Aktivitäten und unser Engagement in allen Bereichen gelten klare und unumstößliche Prinzipien: > Wir schützen und stärken unsere Umwelt. > Wir behandeln Menschen mit Würde und Respekt. > Wir handeln integer und regelkonform. > Wir sind uns unserer Verantwortung in der Gesellschaft bewusst. > Wir ermöglichen nachhaltige Mobilität und Geschäftsmodelle.
		Unsere vier Nachhaltigkeitsdimensionen Unsere Nachhaltigkeitsstrategie ist in vier Dimensionen gegliedert > Natur > Mitarbeiter > Gesellschaft > Geschäftstätigkeit Damit werden die klassischen ESG-Bereiche (Umwelt, Soziales und Governance) in konkrete Handlungsfelder übertragen, die wiederum unsere Unternehmensstrategie widerspiegeln. In diesem Abschnitt 1 (a) werden die Dimensionen „Natur“ und „Geschäftstätigkeit“ erläutert. Weitere Erläuterungen zu den Dimensionen „Mitarbeiter“ und „Gesellschaft“ finden Sie in Abschnitt 2 (a).

Natur
Die Natur ist nicht nur unser gemeinsamer Lebensraum, sondern auch die Grundlage für unser Wirtschaften und Handeln. Gesunde Ökosysteme liefern wichtige Ressourcen wie sauberes Wasser, fruchtbaren Boden und frische Luft. Sie bedürfen daher unseres besonderen Schutzes.
Wir von Volkswagen Financial Services haben uns verpflichtet, einen aktiven Beitrag zum Schutz der Natur zu leisten. Wir sind davon überzeugt, dass der Schutz der Natur nicht nur unsere Verantwortung ist, sondern auch eine Chance darstellt. Durch einen bewussten Umgang mit natürlichen Ressourcen kann eine nachhaltige Wertschöpfung langfristig gesichert werden. Die Erhaltung der Natur schützt die Lieferketten, fördert Innovation und stärkt die Widerstandsfähigkeit gegenüber globalen Herausforderungen.
Im Zusammenhang mit den Emissionen in der Wertschöpfungskette des Automobilsektors sind für uns die Emissionen aus unseren eigenen Geschäftstätigkeiten und aus der Nutzungsphase der von uns finanzierten und geleasten Fahrzeuge relevant. Die CO_2-Emissionen aus der Fahrzeugproduktion sind in der Konzernstrategie festgehalten und liegen in der Verantwortung der produzierenden Einheiten. Daher werden die Emissionen aus dem Produktionsbetrieb bei den CO_2-Emissionen von VWFS nicht berücksichtigt.
Konkret heißt das, dass wir bei Volkswagen Financial Services die CO_2-Reduktionsziele sowohl für den Geschäftsbetrieb als auch für den von uns finanzierten oder geleasten Fahrzeugbestand messen.

Verwirklichung von CO_2-Neutralität bei direkten Emissionen in unserem Portfolio bis 2030
Die Bezugnahme auf die direkten Emissionen unseres Portfolios bedeutet, dass wir uns auf die Emissionen von Fahrzeugen mit Verbrennungsmotor in unserem Portfolio konzentrieren.
Als Captive haben wir die Aufgabe, die Marken des Konzerns bei der Öffnung des Marktes sowie bei der Transformation hin zu Elektromobilität zu unterstützen. Darüber hinaus haben wir uns das Ziel gesetzt, bis 2030 50 Prozent des Absatzes von Volkswagen mit einem Finanzierungsvertrag auszustatten. Die direkten Bruttoemissionen unseres Portfolios sind daher abhängig vom Konzernumsatz.
Ein wesentlicher Bestandteil der Dekarbonisierung unseres Portfolios ist daher die Entwicklung der Emissionen der Neuwagenflotte des Volkswagen Konzerns.
Bis spätestens 2050 wollen wir bei den direkten Emissionen unseres Portfolios den Wert von 0 t CO_2-Bruttoemissionen erreichen.
Bilanzielle CO_2-Neutralität bedeutet, dass wir nach den Nettoemissionen unter Berücksichtigung der Emissionskompensation steuern. Zu diesem Zweck werden ab 2027 die CO_2-Emissionen jedes neuen Finanzierungs- und Leasingvertrags für Fahrzeuge sowohl im Neu- als auch im Gebrauchtwagengeschäft kompensiert. (Einzelheiten siehe 1 (c))

Geschäftsbetrieb bis 2030 netto betrachtet CO_2-neutral gestalten
Wir haben es in der Hand, unseren Geschäftsbetrieb so klimafreundlich wie möglich zu gestalten. Bis zum Jahr 2030 soll unsere Geschäftstätigkeit netto CO_2-neutral werden. Hierzu wollen wir unsere Bruttoemissionen bis 2025 um 50 % und bis 2030 um 70 % gegenüber dem Basisjahr 2021 durch CO_2-Vermeidung und -Reduzierung senken.
Da die größten CO_2-Emissionen durch den Stromverbrauch, Firmenwagen mit Verbrennungsmotoren und Dienstreisen verursacht werden, stehen folgende Hebel zur Verfügung, um die vorgegebenen Reduktionsziele zu erreichen:
> Umstellung auf Strom aus erneuerbaren Energien
> Umstellung der Dienstwagenflotte auf batterieelektrische Fahrzeuge
> Reduktion von Flugreisen
Durch ein umfassendes Berichtswesen erhalten wir transparente Informationen über die wichtigsten Emissionsverursacher pro Land. Basierend auf dieser Analyse werden die wirksamsten Maßnahmen lokal umgesetzt. Unvermeidbare Restemissionen werden wir durch Kompensationsmaßnahmen ausgleichen. (Einzelheiten siehe 1 c))
Darüber hinaus wurde ein nach ISO 14001 zertifiziertes Umweltmanagementsystem zur Erfassung, Bewertung und Minimierung der Umweltauswirkungen der Geschäftstätigkeit der Volkswagen Bank GmbH am Standort Braunschweig, unserer größten Immobilie, implementiert.

Geschäftstätigkeit
Wir treiben unser Geschäft in Richtung Nachhaltigkeit voran und fördern aktiv die Dekarbonisierung der Mobilität.
Unser Geschäft zukunftsorientiert zu gestalten und den Wandel hin zu einer nachhaltigen Mobilität zu fördern, ist komplex – gleichzeitig aber auch eine einzigartige Chance. Als Absatzförderer des Volkswagen Konzerns und Partner seiner Marken haben wir die Chance (und damit einen entscheidenden Hebel), die nachhaltige Transformation der Mobilität aktiv voranzutreiben.
Unsere Produkte verbinden Menschen, helfen Ressourcen zu schonen und machen Prozesse einfach und effizient. Wir erstellen Mobilitätskonzepte, entwickeln Lösungen für das Flottenmanagement und bieten attraktive Finanzierungs- und Serviceoptionen.
Im Rahmen unserer Nachhaltigkeitsstrategie haben wir uns klare Ziele gesetzt, um unser Geschäftsmodell nachhaltig zu betreiben:

Wir treiben den Wandel hin zu einer nachhaltigen Mobilität voran.
Bis 2030 will der Volkswagen Konzern seine gesamte Modellpalette elektrifizieren. Die Zukunftsfähigkeit umweltfreundlicher individueller Mobilität hängt entscheidend vom schnellen Markthochlauf von Elektrofahrzeugen ab. Intelligente Mobilitätslösungen und Finanzierungskonzepte von Volkswagen Financial Services sind ein wichtiger Baustein, um dieses Ziel zu erreichen.
Um den Übergang zu einer nachhaltigen Mobilität voranzutreiben, sollen bis 2030 80 % der Elektrofahrzeuge der Marken des Volkswagen Konzerns in Europa von der Volkswagen Financial Services AG geleast oder finanziert werden (zum Vergleich: Ziel für ICE-Fahrzeuge: 50 %).
Neben der Förderung der verbreiteten Nutzung von Elektromobilität im Privatkundensektor durch attraktive Leasingangebote spielt die zukunftsorientierte und nachhaltige Ausrichtung von Fahrzeugflotten eine zentrale Rolle. Aus diesem Grund entwickeln wir für unsere Kunden Flottenkonzepte und unterstützen sie intensiv beim Aufbau ihrer E-Flotte – in enger Zusammenarbeit mit den Marken des Volkswagen Konzerns.
Darüber hinaus bietet die Volkswagen Financial Services AG ihren Kunden in enger Kooperation mit der Marke Lease-a-Bike die Möglichkeit, ihren Mobilitätsmix um ein Dienstrad zu erweitern.

Wir erhöhen den Anteil der nachhaltigen Refinanzierung am Kapitalmarkt
Bis 2030 wollen wir den Anteil der nachhaltigen Refinanzierung am Kapitalmarkt auf 40 % erhöhen. Im Jahr 2040 wird der Anteil grüner Anleihen voraussichtlich 60 % betragen.
Das Green Finance Framework der Volkswagen Financial Services AG bildet die Grundlage für die nachhaltigen Refinanzierungsaktivitäten der Volkswagen Financial Services AG, unterstützt die aktuelle Nachhaltigkeitsstrategie und ermöglicht die Erschließung einer neuen Investorenbasis. Das Green Finance Framework umfasst alle Refinanzierungsprodukte der Volkswagen Financial Services AG, von klassischen Anleihen über ABS (Asset Backed Securities), Kreditlinien und Commercial Papers bis hin zu Schuldscheindarlehen. Die in diesem Rahmen generierten Mittel werden ausschließlich zur Refinanzierung von Kredit- und Leasingverträgen für batterieelektrischen Fahrzeuge (Battery Electric Vehicles, BEV) verwendet. Ein interner Fachausschuss, das Green Finance Committee, überwacht die Einhaltung der im Green Finance Framework festgelegten Regelungen.
Darüber hinaus hat die Volkswagen Bank GmbH mit dem Green Loan Framework einen Ordnungsrahmen für grüne Kredite entwickelt und gleichzeitig die Grundlage für eine Klassifizierung des Kreditportfolios nach bestimmten Nachhaltigkeitskriterien geschaffen. Zu den nachhaltigen Finanzierungen gehören zum Beispiel die energetische Sanierung von Gebäuden, die Installation von Solaranlagen oder der Bau eines Ladeparks bei unseren Handelspartnern. Dazu gehört aber auch die Finanzierung von Elektrofahrzeugen unserer Kunden.
Die Volkswagen Bank GmbH ist sich ihrer Verantwortung als Kreditgeber bewusst und gehört seit 2010 zu den Unterzeichnern des freiwilligen Verhaltenskodex „Verantwortungsvolle Kreditvergabe für Verbraucher“. Dieser Kodex schreibt Standards bei der Kreditvergabe fest und gilt für alle Raten- und Rahmenkredite. Die Volkswagen Bank GmbH hat ein grundlegendes Interesse an einer verantwortungsvollen Kreditvergabe. Daher gelten für die Vergabe von Verbraucherkrediten hohe Standards. Der Kodex gibt einen Überblick über diese Standards und enthält eine Reihe von verbraucherfreundlichen Regelungen, die über die bestehenden gesetzlichen Anforderungen hinausgehen.
Die Nachhaltigkeitsstrategie der VWFS wird anhand konkreter KPIs und Zielwerte für das Jahr 2030 gesteuert. Dieser Steuerungsmechanismus wurde in den etablierten Strategiezyklus und Planungsprozess integriert. Einzelheiten sind unter 1 (e) aufgeführt.

(b)	Ziele, Vorgaben und Obergrenzen für die kurz-, mittel- und langfristige Bewertung und Bewältigung von Umweltrisiken sowie Leistungsbewertung anhand dieser Ziele, Vorgaben und Obergrenzen, einschließlich Einbeziehung zukunftsbezogener Informationen über die Gestaltung der Geschäftsstrategie und verfahren	Die Nachhaltigkeitsziele (und KPIs) der Volkswagen Financial Services AG einschließlich der Dekarbonisierungsziele sind in 1(a) beschrieben. Ein kompakter Überblick ist in Tabelle 46 (siehe unten) dargestellt. Im Rahmen der aus der ESG-Geschäftsstrategie abgeleiteten Risikostrategie ist das Grundverständnis definiert und der Ordnungsrahmen für die ESG-Aktivitäten in der Zukunft festgelegt. Dabei werden die Hauptelemente des Risikomanagement-Rahmenwerk definiert. Gleichzeitig ist das Themenfeld Nachhaltigkeit zu einem weiteren Bestandteil der Grundprinzipien unserer Risikokultur geworden, da mit Nachhaltigkeitsrisiken bewusster umgegangen wird und die Beschäftigten frühzeitig aktiv in den Prozess eingebunden werden. Die von der EZB in ihrem Leitfaden zu Klima- und Umweltrisiken veröffentlichten aufsichtsrechtlichen Erwartungen fließen in die Methodik der Bank ein. Um Nachhaltigkeitsrisiken angemessen zu bewerten und zu steuern, hat die VWFS AG (Konzern) Key Risk Indicators (KRI) einschließlich Obergrenzen definiert. Die in Tabelle 47 dargestellten ESG-Key Risk Indicators (KRIs) werden als Bestandteil der Risikostrategie umgesetzt. Die Obergrenzen der ESG-KRIs werden einmal jährlich im Rahmen des Überprüfungs- und Anpassungsprozesses der Geschäfts- und Risikostrategie überprüft. Die im dritten Quartal beginnende Überprüfung basiert auf den Erkenntnissen aus der Risikoinventur der ESG-Risikotreiber und der Analyse der Angemessenheit der Obergrenzen, die für die ESG-KRIs festgesetzt wurden. Im vierten Quartal werden die ESG-KRIs und ihre Obergrenzen angepasst und als Teil des Berichts über die Geschäfts- und Risikostrategie zu Beginn des Jahres verabschiedet. Im Rahmen der Einführung der EZB-Anforderungen zu Klima- und Umweltrisiken für die VWFS AG wird bis zum 3. Quartal 2025 eine Berichterstattung und Überwachung von KRIs implementiert. Weitere Informationen über die Steuerung von ESG-KRIs finden Sie in Abschnitt 1 (g).
(c)	Derzeitige Investitionstätigkeiten und (künftige) Investitionsvorgaben für Umweltziele und EU-taxonomiekonforme Tätigkeiten	Unser Ziel betreffend die direkten Emissionen unseres Portfolios ist es, bis spätestens 2030 CO_2-neutral zu sein. Mit attraktiven Produktangeboten für Privat- und Geschäftskunden treiben wir den Wandel zur nachhaltigen E-Mobilität aktiv voran (Einzelheiten siehe 1 (a)). Darüber hinaus wollen wir ab 2027 die CO_2-Emissionen jedes neuen Finanzierungs- und Leasingvertrags für ein Fahrzeug kompensieren. Im Rahmen der Unterstützung internationaler Natur- und Klimaschutzprojekte arbeiten wir eng mit Volkswagen Climate Partner zusammen. Das Gemeinschaftsunternehmen zwischen der VW Kraftwerk AG GmbH und Climate Partner verfolgt das Ziel, qualitativ hochwertige Projekte zur effizienten Reduktion von Treibhausgasemissionen zu entwickeln. Darüber hinaus sind die positiven Auswirkungen auf die biologische Vielfalt und die lokalen Gemeinschaften und ihre Lebensgrundlagen von zentraler Bedeutung. Ein umfassender Due-Diligence-Prozess stellt die hohe Qualität und die konkrete Umsetzung der Projekte sicher. Unser Kompensationsportfolio schließt Projekte nach dem REDD+-Konzept aus. Vielmehr investieren wir zum Beispiel in zwei Leuchtturmprojekte im Bereich Agroforstwirtschaft und Aufforstung in Brasilien (Biriba) sowie in Südafrika (Ostkap). Um unseren Geschäftsbetrieb nach Zielvorgabe bis spätestens 2030 CO_2-neutral zu gestalten, wollen wir unsere Bruttoemissionen bis 2030 gegenüber dem Basisjahr 2021 durch CO_2-Vermeidung und -Reduktion um 70 % senken und unvermeidbare Restemissionen durch Kompensationsmaßnahmen ausgleichen. Seit mehr als 15 Jahren setzt sich Volkswagen Financial Services gemeinsam mit dem Naturschutzbund Deutschland e.V. (NABU) für den Schutz und die Wiederherstellung von Mooren ein. Moore spielen sowohl für den Klimaschutz als auch für die biologische Vielfalt eine entscheidende Rolle. Bislang hat Volkswagen Financial Services rund sieben Millionen Euro in Moorschutzprojekte investiert. Darüber hinaus engagiert sich Volkswagen Financial Services bei der Wiederherstellung von Flüssen – zum Beispiel die Schunteraue in Braunschweig, die Aller bei Verden sowie die Dosse und die Temnitz in Brandenburg. Ziel ist es, den ursprünglichen Verlauf der oft begradigten Flüsse wiederherzustellen, sodass die typische Arten- und Lebensraumvielfalt wieder zurückkehren kann.
(d)	Strategien und Verfahren für die direkte und indirekte Zusammenarbeit mit neuen oder bestehenden Gegenparteien in Bezug auf deren Strategien zur Minderung und Verringerung von Umweltrisiken	Ziel des Konzerns der Volkswagen Financial Services AG ist es, bei Finanzierungen nur ESG-Risiken einzugehen, die auf Basis einer breiten Sachkenntnis in den Markt- und Marktfolgebereichen mit hoher Effektivität bewertet werden können. ESG-Aspekte fließen seit 1. Juli 2024 in die Kreditvergabe für Flottenkunden ein und sind integraler Bestandteil der Identifikation von ESG-Risiken für alle Firmenkunden im risikorelevanten Geschäft. In die Kreditvergabe- und Entscheidungsprozesse wurden mehrere ESG-Instrumente einbezogen. Die gesamten implementierten ESG-Instrumente folgen internationalen Standards, z. B. den UN-Zielen für nachhaltige Entwicklung (Sustainable Development Goals, SDG) und der EU-Taxonomieverordnung. Für das Finanzierungsgeschäft der Volkswagen Financial Services AG wurde ein ESG-Fragebogen mit dem Titel „ESG-Scoring light“ eingeführt. Für das Leasinggeschäft innerhalb der Volkswagen Financial Services AG wurde ein externer ESG-Score eingeführt. Die folgenden Perspektiven werden in beiden Scoring-Instrumenten abgedeckt: > Klimaschutz (Emissionsminderung und Energieversorgung) und Umweltschutz sowie der sparsame Umgang mit Rohstoffen und Energie im Segment „Klima und Umwelt“. > Im Bereich „Soziales“ werden Arbeits- und Gesundheitsschutz sowie Mitbestimmungsrechte der Arbeitnehmer berücksichtigt. > Die Säule „Governance“ umfasst Aspekte der guten Unternehmensführung und Compliance sowie umstrittene Geschäftstätigkeiten. Das „ESG-Scoring light“ für Finanzierungsgeschäfte ist keine Selbstbewertung, die nur vom Kunden vorgenommen wird. Gemäß unserer Verpflichtung, Firmenkunden auf ihrer Transformationsreise zu unterstützen, nutzen die Mitarbeiter der Geschäftsstelle den Fragebogen als Gelegenheit, um mit den Kunden intensive Gespräche über ESG-Themen und ihre zukünftige Ausrichtung und Transformation hin zu einer Nachhaltigkeitsstrategie zu führen. Dies wird als Grundlage für die Berechnung eines ESG-Scores verwendet. Potenzielle Erkenntnisse aus diesen Gesprächen fließen gegebenenfalls in die Transformationsprozesse der Kunden ein. Das „ESG-Scoring light“ wird jährlich oder bei Bekanntwerden von Veränderungen auch unterjährig durchgeführt. Die meisten Kunden erreichten im Ampelsystem der „ESG-Scoring-Ampel“ insgesamt eine „grüne“ oder „gelbe“ Bewertung. Der externe ESG-Score liefert Gesamtwerte und Ergebnisse für die Säulen „Umwelt“, „Soziales“ und „Governance“. Die meisten Leasingnehmer werden mit einem Gesamtscore von „3“ eingestuft, was als mittleres Risiko gewertet werden kann. Die externe ESG-Score wurde zu einem obligatorischen Bestandteil der Kreditunterlagen; diese Überprüfung erfolgt jährlich oder bei Bekanntwerden von Änderungen auch unterjährig. Zusätzlich äußern sich die Kreditanalysten im Rahmen der von der Marktfolge durchgeführten Unternehmensanalyse zu den „ESG-Leitfragen“ in Form eines weiteren standardisierten Fragebogens, der in die Kreditunterlagen aufgenommen wird. Dieser wird als wesentliche Annahme berücksichtigt und fließt abschließend in die Kreditentscheidung ein. Mithilfe der „ESG-Leitfragen“ sollen potenzielle Auswirkungen ermittelt, d. h. die Auswirkungen auf die ESG-Risiken der Kunden dargestellt, werden. Verschiedene Fragen zu verschiedenen Säulen in Bezug auf Klima und Umwelt (unterteilt in physische und Übergangsphasen), Soziales und Governance, sind einzeln zu erläutern, wenn eine erhebliche Auswirkung festgestellt wurde. Darüber hinaus sind Ergebnisse des „ESG-Scoring light“ oder externe ESG-Scores bei der Bewertung der „ESG-Leitfragen“ zu berücksichtigen. Darüber hinaus werden in den Kreditabteilungen Nachhaltigkeitsstrategien oder Nachhaltigkeitsberichte für Kunden mit ESG-Offenlegungspflichten geprüft, um weitere ESG-bezogene Informationen sicherzustellen. Der Due-Diligence-Prozess im ESG-Bereich, der in Form des „ESG-Scoring light“ und des externen ESG-Scores sowie der „ESG-Leitfragen“ umgesetzt wurde, umfasst eine Diskussion kritischer Themen mit den Kunden, die Festlegung von Abhilfemaßnahmen und die Identifizierung von Fördermöglichkeiten. Der Ansatz besteht darin, die Kunden in ihren Nachhaltigkeitsbemühungen zu begleiten, indem wir in den kommenden Jahren intensiv in die Transformation eingebunden werden. Die Überwachung des Fortschritts des Kunden bei der Umsetzung der vereinbarten Klimaschutzmaßnahmen ist ebenfalls eine der wichtigsten Aktivitäten im Rahmen der ESG-Due-Diligence-Prozesse.

Eine adäquate Kreditvergabepolitik, die im Zusammenhang mit diesen Instrumenten erarbeitet wurde, bildet die Grundlage für die Arbeit der Beschäftigten und wurde in die europäischen Organisationshandbücher aufgenommen. Im Rahmen des Integrationsprozesses führt Volkswagen Financial Services mehrere interne Konferenzen und Schulungen für die Zielgruppen der drei Linien durch, darunter Markt, Finanzielle Risiken (Marktfolge) und Interne Revision.
Der Konzern der Volkswagen Financial Services AG hat für die Kreditvergabe und die Kreditüberwachung Ausschlusskriterien festgelegt. Durch die Ausschlussliste mit Stand April 2025 werden ausgewählte umstrittene Branchen und Geschäftsfelder eingeschränkt, abgesehen von den definierten Verwendungszwecken, die u. a. der Unterstützung der Transformation im Sinne des Green Loan Framework dienen. Damit wird sichergestellt, dass strategischen Neuausrichtungen Rechnung getragen wird und der Konzern der Volkswagen Financial Services AG den Anforderungen einer nachhaltigen Zukunft gerecht wird. Der gesamte Konzern der Volkswagen Financial Services AG verpflichtet sich, keine neuen Kredite außerhalb der definierten Verwendungszwecke in den genannten umstrittenen Branchen/Geschäftsfeldern zu vergeben. Finanzierungen für Kreditnehmer, die den nachstehend genannten definierten Verwendungszwecken entsprechen, werden trotz ihrer Zugehörigkeit zu einer umstrittenen Branche und einem umstrittenen Geschäftsfeld nicht durch die Ausschlussliste eingeschränkt:

> Fahrzeugbasierte Finanzierung und fahrzeugbasiertes Leasing, einschließlich Fahrzeugfinanzierung, Leasing und Kreditlinien für den Händlereinkauf
> Händlerfinanzierung, einschließlich Betriebsmittelkredite, Ersatzteilfinanzierung und Investitionskredite für Händler, die in Zukunft auf ihre Eignung im Rahmen des Green Loan Framework geprüft werden
> Immobilienfinanzierung, einschließlich Neubaufinanzierung, energieeffizientes Bauen und Renovierung, vornehmlich für Händler
> Finanzierungen ohne spezifischen Verwendungszweck („Sonstige“) gemäß dem Green Loan Framework

Der Konzern der Volkswagen Financial Services AG stuft die folgenden Branchen/Geschäftsfelder als umstritten ein:
> Kohleverstromung und Bergbau
> Invasive Eingriffe in Ökologie und biologische Vielfalt zur Förderung von Erdöl und Erdgas (Fracking, Öl, Sand etc.)
> Schleppnetzfischerei oder andere schädliche Fischereimethoden
> Nicht-nachhaltige Palmölproduktion
> Entwaldung und nicht zertifizierte Abholzung
> Stammzellenforschung, Tierversuche
> Pornografie, Bordelle
> Glücksspiele, einschließlich der damit verbundenen Erschließungs- und Marketingaktivitäten
> Tabakerzeugnisse und E-Zigaretten

Die als umstritten eingestuften Branchen/Geschäftsfelder werden jährlich oder anlassbezogen bewertet, um ihrer dynamischen Entwicklung Rechnung zu tragen.
Im Konzern der Volkswagen Financial Services AG ist die Vermeidung von umstrittenen Geschäfts- und Wirtschaftstätigkeiten fest in die Compliance-Rahmenwerke integriert. Ein verbindlicher Verhaltenskodex (Code of Conduct) ist bereits fester Bestandteil der Verträge zwischen Händlern und dem VW-Konzern. Darüber hinaus unterstützt eine ergänzende Compliance-Richtlinie die Einhaltung der Nachhaltigkeitsanforderungen des VW-Konzerns in den Geschäftsbeziehungen.
Auch für die Geschäftsbeziehungen zu Kunden, Geschäftspartnern und Lieferanten gibt es im Konzern der Volkswagen Financial Services AG einen verbindlichen Verhaltenskodex. Die Einhaltung der Anforderungen in Bezug auf nationale und internationale Rechtsvorschriften und Konventionen, interne Normen und Werte, wie z. B. Menschenrechte, Arbeitnehmerrechte und Compliance-Aspekte, wird sichergestellt. Geltende Gesetze und Vorschriften, wie z. B. bezogen auf Bekämpfung von Korruption, Geldwäsche, Betrugsprävention und Cybercrime, werden im Konzern der Volkswagen Financial Services AG durch Arbeitsanweisungen und Prozesse berücksichtigt und umgesetzt. Überwachungs- und Berichtspflichten sowie Kommunikationskanäle und Schulungen für die Mitarbeiter sind ebenfalls integriert. Dadurch werden die folgenden Aspekte sichergestellt:

> Compliance & Integrität, einschließlich des Schutzes der wirtschaftlichen Rechte und der Menschenrechte
> Geldwäscheprävention, Terrorismusfinanzierung und kriminelle Aktivitäten
> Bekämpfung von Korruption und Betrugsprävention

(e)	Zuständigkeiten des Leitungsorgans im Hinblick auf die Festlegung des Risiko-Rahmenkonzepts, die Überwachung und Steuerung der Umsetzung der Ziele, Strategien und Maßnahmen im Zusammenhang mit dem Umweltrisikomanagement in Bezug auf relevante Übertragungswege	Die oberste Verantwortung für alle Fragen der Nachhaltigkeit liegt beim Vorstand der Volkswagen Financial Services AG und den Geschäftsführern ihrer Tochtergesellschaften. Um die Ausrichtung und Entscheidungsfindung des Konzerns zu Nachhaltigkeitsaspekten beratend zu begleiten, setzt die Volkswagen Financial Services AG auf die aktive Einbindung der verschiedenen Managementebenen. Der Vorstand sowie der Generalbevollmächtigte für Personal und Organisation der Volkswagen Financial Services AG sind ihrerseits eine Selbstverpflichtung zur Verankerung der strategischen Nachhaltigkeitsziele eingegangen, in dem jedes Nachhaltigkeitsziel einem Vorstand als Paten zugeordnet wurde. Dies stellt sicher, dass bei allen Vorstandsentscheidungen die wesentlichen Aspekte der Nachhaltigkeitsstrategie berücksichtigt werden. Der Vorstandspate hat die Nachhaltigkeitsziele und KPI (Key Performance Indicators, dt. Leistungsindikatoren) inkl. Zwischenzielen angenommen. Diese Ziele und KPIs werden kontinuierlich überwacht, wobei sie in Zusammenarbeit mit der Unternehmensstrategie und den Vorstandspaten ständig nachjustiert und die damit verbundenen Initiativen überprüft werden. Die von den Fachfunktionen und der Organisationseinheit „Strategie & Nachhaltigkeit“ beim Vorstand eingebrachten Nachhaltigkeitsthemen sind in die Berichterstattung des Vorstandes an den Aufsichtsrat integriert. Der Chief Sustainability Officer unterstützt und berät den Vorstand der Volkswagen Financial Services AG hinsichtlich der Berücksichtigung der Nachhaltigkeitsziele in strategischen Entscheidungen und berichtet dem Vorstandsvorsitzenden direkt. Er steht der Organisationseinheit „Strategie & Nachhaltigkeit“ (GH-GS) vor, welche unter anderem für die operative Umsetzung der Nachhaltigkeitsstrategie der Volkswagen Financial Services AG im Geschäftsbetrieb und -prozesse, sowie das Ausrollen gruppenweiter und geschäftsbereichsübergreifender ESG-Initiativen, sowie die Erreichung unserer Nachhaltigkeitsziele verantwortlich ist. Das Environment and Compliance Management System (ECMS) liegt ebenfalls in der Verantwortung der Organisationseinheit Strategy & Sustainability, die im Rahmen einer Outsourcing-Kooperation mit der Landesgesellschaft in den Niederlanden den Fokus auf den Nachhaltigkeitsaspekt „CO2-neutraler Geschäftsbetrieb in der Bilanz“ legt. Die Nachhaltigkeitsstrategie von VWFS wird anhand konkreter KPIs und Zielwerte für das Jahr 2030 gesteuert (siehe obige Ziffer 1 (b)). Dieser Steuerungsmechanismus wurde in den etablierten Strategiezyklus und Planungsprozess integriert. Im Rahmen des jährlichen Strategiekalenders wird über die strategischen Ziele und KPIs berichtet. Diese werden mit den relevanten Stakeholdern diskutiert; gegebenenfalls werden Korrekturmaßnahmen beschlossen. Seit dem Jahr 2024 sind die KPIs der Dimension „Natur“, d. h. die Zielwerte für die CO_2-Emissionen (Portfolioemissionen und Emissionen aus dem Geschäftsbetrieb) in unseren Prozess für die Planungsrunde als Top-KPIs integriert. Das heißt, dass sie in den jeweiligen Planungsrunden für die nächsten fünf Geschäftsjahre mit Jahreszielen geplant und vierteljährlich im Rahmen des Prognoseprozesses berichtet werden. In den mehrmals jährlich stattfindenden Status-Updates im Strategiebereich wird detailliert über die Entwicklung der jeweiligen strategischen Jahresziele sowie über die strategischen Top-KPIs berichtet. Im Rahmen der jährlichen Strategieüberprüfung ist es wichtig, relevante Einflüsse auf die Strategie mithilfe von Umweltanalysen zu diskutieren und gegebenenfalls entsprechende Gegenmaßnahmen zu definieren. Um Umweltrisikofaktoren innerhalb der VWFS AG zu steuern, hat ihr Leitungsorgan eine Risikokultur etabliert und einen angemessenen Risikoappetit definiert, der sich aus der Geschäftsstrategie für Nachhaltigkeit ableitet. Durch den Ordnungsrahmen für die Risikobereitschaft werden ESG-Ziele, die auf den ESG-Risikotreibern und ihren jeweiligen Übertragungswegen basieren, wie in Abschnitt 1 (j) beschrieben in das Risikomanagementsystem integriert. Die Umsetzung in ein starkes internes Kontrollsystem, einschließlich der Einbeziehung von ESG-Risiken in die bestehenden Risikokategorien und die bestehenden Zuständigkeiten des Leitungsorgans und seiner Ausschüsse (siehe Abschnitt 1 f), wird im Rahmen der Einführung der EZB-Anforderung zu klima- und umweltbezogenen Risiken für die VWFS AG bis zum dritten Quartal 2025 erfolgen. Die Sachkenntnis der Geschäftsleitung bezogen auf diese Risiken wird bewertet; es finden regelmäßige Schulungen der Geschäftsleitung hierzu statt.
(f)	Einbeziehung der kurz-, mittel- und langfristigen Auswirkungen von Umweltfaktoren und -risiken durch das Leitungsorgan, Organisationsstruktur sowohl innerhalb der Geschäftsbereiche als auch innerhalb der internen Kontrollfunktionen	Wie unter 1(e) beschrieben, liegt die oberste Verantwortung für alle Fragen der Nachhaltigkeit beim Vorstand der Volkswagen Financial Services AG und den Geschäftsführern ihrer Tochtergesellschaften. Die detaillierte Governance-Struktur und die Zuständigkeiten der Ausschüsse/Vorgesetzten werden bis Ende September 2025 weiter detailliert und ausgearbeitet.

(g)	Einbeziehung von Maßnahmen zur Steuerung von Umweltfaktoren und -risiken in die interne Regelung für die Unternehmensführung, einschließlich der Rolle der Ausschüsse, der Zuweisung von Aufgaben und Zuständigkeiten und der Feedbackschleife vom Risikomanagement zum Leitungsorgan, die die relevanten Übertragungswege abdeckt	Die Volkswagen Financial Services AG wird ESG-Risiken im Rahmen der Umsetzung des EZB-Leitfadens zu Klima- und Umweltrisiken bis September 2025 als integralen Bestandteil der internen Governance-Regelungen im Risikomanagement, wie z. B. der Risikostrategie, Risikomessung, -limitierung, -überwachung und -steuerung, einbeziehen. Angesichts der wechselseitigen Abhängigkeiten mit allen anderen Risikoarten werden die ESG-Risiken in die aktuelle Governance-Struktur und in die Ausschuss-/Linienverantwortung integriert. Dies vermeidet eine Dopplung von Strukturen und bindet alle Mitarbeiter in ihren bestehenden Rollen in ESG-Angelegenheiten ein. Als wichtiger Teil der internen Governance-Regelungen erarbeitet die Abteilung Corporate Sustainability die Konzernrichtlinien für unternehmerische Nachhaltigkeit und entwickelt die ESG-Strategie des Instituts. Die Abteilung Risikomanagement entwickelt die ESG-Risikostrategie gemeinsam mit der Nachhaltigkeitsabteilung des Unternehmens. Die Risikostrategie konzentriert sich auf die wichtigsten Risikofaktoren, die sich am stärksten auf das Portfolio auswirken, und beschreibt die Ziele, Vorgaben und durchgeführten Maßnahmen der Geschäftsleitung. Methoden zur Messung eines Großteils der ESG-Risiken werden implementiert und in den bestehenden Ordnungsrahmen für verschiedene Risikoarten innerhalb des Risikomanagements integriert. Die verbleibenden Maßnahmen werden im Rahmen der Umsetzung des EZB-Leitfadens zu Klima- und Umweltrisiken bis September 2025 umgesetzt. Zum einen werden ESG-Risiken ab dem ersten Quartal 2025 im Rahmen der regelmäßigen Risikoinventur jährlich in Form einer ESG-spezifischen Wesentlichkeitsanalyse untersucht. Die Wesentlichkeitsanalyse beinhaltet umfassende Portfoliobewertungen sowie qualitative und quantitative Bewertungen aller bekannten Risikotreiber in den Bereiche Umwelt (einschließlich physischer und Übergangsrisiken), Soziales und Governance auf der Grundlage definierter Übertragungswege. Für die meisten relevanten Treiber von ESG-Risiken werden zentrale Risikoindikatoren einschließlich Zielvorgaben und Obergrenzen definiert und in die Risikostrategie und die Risikoberichterstattung integriert. Durch die regelmäßige Berichterstattung an das Leitungsorgan im Rahmen des Risikomanagementberichts wird eine rechtzeitige Kommunikation und Überwachung der wesentlichen ESG-Risiken sichergestellt. Auf Grundlage einer regelmäßigen Überwachung und um sicherzustellen, dass Maßnahmen der Geschäftsleitung rechtzeitig ergriffen werden, damit die in der Geschäfts- und Risikostrategie festgelegten Ziele, auch in Bezug auf ESG-Risiken, realisiert werden können, hat der Konzern der VWFS AG wichtige Ausschüsse eingerichtet, in die die entsprechenden Governance-Funktionen und Geschäftsbereiche eingebunden sind: > Equity and Risk Committee > Stress Test Committee > European Residual Value Advisory Board > Asset Liability Management Committee > Green Finance Committee. Für die oben genannten Ausschüsse hat der Konzern der VWFS AG gesonderte Regeln festgelegt und den Teilnehmern entsprechenden Aufgaben und Verantwortlichkeiten zugewiesen. Insbesondere das „Equity and Risk Committee“, das sich aus Entscheidungsträgern der Finanz-, Risiko-, Treasury- und Kreditabteilungen sowie der Internen Revision zusammensetzt, koordiniert Themen bezogen auf Eigenkapital und Risiken, erörtert die aktuelle Situation und die Entwicklung großer Geschäftsvolumina, einschließlich der Finanzierung und des Leasings von batterieelektrischen Fahrzeugen. Das Stress Test Committee, dem Entscheidungsträger aus den Bereichen Risiko, Finanzen und Strategie angehören, erleichtert den Informationsaustausch zwischen Markt- und Marktfolgebereichen, identifiziert und diskutiert aktuelle Entwicklungen und formuliert Empfehlungen an den Vorstand zu den analysierten Szenarien, einschließlich klimabezogener Szenarien im Jahr 2025. Der European Residual Value Advisory Board (ERVAB) setzt sich aus Teilnehmern wie dem Leiter der Region Europa (bzw. dem stellvertretenden Regionalleiter), dem Leiter Remarketing, dem Leiter RV & RV Risk Management, dem lokalen RV Manager und optional den lokalen Front- und Back-Office Managern sowie dem Leiter Brand Management zusammen. Das ERVAB ist die grundlegende Funktion des Restwertrisikomanagementkreises zur Überprüfung neutraler Restwertprognosen auf Managementebene. Der Zweck des ERVAB ist es, sich zu neutralen Restwertprognosen für die europäischen Märkte zu beraten und sie abzustimmen. Die abgestimmten neutralen Restwertprognosen bilden die Grundlage für die Restwertpreisbildung und die Portfoliobewertung in den jeweiligen europäischen Märkten. Das Asset Liability Management (ALM) Committee, in dem Entscheidungsträger aus den Bereichen Finanzen, Treasury, Controlling und Risikomanagement vertreten sind, erörtert die Indikatoren für Liquiditätsrisiken unter Berücksichtigung von ESG-Aspekten. Aufgabe des Green Finance Committee ist es, die Einhaltung des Green Finance Framework zu überwachen, der den Ordnungsrahmen für grüne Refinanzierungsaktivitäten wie die Emission von grünen Anleihen auf dem Kapitalmarkt bildet. Diesem Ausschuss gehören Entscheidungsträger und Fachleute aus verschiedenen Geschäftsbereichen an, darunter Treasury, Nachhaltigkeit, Recht, Berichterstattung und Controlling. Die Ausschüsse spielen eine wesentliche Rolle bei der Steuerung verschiedener Risikoaspekte innerhalb der Organisation. Sie beziehen Mitglieder der Geschäftsführung des Konzerns der Volkswagen Financial Services AG entsprechend ihrer funktionalen Zuständigkeiten sowie Entscheidungsträger aus den verantwortlichen Geschäftsbereichen ein und stellen sicher, dass sowohl finanzielle als auch ESG-Überlegungen in die relevanten Prozesse einfließen.
(h)	Berichtslinien und Häufigkeit der Berichterstattung in Verbindung mit Umweltrisiken	Die Erweiterung der Risikoberichterstattung um Informationen zu Klima- und Umweltrisiken ist ein weiteres wichtiges Thema im ESG-Umfeld. Daher werden diese Aspekte im Jahr 2025 in die bestehende Risikoberichterstattung des Konzerns der Volkswagen Financial Services AG integriert. Der Vorstand des Konzerns der Volkswagen Financial Services AG und der Aufsichtsrat werden im Rahmen des vierteljährlichen Risikomanagementberichts über Klima- und Umweltrisiken informiert. Auf Grundlage dieser Berichterstattung kann das Leitungsorgan die Auswirkungen von ESG-Risiken auf das Risikoprofil des Konzerns der Volkswagen Financial Services AG anhand der aggregierten und aktuellen Daten beurteilen.
(i)	Anpassung der Vergütungspolitik an die Ziele des Instituts im Zusammenhang mit Umweltrisiken	Der im Geschäftsjahr 2023 eingeführte ESG-Faktor als Multiplikator für den Jahresbonus setzt sich zu gleichen Teilen aus den Bestandteilen des Dekarbonisierungsindex (DKI) auf Ebene des Volkswagen Konzerns für das Thema Umwelt (U) und dem Anteil von Frauen im Management auf Markenebene für das Thema Soziales (S) zusammen. Der DKI dient als Messinstrument für die CO_2-Emissionen der Hersteller von Pkw und leichten Nutzfahrzeugen über deren gesamten Lebenszyklus. Ziel ist es, den Kohlenstoff nachhaltig zu reduzieren und den Ausstoß von Kohlendioxid (CO_2) auszugleichen, um langfristig eine CO_2-freie Weltwirtschaft zu schaffen. Mit der Analyse des Produktlebenszyklus (Ökobilanz) analysieren wir die Umweltauswirkungen eines Produkts während seines gesamten Lebenszyklus und ist Bestandteil des DKI. Verfolgt wird dabei ein ganzheitlicher Ansatz: angefangen bei der Fahrzeugentwicklung über die benötigten Rohstoffe und die Logistik bis hin zur Produktion, vom ersten bis zum letzten Kilometer auf der Straße und von der Abmeldung bis zum Recycling.
(j)	Einbeziehung der kurz-, mittel- und langfristigen Auswirkungen von Umweltfaktoren und -risiken in das Risiko-Rahmenkonzept	ESG-Risiken werden innerhalb des Konzerns der Volkswagen Financial Services AG nicht als separate Risikoart behandelt. Vielmehr werden sie verschiedenen Risikoarten mit ihren spezifischen Risikotreibern zugeordnet. Nachhaltigkeitsrisiken werden vor allem von Klima- und Umweltrisiken bestimmt. Bei der Ermittlung, Bewertung und Steuerung von ESG-Risiken werden aber auch soziale Risiken und Governance-Risiken berücksichtigt. Bei den Klima- und Umweltrisiken wird zwischen physischen Risiken und Übergangsrisiken unterschieden. Bei physischen Risiken geht es um die direkten Auswirkungen von Umweltveränderungen auf Unternehmen und ihren Geschäftstätigkeiten. Sie stehen im Zusammenhang mit physischen Veränderungen in der Umwelt, wie dem Klimawandel. Beispiele hierfür sind Naturkatastrophen und Umweltveränderungen. Übergangsrisiken stehen im Zusammenhang mit dem Übergang zu einer nachhaltigeren Wirtschaft und ergeben sich aus Veränderungen der zugrundeliegenden politischen, technologischen, rechtlichen oder wirtschaftlichen Rahmenbedingungen. Sie spiegeln meist die Art und Weise wider, in der Unternehmen auf Veränderungen reagieren und sich anpassen. So können beispielsweise neue Gesetze und behördliche Auflagen zum Umwelt- und Klimaschutz die Geschäftstätigkeit von Unternehmen beeinflussen. Außerdem könnten Unternehmen, die nicht in der Lage sind, nachhaltig zu reagieren, Marktanteile verlieren, wenn Verbraucher sich immer stärker auf nachhaltige Produkte und Dienstleistungen konzentrieren. Infolgedessen ist es die Aufgabe jedes Verantwortlichen einer Risikoart, jährlich die ESG-Risikotreiber zu identifizieren, die sich voraussichtlich kurz-, mittel- und langfristig auf die Vermögens-, Finanz- und Ertragslage sowie auf die Reputation der Bank auswirken, wenn diese Risiken eintreten. Um ein vollständiges und gut dokumentiertes Bild über die Auswirkungen dieser Risikotreiber zu erhalten, werden die damit verbundenen Übertragungswege mit den vorhandenen Risikoarten und ihren potenziellen finanziellen Auswirkungen abgeglichen. (Weitere Einzelheiten siehe 1 (l)). Diese Wesentlichkeitsbeurteilung ist Teil der jährlichen Risikoinventur ab dem ersten Quartal 2025, um wesentliche Risiken innerhalb der Volkswagen Financial Services AG zu definieren. Um ESG-Risiken im Rahmen der kurzfristigen Risikobereitschaft zu berücksichtigen, wurden im Konzern der Volkswagen Financial Services AG ebenfalls KRIs mit Bezug auf verschiedene Risikoarten definiert. Diese Indikatoren fließen in den Risk Appetite Framework ein. Dabei wird die ESG-spezifische Risikobereitschaft wird in Abhängigkeit von den spezifischen KRIs in Schwellenwerten oder Zielen ausgedrückt, ähnlich wie die Obergrenzen in den einzelnen Risikoarten. ESG-KRIs werden im Rahmen des jährlichen Steuerungsprozesses für die Geschäfts- und Risikostrategie überprüft und angepasst (Abbildung 1). Im Jahr 2025 wird ein Ordnungsrahmen für Klimastresstests entwickelt, der die standardisierte Integration von Klima- und Umweltrisiken in das Stresstestprogramm sicherstellt, um ein besseres Verständnis der mittel- und langfristigen Auswirkungen von Umweltfaktoren und -risiken zu erhalten. Zunächst wurden ESG-bezogene Sensitivitätsanalysen im Bereich der Refinanzierungs uns Kreditrisiken im Händlerportfolio durchgeführt, wobei die Ergebnisse in das aktuelle Risikoinventar und die Kapitalausstattung eingeflossen sind. Weitere ESG-bezogene Sensitivitätsanalysen innerhalb des Kreditrisikos, des operativen Risikos und des Restwertrisikos werden im ersten Quartal 2025 in Vorbereitung auf den ersten Klimastresstest der VW Financial Services AG im dritten Quartal 2025 durchgeführt. Was die operativen Risiken betrifft, so wurden die Risikotreiber auf der Grundlage der qualitativen Analyse unter Berücksichtigung der Ex-post- und Ex-ante-Daten bewertet. In diesem Zusammenhang wird zwischen einem kurz-, mittel- und langfristigen Zeithorizont unterschieden. Für den mittel- und langfristigen Zeithorizont werden, wenn möglich, wissenschaftliche Studien herangezogen, um Veränderungen für die Jahre 2030 und 2050 zu prognostizieren, wie z. B. die Zunahme der Wahrscheinlichkeit des Auftretens von extremen Wetterereignissen. Anhand dieser Informationen wird die Wesentlichkeit für jeden Risikotreiber für den jeweiligen Zeithorizont bestimmt. Die in die Kreditvergabe- und Entscheidungsprozesse einbezogenen Instrumente werden unter 1 (d) beschrieben.

(k)	Definitionen, Methoden und internationale Standards, auf denen das Rahmenkonzept für das Umweltrisikomanagement beruht	ESG-Risiken werden nicht als eigene Risikoart behandelt, sondern verschiedenen Risikoarten mit spezifischen Risikotreibern zugeordnet (1 (j)). Two different perspectives are used to determine the portfolioLs financed and leased emissions and to monitor them as part of the business and risk strategy – see section 1 a "The direct emissions of our portfolio will be carbon-neutral on the balance sheet by 2030 at the latest". On the one hand, the procedure for the property perspective is described in accordance with the PCAF standard and, on the other, the counterparty perspective is analogous to the ECB climate stress test. The distinction between these perspectives is based on the different requirements of the addressees, such as disclosure or risk management. Um bis spätestens 2030 einen klimaneutralen Geschäftsbetrieb zu erreichen, haben wir ein Umwelt-Compliance-Managementsystem (UCMS) nach der DIN EN ISO 14001 und den Grundsätzen für die ordnungsgemäße Prüfung von Compliance-Managementsystemen nach IDW PS 980 eingeführt. Die Hauptschwerpunkte unserer Bemühungen zur Verringerung der CO_2-Emissionen im Betrieb werden in 1 (a) und 1 (c) erläutert. Die Methoden bei der Kreditvergabe und den Entscheidungsprozessen, auch im Hinblick auf internationale Standards, werden unter 1 (d) beschrieben.
(l)	Verfahren zur Ermittlung, Messung und Überwachung von Tätigkeiten und Risikopositionen (und gegebenenfalls Sicherheiten), die gegenüber Umweltrisiken anfällig sind, einschließlich relevanter Übertragungswege	Die in die Kreditvergabe- und Entscheidungsprozesse einbezogenen Instrumente werden unter 1 (d) beschrieben. Zur Identifizierung der wichtigsten Portfolios im Hinblick auf das Geschäftsmodell und die Strategie des Konzerns der Volkswagen Financial Services AG wird die aktuelle Portfoliostruktur einer Analyse unterzogen. Dabei werden geografische Risiken der einzelnen Portfolios untersucht. Anhand dieser Informationen wird eine Relevanzanalyse aller ESG-Risikotreiber in den maßgeblichen Risikoarten unter Berücksichtigung der Übertragungswege auf Grundlage von qualitativen Expertenmeinungen und quantitativen Informationen durchgeführt (Wesentlichkeitsanalyse zum ersten Quartal 2025). Für weniger relevante Risikotypen wird eine allgemeine Risikobewertung durchgeführt. Abschließend wird die Wesentlichkeit der Risikotreiber kurzfristig (< 1 Jahr), mittelfristig (1 bis 5 Jahre) und langfristig (> 5 Jahre) analysiert. Die Wesentlichkeitsanalyse bezüglich dieser Risikofaktoren wird im Rahmen der jährlichen, von der Geschäftsleitung durchgeführten Risikoinventur vorgenommen. Der Konzern der Volkswagen Financial Services AG hat für die verschiedenen Risikoarten einige wesentliche Übertragungswege für die Treiber von physischen und Übergangsrisiken identifiziert. Diese sind in Tabelle 48 aufgeführt. Aus Sicht des Konzerns des Volkswagen Financial Services AG handelt es sich bei den Automobilfinanzierungen um rollendes Material, bei denen physische Gefahren kein dominanter Risikotreiber sind und daher in der geschäftspolitischen Ausrichtung des Konzerns nur eine untergeordnete Rolle spielen. Dennoch werden im Risikomanagement auch physische Risiken berücksichtigt. In der Gesamtbetrachtung ist der Konzern der Volkswagen Financial Services AG mittel- und langfristig vor allem transitorischen Klima- und Umweltrisikotreibern in Bezug auf das Kredit-, Restwert- und Geschäftsrisiko ausgesetzt. Die folgenden Risikofaktoren sind von besonderer Bedeutung: Übergang auf eine kohlenstoffarme Wirtschaft und damit verbundene Kosten, technologischer Wandel sowie Gesetze und behördliche Auflagen. Übergangsrisiken in Bezug auf das Liquiditätsrisiko und operationelle Risiken können jedoch ebenfalls wesentliche Auswirkungen haben. Risiken in den Bereichen Soziales und Governance werden für die meisten Risikoarten als nicht wesentlich angesehen (siehe auch 2 (m)). Hinsichtlich der Messung und Überwachung von Umweltrisiken verweisen wir auf den Ordnungsrahmen für Klimastresstests und die 2025 zu implementierenden Sensitivitätsanalysen (wie in Abschnitt 1 (j) beschrieben), sowie auf die definierten KRIs und deren Obergrenzen (Abschnitt 1 (b)) sowie die Integration von ESG in die Berichterstattung der Bank (Abschnitt 1 (h)).
(m)	Tätigkeiten, Verpflichtungen und Risikopositionen, die zur Minderung von Umweltrisiken beitragen	Ein Risiko für die Volkswagen Financial Services AG ergibt sich daher aus der Transformation des Automobilsektors und den Auswirkungen sowohl auf die Fahrzeughändler sowie die Restwerte der Fahrzeuge. Daher ist zum einen die Unterstützung eines umweltfreundlichen Transformationsprozesses der Händler das erklärte Ziel der Volkswagen Financial Services AG. Ebenso werden Finanzierungen von Ladeinfrastruktur und E-Fahrrädern wie auch energetisches Bauen und Sanieren konsequent ausgeweitet. Zum anderen soll darüber hinaus die Mobilitätswende des Volkswagen Konzerns hin zur E-Mobilität durch attraktive Leasingangebote für batterieelektrische Fahrzeuge an Retail- und Corporate-Kunden bestmöglich unterstützt werden. Auf der Refinanzierungsseite wird die Mobilitätswende durch die Begebung von grünen Anleihen unterstützt. Ziel ist es, die Refinanzierung in Zukunft insgesamt stärker an Nachhaltigkeitskriterien auszurichten. Auch im eigenen Betrieb unternimmt die Volkswagen Financial Services AG große Anstrengungen, um eine weitgehende bilanzielle CO_2-Neutralität zu erreichen und physische Gefahren durch akute Umweltschäden abzuwenden. So werden Umweltschutzmaßnahmen wie die Senkung von Energie-, Wasser- und Papierverbrauch, CO_2-Emissionen und Abfallerzeugung mit hoher Priorität verfolgt. Zusätzlich werden Gefährdungspotenziale für Mitarbeiter, Gebäude oder Technologie und deren Absicherungen, insbesondere durch Umwelteinflüsse, laufend untersucht und in Auswirkungsanalysen einbezogen, um etwaige Gegenmaßnahmen zu definieren und bei Notwendigkeit umzusetzen. Die in die Kreditvergabe- und Entscheidungsprozesse einbezogenen Instrumente werden unter 1 (d) beschrieben; dazu gehören auch Maßnahmen zur Minderung von Umweltrisiken. Darüber hinaus ist die Volkswagen Financial Services AG Teil des Umwelt-Compliance-Managementsystems (UCMS) des Volkswagen Konzerns. Das UCMS des Volkswagen Konzerns ist in der Konzernrichtlinie 17 beschrieben und basiert im Wesentlichen auf der Umweltmanagementnorm ISO 14001 und dem Standard für Grundsätze ordnungsmäßiger Prüfung von Compliance-Managementsystemen IDW PS 980. Dazu gehört auch unsere eigene Umwelterklärung. Initiativen zur Erreichung strategischer Nachhaltigkeitsziele und -verpflichtungen sind unter 1 (a) aufgeführt.
(n)	Einführung von Instrumenten zur Ermittlung, Messung und Steuerung von Umweltrisiken	Die in die Kreditvergabe- und Entscheidungsprozesse einbezogenen Instrumente werden unter 1 (d) beschrieben. Weitere Instrumente zur Identifizierung, Messung und zum Management von Umweltrisiken werden unter 1 (j) und 1 (l) beschrieben.
(o)	Ergebnisse der eingesetzten Risikoinstrumente und geschätzte Auswirkungen des Umweltrisikos auf das Risikoprofil hinsichtlich Kapital und Liquidität	Die Ergebnisse und Feststellungen der eingesetzten Risikoinstrumente werden unter 1 (j) und 1 (l) beschrieben.
(p)	Verfügbarkeit, Qualität und Genauigkeit der Daten und Bemühungen zur Verbesserung dieser Aspekte	Für die Berichterstattung über Klima- und Umweltrisiken werden in erster Linie Daten aus dem zentralen Data Warehouse verwendet, das auch die zentrale Datenquelle für die Erstellung von Berichten im Risikomanagement und der aufsichtsrechtlichen Berichterstattung ist. Zu diesem Zweck wurden die notwendigen Informationen über Klima- und Umweltrisiken in die bestehenden Lieferwege integriert. Darüber hinaus wurden Methoden und Prozesse implementiert, um relevante Datenpunkte abzuleiten (z. B. Kennzeichnung von Kunden, die zu den 20 CO_2-intensivsten Unternehmen gehören oder die sich nicht an den Anforderungen des Pariser Klimaabkommens orientieren). Diese Informationen werden in Zukunft auch in das zentrale Data Warehouse integriert. Die dafür notwendigen Schnittstellen werden derzeit geschaffen. Dadurch können die Prozesse der Datenlieferung optimiert und die zentrale Verfügbarkeit der relevanten Daten weiter verbessert werden. Der Nachhaltigkeitsbericht des Volkswagen Konzerns erläutert weitere konzernweite Regelungen zu Umwelt-, Sozial- und Governance-Themen und spezifiziert zusätzliche konkrete Anforderungen für den Umgang mit diesen Themen im Konzern.
(q)	Beschreibung der Obergrenzen für Umweltrisiken (als Treiber aufsichtsrelevanter Risiken), die festgesetzt werden und deren Überschreitung Eskalationen und Ausschlüsse auslöst	Obergrenzen sowie Eskalationsprozesse sind in 1 (b) beschrieben. Darüber hinaus sind Ausschlusskriterien unter 1 (d) aufgeführt.

(r)	Beschreibung der Verbindung (Übertragungswege) zwischen Umweltrisiken und Kreditrisiko, Liquiditäts- und Finanzierungsrisiko, Marktrisiko, operationellem Risiko und Reputationsrisiko im Rahmenkonzept für das Risikomanagement	Die Übertragungswege für wesentliche Risikoarten innerhalb der VW FS AG sind unter 1 (l) beschrieben.

TABLE 46: OBJECTIVES OF THE NH STRATEGY AND KPIS

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

TABLE 47: KEY RISK INDICATORS

KRI	Objective / Further Explanation
Intensity of CO_2 emissions from financed/leased vehicles	Monitoring the reduction of average vehicle emissions.
CO_2 footprint of business operations and IT	Identification of activities with the highest CO_2 emissions and derivation of possible savings and efficiency measures.
ESG-Scoring light and external ESG-Scores	A limit has been defined for each market for the maximum share of the overall red ESG score. Compliance with this requirement is reviewed on a quarterly basis.
Share of Green Bonds	Share of green bonds in VW FS AG in the respective financial year calculated as a share of the total outstanding bond volume on the capital market.

TABLE 48: RISK TYPES

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

FIGURE 1: RISK DRIVERS, TRANSMISSION CHANNELS AND FINANCIAL IMPACT

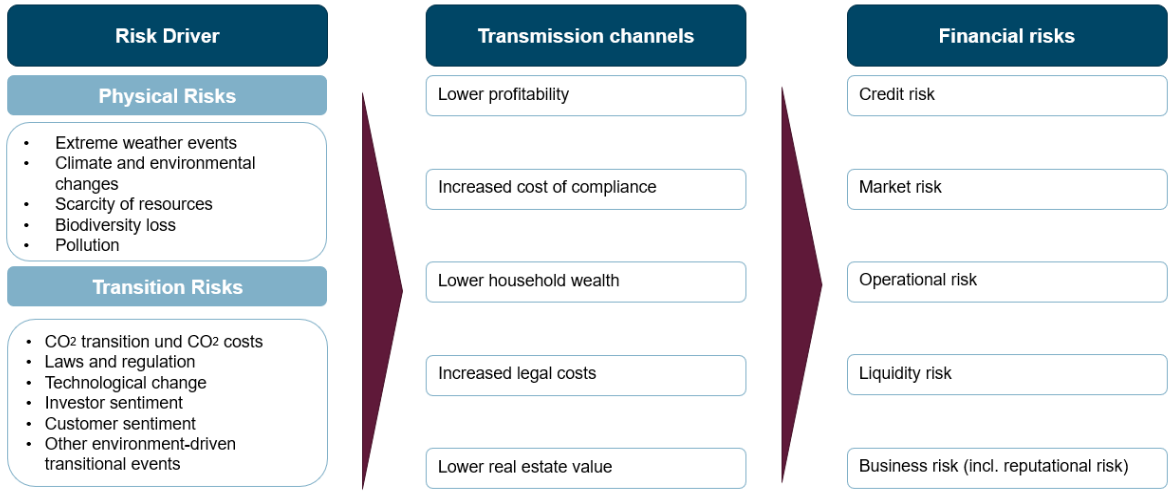


TABLE 49: QUALITATIVE INFORMATION ON SOCIAL RISKS (IN ACCORDANCE WITH ARTICLE 449A OF THE CRR)

Row number		Qualitative information - Free format
(a)	Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, busi-ness model, strategy and financial planning	As an outcome of the double materiality assessment, social risks include our own staff and our related parts of society. **Employees** We are committed to an excellent employee experience and promote a culture of appreciation, trust, and continuous development. Our employees are the heart of our company and crucial to our long-term success. Therefore, we strive to offer them an excellent working environment and comprehensively promote their personal and professional development. As part of our sustainability strategy, we have set clear goals in the areas of employee development, diversity, inclusion, and equality. We are committed to diversity and inclusion We are committed to a work environment characterized by openness, a sense of community, respect, and appreciation. Volkswagen Financial Services was one of the first companies to sign the "Charta der Vielfalt" in 2007, a German corporate initiative to promote diversity. We reject discrimination in any form, promote cooperative behavior in the workplace and are committed to inclusion. We are convinced that integrity and compliance can only be lived in a culture free of fear, and we create the conditions for this. We are particularly concerned about increasing the proportion of women at all levels of the workforce. As a concrete goal, we want to increase the proportion of women in management to at least 32.2% by 2030. To make it easier to reconcile work and private life, Volkswagen Financial Services AG founded its own company kindergarten "Frech Daxe" back in 2008. We strive for an excellent employee experience and high-performing teams The transformation to sustainable mobility makes our work more colourful, multifaceted and interesting. We want to exploit these advantages to provide a unique work experience for all employees. It is important to us that everyone can keep up with the change. To this end, intensive investments are being made in training and further education with the aim of increasing the average qualification hours of employees to 30 hours per year by 2030. In addition, the central principles of the management and corporate culture: courage, trust, and customer focus promote cooperation among all employees. Additionally, we offer various internal communication formats for dialogue within Volkswagen Financial Services AG: management conferences, dialogue events and direct exchange between employees and the board or management are well established. Furthermore, the mood barometer makes it possible to record the mood across the entire Volkswagen Group and aims to increase employee satisfaction through subsequent processes, particularly the discussions of results and the measures derived and implemented from them. **Society** We assume social responsibility and advocate for a just, social, and safe society. As a company, we see it as our duty to create added value not only for our employees, customers, and partners but also for society as a whole. We make a sustainable contribution to society.Therefore, the Volkswagen Financial Services AG engage in various projects to make a societal contribution, especially at our business locations in the areas culture, sports and social. In addition to its involvement in regional cultural projects, Volkswagen Financial Services AG sponsors professional soccer and basketball sports as well as individual young talents in a wide variety of sports. University cooperations with the Technical University of Braunschweig and the University of Hildesheim enable cooperation under the motto "Combining theory and practice". Furthermore, we support a wide range of projects for the education and support of socially disadvantaged children and young people in particular. One example of this is the Foundation – Unsere Kinder in Braunschweig, which we founded back in 2008. The protection of our data is our top priority Protecting sensitive data and defending against cyber threats are essential in an increasingly digitalized world to ensure the trust of our stakeholders. A robust cyber security strategy not only secures our own systems but also contributes to the stability and security of the entire economic environment. As Volkswagen Financial Services AG, we aim to remain leaders in the field of cyber security: Already today, 100% of our IT systems are ISO 27001 certified and thus state-of-the-art.
(b)	Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance as-sessment against these objectives, targets and limits, including forward-looking infor-mation in the design of business strategy and processes	The sustainability goals of the Volkswagen Bank GmbH Group (incl. KPIs) related to the social dimension are described in Section 2 (a) and listed in 1 (b). Volkswagen Bank GmbH has been subject to reporting obligations under the German Supply Chain Due Diligence Act (LkSG) since January 1, 2024. It therefore publishes an annual policy statement with the most important content on risk management relating to human rights in its own business area and in the supply chain. Respect for hu-man rights is a central concern for Volkswagen Bank GmbH and its employees. We are convinced that sustainable business is only possible through ethical action and in-tegrity. Volkswagen Bank GmbH stands for individual freedom, fair working condition, open world trade, economic development and peaceful coexistence. Volkswagen Bank GmbH has anchored these expectations in all our relevant business processes as well as in internal and external regulations, such as > our Code of Conduct, > the Social Charta, > the Volkswagen Group Environmental Policy that also applies to Volkswagen Financial Services AG, > our Group guidelines, > our Code of Conduct for Business Partners, > in employee training on the Supply Chain Due Diligence Act (LkSG), > in contractual provisions with our business partners and > in our policy statement on human rights (German "Grundsatzerklärung"). Both the policy statement against the background of the Supply Chain Due Diligence Act and the Volkswagen Group's Social Charter, which was adopted a few years ago and also applies to Volkswagen Bank GmbH, are based on an international framework: > The Universal Declaration of Human Rights, codified in particular in the International Covenant on Civil and Political Rights and in the International Covenant on Economic, Social and Cultural Rights (in addition to other applicable human rights treaties under international law, for example the UN Convention on the Rights of the Child) > The ILO core labor standards > Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the ILO > The ten principles of the UN Global Compact > The UN Guiding Principles on Business and Human Rights, > The OECD Guidelines for Multinational Enterprises Risk management plays an overarching role within the Supply Chain Due Diligence Act, because the implementation of the obligations resulting from the Act is based on the results of this risk management (see table 2 (h)). The general business strategy is in line with the requirements of the law.

(c)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities	The policies and procedures described within 1 (d) apply also in context of the strategy of Volkswagen Financial Servicesto mitigate and reduce socially harmful activities.
(d)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to:	Social risk management is embedded within the Governance structure as described within 1 (e) - (i) whose content applies to environmental, social and governance aspects. Respon-sibilities of management body are described especially within 1 (e) and (f). For the Sustainability Goals described under 1 (b) within Board of Management of Volkswagen Financial ServicesAG sponsors have been defined (section 1 (e)). The success of Volkswagen Financial Services AG depends crucially on everyone, i.e. the Board of Management, managers and each individual employee, behaving honestly, with integrity and ethically correctly. This also means that Volkswagen Financial Services AG reports and communicates truthfully, comprehensively and in a timely manner, both internal-ly and externally. The common goal is to assume responsibility and protect the reputation of Volkswagen Financial Services AG. In line with the principle of sustainability, Volkswagen Financial Services AG is aware of its responsibility for the economic, social and ecological impact of its actions. Acting responsibly and with integrity also means ensuring that the rules applicable within the company are observed and complied with by all employees at all times and everywhere. Board members and managers have a special and responsible role to play here: they act as role models and must prevent irregular behavior within the company, protect their em-ployees and represent Volkswagen Financial Services AG with integrity both internally and externally.
(i)	Activities towards the community and society	
(ii)	Employee relationships and labour standards	
(iii)	Customer protection and product responsibility	
(iV)	Human rights	By signing Volkswagen's Social Charter, Volkswagen Financial Services AG undertakes to continuously monitor compliance with it and to assess its application. With the entry into force of the German Supply Chain Due Diligence Act (LkSG), the monitoring of compliance with human rights obligations was implemented with a legally compliant risk management approach. This includes, among other things, the appointment of a Human Rights Officer who monitors this risk management and reports regularly (at least annually) to the Board of Management. For the anonymous reporting of suspicions and indications of violations, the whistleblower system has been expanded with regard to human rights. The whistleblower system serves to investigate and sanction as well as to remedy misconduct as well as to analyse the causes and prevent future incidents. The violations of the rules recorded in the whistleblower system are reported to the Board of Management responsible for Compliance and to the Chief Compliance Officer of the Volkswagen Group. This ensures continuous follow-up and evaluation of the effectiveness of the implemented measures. Volkswagen Financial Services AG uses the Volkswagen Group's responsible supply chain system to systematically carry out risk analyses and identify human rights and social risks in its value chain. On the basis of the analysis results, necessary and apprOpRiate measures are derived. These aim to minimise possible or actual negative impacts on workers in the value chain. As part of its sustainability strategy, Volkswagen Financial Services AG will integrate the issue of human rights even more transparently into procurement and thus into the value chain. A description of the responsible supply chain system can be found on the Volkswagen Group's website in the section "Sustainability in the Supply Chain". In addition, the monitoring of compliance with and assessment of the application of the Social Charter takes place at least once a year within the framework of the meeting of the European/World Group Works Council. Volkswagen Financial Services AG has filled the position of Human Rights Officer in December 2022. The Human Rights Officer is the contact person for all stakeholders of the com-pany and acts in personal union for both the parent company Volkswagen Financial Services AG and the subsidiary Volkswagen Leasing GmbH, which is subject to reporting obliga-tions. He coordinates on human rights-related issues from authorities, politics and society via a dotted reporting line to the Human Rights Officer of the Volkswagen Group. His main tasks also include monitoring the apprOpRiate-ness and effectiveness of risk management for compliance with the due diligence obligations of the LkSG and carrying out risk-based control measures. When it comes to human rights, various second-line functions are also involved, including: > Compliance department (especially for the whistleblower system) > HR Compliance > Occupational Health and Safety > Environmental Management (especially for the establishment of an Environmental Compliance Management System (ECMS)) and social concerns > Procurement (e.g. regarding the agreement of the CoC for business partners with suppliers and the granting of the obligation to cooperate in investigations of possible violations in the supply chain by direct suppliers). In addition to the resources used by Volkswagen Financial Services AG itself for the topic of human rights, there are the following resources at Group level that are also used for Volkswagen Financial Services AG: > Central Investigation Office of the Volkswagen Group, > Human Rights Officer of the Volkswagen Group and > Second line functions of the Volkswagen Group (including HR Compliance, Group Security, Occupational Health and Safety, Group Environmental Compliance, Procurement Sustainability). The measures to ensure compliance with human rights apply both to direct and indirect suppliers as well as to Volkswagen Bank GmbH's own business units within the scope of the LkSG. The responsibility for the implementation and monitoring of these obligations lies with the management.

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

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

(e)	Integration of measures to manage social factors and risks in internal governance arrange-ments, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body	Social risk management is embedded within the Governance structure as described within 1 (e) - (i) whose content applies to environmental, social and governance aspects. Integration of measures to manage social factors and risks are described especially within 1 (g). Measures to manage human rights and related social risks are described in section 2(d).
(f)	Lines of reporting and frequency of reporting relating to social risk	Social risk management is embedded within the Governance structure as described within (e) - (i) whose content applies to environmental, social and governance aspects. Lines of reporting as well as reporting frequency are described especially within 1 (h). An internal reporting, reflecting ESG-aspects, will be established until Q3 2025 within the roll-out of ECB's Guide to climate-related and environmental risks of the Volkswagen Financial Services AG, also taking the pillar "Social" into account. Lines of reporting and frequency regarding human rights and related risks are described in section 2(d).
(g)	Alignment of the remu-neration policy in line with institution's social risk-related objectives	The ESG factor introduced in the financial year 2023 as a multiplier for the annual bonus is composed in equal parts of the components of the decarbonisation index (DKI) at Volkswagen Group level for the Environment (E) and the proportion of women in management at brand level for the Social area (S). The Governance (G) criterion is already taken into account by the culture and integrity component. The proportion of women in management measures the proportion of women in management in relation to management as a whole. Companies with diverse teams are more successful and generally generate higher returns. Volkswagen Financial Services AG is therefore striving to increase the proportion of women in management. The ESG factor ranges between 0.7 and 1.3. The target achievement for criterion S is determined by the management / the supervisory board on the basis of the previ-ously defined target values.

(h)	Definitions, methodologies and international standards on which the social risk management framework is based	Social risk management is embedded within the risk management framework above whose content applies for many aspects to environmental, social and governance aspects. Definitions, methodologies and international standards on which the social risk management framework is based are described especially within 2 (b). Monitoring risk management for human rights is one of the core functions of the Human Rights Officer. The risk management approach comprises recurring steps for the following areas > Own business area > direct suppliers and > indirect suppliers. For all areas, the underlying risks are analysed in a fundamentally abstract manner. The business areas and the countries in which either subsidiaries or suppliers are located are analysed. With the help of international studies, internationally applicable indices and expert knowledge from our own employee network, a good abstract view of possible risks in our own area of activity and in the supply chain is created in the first step. The abstract risks can already be used to derive focus areas for specific risks. Concrete risks can be easily identified internally through interviews with various parties and hints from company's own whistleblower system. With regard to direct suppliers, specific risks can be provided on the basis of information from the company's own whistleblower system or from specific press reports. International press reports are checked annually by an external specialised service provider for possible indications of human rights or environmental violations. If the analysis reveals a suspected risk as a violation, the German law (LkSG) only recognises these possible scenarios > breaches in the own business area must be remedied (immediately) > in the case of suppliers, breaches must also either be remedied directly, a plan with a short time horizon must be drawn up in which the breaches are remedied or, if this does not help, the supply relationship must be terminated. The only difference between direct and indirect suppliers is the type of risk analysis. In the case of direct suppliers, risks must be analysed on an ongoing or recurring basis, whereas in the case of indirect suppliers, an event-driven risk analysis must be carried out. These occasions can relate to a report from the direct supplier as well as information from the whistleblower system or the press that the company becomes aware of. Volkswagen Financial Services AG is often not directly aware of the indirect suppliers and is therefore dependent on the assistance of the direct suppliers and on information from whistleblowers or the press.
(i)	Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels	Social risk management is embedded within the risk management framework as described within 1 (j) - (o) whose content applies to environmental, social and governance aspects. Processes to identify, measure and monitor activities and exposures sensitive to social risk are described especially within 1 (l). The policies and procedures described within 1 (d) apply also in context of social risks. In order to ensure sufficiently ESG-risks related to counterparties Volkswagen Financial Services Group has incorporated “ESG key questions” within the back office departments covering the three pillars “Environmental”, “Social” and “Governance”. The purpose of the “ESG key questions” is to identify possible impacts, i.e. how is a counterparty exposed to ESG-risks. Social risks are therefore considered within the back offices and documented within the credit application processes. An evaluation whether the counterparty is exposed to social risks is done and is common practise since years. The “ESG key question” for the pillar “Social” includes human rights, social and working standards. Within the back offices a consideration to which extend the counterparty takes social actions and prepares oneself to contribute to safety at work, e.g. health protection, compliance with accident preven-tion regulations is ensured. Processes to identify measure and monitor human rights and related social risks are described in section 2(d).
(j)	Activities, commitments and assets contributing to mitigate social risk	For Volkswagen Financial Services Group, a whole set of avoiding and mitigation social risks is incorporated within the risk policies. Exclusions of controversial business and eco-nomic practices are therefore integrated into the compliance frameworks and from April 1st 2025 onwards in the lending policies. A binding Code of Conduct is as well part of the contracts between the authorized dealer and the brand, and a supplementary compliance guideline flanks the Volkswagen Group's requirements for sustainability in its relationships with business partners. This ensures that requirements for national and international requirements and conventions, internal standards and values, such as human rights, labour rights, occupational health and safety and compliance aspects, are met. Moreover, sufficient monitoring, reporting obligations and mandatory trainings of the employees are incorporated. The behaviour and consideration in order to ensure “Social” aspects are also considered. Activities towards the community and society. Volkswagen Financial Services is fully committed to support society, culture, education and sport. In addition to social and educa-tional projects, an internal focus is on a comprehensive cyber security strategy to ensure the trust of all stakeholders and the stability of the economic system - 100% of the IT sys-tems are ISO 27001 certified. In terms of culture, the company supports the Braunschweig International Film Festival, the “ART MOBIL” for schoolchildren and senior citizens and the “GroßerHausBesuch” concert series, among others. In terms of sport, it supports Eintracht Braunschweig, the Basketball Lions and young sports talents. It also cooperates with uni-versities, such as the TU Braunschweig and the University of Hildesheim on the subject of artificial intelligence. The “Our Children in Braunschweig” foundation, established in 2008, supports disadvantaged children in education, music, exercise and nutrition. Other projects are implemented directly by the local national companies in the respective markets. Employees are guided in their daily work by a generally applicable organizational handbook (OHB). This organizational handbook serves as a guide for employees and creates a uni-form basis at both national and international level. The organizational handbook covers various areas, such as structural and procedural organization as well as department-specific guidelines. It is accessible via an internal platform. An international version in English serves as a guide for the subsidiaries when implementing processes in accordance with the specifications of the headquarters. The Code of Conduct (CoC) lays the foundation for integrity and compliant behavior within the Volkswagen Group. It acts as a central element to raise awareness of responsible be-havior and decision-making, provides assistance and provides contact persons. In addition to the International Bill of Human Rights and the core labor standards of the International Labor Organization (ILO), the United Nations Convention against Corruption is also anchored in the CoC of Volkswagen Financial Services AG. Non-compliance with the Code of Con-duct can lead to considerable damage, not only for Volkswagen Financial Services AG, but also for employees, business partners and other stakeholders. The Code of Conduct is supplemented by internal guidelines and regulations as well as contractual employment agreements. In addition, national and international legal regulations are observed, which generally also means that Volkswagen Financial Services AG does not participate in activities that are based on fraud, embezzlement, blackmail, theft, embez-zlement or other deliberate damage to the assets of customers or third parties. To anchor the national and international legal regulations in the company, the “Anti-Corruption” guidelines for employees are available at all times in the digital organization manual. In addition, the guideline on avoiding conflicts of interest and corruption in the OHB of Volkswagen Financial Services AG can be accessed. Together with its accompanying docu-ments, this guideline also sets out the content of guest hospitality and the handling of invitations and gifts. These internal guidelines apply uniformly to all employees within the com-panies of Volkswagen Financial Services AG. The compliance function of Volkswagen Financial Services AG has implemented control measures to monitor compliance with the re-quirements within the companies (see section 2 (k)).

		Compliance trainings The contents of the CoC and other internal organizational topics related to governance are communicated to employees in various training sessions. Compliance training at Volkswagen Financial Services AG is based on statutory requirements and the Volkswagen Group's specifications. The Volkswagen Group defines minimum requirements for the es-sential content and process-related design of training formats. Preventive compliance work is fundamentally based on employee training measures. This is based on a risk-oriented and target group-specific training concept, which was updated in the reporting year. Volkswagen Financial Services AG thereby pursues the goal of preventing general compliance risks as well as risks of money laundering and fraud. Knowledge of the obligation to report serious breaches of regulations and the disclosure of any conflicts of interest are also part of the certification. Business partners from sales and procurement are also trained on a risk-based basis. The Code of Conduct for Business Partners forms the basis for this. Communication for preventative compliance Compliance with laws, rules and internal regulations is a priority for the Volkswagen Group. Only if rules and standards are complied with can damage to the Volkswagen Group and Volkswagen Financial Services AG, employees and business partners be averted. Misconduct must therefore be uncovered at an early stage, dealt with and combated immediately. For this reason, the Central Investigation Office (ZAO) of Volkswagen AG has been commissioned to operate an independent, impartial and confidential whistleblower system. In addition to the whistleblower system and the Investigation Office, violations of the CoC, including cases of corruption and bribery, can be investigated decentrally and by Internal Audit, Corporate Security or HR. The Compliance unit is generally involved in the processing of all cases relating to corruption and bribery and calls in other units for case processing if necessary. The compliance unit acts independently of the management, so that independent case processing is guaranteed. The Responsible Supply Chain System (ReSC system) is in place for violations of company principles within the supply chain. An additional option for reporting violations of the CoC, for example, is the Group-wide “Hot Topic” reporting. Hot topic reporting plays an important role in compliance work. It helps to pass on information on compliance-relevant, systemic incidents and escalate them throughout the organization. The involvement of the Legal department at Volkswagen Financial Services AG, Volkswagen Bank GmbH and the foreign companies is governed by specific regulations at OHB based on the Volkswagen Group's specifications. In accordance with these regulations, the Legal department must be consulted in the event of legal issues affecting one of the aforemen-tioned companies as well as in the event of criminal matters that could result in reputational damage. Internal reports are submitted to the Board of Management of Volkswagen Fi-nancial Services AG and the Group Chief Compliance Officer of Volkswagen AG at least once a year. In addition, the results of the annual compliance report of Volkswagen Financial Services AG are passed on to the relevant decision-makers of the companies. At Volkswagen Leasing AG, the report is forwarded to the Audit Committee; at Volkswagen Bank GmbH, it is forwarded to the Supervisory Board. Commitments and activities to mitigate human rights and related social risks are described in section 2(d).
(k)	Implementation of tools for identification and management of social risk	ESG risks are not treated as a separate risk type within the Volkswagen Financial Services AG. Rather, they are assigned to various risk types with their specific risk drivers. Climate and environmental risks in particular dominate sustainability risks, but social risks and governance risks are also considered when ESG risks are identified, evaluated and managed (see table 1 (j) and 1 (l). In the case of social risks, identification is performed on portfolio level regarding their specific impact on country risk based on internationally accepted data and information sources such as S&P risk atlas, the International Labour Organisation or European Standards. On a more granular level, social risks are also part of a sector specific risk driver assessment. Measures relating to compliance Risk assessment in accordance with the internal compliance risk assessment Financial Services AG companies have implemented an internal compliance risk assessment (ICRA). It determines the compliance risks in the Group. As part of the ICRA assessment process, risk positions in connection with money laundering, fraud and general compliance risks are identified and aggregated into a risk at company level. The majority of the companies of Volkswagen Financial Services AG are in a low to medium risk range. The ICRA risk assessment is fully updated every three years. In the event of material changes in business operations (e.g. new companies or business areas), the risk assessment for the companies concerned is updated annually. Each controlled company must implement apprOpRiate measures based on its risk profile. In addition, it defines ICRA standards in areas such as the Code of Conduct, whistleblower system, compliance training and communication. The Group Chief Integrity & Compliance Officer of Volkswagen AG reports on the implementation status to the “Group Board of Management Committee on Integrity and Compliance” on an ad hoc basis or at least once a year. The reporting also includes Volkswagen Financial Services AG. Measures to identify and manage human rights and related social risks are described in section 2(d). Further tools for identification, measurement and management of social risks are described within 2 (h) and 2 (i). On an exposure level, instruments included in the lending and decision-making processes are described within 1 (d).
(l)	Description of setting limits to social risk and cases to trigger escala-tion and exclusion in the case of breaching these limits	Potential limits, controversial sectors and exclusion criteria are listed within 1 (d). Processes related to the ESG-Scoring KRIs, including social risk aspects, are described within 1(b). Further information to limit, manage and escalate human rights and related social risks are described in section 2(d).
(m)	Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, mar-ket risk, operational risk and reputational risk in the risk management framework	Social risks are not material for the Group. As an exception corporate customers in certain sectors face challenges resulting from ageing workforce and changing social trends, which might have an impact in the long term. Car dealers might additionally be impacted by a change in the mobility behavior of customers in the long term. A climate stress test for VolkswagenFinancial ServicesAG will be computed until Q3 2025 within the roll-out of ECB's requirement on climate-related and environmental risks, which might integrate selected social risk drivers. Transmission channels for material risk types within Volkswagen Financial ServicesAG are described within the following table and 2 (i).

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

Row number		Qualitative information - Free format
(a)	Institution's integration in their governance arrangements of the governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics	The Volkswagen Financial Services Group offers a wide range of banking products, including financing and leasing vehicles from all brands of the Volkswagen Group. Therefore, most of the Volkswagen Financial Services Group's portfolio consists of vehicle financing and vehicle leasing. The remaining financing categories include dealer and real estate financing, as well as financing without a specific intended use. The Volkswagen Financial Services Group recognizes its economic and social responsibility as a financial institution and has incorporated the "Green Loan Framework" to promote and define sustainable financing. The strategic goal of the Volkswagen Financial Services Group is to drive the transition to emission-free mobility. The "Green Loan Framework" assesses whether the generated funds are used for sustainable purposes, such as refinancing credit and leasing contracts for more environmentally friendly electric and hybrid vehicles. Moreover, the Volkswagen Financial Services Group has implemented the “ESG-Scoring light “for financing business and an external ESG-Scores for leasing business as well as corresponding “ESG key questions” within the credit process to assess the sustainability of risk relevant customers. This enables the Volkswagen Financial Services Group to support customers who adhere to sustainable practices and standards. Governance criteria like: > Precautions regarding data protection and defense cyber criminality > Reporting and persecuting compliance violations (money laundering etc.) > Equal rights (inclusion, development of gender neutral renumeration) > Corporate principles considering ESG aspects (environmental and climate improvement, social engagement, compliance, development of a sustainability strategy and their organizational incorporation) are checked and assessed by credit departments and any relevancies are considered within the credit documentation. Checking counterpar-ties' governance aspects became a mandatory part of the credit documentation which is carried out on an annual basis or when changes dur-ing the year become known. Within the Volkswagen Financial Services Group, the avoidance of controversial business and economic activities is firmly integrated into the compliance frameworks. A binding code of conduct is already an integral part of the contracts between dealers and the Volkswagen Group. In addition, a supplementary compliance policy supports compliance with the sustainability requirements of the Volkswagen Group in business relationships. A binding code of conduct is also part of the Volkswagen Financial Services Group for business relationships with customers, business part-ners, and suppliers. Requirements regarding national and international regulations and conventions, internal norms, and values, such as hu-man rights, labor rights, and compliance aspects, are ensured. Applicable laws and regulations, such as anti-corruption, money laundering, fraud prevention, and cybercrime, are considered and implemented within the Volkswagen Financial Services Group through work instructions and processes. Monitoring and reporting obligations, as well as communication channels and training, are also integrated for employees. This ensures the following areas: > Compliance & Integrity including the protection of economic and human rights > Prevention of money laundering, terrorism financing, and criminal activities > Anti-corruption and fraud prevention Against this background, the Volkswagen Financial Services Group will implement an exclusion list for credit approvals as of Apil 1st, 2025, which will exclude financing to high-risk customers in controversial industries / business areas outside of the defined intended uses. The policies and procedures described within 1 (d) apply also in context of governance risks.
(b)	Institution's accounting of the counterparty's highest governance body’s role in non-financial reporting	The procedures described within 3 (a) also ensure the assessment of counterparties governance body’s role.
(c)	Institution's integration in governance arrangements of the governance performance of their counterparties including:	(i) Criteria to exclude harmful industries are defined in 1 (d). (ii) The Volkswagen Financial Services Group has incorporated ESG risks step by step as an integral part of its risk management framework as described in 1 (j). (ii, iii – vi) The Volkswagen Financial Services Group follows high ethical principles in its business activities and complies with applicable German and European laws and regulations. Aspects like conflict management, inclusiveness, anti-corruption, anti-money laundering and conflict of inter-est are strictly observed, also on counterparty level. Therefore, the checking and assessment of ESG aspects have been integrated into the lending procedures, for entire corporate customers.
(i)	Ethical considerations	Observing governance aspects play a significant role in the “ESG-Scoring light”, within the external ESG Score results as well as in the assess-ment of the “ESG key questions” Governance criteria like:
(ii)	Strategy and risk management	> Precautions regarding data protection and defense cyber criminality
(iii)	Inclusiveness	> Reporting and persecuting compliance violations (money laundering etc.) > Equal rights (inclusion, development of gender neutral renumeration) > Corporate principles considering ESG aspects (environmental and climate improvement, social engagement, compliance, develop-ment of a sustainability strategy and their organizational incorporation)
(iv)	Transparency	
(v)	Management of conflict of interest	are checked and assessed by credit departments and any relevancies are considered within the credit documentation. Checking counterpar-ties' governance aspects became a mandatory part of the credit documentation which is carried out on an annual basis or when changes dur-ing the year become known. Furthermore, governance risks aspects like management quality, i.e. skills, qualification, reliability of the management and succession plan-ning, are an immanent part of the corporate rating model. In addition, there are several override reasons of the calculated rating results, also for
(vi)	Internal communication on critical concerns	governance aspects, like legal breaches or acute successor problems.

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

QUANTITATIVE REPORTING

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

	SECTOR/SUBSECTOR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
			Of which non-performing exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	in € millions		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
1	**Exposures towards sectors that highly contribute to climate change***	**39,588.1**	**1,097.1**	**278.3**	**5,547.6**	**1,092.7**	**–1,003.9**	**–97.4**	**–120.9**	**58.341.634**	**52.013.594**	**0.0**	**33,272.9**	**172.6**	**153.3**	**5,989.3**	**2**
2	A - Agriculture, forestry and fishing	353.1	0.00	1.0	233.9	22.0	–22.5	–6.6	–12.2	190.436	64.432	0.0	346.3	1.9	0.0	5.0	2
3	B - Mining and quarrying	52.0	5.38	0.1	22.7	2.5	–3.0	–0.7	–1.6	27.169	7.788	0.0	51.1	0.2	0.0	0.7	2
4	B.05 - Mining of coal and lignite	1.5	1.54	0.0	1.3	0.2	–0.1	–0.1	–0.1	984	439	0.0	1.5	0.1	0.0	0.0	2
5	B.06 - Extraction of crude petroleum and natural gas	2.7	2.65	0.0	2.3	0.4	–0.4	–0.1	–0.3	3.613	1.265	0.0	2.6	0.0	0.0	0.0	2
6	B.07 - Mining of metal ores	5.0	0.00	0.0	4.1	0.7	–0.5	–0.1	–0.3	2.508	742	0.0	4.8	0.0	0.0	0.2	2
7	B.08 - Other mining and quarrying	41.6	0.00	0.1	13.9	1.2	–2.0	–0.4	–0.8	17.840	4.668	0.0	41.1	0.0	0.0	0.5	2
8	B.09 - Mining support service activities	1.2	1.19	0.0	1.1	0.0	–0.0	–0.0	0.0	2.222	675	0.0	1.2	0.0	0.0	0.0	2
9	C - Manufacturing	4,250.1	15.41	92.6	1,025.9	103.9	–124.3	–14.4	–16.5	3.098.437	1.422.899	0.0	3,822.6	34.9	0.0	392.6	2
10	C.10 - Manufacture of food products	318.6	0.00	0.0	68.6	9.7	–8.9	–1.6	–1.2	149.915	50.014	0.0	308.0	0.6	0.0	10.0	2
11	C.11 - Manufacture of beverages	13.8	0.00	0.0	10.9	0.8	–1.6	–0.3	–0.3	29.256	10.350	0.0	11.7	0.0	0.0	2.1	2
12	C.12 - Manufacture of tobacco products	65.5	0.00	0.0	4.8	1.6	–1.0	–0.0	–0.0	6.106	2.366	0.0	65.0	0.0	0.0	0.5	2
13	C.13 - Manufacture of textiles	24.8	0.00	0.0	20.5	1.0	–2.1	–0.4	–0.7	30.658	10.590	0.0	21.9	0.1	0.0	2.8	2
14	C.14 - Manufacture of wearing apparel	18.1	0.00	1.6	14.4	0.5	–1.4	–0.2	–0.2	26.202	9.986	0.0	16.3	0.0	0.0	1.8	2
15	C.15 - Manufacture of leather and related products	10.5	0.00	0.0	9.9	0.2	–1.2	–0.2	–0.1	9.127	2.899	0.0	10.3	0.0	0.0	0.2	2
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	248.9	0.00	0.1	31.2	5.8	–1.8	–0.5	–0.2	62.115	26.983	0.0	243.1	0.2	0.0	5.5	2
17	C.17 - Manufacture of pulp, paper and paperboard	43.4	0.00	0.0	12.2	1.0	–1.3	–0.2	–0.1	27.648	8.724	0.0	42.8	0.0	0.0	0.6	2
18	C.18 - Printing and service activities related to printing	64.9	0.00	0.0	10.8	1.6	–1.3	–0.2	–0.1	26.299	11.936	0.0	62.3	0.1	0.0	2.5	2
19	C.19 - Manufacture of coke oven products	11.4	11.40	0.0	1.4	0.3	–1.0	–0.0	0.0	6.029	2.074	0.0	11.4	0.0	0.0	0.0	2
20	C.20 - Production of chemicals	222.9	0.00	0.4	19.0	6.0	–1.8	–0.4	–0.5	88.972	31.066	0.0	220.3	0.0	0.0	2.6	2
21	C.21 - Manufacture of pharmaceutical preparations	87.3	0.00	0.4	3.5	2.2	–1.3	–0.1	–0.2	53.845	21.553	0.0	83.7	0.0	0.0	3.6	1
22	C.22 - Manufacture of rubber products	359.1	0.00	0.0	22.9	8.7	–1.6	–0.3	–0.2	98.217	36.318	0.0	356.0	0.1	0.0	3.0	2
23	C.23 - Manufacture of other non-metallic mineral products	108.0	0.00	0.1	38.9	2.4	–2.2	–0.9	–0.2	90.052	31.310	0.0	100.3	0.0	0.0	7.6	2
24	C.24 - Manufacture of basic metals	66.8	4.01	0.0	12.9	2.5	–1.5	–0.2	–0.3	58.952	32.544	0.0	64.9	0.1	0.0	1.8	2
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	530.9	0.00	0.0	93.5	12.7	–8.2	–1.5	–1.6	253.625	91.141	0.0	506.0	1.1	0.0	23.8	2
26	C.26 - Manufacture of computer, electronic and optical products	331.3	0.00	4.1	25.5	8.1	–3.8	–0.5	–0.2	196.262	88.155	0.0	327.5	0.0	0.0	3.8	2
27	C.27 - Manufacture of electrical equipment	301.0	0.00	0.1	16.5	7.3	–3.3	–0.2	–0.1	120.136	46.186	0.0	297.5	0.1	0.0	3.4	2
28	C.28 - Manufacture of machinery and equipment n.e.c.	417.4	0.00	1.2	60.6	13.8	–11.5	–1.0	–0.5	361.858	142.668	0.0	404.7	0.1	0.0	12.6	2
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	369.3	0.00	84.0	284.3	2.6	–47.9	–0.4	–0.7	152.860	85.600	0.0	99.6	0.0	0.0	269.7	
30	C.30 - Manufacture of other transport equipment	35.4	0.00	0.1	15.8	0.8	–1.5	–0.2	–0.3	34.175	12.069	0.0	33.6	0.1	0.0	1.7	2
31	C.31 - Manufacture of furniture	66.6	0.00	0.0	18.2	1.6	–1.9	–0.4	–0.4	38.188	11.302	0.0	62.4	1.2	0.0	3.0	2
32	C.32 - Other manufacturing	261.0	0.00	0.1	182.8	11.2	–13.6	–3.8	–7.9	1.061.991	611.936	0.0	213.3	29.7	0.0	18.0	3
33	C.33 - Repair and installation of machinery and equipment	273.2	0.00	0.3	46.7	1.7	–2.6	–0.8	–0.6	115.947	45.129	0.0	260.0	1.3	0.0	11.8	2
34	D - Electricity, gas, steam and air conditioning supply	156.7	156.71	1.6	19.1	2.5	–3.7	–0.3	–0.2	87.948	45.754	0.0	150.5	6.2	0.0	0.0	2

	SECTOR/SUBSECTOR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
			Of which non-performing exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	in € millions		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
35	D35.1 - Electric power generation, transmission and distribution	151.3	151.30	1.5	13.9	2.4	−3.5	−0.2	−0.1	30.911	17.284	0.0	145.1	6.2	0.0	0.0	2
36	D35.11 - Production of electricity	61.0	61.04	1.3	3.7	0.8	−0.1	−0.0	0.0	42.811	21.325	0.0	55.2	5.8	0.0	0.0	3
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0.9	0.85	0.1	0.8	0.1	−0.1	−0.0	−0.0	8.466	4.042	0.0	0.9	0.0	0.0	0.0	2
38	D35.3 - Steam and air conditioning supply	4.6	4.56	0.0	4.4	0.1	−0.1	−0.1	−0.0	5.759	3.103	0.0	4.6	0.0	0.0	0.0	2
39	E - Water supply; sewerage, waste management and remediation activities	240.9	0.00	0.0	59.4	9.4	−8.3	−1.6	−2.8	116.628	41.948	0.0	234.8	0.2	0.0	6.0	2
40	F - Construction	3,622.4	0.00	1.6	1,012.8	150.9	−147.0	−20.1	−21.3	1.348.794	512.291	0.0	3,276.0	29.0	0.1	317.2	2
41	F.41 - Construction of buildings	694.4	0.00	0.0	247.2	18.0	−15.9	−5.9	−8.5	298.871	137.180	0.0	614.2	10.7	0.0	69.5	2
42	F.42 - Civil engineering	394.3	0.00	0.0	65.4	4.8	−5.6	−1.8	−3.7	122.095	36.185	0.0	377.4	2.2	0.0	14.8	2
43	F.43 - Specialised construction activities	2,533.6	0.00	1.6	700.2	128.1	−125.5	−12.5	−9.1	927.828	338.926	0.0	2,284.5	16.1	0.1	232.9	2
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	27,455.5	823.66	181.3	2,599.3	540.3	−502.0	−39.1	−47.7	51.355.528	49.306.960	0.0	22,138.1	86.1	153.2	5,078.2	1
45	H - Transportation and storage	2,076.7	95.95	0.0	326.4	201.4	−137.2	−10.1	−15.9	1.587.757	349.526	0.0	1,928.3	9.6	0.0	138.8	3
46	H.49 - Land transport and transport via pipelines	1,073.4	42.94	0.0	243.7	120.4	−57.6	−7.8	−9.2	759.161	118.644	0.0	975.1	7.6	0.0	90.7	3
47	H.50 - Water transport	37.3	20.87	0.0	4.1	0.3	−0.2	−0.2	−0.1	52.959	47.835	0.0	35.2	0.1	0.0	2.1	1
48	H.51 - Air transport	39.8	0.00	0.0	22.4	2.0	−2.1	−0.7	−1.4	29.261	12.027	0.0	38.9	0.1	0.0	0.8	2
49	H.52 - Warehousing and support activities for transportation	642.9	32.14	0.0	38.3	45.8	−45.0	−0.9	−3.9	665.040	157.083	0.0	602.5	0.7	0.0	39.7	2
50	H.53 - Postal and courier activities	283.3	0.00	0.0	17.9	32.8	−32.3	−0.5	−1.4	81.336	13.936	0.0	276.5	1.2	0.0	5.6	2
51	I - Accommodation and food service activities	420.7	0.00	0.0	121.3	18.5	−18.9	−2.4	−2.0	201.780	84.453	0.0	392.4	2.7	0.0	25.6	2
52	L - Real estate activities	960.1	0.00	0.0	126.9	41.3	−36.9	−2.1	−0.9	327.158	177.543	0.0	932.9	1.9	0.0	25.3	7
53	**Exposures towards sectors other than those that highly contribute to climate change***	**11,075.9**	**0.00**	**1.1**	**1,852.0**	**410.2**	**−428.6**	**−26.8**	**−39.1**	**12.488.655**	**6.023.416**	**0.0**	**9,500.1**	**64.1**	**7.5**	**1,504.2**	
54	K - Financial and insurance activities	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
55	Exposures to other sectors (NACE codes J, M - U)	11,075.9	0.00	1.1	1,852.0	410.2	−428.6	−26.8	−39.1	12.488.655	6.023.416	0.0	9,500.1	64.1	7.5	1,504.2	
56	**TOTAL**	**50,664.1**	**1,097.1**	**279.4**	**7,399.6**	**1,502.9**	**−1,432.5**	**−124.2**	**−160.0**	**70.830.290**	**58.037.010**	**0.0**	**42,773.1**	**236.7**	**160.8**	**7,493.5**	**2**

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

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

To identify relevant corporates, the Volkswagen Financial Services AG's entire portfolio of financial and non-financial corporates was analyzed at the customer level. Classification based on NACE codes[2] was used to determine the corporates affected by exclusions in connection with the Paris-aligned EU benchmarks in points d) to g) and Art. 12.2. An analysis was performed to determine whether a corporate whose main activities corresponded to this NACE code came within one of the four categories. Where this was the case, the customer with the corresponding NACE code was classified as affected. Where such an evaluation was not possible, an expert opinion concerning the customer impact was derived from external data.

On balance, only a small proportion of Volkswagen Financial Services AG's business involves sectors that are affected by the exclusion of the Paris-aligned EU benchmarks. The proportion stands at 2.78% in the case of nonfinancial corporates, with the total coming to only 2.17%.

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

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

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

	A	B	C	D	E
in € millions	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1	5,5	0,00%	0,0	3	8

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

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

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

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

	A	B	C	D	E	F	G
	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric*	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1	Automotive	All	35.843,9	Average grams of CO2 per km: 132,28	31.12.2024	24,8%	Die angegebenen Metriken wurden im Einklang mit dem Geschäftsmodell der VW Financial Services AG gewählt und ordnen daher alle fahrzeuggebundenen Geschäfte dem Sektor „Automotive“ zu, unabhängig vom eigentlichen Wirtschaftszweig der jeweiligen Kunden. Der Fokus liegt auf der CO2-Intensität der Fahrzeuge im Portfolio sowie dem Anteil karbonarmer Technologien am Neugeschäft. Zielwerte für 2027 für die VW Financial Services AG werden im Zuge der Neustrukturierung der FS-Gruppe derzeit neubewertet und können daher zum jetzigen Zeitpunkt nicht berichtet werden..
2	Automotive		8.091,0	Average share of low carbon technologies: 17,3 %	31.12.2024	-73,0%	Die angegebenen Metriken wurden im Einklang mit dem Geschäftsmodell der VW Financial Services AG gewählt und ordnen daher alle fahrzeuggebundenen Geschäfte dem Sektor „Automotive“ zu, unabhängig vom eigentlichen Wirtschaftszweig der jeweiligen Kunden. Der Fokus liegt auf der CO2-Intensität der Fahrzeuge im Portfolio sowie dem Anteil karbonarmer Technologien am Neugeschäft. Zielwerte für 2027 für die VW Financial Services AG werden im Zuge der Neustrukturierung der FS-Gruppe derzeit neubewertet und können daher zum jetzigen Zeitpunkt nicht berichtet werden.

* Point in Time (PiT) distance to 2030 NZE2050 scenario in % (for each metric)

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

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount (Mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Europe		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	353.1	171.2	2.6	0.1	0.0	2	40.1	100.6	33.1	118.0	10.9	–10.1	–3.7	–6.3
2	B - Mining and quarrying	52.0	20.2	0.0	0.0	0.0	2	4.3	11.2	4.7	17.7	1.2	–1.6	–0.5	–1.1
3	C - Manufacturing	4,250.1	2,011.7	30.8	0.3	0.0	2	622.1	988.5	432.3	1,798.6	51.9	–78.5	–52.9	–24.6
4	D - Electricity, gas, steam and air conditioning supply	156.7	78.3	0.1	0.0	0.0	2	28.1	34.2	16.1	73.1	1.8	–2.3	–1.8	–0.4
5	E - Water supply; sewerage, waste management and remediation activities	240.9	98.5	0.8	0.0	0.0	3	25.3	44.3	29.7	87.1	3.0	–2.8	–1.9	–0.8
6	F - Construction	3,622.4	1,993.2	38.6	0.0	0.9	2	585.7	911.0	536.0	1,407.5	121.7	–113.0	–42.0	–66.3
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	27,455.5	8,352.7	103.7	179.1	1,970.5	1	2,909.7	4,149.8	3,546.6	5,296.4	352.6	–285.4	–106.0	–145.1
8	H - Transportation and storage	2,076.7	962.8	39.9	0.0	0.0	2	293.5	383.9	325.4	644.1	131.9	–87.7	–30.6	–56.0
9	L - Real estate activities	960.1	332.0	23.9	24.5	1.9	6	93.8	198.2	90.3	255.9	19.8	–18.0	–8.5	–7.7
10	Loans collateralised by residential immovable property	25.3	12.3	0.4	3.3	0.1	2	0.1	11.9	2.2	1.1	12.0	–7.4	–0.0	–7.4
11	Loans collateralised by commercial immovable property	2,712.3	976.7	75.7	211.5	135.2	3	135.2	593.0	440.1	593.6	72.6	–56.2	–26.6	–23.5
12	Repossessed colalterals	0.0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Other relevant sectors (breakdown below where relevant)	5,889.1	884.0	17.3	9.2	0.0	3	133.6	704.0	73.0	240.0	49.9	–61.3	–12.2	–26.1

Table 47 requires the disclosure of information on banking book positions (including loans and advances, debt securities, and equity instruments not held for trading or sale) with nonfinancial corporates, loans secured by real estate, and repossessed real estate collateral that are particularly exposed to the physical risks of climate change and related chronic and acute climate-related hazards. The exposures identified are allocated to those economic sectors (NACE sectors) and geographic areas in which the counterparty operates or the asset underlying the collateral is located that are subject to acute and chronic climate change events.

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

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

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

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

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

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

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

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets)*
GAR stock	**0.5%**	0.0%	0.5%	0.4%
GAR flow	0.2%	0.0%	0.2%	0.1%

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

TABLE 56: ASSETS INCLUDED IN THE CALCULATION OF GAR

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
																Disclosure reference date T	
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transi-tional/ad-aptation	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	65,643.8	49,179.2	945.7	626.3	0.3	305.0	1.1	0.3	0.0	0.0	0.0	49,180.3	946.0	626.3	0.3	305.1
2	**Financial corporations**	795.7	217.1	65.2	0.9	0.3	50.0	1.1	0.3	0.0	0.0	0.0	218.2	65.5	0.9	0.3	50.0
3	Credit institutions	642.5	64.6	16.1	0.0	0.3	1.9	1.1	0.3	0.0	0.0	0.0	65.7	16.4	0.0	0.3	1.9
4	Loans and advances	241.1	37.4	4.2	0.0	0.2	1.7	1.1	0.1	0.0	0.0	0.0	38.5	4.3	0.0	0.2	1.7
5	Debt securities, including UoP	401.3	27.1	11.9	0.0	0.2	0.2	0.0	0.2	0.0	0.0	0.0	27.1	12.2	0.0	0.2	0.2
6	Equity instruments	0.0	0,0	0.0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0.0	0,00	X	0.0	0.0
7	Other financial corporations	153.2	152.6	49.0	0.0	0.0	48.1	0.0	0.0	0.0	0.0	0.0	152.6	49.0	0.0	0.0	48.1
8	of which investment firms	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
9	Loans and advances	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
10	Debt securities, including UoP	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
11	Equity instruments	0,0	0,0	0,0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0,00	0,00	X	0.0	0.0
12	of which management companies	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transi-tional/ad-aptation	Of which enabling
13	Loans and advances	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
14	Debt securities, including UoP	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
15	Equity instruments	0,0	0,0	0,0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0,00	0,00	X	0.0	0.0
16	of which insurance undertakings	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
17	Loans and advances	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
18	Debt securities, including UoP	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
19	Equity instruments	0,0	0,0	0,0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0,00	0,00	X	0.0	0.0
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	1,559.4	1,550.7	288.1	33.0	0.0	255.1	0.0	0.0	0.0	0.0	0.0	1,550.7	288.1	33.0	0.0	255.1
21	Loans and advances	1,559.4	1,550.7	288.1	33.0	0.0	255.1	0.0	0.0	0.0	0.0	0.0	1,550.7	288.1	33.0	0.0	255.1
22	Debt securities, including UoP	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
23	Equity instruments	0,0	0,0	0,0	X	0.0	0.0	0.0	0.0	X	0.0	0.0	0,00	0,00	X	0.0	0.0
24	**Households**	63,190.8	47,332.9	590.8	590.8	0.0	0.0	0.0	0.0	X	X	0.0	47,332.9	590.8	590.8	0.0	0.0
25	of which loans collateralised by residential immovable property	17.5	0,0	0,0	0.0	0.0	0.0	0.0	0.0	X	X	0.0	17.5	0,00	0.0	0.0	0.0
26	of which building renovation loans	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	X	X	0.0	0,00	0,00	0.0	0.0	0.0
27	of which motor vehicle loans	63,190.8	47,315.4	590.8	590.8	0.0	0.0	0.0	0.0	X	X	0.0	47,315.4	590.8	590.8	0.0	0.0
28	**Local governments financing**	97.9	78.5	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	78.5	1.6	1.6	0.0	0.0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transi-tional/ad-aptation	Of which enabling
29	Housing financing	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
30	Other local governments financing	97.9	78.5	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	78.5	1.6	1.6	0.0	0.0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0,0	0,0	0,0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,00	0,00	0.0	0.0	0.0
32	**TOTAL GAR ASSETS**	65,643.8	49,179.2	945.7	626.3	0.3	305.0	1.1	0.3	0.0	0.0	0.0	49,180.3	946.0	626.3	0.3	305.1
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	56.067.7	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
34	Loans and advances	52,845.3	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
35	Debt securities	3,222.4	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
36	Equity instruments	0.0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	853.1	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
38	Loans and advances	836.7	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
39	Debt securities	0.0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
40	Equity instruments	16.4	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
41	Derivatives	446.4	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
42	On demand interbank loans	620.9	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
43	Cash and cash-related assets	11.5	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
																	Disclosure reference date T
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
44	Other assets (e.g. Goodwill, commodities etc.)	68,753.2	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	192,396.5	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	2,253.3	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
47	Central banks exposure	12,497.0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
48	Trading book	174.7	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	14,925.1	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
50	**TOTAL ASSETS**	207,321.6	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

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

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

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

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

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

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

Table 57: GAR (%)

		Â	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
																	Disclosure reference date T: KPIs on flows
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					**Proportion of eligible assets funding taxonomy relevant sectors**					**Proportion of eligible assets funding taxonomy relevant sectors**					**Proportion of total assets covered**
	% (compared to total covered assets in the denominator)		**Of which environmentally sustainable**					**Of which environmentally sustainable**					**Of which environmentally sustainable**				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	**GAR**	**25.6%**	**0.5%**	**0.3%**	**0.0%**	**0.2%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**25.6%**	**0.5%**	**0.3%**	**0.0%**	**0.2%**	**31.7%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	25.6%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.6%	0.5%	0.0%	0.0%	0.0%	31.7%
3	Financial corporations	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.4%
4	Credit institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
5	Other financial corporations	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
6	of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7	of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9	Non-financial corporations subject to NFRD disclosure obligations	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	0.1%	0.8%
10	Households	24.6%	0.3%	0.3%	0.0%	0.0%	X	X	X	X	X	24.6%	0.3%	0.3%	0.0%	0.0%	30.5%
11	of which loans collateralised by residential immovable property	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12	of which building renovation loans	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	of which motor vehicle loans	24.6%	0.3%	0.3%	0.0%	0.0%	X	X	X	X	X	24.6%	0.3%	0.3%	0.0%	0.0%	25.2%
14	Local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
16	Other local governments financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.0%	0.0%	0.0%	0.0%	0.0%	X	X	X	X	X	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF
Offenlegungsstichtag T: KPI -Bewegung															
Klimaschutz (CCM)					Anpassung an den Klimawandel (CCA)					GESAMT (CCM + CCA)					
Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiefähig)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiefähig)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiefähig)					Anteil der gesamten erfassten Vermögenswerte
	Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiekonform)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiekonform)					Anteil der gesamten erfassten Vermögenswerte, durch die taxonomierelevante Sektoren finanziert werden (taxonomiekonform)				
		Davon Spezialkredite	Davon Übergangstätigkeiten	Davon ermöglichende Tätigkeiten			Davon Spezialkredite	Davon Anpassungstätigkeiten	Davon ermöglichende Tätigkeiten			Davon Spezialkredite	Davon Übergangs-/Anpassungstätigkeiten	Davon ermöglichende Tätigkeiten	
11,7%	**0,2%**	**0,1%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**11,7%**	**0,2%**	**0,1%**	**0,0%**	**0,0%**	**10,9%**
11,7%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	11,7%	0,2%	0,1%	0,0%	0,0%	10,9%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,3%	0,0%	0,0%	0,0%	0,0%	0,3%
11,3%	0,1%	0,1%	0,0%	0,0%	0,0%	X	X	X	X	11,3%	0,1%	0,1%	0,0%	0,0%	10,5%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
11,3%	0,1%	0,1%	0,0%	0,0%	0,0%	X	X	X	X	11,3%	0,1%	0,1%	0,0%	0,0%	10,5%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	X	X	X	X	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Remuneration policy

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

Under Art. 450 of the CRR, certain quantitative and qualitative disclosures are required on the categories of employees whose activities have a material impact on the overall risk profile (“risk-takers”). This report contains the relevant information for the fiscal year from July 1, 2024 for the regulatory scope of consolidation including the foreign branches and subsidiaries.

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

REMUNERATION GOVERNANCE

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

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

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

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

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

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

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

PRINCIPLES OF THE REMUNERATION SYSTEM

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

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

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

The remuneration policy for all employees is gender-neutral, i.e. employees receive equal pay for the same or equivalent work regardless of their gender. Volkswagen Financial Services AG's remuneration policy supports equal pay in practice. In addition to the application of the Pay Transparency Act, various internal committees are responsible for ensuring equal pay (e.g. "Remuneration Committee" and "Remuneration Commission"). The neutral framework is provided by the "Variable Remuneration" company agreement, the existing salary bands and job evaluation. The remuneration processes stipulate that one line manager alone cannot decide on

an employee's remuneration, but that an adjustment to remuneration is always decided in accordance with the dual sign-off principle. In addition, awareness of the purposes of the General Equal Treatment Act is raised in all remuneration negotiations. Moreover, the diversity guideline is applied. In addition to gender diversity, it also addresses age, cultural background, sexual identity and inclusion.

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

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

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

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

THE REMUNERATION SYSTEM

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

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

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

FIXED REMUNERATION

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

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

Services AG endeavors to grant remuneration in line with the market levels in order to recruit and retain qualified employees.

VARIABLE REMUNERATION

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

The remuneration system recompenses the individual's performance and gives employees a share of the profits earned by Volkswagen Financial Services AG and the Volkswagen Group. The variable remuneration as defined in the Remuneration Ordinance for Institutions for employees outside the scope of the collective bargaining agreement is composed of an annual bonus and a long-term bonus. The variable remuneration is measured on a single-year (annual bonus) and multi-year (long-term bonus) basis and includes three aspects – group/institution, organizational unit and individual. The control and measurement parameters are derived from the business and risk strategy and take account of the defined risk, equity and liquidity indicators. Negative contributions to performance reduce the amount of the variable remuneration, including in the event of (premature) termination of the employment contract. The bonus is settled in May of the year following the approval of the applicable annual financial statements and subsequently paid out. The variable remuneration is granted in cash and is not a fixed part of the annual salary. Rather, it is a voluntary benefit with which the employees are given a share of the company's profit. All bonus-entitled employees participate on the basis of their individual salary group. The amount of the annual bonus is tied to the institution's performance and calculated on the basis of a one-year measurement period. The annual bonus is determined and approved by the Board of Management or the Supervisory Board. Performance is calculated on the basis of the adjusted return on equity (ROE) of the Volkswagen Financial Services Group (including Volkswagen Bank). The annual bonus is derived from the individual target amount of the employee eligible for the bonus and the two weighted components of the annual bonus, i.e. the KPI component on the one hand and the individual component on the other. The KPI component is determined by reference to financial and non-financial KPIs comprising the total financial target achievement multiplied by the ESG factor. The individual component is composed of the payout factor for the overall performance category of performance management and the KPI component. Accordingly, qualitative and quantitative factors are used to determine the individual component. Volkswagen AG's standardized process for target agreement discussions is applied to all managers worldwide. This not only involves defining the targets for the coming year but also includes an assessment of the target achievement level reached in the previous year and of the manager's performance. The individual payout factor is determined in a shared process involving Human Resources and the line manager as well as the responsible member of the Board of Management within the framework of comparative discussions. It is fixed on the basis of firmly defined assumptions and benchmarks for the various combinations of performance assessment and target achievement subject to reasonable discretion. This ensures that any negative deviations in the individual contribution to the company's performance may result in a reduction in or even the full loss of the variable remuneration. In a second step, the provisional target achievement level/annual bonus is multiplied with a risk parameter representing limit utilization at the group and institution level; this risk parameter is determined annually at the discretion of the Board of Management and the Supervisory Board of Volkswagen Financial Services AG in the light of limit utilization. The combination of ROE with a risk parameter ensures that the calculation of the annual bonus takes account of both performance and the risks assumed.

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

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

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

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

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

OTHER SECONDARY BENEFITS

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

REMUNERATION SYSTEM FOR THE BOARD OF MANAGEMENT

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

RISK-TAKER REQUIREMENTS

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

The risk-takers were identified for 2024 on the basis of section 18 of the Remuneration Ordinance for Institutions in connection with Delegated Regulation (EU) No. 923/2021 to supplement Directive 2013/36/EU. 60 functions at Volkswagen Financial Services AG (including five members of the Board of Management and twelve members of the Supervisory Board[3]) have been identified as risk takers. An additional 50 functions within the Volkswagen Financial Services Group (including non-German companies) have been identified.

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

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

[3] including nine employees in the Volkswagen Group and three externals

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

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

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

Leverage

QUALITATIVE DISCLOSURE OF THE LEVERAGE RATIO

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

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

QUANTITATIVE DISCLOSURE OF THE LEVERAGE RATIO

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

TABLE 58: EU LR1 – LRSUM – SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

		A
	in € millions	Applicable amount
1	Total assets as per published financial statements	200,902.9
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	–759.4
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0.0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0.0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0.0
6	Adjustment for regularway purchases and sales of financial assets subject to trade date accounting	0.0
7	Adjustment for eligible cash pooling transactions	0.0
8	Adjustments for derivative financial instruments	–197.4
9	Adjustment for securities financing transactions (SFTs)	0.0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4,727.5
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0.0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0.0
12	Other adjustments	–3,458.9
13	**Total exposure measure**	**201,214.6**

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

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

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
	in € millions	T	T-1
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	193,587.4	
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0.0	
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.0	
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0.0	
5	(General credit risk adjustments to on-balance sheet items)	0.0	
6	(Asset amounts deducted in determining Tier 1 capital)	–421.0	
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**193,166.4**	
Risikopositionen aus Derivaten			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,165.8	
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0.0	
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	2,155.0	
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0.0	
EU-9b	Exposure determined under Original Exposure Method	0.0	
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0.0	
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0.0	
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	0.0	
11	Adjusted effective notional amount of written credit derivatives	0.0	
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.0	
13	**Total derivatives exposures**	**3,320.7**	
Risikopositionen aus Wertpapierfinanzierungsgeschäften (SFTs)			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0.0	
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.0	
16	Counterparty credit risk exposure for SFT assets	0.0	
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0.0	
17	Agent transaction exposures	0.0	
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0.0	
18	**Total securities financing transaction exposures**	**0.0**	
Securities financing transaction (SFT) exposures			
19	Off-balance sheet exposures at gross notional amount	25,384.1	
20	(Adjustments for conversion to credit equivalent amounts)	–20,656.6	
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0.0	
22	Off-balance sheet exposures	4,727.5	
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0	
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0.0	
EU-22c	(-) (Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0.0	
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0.0	
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0.0	
EU-22g	(Excluded excess collateral deposited at triparty agents)	0.0	
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0.0	
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0.0	
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0.0	
EU-22k	**(Total exempted exposures)**	**0.0**	
Capital and total exposure measure			

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
	in € millions	T	T-1
23	Tier 1 capital	30,439.5	
24	**Total exposure measure**	**201,214.6**	
Leverage ratio			
25	Leverage ratio (%)	15.13%	
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	15.13%	
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	15.13%	
26	Regulatory minimum leverage ratio requirement (%)	3.00%	
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	
27	Leverage ratio buffer requirement (%)	0.00%	
EU-27a	**Overall leverage ratio requirement (%)**	**3.00%**	
Choice on transitional arrangements and relevant exposures			
EU-27	Choice on transitional arrangements for the definition of the capital measure	n/a	
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	201,214.6	
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	201,214.6	
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	15.13%	
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	15.13%	

The leverage ratio excluding the impact of any temporary exclusions for central bank reserves stands at 15.13% in the current reporting period. This ratio corresponds to the leverage ratio including the impact of any temporary exclusions for central bank reserves. This is due to the fact that Volkswagen Bank GmbH does not make use of the option to temporarily apply the exemption for central bank reserves.

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

		A
	in € millions	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	193,587.4
EU-2	Trading book exposures	0.0
EU-3	Banking book exposures, of which:	193,587.4
EU-4	Covered bonds	240.3
EU-5	Exposures treated as sovereigns	16,906.3
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	355.4
EU-7	Institutions	1,240.0
EU-8	Secured by mortgages of immovable properties	0.0
EU-9	Retail exposures	57,306.0
EU-10	Corporates	55,562.6
EU-11	Exposures in default	1,878.5
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	60,098.4

As a non-trading book institution, Volkswagen Financial Services AG has on-balance-sheet exposures of €193.6 billion that are held solely in the banking book.

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