

VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

PILLAR 3 DISCLOSURE REPORT

IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION

AS OF DECEMBER 31

2025

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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. An “-” or “x” 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, 2025 is published in accordance with the supervisory law requirements of the Basel III framework (Regulation (EU) No. 2024/1623 – the Capital Requirements Regulation or “CRR III” – of the European Parliament and the Council of May 31, 2024 to amend Regulation (EU) 2024/1623 (CRR)).

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 current version that was amended by the above-mentioned regulation and has been in force since January 1, 2025.

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) 2024/3172 of November 29, 2024, 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 scope of consolidation.

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, April 2026

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, 2025 (Column A).

TABLE 1: EU KM1 – KEY METRICS TEMPLATE

	in € millions	Dec 31, 2025	Sep 30, 2025	Jun 30, 2025	Mar 30, 2025	Dec 31, 2024
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	30,239.6	30,413.8	30,425.6	30,475.4	29,904.9
2	Tier 1 capital	30,239.6	30,413.8	30,425.6	30,475.4	29,904.9
3	Total capital	32,985.6	33,160.1	33,172.5	33,221.6	32,650.9
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	185,638.6	184,343.9	181,918.2	178,928.2	164,779.5
4a	Total risk exposure pre-floor	185,638.6	184,343.9	181,918.2	178,928.2	164,779.5
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.29%	16.50%	16.72%	17.03%	18.15%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	16.29%	16.50%	16.72%	17.03%	18.15%
6	Tier 1 ratio (%)	16.29%	16.50%	16.72%	17.03%	18.15%
6b	Tier 1 ratio considering unfloored TREA (%)	16.29%	16.50%	16.72%	17.03%	18.15%
7	Total capital ratio (%)	17.77%	17.99%	18.23%	18.57%	19.81%
7b	Total capital ratio considering unfloored TREA (%)	17.77%	17.99%	18.23%	18.57%	19.81%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.25%	2.25%	2.25%	2.25%
EU 7e	of which: to be made up of CET1 capital (percentage points)	1.27%	1.27%	1.27%	1.27%	1.27%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.69%	1.69%	1.69%	1.69%
EU 7g	Total SREP own funds requirements (%)	10.25%	10.25%	10.25%	10.25%	10.25%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	1.03%	1.02%	0.99%	0.99%	0.97%
EU 9a	Systemic risk buffer (%)	0.04%	0.04%	0.04%	0.04%	0.04%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	3.57%	3.56%	3.52%	3.53%	3.51%
EU 11a	Overall capital requirements (%)	13.82%	13.81%	13.77%	13.78%	13.76%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.52%	7.74%	7.98%	8.32%	9.56%
	Leverage ratio					
13	Total exposure measure	211,818.4	211,939.7	212,136.2	201,757.6	201,214.6
14	Leverage ratio (%)	14.28%	14.35%	14.34%	15.10%	14.86%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	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%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,187.3	13,808.0	17,580.1	19,739.0	23,284.6
EU 16a	Cash outflows - Total weighted value	15,671.8	15,311.7	15,006.1	14,766.4	14,383.3
EU 16b	Cash inflows - Total weighted value	8,332.6	7,914.5	7,522.6	7,163.4	6,665.7
16	Total net cash outflows (adjusted value)	7,339.1	7,397.2	7,483.5	7,603.1	7,717.6
17	Liquidity coverage ratio (%)	152.51%	188.17%	234.62%	260.92%	305.80%
	Net Stable Funding Ratio					

	in € millions	Dec 31, 2025	Sep 30, 2025	Jun 30, 2025	Mar 30, 2025	Dec 31, 2024
18	Total available stable funding	142,371.6	138,267.1	140,005.4	135,107.2	138,032.1
19	Total required stable funding	114,720.8	110,411.2	126,555.0	126,182.1	117,298.7
20	NSFR ratio (%)	124.10%	125.23%	110.63%	107.07%	117.68%

Volkswagen Financial Service AG's total capital of €32,985.6 million is composed of Common Equity Tier 1 (CET1) capital of €30,239.6 million and Tier 2 (T2) capital of €2,746.0 million on a consolidated basis.

As of December 31, 2025, the total risk exposure amount stands at €185,638.6 million and the leverage ratio at 14.28%.

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 quarterly LCR averages 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.

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 classes according to the balance sheet in the published financial statements				
1	Cash reserve	8,271	9,048	n/a
2	Loans to and receivables from banks	873	911	n/a
3	Loans to and receivables from customers	124,513	126,626	n/a
4	Value adjustmenst for portfolio fair value	13	13	n/a
5	Derivative financial instruments	419	366	n/a
6	Marketable securities	3,486	3,090	n/a
7	Equity-accounted joint ventures	1,402	816	n/a
8	Miscellaneous financial assets	114	114	n/a
9	Intangible assets	131	197	d)
10	Property and equipment	355	371	n/a
11	Lease assets	56,205	62,208	n/a
12	Investment property	3	5	n/a
13	Deferred tax assets	944	921	e)+f)
14	Income tax assets	126	126	n/a
15	Other assets	5,414	5,002	n/a
16	Total assets	202,271	209,814	n/a
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Liabilities to banks	7,318	6,574	n/a
2	Liabilities to customers	89,746	124,422	n/a
3	Notes, commercial paper issued	62,106	34,639	n/a
4	Derivative financial instruments	908	849	n/a
5	Provisions for pensions and othe post-employments benefits	300	295	n/a
6	other reserves	1,689	1,233	n/a
7	Deferred tax liabilities	1,962	2,057	n/a
8	Income tax liabilities	76	110	n/a
9	Other liabilities	2,973	4,187	n/a
10	Subordinated capital	2,745	2,745	n/a
11	Equity	32,447	32,702	n/a
12	Total liabilities	202,271	209,814	n/a
Shareholders' Equity				
1	Subscribed captital	250	250	a)
2	Capital reserves	16,713	16,721	c)
3	Retained earnings	15,513	14,437	b)
4	Other reserves	-29	1,293	c)
5	Total shareholders' equity	32,447	32,702	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
			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
	in € millions						
Breakdown by asset classes 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
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	
17	Total assets	192,297	200,143	197,982	508	560	51,464
	A	B	C	D	E	F	G

	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	
							Not subject to own funds requirements or subject to deduction from own funds	
			Subject to the credit risk framework	Subject to the CCR framework		Subject to the market risk framework		
in € millions								
	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation					Carrying values of items	
							Not subject to own funds requirements or subject to deduction from own funds	
			Subject to the credit risk framework	Subject to the CCR framework		Subject to the market risk framework		
in € millions								
Breakdown by liability classes according to the balance sheet in the published financial statements								
1	Liabilities to banks	5,748	6,248	0	0	0	2,838	3,410
2	Liabilities to customers	82,711	100,774	0	0	0	4,387	98,953
3	Notes, commercial paper issued	61,735	51,439	0	0	0	13,389	38,050
4	Derivative financial instruments	1,164	1,100	0	0	0	139	961
5	Provisions	365	357	0	0	0	0	357
6	Liabilities of non-current assets for sale	939	451	0	0	0	32	419
7	Deferred tax liabilities	2,038	2,131	0	0	0	863	1,268
8	Income tax liabilities	751	760	0	0	0	46	714
9	Other liabilities	2,565	2,527	0	0	0	451	2,060
10	Subordinated capital	2,745	2,565	0	0	0	0	16
11	Equity	31,535	31,791	0	0	0	6,113	25,678
12	Total liabilities	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)	209.617	208.839	366	0	49.295
2 Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	0	0	0	0	35.937
3 Total net amount under the scope of prudential consolidation	209.617	208.839	366	0	13.358
4 Off-balance-sheet amounts	24.928	24.928	k.A	k.A	k.A
5 Differences in valuations	k.A	-10	k.A	k.A	k.A
6 Differences due to different netting rules, other than those already included in row 2	k.A	k.A	k.A	k.A	k.A
7 Differences due to consideration of provisions	k.A	614	k.A	k.A	k.A
8 Differences due to the use of credit risk mitigation techniques (CRMs)	k.A	k.A	k.A	k.A	k.A
9 Differences due to credit conversion factors	k.A	-20.388	k.A	k.A	k.A
10 Differences due to Securitisation with risk transfer	k.A	0	k.A	k.A	k.A
11 Other differences	k.A	-5.747	2.247	0	k.A
12 Exposure amounts considered for regulatory purposes	217.705	208.237	2.613	0	6.855

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 D'Ieteren Finance S.A.	at equity	x					Financial institution
Volkswagen Møller Bilfinans AS	at equity	x					Financial institution
Volkswagen Semler Finans Danmark A/S	at equity	x					Financial institution
Volkswagen Semler Finans Danmark Holding A/S	at equity	x					Financial institution
DFM N.V., Amersfoort	at equity	x					Financial institution
Fin Quest B.V.	at equity	x					Financial institution
D'Ieteren Lease S.A. Brüssel	at equity	x					Financial institution
Volkswagen Losch Financial Services S.A.	at cost	x					Financial institution
Volkswagen Pon Financial Services B.V.	at equity	x					Financial institution
Lease+Balans B.V.	at equity				x		Financial institution
movon AG	at cost		x				Financial institution
MAN Financial Services España S.L.	full					x	Financial institution
MAN Financial Services Poland Sp. z o.o.	full					x	Financial institution
MAN Location & Services S.A.S.	full					x	Financial institution
LOGPAY Financial Services GmbH	at cost	x					Financial institution
Softbridge - Proyectos Tecnológicos S.A.	at cost					x	Ancillary services undertaking
VTXRM - Software Factory Lda.	at cost					x	Ancillary services undertaking
Volkswagen-Versicherungsdienst Gesellschaft mit beschränkter Haftung (VVD)	full			x			other companies
Vehicle Trading International (VTI) GmbH	full			x			other companies

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

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

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

SEPARATE CONSIDERATION FOR EXCLUSION DUE TO MATERIALITY – REGULATORY VIEW

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

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

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

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

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

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

The Volkswagen 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 2.80% (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 Financial Services AG 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 AGs 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.

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. In a letter dated July 16, 2024, the ECB informed Volkswagen Financial Services AG in connection with a decision on the determination of prudential requirements that the Pillar 2 requirement applicable to Volkswagen Bank GmbH is also to be applied by Volkswagen Financial Services AG in the same amount.

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.

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
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
in € millions		Amounts	
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	14,386.4	b)
3	Accumulated other comprehensive income (and other reserves)	3,489.8	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	0.0	n/a
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	31,099.7	n/a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–9.7	n/a
8	Intangible assets (net of related tax liability) (negative amount)	–441.9	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

		A	B
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
in € millions		Amounts	
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)	-44.6	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 adjustments	-350.5	n/a
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-860.0	n/a
29	Common Equity Tier 1 (CET1) capital	30,239.6	n/a
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0.0	n/a
31	of which: classified as equity under applicable accounting standards	0.0	n/a
32	of which: classified as liabilities under applicable accounting standards	0.0	n/a
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

		A	B
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
in € millions		Amounts	
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)	30,239.6	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
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 adjustments to T2 capital	0.0	n/a

		A	B
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
in € millions		Amounts	
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)	32,985.6	n/a
		185,638.	
60	Total risk exposure amount	6	n/a
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	16.29%	n/a
62	Tier 1	16.29%	n/a
63	Total capital	17.77%	n/a
64	Institution CET1 overall capital requirements	9.34%	n/a
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	1.03%	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	7.52%	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)	119.3	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)	840.7	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
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	1,993.3	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

		A	B
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
in € millions		Amounts	
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.

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 €9.7 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
Total Additional Valuation Adjustments (AVAs)	X	X	X	X	X	X	X	9.7	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 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
		Instrument 1	Instrument 2
1	Issuer	Volkswagen FS AG	Volkswagen FS AG
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Bilateral agreements	n/a
2a	Public or private placement	k.A.	Public placement
3	Governing law(s) of the instrument	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	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
5	Post-transitional CRR rules	Common Equity Tier 1 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated / solo&(sub-)consolidated	(Sub)consolidated	Solo and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	ordinary shares	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. €
9	Nominal amount of instrument	250,0 Mio. €	1000,0 Mio. €
EU-9a	Issue price	Various	1000,0 Mio. €
EU-9b	Redemption price	n/a	1000,0 Mio. €
10	Accounting classification	Share capital	Liability – amortized cost
11	Original date of issuance	Various	09.12.2016
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	09.12.2031
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	Termination option for tax event
16	Subsequent call dates, if applicable	n/a	n/a
Coupons / dividends			

		a	b
17	Fixed or floating dividend/coupon	Variable	Fix
18	Coupon rate and any related index	n/a	0.1 % p.a.
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	n/a	n/a
25	If convertible, fully or partially	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	n/a	n/a
32	If write-down, full or partial	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a
34a	Type of subordination (only for eligible liabilities)	n/a	n/a
EU-34b	Ranking of the instrument in normal insolvency proceedings	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
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	n/a	n/a
37a	Link to the full term and conditions of the instrument (signposting)	n/a	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 for 2025 came to the conclusion that the following quantifiable categories of risk should be classified as material: counterparty default risk, direct residual value risk, interest rate risk, credit spread risk (CSRBB), other market risk, funding risk and operational risk. The following categories of risk should be classified as non-material: business risk consisting of earnings risk, reputational risk and strategic risk including ESG markup, and business model risk. Indirect residual value risk and pension risk were classified as immaterial due to their low proportion of overall risk. Existing other risk sub-categories are included in the named risk categories.

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, 2025, risk-taking potential amounted to €30.4 billion and comprised CET1 capital (€30.3 billion) and accumulated earnings after dividend deduction (€2.2 billion) less hidden charges and loss allowance shortfalls (€2.1 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 €22.9 billion as of December 31, 2025).

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 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 the events that 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 85.4% 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, 2025 as well as the previous quarter ending September 30, 2025.

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, 2025	Sep 30, 2025	Dec 31, 2025
1	Credit risk (excluding CCR)	158,615.8	158,591.4	12,689.3
2	Of which the standardised approach	158,615.8	158,591.4	12,689.3
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	928.8	1,039.1	74.3
7	Of which the standardised approach	927.2	1,036.1	74.2
8	Of which internal model method (IMM)	0.0	0.0	0.0
EU 8a	Of which exposures to a CCP	1.7	3.0	0.1
9	Of which other CCR	0.0	0.0	0.0
10	Credit valuation adjustments risk - CVA risk	2,405.1	2,470.9	192.4
EU 10a	Of which the standardised approach (SA)	0.0	0.0	0.0
EU 10b	Of which the basic approach (F-BA and R-BA)	2,405.1	2,470.9	192.4
EU 10c	Of which the simplified approach	0.0	0.0	0.0
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)	6,855.1	6,324.0	548.4
21	Of which the Alternative standardised approach (A-SA)	0.0	0.0	0.0
EU 21a	Of which the Simplified standardised approach (S-SA)	0.0	0.0	0.0
22	Of which the Alternative Internal Models Approach (A-IMA)	0.0	0.0	0.0
EU 22a	Large exposures	0.0	0.0	0.0
23	Reclassifications between trading and non-trading books	0.0	0.0	0.0
24	Operational risk	16,833.7	15,918.5	1,346.7
EU 24a	Exposures to crypto-assets	0.0	0.0	0.0
25	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	5,166.2	4,634.0	413.3
26	Output floor applied (%)	0.00%	0.00%	X
27	Floor adjustment (before application of transitional cap)	0.0	0.0	X
28	Floor adjustment (after application of transitional cap)	0.0	0.0	X
29	Total	185,638.6	184,343.9	14,851.1

The credit risk excluding the counterparty credit risk stood at 158,615.8 million as of December 31, 2025 and was therefore up slightly by 24.4 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 24 and 25.

The decrease in counterparty credit risk from €1,039.1 million to €928.8 million is primarily attributable to lower SA-CCR replacement costs resulting from changed market values. Further information on the composition of counterparty credit risk can be found in Tables 32 through 35.

At €16,833.7 million, operational risk increased slightly over the previous quarter's figure of €15,918.5 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 45.9%, the own funds requirements for Germany of €5,804.8 million constitute the greatest proportion in the calculation of the countercyclical capital buffer. The countries listed cover more than 98% 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 11: EU CCYB2 – AMOUNT OF THE INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

in € millions		a
1	Total risk exposure amount	185,638.6
2	Institution specific countercyclical capital buffer rate	1.0280%
3	Institution specific countercyclical capital buffer requirement	1,908.4

Volkswagen Financial Services AG's institution specific countercyclical capital buffer rose only marginally from 0.9859% as of June 30, 2025 to 1.0280% as of December 31, 2025 at a consolidated level.

TABLE 12: 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						
	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 (%)
010														
	BE	4,070.9	0.0	0.0	0.0	0.0	4,070.9	307.9	0.0	0.0	307.9	3,848.3	2.4%	1.00%
	CZ	2,874.2	0.0	0.0	0.0	0.0	2,874.2	209.7	0.0	0.0	209.7	2,620.7	1.7%	1.25%
	DE	88,894.7	0.0	0.0	0.0	0.0	88,894.7	5,804.8	0.0	0.0	5,804.8	72,560.2	45.9%	0.75%
	DK	2,368.4	0.0	0.0	0.0	0.0	2,368.4	135.9	0.0	0.0	135.9	1,699.0	1.1%	2.50%
	ES	8,998.6	0.0	0.0	0.0	0.0	8,998.6	588.0	0.0	0.0	588.0	7,349.8	4.7%	0.50%
	FR	15,151.3	0.0	0.0	0.0	0.0	15,151.3	985.3	0.0	0.0	985.3	12,315.6	7.8%	1.00%
	GB	29,617.1	0.0	0.0	0.0	0.0	29,617.1	1,674.2	0.0	0.0	1,674.2	20,927.7	13.2%	2.00%
	IE	1,922.1	0.0	0.0	0.0	0.0	1,922.1	151.7	0.0	0.0	151.7	1,896.0	1.2%	1.50%
	IT	14,551.8	0.0	0.0	0.0	0.0	14,551.8	913.0	0.0	0.0	913.0	11,413.0	7.2%	0.00%
	NL	9,281.6	0.0	0.0	0.0	0.0	9,281.6	693.3	0.0	0.0	693.3	8,666.4	5.5%	2.00%
	NO	1,703.6	0.0	0.0	0.0	0.0	1,703.6	136.6	0.0	0.0	136.6	1,707.4	1.1%	2.50%
	PL	8,756.4	0.0	0.0	0.0	0.0	8,756.4	555.0	0.0	0.0	555.0	6,937.7	4.4%	1.00%
	PT	1,104.9	0.0	0.0	0.0	0.0	1,104.9	80.6	0.0	0.0	80.6	1,007.7	0.6%	0.00%
	SE	4,731.4	0.0	0.0	0.0	0.0	4,731.4	284.3	0.0	0.0	284.3	3,554.0	2.2%	2.00%
	Others	1,677.8	0.0	0.0	0.0	0.0	1,677.8	122.2	0.0	0.0	122.2	1,527.4	1.0%	0.25%
020	Total	195,704.9	0.0	0.0	0.0	0.0	195,704.9	12,642.5	0.0	0.0	12,642.5	158,030.9	100.0%	

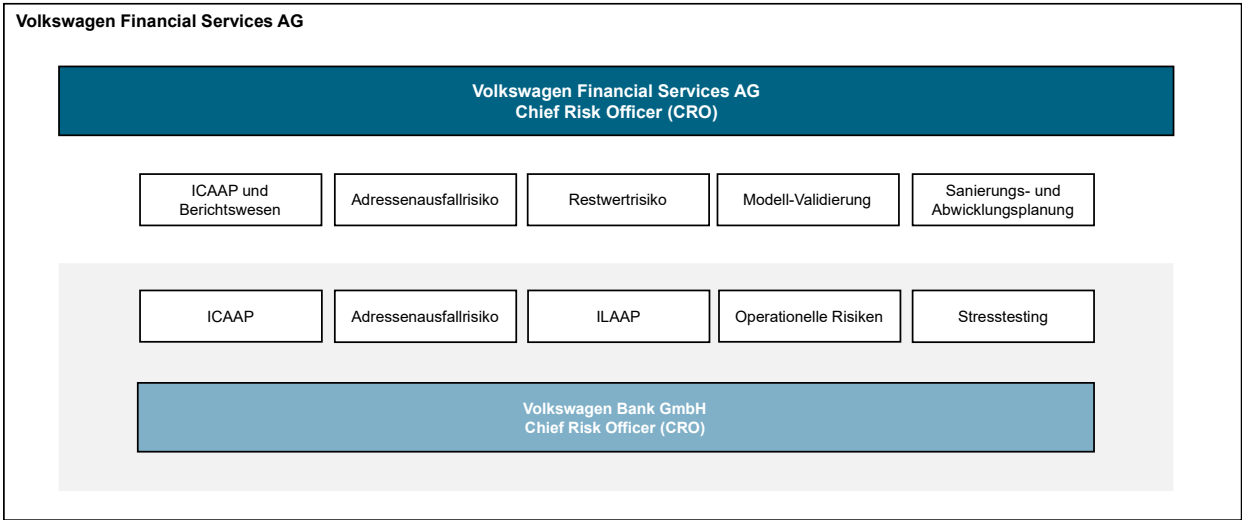
Risk management objectives and policy

ORGANIZATIONAL STRUCTURE OF THE RISK MANAGEMENT SYSTEM

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.

Figure 1: Organizational structure of the risk management system



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.

In 2025, there were no changes to the existing Pillar 2 requirements of 2.25% for Volkswagen Financial Services AG. 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 risk management system is fully functional at all times and regardless of the personnel involved.

The risk management departments are responsible for 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 the risk management requirements

defined by Volkswagen Financial Services AG in the respective 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. The business strategy also serves as the starting point for creating a matching 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 presents the key objectives of and measures for risk management for each risk category, taking into account the business policy focus,

risk tolerance and risk appetite. Achievement of the risk strategy objectives is reviewed annually. 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" (system of values), 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 Volkswagen Financial Services AG, 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 various Volkswagen Group brands, results in concentrations of risk, which can take a variety of forms.

Concentrations of risk can arise from the uneven distribution of a large part of lending/leasing business.

- > 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)

- > residual values subject to risk are limited to a small number of vehicle segments or models (residual value concentrations), or
- > 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 dealership business are a natural part of the business for a captive 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.

Revenue concentration is an inherent element of the business model. The Group's specific constellation as a sales promotor for the Volkswagen Group gives rise to dependencies that have a direct impact on revenues.

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. The risk management report contains information including the following:

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

The following information is also presented to the 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.

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

RECOVERY AND RESOLUTION PLANNING

During the course of fiscal year 2025, the Volkswagen Financial Services AG Group updated its Group-wide recovery plan and submitted it to the European Central Bank as the competent supervisory authority.

The recovery plan covers matters including a system to ensure that adverse developments are identified promptly, and the possible measures that could be used by the Group in different stress scenarios to safeguard or restore a robust financial footing. 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). The Group resolution plan is expected to be formally submitted in the first quarter of fiscal year 2026.

CURRENT REGULATORY FACTORS

Following years in which the regulatory framework for banking and financial holding groups was tightened, the focus during the current EU legislative period is on enhancing competitiveness and reducing bureaucracy by simplifying the regulatory framework, prompted by the European Union's declining competitiveness against China and the United States. It remains to be seen whether – aside from a few isolated improvements – this will have any positive impact on regulatory requirements. According to a letter from the European Commission dated October 1, 2025 to the European regulatory authorities, an analysis of supervisory and financial regulation has identified mandates for 430 delegated acts, of which 115 are to be deprioritized at the European Commission's proposal. This should weaken momentum in the area of delegated acts but will not effectively reverse the trend unless even more far-reaching measures are taken. Experience shows that such 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. This also applies in connection with the planned simplifications which may result in a significant tightening of regulations in certain key areas. 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.

On July 9, 2024, CRR III entered into force and primarily entails 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. In addition, reporting requirements and specific requirements with regard to individual risk types that must be backed by own funds are specified in the delegated regulations. Most of the requirements under CRR III took effect on January 1, 2025, although the reporting requirements under CRR III were not due to be implemented until June 30, 2025, with the following exception: Delegated Regulation (EU) 2025/1496 postponed until January 2, 2027 the effective date for the implementation of the requirements for determining and reporting own funds requirements for market risk.

The European Banking Authority (EBA) published its final report on credit risk in August 2025. This includes a draft delegated regulation on the classification and determination of risk weights for off-balance-sheet exposures. It also contains guidelines for determining in the future the circumstances under which a commitment should not be considered as unconditionally cancellable, meaning that a higher standard loan conversion factor should be applied. This may result in higher own funds requirements.

On January 9, 2026, the EBA published its final guidelines on ancillary services undertakings. It failed to address the criticism raised by banking associations that some of the criteria developed by it for identifying ancillary service undertakings are no longer covered by the legal definition in Article 4(1)(18) of CRR III. In addition to providing very detailed definitions of the terms in Article 4(1)(18) of CRR III, the final EBA guidelines also require that dependencies on financing and on banking products be included as criteria for classification as an ancillary service undertaking. On the basis of the final EBA guidelines that have now been published, an assessment is currently being performed to determine which entities may need to be included in the prudent scope of consolidation. Any further entities that may need to be included in Volkswagen Financial Services AG's prudential scope of consolidation will mostly be smaller entities, meaning that this is unlikely to have any material adverse effects on the fulfillment of the own funds and liquidity requirements.

In addition, the EBA published its final report in August 2025 containing drafts of three delegated regulations concerning the recognition and recording of losses arising from operational risks, two of which are relevant for the Volkswagen Financial Services AG financial holding group. One of these concerns the final draft of an operational risk taxonomy containing a list of the types, categories and attributes of operational risk events that institutions must use when recording losses arising from operational risks. The other one relates to a draft concerning adjustments to the loss data set by estimating the annual loss from operational risks using a specified methodology when, as in the case of Volkswagen Financial Services AG following the formation of a financial holding group on July 1, 2024, new entities are added to the prudential scope of consolidation.

To implement CRD VI, which also entered into force on July 9, 2024 and which was to be transposed into national law by January 10, 2026 and take effect on January 11, 2026, the German lower house of parliament (Bundestag) adopted the Finance Committee's recommendation on the Banking Directive Implementation and Bureaucracy Reduction Act, commonly referred to as BRUBEG on January 29, 2026. The bill is still awaiting the approval of the upper house of parliament (Bundesrat). It is scheduled to be enacted in the first quarter of 2026 and to take effect from April 1, 2026 for the most part. The act contains numerous new requirements and will result in a significant tightening of the sanction regime and

broader powers for the supervisory authorities. One key element is Volkswagen Financial Services AG's future obligation to adopt a Group ESG risk plan, which it intends to use to manage and monitor its contribution to the transition to a sustainable economy and which it expects to submit to the supervisory authority as part of the annual supervisory review and evaluation process (SREP). Volkswagen Bank GmbH has a corresponding obligation for the Volkswagen Bank GmbH Group. Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Leasing GmbH are currently analyzing the statutory changes and are in the process of identifying the necessary measures and proceeding with implementation based on those 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 (Group) 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. On October 25, 2025, the EBA published a consultation paper on the amendments to the SREP and the regulatory stress tests, particularly to incorporate the amendments that have since been made to the regulatory requirements, including aspects such as resilience. The revised SREP guidelines are to take effect from January 1, 2027. 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. In June 2025, the European Commission presented proposals to revitalize the securitization framework, on which the Council set out its position on December 19, 2025. The rapporteur of the European Parliament's ECON Committee submitted his report with proposed amendments on December 11, 2025 for consideration by the ECON Committee of the European Parliament. While the Commission's draft would likely result in significantly higher own funds requirements for bank investors in AAA-rated senior STS auto ABS tranches, the Council's position, by contrast, would lead to a significant reduction in own funds requirements for these tranches, which are crucial for funding purposes. The proposal by the European Parliament's rapporteur also provides for reduced own funds requirements for these securitization tranches. Given its significance, industry associations are monitoring and tracking the legislative process closely.

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.

Regulatory influences result from the requirements relating to interest rate risks. These include the guidelines on interest rate risks in the banking book (IRRBB) and the credit spread risk in the banking book (CSRBB). The adopted delegated act regarding CRD V on the supervisory IRRBB outlier test specifies the six supervisory shock scenarios plus the criteria to be used to assess whether there is a strong decline in net interest income or in the economic value of equity that could trigger supervisory measures. The IRRBB package is rounded off by extensive reporting requirements on interest rate risk, which were required to be implemented by September 30, 2024. Sustainable IT implementation is currently underway as part of the LiMA project.

Other regulatory effects on risk management in Pillar II stem in particular from the supervisory requirements for IT in financial institutions (BAIT), which were republished in somewhat condensed form on January 10, 2025, the EBA guidelines on ICT and security risk management and the EBA guidelines on outsourcing arrangements, which are included in the minimum risk management requirements published in August 2021.

In addition, the Regulation on Digital Operational Resilience in the Financial Sector, also known as DORA (Digital Operational Resilience Act), has now become highly relevant in connection with IT requirements. It also plays a key role in determining relations 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 did, in effect, was to place many requirements that are already known on 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.

In addition, the regulation contains a number of mandates for the adoption of delegated regulations, the last of which are to be published and applied in the course of 2025. 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. The requirements under DORA and the associated delegated regulations were implemented by December 31, 2025 in a project to strengthen the resilience of the Volkswagen Financial Services AG Group. The remaining tasks were assigned to the line functions, where they are being implemented. Under the current schedule, these activities are to be completed by the end of 2026.

On July 16, 2025, the ECB also published its guide on outsourcing cloud services to cloud service providers. The ECB guide addresses the DORA requirements 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.

In July 2025, the EBA also published its consultation paper on new guidelines for third-party risk management for non-ICT-related services, which also covers the outsourcing of services to subcontractors. These will broaden the scope of application to include the outsourcing of services, thereby encompassing outsourcing agreements as a subset of outsourced services. Consultations on this matter were held up until October 2025. One particular focus is on the provision of services for critical or important functions. The draft guidelines are to replace the previous EBA outsourcing guidelines and are to be aligned as closely as possible with the DORA requirements. In addition, the requirements for the information register are to be aligned with the DORA requirements, so that it will be possible to maintain a single information register in the future. If implemented as proposed, the new guidelines are likely to result in a significant additional workload. For this reason, institutions are to be granted a two-year period to review and amend existing third-party service agreements and to update the information register to bring it into line with the new and amended information requirements. The banking associations have called for a greater focus on critical and important functions and for harmonization with DORA requirements where this is appropriate and feasible in terms of the resource requirements. It therefore remains to be seen to what extent the proposals put forward by the banking associations in favor of less bureaucratic implementation will be adopted.

In May 2024, the ECB published its guidelines 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. The risk report must be submitted within 20 business days. 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. The CRO of Volkswagen Financial Services AG is the Head of Data Governance.

The inclusion of climate and environmental risks in risk management, including transition risks, will continue to be important in the future. This will require the Volkswagen Financial Services AG Group to address these risks, which can be drivers of existing risk types, in detail also in the future 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 continue to be important.

The ECB guidelines on climate-related and environmental risks are of particular importance in this context, and the requirements it contains are expected to be implemented by the end of September 2025 in line with a plan that was agreed with the ECB following the establishment of the financial holding group. This plan also included the new Volkswagen Bank Group with Volkswagen Leasing GmbH as a subsidiary of Volkswagen Bank GmbH.

It should be noted that ESG risks must be taken into account comprehensively in risk management. In addition, however, a comprehensive disclosure of ESG risks is now also required. Thus, the Volkswagen Financial Services AG financial holding group's Pillar 3 Disclosure Report must include extensive sustainability-related disclosures for the first time from December 31, 2024. In particular, this concerned disclosures on CO₂ emissions, including those related to vehicle financing (Scope 3 emissions). It is expected that, as the proportion of financed and leased battery-powered vehicles continues to widen in the coming years, emission intensity will decline; in other words, the proportion of CO₂ emissions in the loan portfolio will shrink.

The EBA published its guidelines on the management of ESG risks on January 9, 2025 with the aim of ensuring that the CRD VI requirements for managing ESG risks are implemented consistently across the EU; these requirements were to 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 it was often still sufficient for ESG risks to be considered in the various risk management processes for all types of risk in the past, 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. 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. In December 2025, Volkswagen Financial Services AG adopted a transition plan, which it submitted to the regulatory authorities in January 2026.

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.

Finally, the EBA issued revised internal governance guidelines for consultation in August 2025. Their purpose is to provide specific guidance on the implementation of CRD VI. In particular, they contain extensive additional detailed requirements for documenting the organization by mapping responsibilities in the form of an overview, including details on reporting lines and the areas of responsibility of the individuals who are part of the corporate governance framework, in order to identify and address any organizational gaps. These are to be supplemented by signed individual statements of responsibility for the governing body comprising the Board of Management and the Supervisory Board or Board of Directors as well as for holders of key positions and members of senior management, in order to strengthen accountability and responsibility. These requirements are to apply at the level of each individual company, as well as on a sub-consolidated and consolidated basis. While strengthening governance is generally a positive step, the documentation requirements should be proportionate to the reinforcement of internal governance and take greater account of the existing comprehensive internal organizational regulation. The associations were therefore critical of the organization documentation requirements, some of which were very detailed, calling them unreasonable.

In addition, the revised draft of the EBA internal governance guidelines provides for the following key changes: Network and information systems are to be established and managed in accordance with DORA requirements. This also applies across the entire Group. Group-wide implementation is already underway as part of the DORA project. In addition, business continuity management must also comply with DORA requirements. This also applies across the entire Group. The EBA guidelines now also include ESG risks in corporate governance processes; however, these risks are described in much greater detail in the EBA guidelines on the management of ESG risks. Internal control functions are to be strengthened, with direct access for and a reporting line to the Supervisory Board to be established. Moreover, the remuneration of the head of the internal control functions is to be directly monitored by the Supervisory Board

in the future. Potential conflicts of interest involving a head of an internal control function who is also a member of the Board of Management are to be mitigated effectively through appropriate safeguards and risk avoidance measures. In the future, corporate culture is also to embrace diversity and inclusion. As well as this, institutions should also aim to establish a culture of equality, diversity and inclusion and to prevent discrimination and harassment as part of their risk culture. Volkswagen Financial Services AG is already committed to these values as elements of its corporate culture.

It will continue to review the draft EBA internal governance guidelines and, following their final publication, decide on any necessary actions and measures that may be required to implement them.

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 (including Risk Management, Controlling, Accounting, Reporting, Legal Affairs, Compliance, Antitrust Law, Treasury, Payments, IT) must be integrated in 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 responsible members of the Board of Management of Volkswagen Financial Services AG and with the relevant members of the management of Volkswagen Bank GmbH or those with authority delegated by the Board of Management, and, in the case of new markets, also 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.

TABLE 13: RISK TYPES

Risk Type
Counterparty Default Risk
Credit Risk
Counterparty and Issuer Risk
Country Risk
Shareholder Risk
Residual Value Risk
Market Price Risk
Interest Rate Risk in the Banking Book (IRRBB)
Credit Spread Risk in the Banking Book (CSRBB)
Other Market Price Risks (Currency and Fund Price Risk)
Liquidity Risk (Funding Risk)
Business Risk
Earnings Risk
Reputational Risk
Strategic Risk
Business Model Risk
Operational Risk
Process Risks
External Risks
Technology Risks

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 2026 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 14: CHANGES IN RISK CATEGORIES

Risk categories	DEC 31, 2025		DEC 31, 2024	
	€ million	Share in %	€ million	Share in %
Credit risk	6,965	40	6,874	43
Shareholder, issuer and counterparty risk	797	5	1,139	7
Residual value risk	5,863	33	4,849	30
Interest rate risk in the banking book (IRRBB)	1,876	11	2,245	14
	94	1	102	1
Other market risks (currency and fund price risk)	1,372	8	326	2
Liquidity risk (funding risk)	34	0	62	0
Operational risk	617	4	418	3
Business risk	–	–	–	–
Total	17,617	100	16,017	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, Volkswagen Financial Services AG makes use of the exemption granted in Article 94 of the CRR, as it does not conduct any trading book activities.

Volkswagen Financial Services AG has broadly diversified funding sources. At 20%, the 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 Financial Services AG 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 15: NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE BOARD OF MANAGEMENT

	Number of management functions as of Dec. 31, 2025	of which management functions in the Volkswagen Group as of Dec. 31, 2025	Number of supervisory functions as of Dec. 31, 2025	of which supervisory functions in the Volkswagen Groups of Dec. 31, 2025
Dr. Christian Dahlheim	1	1	10	10
Anthony Bandmann	1	1	10	10
Dr. Alena Kretzberg	2	2	4	2
Christian Löbke	2	2	1	1
Dr. Ingrun-Ulla Bartölke	1	1	9	8

TABLE 16: NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE SUPERVISORY BOARD

	Number of management functions as of Dec. 31, 2025	of which management functions in the Volkswagen Group as of Dec. 31, 2025	Number of supervisory functions as of Dec. 31, 2025	of which supervisory functions in the Volkswagen Groups of Dec. 31, 2025
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
Nina Babic	1	0	4	1
Jürgen Mahnkopf	0	0	3	3
Liesbeth Rigter	1	0	2	1
Jürgen Rittersberger	1	1	11	11
Sabine Schmittroth	1	1	3	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 with 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 Board of Management at different companies, 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 42% (target: 25%). There is adequate representation of employees on the Supervisory Board. The target for female representation in management is 20%.

INFORMATION ABOUT THE RISK COMMITTEE

The Risk Committee held four 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 93.5%.

At its meeting on February 28, 2025, the Risk Committee discussed the business and risk strategy and the risk tolerance, appetite and mitigation at Volkswagen Financial Services AG (Group). In addition, it reviewed the risk management report dated December 31, 2024 and assessed the appropriateness of the incentives provided by the remuneration system. Following an appropriate review, the Risk Committee confirmed that the incentives set by the remuneration system duly factor in its risk, capital and liquidity structure and the probability and timing of income.

At its meeting on May 9, 2025, the Committee was briefed on the 2025 risk inventory of Volkswagen Financial Services AG (Group) as well as on funding operations from the perspective of Treasury and Risk Management. In addition, it was briefed on the details of Volkswagen Financial Services AG's Group recovery plan.

At its meeting on September 5, 2025, the Committee reviewed the results of the 2025 EBA/ECB stress test as well as the progress made in the implementation of the EBA's and ECB's ESG requirements at

Volkswagen Financial Services AG (Group). In addition, the current status of the “Risk Data Aggregation and Risk Reporting (RDARR)” project was presented.

At its meeting on November 27, 2025, the Committee discussed the risk analysis regarding the impact of biodiversity on sectors of Volkswagen Financial Services AG (Group), the findings of the BCBS 239 compliance report, as well as geopolitical risks and their relevance for Volkswagen Financial Services AG (Group).

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. Moreover, Risk Management reports on credit risk, direct residual value risk and operational risk as well as interest rate and credit spread risks in the banking book, other market price risks, ESG 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.

The presentation and assessment of stress test in various scenarios (historical and hypothetical), sensitivity analyses by risk type, the comparison of capital requirements from both a regulatory and an economic perspective, and commentary on the development of risk-bearing capacity across the various perspectives and scenarios are included in the ICCAP report, which is also prepared quarterly and submitted to the Board of Management and the Supervisory Board.

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

Exposures are considered past due if a material portion of the total amount due is in arrears as defined in section 16 of the SolvV.

Moreover, Volkswagen Financial Services AG defines “non-performing” in accordance with Article 442(a) of the CRR in line with Article 178 of the CRR as follows:

Receivables are considered non-performing 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 the exposure is past due by more than 90 consecutive calendar days – taking into account the materiality threshold in accordance with section 16 of the SolvV.

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. The definition of forborne exposures primarily encompasses 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 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.

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 operating earnings.

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 FINANCIAL SERVICES 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 (FINANCIAL SERVICES 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

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 FINANCIAL SERVICES 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 (FINANCIAL SERVICES 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.

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 rates given default, loan conversion factors and the expected amount of the exposure given default.

A structured validation approach that can account for both central and local responsibilities is applied for credit assessment models and processes in the retail and corporate sectors. The validation process particularly focuses on the models' accuracy and their risk-oriented calibration. If any need for action is identified, appropriate measures are defined and their implementation monitored to ensure the consistent application of the standards.

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, 2025.

TABLE 17: 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	12,035.0	26,034.9	74,527.2	7,966.4	5,269.2	125,832.8
2	Debt securities	0.0	598.5	1,781.5	589.9	–	2,969.8
3	Total	12,035.0	26,633.4	76,308.7	8,556.3	5,269.2	128,802.6

NONPERFORMING AND FORBORNE EXPOSURES

At 2.80%, Volkswagen Financial Services AG's NPL ratio (FINREP) is below the 5% threshold.

TABLE 18: 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							
								Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	in € millions	Performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		
005	Cash balances at central banks and other demand deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
010	Loans and advances	204.4	140.0	137.3	–1.1	–35.2	233.2	75.4
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	0.1	0.0	0.0	0.0	0.0	0.0	0.0
040	Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	94.0	0.1	0.1	–0.1	–0.0	93.9	0.0
060	Non-financial corporations	106.6	101.8	100.4	–0.8	–25.3	121.5	60.0
070	Households	3.7	38.1	36.9	–0.2	–9.9	17.7	15.3
080	Debt Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
090	Loan commitments given	0.1	45.5	45.5	0.0	12.2	0.4	0.3
100	Total	204.5	185.5	182.8	–1.1	–47.4	233.5	75.6

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 19: 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								
			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 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
	in € millions												
005	Cash balances at central banks and other demand deposits	9,006.3	9,006.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
010	Loans and advances	124,534.7	123,855.2	679.5	3,598.9	2,002.8	541.3	429.0	376.2	214.3	17.2	18.3	3,501.0
020	Central banks	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	448.0	446.1	1.9	4.9	2.4	0.8	1.1	0.4	0.0	0.0	0.0	4.3
040	Credit institutions	462.2	462.0	0.2	0.6	0.0	0.0	0.1	0.2	0.3	0.0	0.0	0.6
050	Other financial corporations	5,866.5	5,856.2	10.2	23.1	14.6	3.6	2.9	1.5	0.5	0.1	0.0	21.8
060	Non-financial corporations	51,370.7	51,001.6	369.1	2,113.9	1,422.8	244.8	152.6	183.3	89.2	7.1	14.1	2,030.6
070	Of which SMEs	9,238.4	9,220.0	18.4	187.0	139.1	17.4	9.9	20.0	0.6	0.0	0.0	175.3
080	Households	66,385.5	66,087.4	298.1	1,456.5	562.9	292.1	272.3	190.8	124.3	10.0	4.2	1,443.8
090	Debt Securities	3,076.6	3,076.6	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
110	General governments	2,240.6	2,240.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	408.7	408.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	426.3	426.3	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	17,488.2	X	X	359.9	X	X	X	X	X	X	X	307.2
160	Central banks	0.0	X	X	0.0	X	X	X	X	X	X	X	0.0
170	General governments	9.0	X	X	0.5	X	X	X	X	X	X	X	0.5
180	Credit institutions	3	X	X	0.3	X	X	X	X	X	X	X	0.3
190	Other financial corporations	432.8	X	X	1.6	X	X	X	X	X	X	X	1.0
200	Non-financial corporations	13,025.3	X	X	341.5	X	X	X	X	X	X	X	294.5
210	Households	4,018.5	X	X	15.9	X	X	X	X	X	X	X	10.9
220	Total	154,105.9	135,938.1	679.5	3,958.8	2,002.8	541.3	429.0	376.2	214.3	17.2	18.3	3,808.2

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

	A	B	C	D	E	F	G
					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
				Gross carrying/Nominal amount			
				of which: non-performing			
				of which: defaulted	of which: subject to impairment		
in € millions							
On balance sheet exposures	131,349.2	3,681.2	3,566.9	126,641.3	-2,137.9	X	0.0
010 Germany	52,116.8	2,256.3	2,233.5	52,116.8	-1,142.0	X	0.0
030 United Kingdom	22,266.1	205.6	191.1	22,266.1	-146.8	X	0.0
040 Italy	10,844.9	248.4	233.3	10,570.9	-88.0	X	0.0
050 France	8,740.9	290.2	282.0	8,740.9	-237.1	X	0.0
060 Spain	7,124.3	99.1	99.0	7,124.3	-106.9	X	0.0
070 Others	30,256.3	581.7	526.0	25,822.3	-417.2	X	0.0
Off balance sheet exposures	87,748.7	1,971.2	1,787.9	X	X	86.8	X
080 Germany	38,735.0	1,284.8	1,194.5	X	X	70.6	X
100 Italy	11,028.6	235.1	217.9	X	X	2.5	X
110 The Netherlands	7,082.1	184.8	159.1	X	X	6.6	X
120 Spain	6,975.1	56.5	50.2	X	X	0.8	X
130 France	5,789.4	62.3	46.7	X	X	0.7	X
140 Others	18,138.6	147.8	119.5	X	X	5.6	X
150 Total	219,097.9	5,652.4	5,354.7	126,641.3	-2,137.9	86.8	0.0

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

TABLE 21: 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	349.7	24.8	23.5	349.7	-13.6	0.0
020 Mining and quarrying	55.7	2.0	2.0	55.7	-1.4	0.0
030 Manufacturing	5,168.7	114.2	108.0	5,168.7	-74.8	0.0
040 Electricity, gas, steam and air conditioning supply	183.1	3.4	3.4	183.1	-2.5	0.0
050 Water supply	266.8	9.3	9.2	266.8	-7.0	0.0
060 Construction	3,704.1	164.1	150.8	3,704.1	-91.2	0.0
070 Wholesale and retail trade	28,978.5	774.1	734.4	28,978.5	-443.0	0.0
080 Transport and storage	1,913.8	194.1	185.2	1,913.8	-93.8	0.0
090 Accommodation and food service activities	447.1	19.9	18.3	447.1	-13.3	0.0
100 Information and communication	941.2	22.0	20.8	941.2	-13.7	0.0
110 Real estate activities	0.0	0.0	0.0	0.0	0.0	0.0
120 Financial and insurance activities	966.9	41.6	41.4	966.9	-29.7	0.0
130 Professional, scientific and technical activities	3,284.6	105.9	102.3	3,284.6	-119.6	0.0
140 Administrative and support service activities	4,820.3	567.6	564.3	4,820.3	-242.0	0.0
150 Public administration and defense, compulsory social security	0.0	0.0	0.0	0.0	0.0	0.0
160 Education	304.2	10.2	9.4	304.2	-6.6	0.0
170 Human health services and social work activities	938.0	32.0	30.9	938.0	-16.7	0.0
180 Arts, entertainment and recreation	243.7	6.3	5.5	243.7	-4.4	0.0
190 Other services	918.2	22.6	21.3	918.2	-15.7	0.0
200 Total	53,484.6	2,113.9	2,030.6	53,484.6	-1,188.9	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 22: 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	3,178.7
020	Inflows to non-performing portfolios	689.6
030	Outflows from non-performing portfolios	269.3
040	Outflows due to write-offs	0.0
050	Outflow due to other situations	269.3
060	Final stock of non-performing loans and advances	3,598.9

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

[illegible]

		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 impairment and provisions				Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					On performing exposures	On non-performing exposures
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					
180	Credit institutions	2.8	0.0	2.7	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0		
190	Other financial corporations	432.8	62.5	370.3	1.6	1.5	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	17.4	0.1		
200	Non-financial corporations	13,025.3	6,424.5	6,600.8	341.5	84.8	250.9	29.6	8.8	20.8	42.7	0.1	42.5	0.0	735.9	30.2		
210	Households	4,018.5	1,908.3	2,110.3	15.9	8.4	4.5	5.9	5.3	1.7	0.5	0.1	0.4	0.0	91.3	0.3		
220	Total	154,105.9	67,300.8	82,212.6	3,958.8	498.5	3,275.2	-1,038.6	-215.6	-832.9	-1,180.6	-24.5	-1,118.5	-43.1	71,216.4	1,943.8		

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 credit-worthiness, Standard & Poor's Financial Services LLC and Fitch Ratings 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 24: EU CR5 – STANDARDIZED APPROACH

		RISK WEIGHT													
	in € millions	0%	2%	4%	10%	20%	30%	35%	40%	45%	50%	60%	70%	75%	Subtotal
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	z
1	Central governments or central banks	9,440.0	0.0	0.0	0.0	370.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,810.0
2	Non-central government public sector entities	1,140.5	0.0	0.0	0.0	573.6	0.0	0.0	0.0	0.0	4.3	0.0	0.0	0.0	1,718.5
EU 2a	Regional governments or local authorities	678.1	0.0	0.0	0.0	485.6	0.0	0.0	0.0	0.0	4.0	0.0	0.0	0.0	1,167.7
EU 2b	Public sector entities	462.4	0.0	0.0	0.0	88.1	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	550.8
3	Multilateral development banks	89.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	89.6
EU 3a	International organisations	207.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	207.8
4	Institutions	0.0	0.0	0.0	0.0	198.7	278.7	0.0	0.0	0.0	45.8	0.0	0.0	0.0	523.1
5	Covered bonds	0.0	0.0	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	Corporates	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	0.1
6.1	Of which: Specialised Lending	0.0	0.0	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	Subordinated debt exposures and equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU 7 a	Subordinated debt 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
EU 7 b	Equity	0.0	0.0	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 exposure	0.0	0.0	0.0	0.0	0.0	0.0	43.5	0.0	43.3	0.0	0.0	0.0	52,785.3	52,872.1
9	Secured by mortgages on immovable property and ADC exposures	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	23.9	0.0	11.3	35.5
9.1	Secured by mortgages on residential immovable property - non IPRE	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.3
9.1.1	No loan splitting applied	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0
9.1.2	loan splitting applied (secured)	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	0.3
9.1.3	loan splitting applied (unsecured)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9.2	Secured by mortgages on residential immovable property - IPRE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9.3	Secured by mortgages on commercial immovable property - non IPRE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.9	0.0	6.4	30.2
9.3.1	No loan splitting applied	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4	6.4
9.3.2	loan splitting applied (secured)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.9	0.0	0.0	23.9
9.3.3	loan splitting applied (unsecured)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9.4	Secured by mortgages on commercial immovable property - IPRE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

RISK WEIGHT															
in € millions		0%	2%	4%	10%	20%	30%	35%	40%	45%	50%	60%	70%	75%	Subtotal
Exposure classes		a	b	c	d	e	f	g	h	i	j	k	l	m	z
9.5	Acquisition, Development and Construction (ADC)	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0
EU															
10a	Claims on 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
EU															
10b	Collective investment undertakings (CIU)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU															
10c	Other items	1,441.4	0.0	0.0	0.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,450.4
11	not applicable	x	x	x	x	x	x	x	x	x	x	x	x	x	x
11 c	TOTAL	12,319.3	0.0	0.0	0.0	1,151.6	278.7	43.5	0.0	43.3	50.2	23.9	0.0	52,796.6	66,707.0

RISIKOGEWICHT															
in Mio. €		80%	90%	100%	105%	110%	130%	150%	250%	370%	400%	1.250%	Sonstige	Summe	Ohne Rating
Risikopositionsklassen		n	o	p	q	r	s	t	u	v	w	x	y	z	aa
1	Zentralstaaten oder Zentralbanken	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1.221,8	0,0	0,0	0,0	0,0	11.031,9	0,0
EU															
2a	Nicht zentralstaatliche öffentliche Stellen	0,0	0,0	1,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1.720,1	1,7
EU															
2b	Regionale oder lokale Gebietskörperschaften	0,0	0,0	0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1.168,6	0,9
EU															
2b	Öffentliche Stellen	0,0	0,0	0,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	551,5	0,7
3	Multilaterale Entwicklungsbanken	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	89,6	89,6
EU															
3a	Internationale Organisationen	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	207,8	207,8
4	Institute	0,0	0,0	0,0	0,0	0,0	0,0	200,5	0,0	0,0	0,0	0,0	0,0	723,6	200,5
5	gedeckte Schuldverschreibungen	0,0	0,0	19,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	148,1	167,2	19,2
6	Unternehmen	0,0	0,0	47.987,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	47.988,0	47.988,0
6.1	Davon: Spezialfinanzierungen	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

RISK WEIGHT															
in € millions		0%	2%	4%	10%	20%	30%	35%	40%	45%	50%	60%	70%	75%	Subtotal
Exposure classes		a	b	c	d	e	f	g	h	i	j	k	l	m	z
7	Aus nachrangigen Schuldtiteln bestehende Risikopositionen und Beteiligungspositionen	0,0	0,0	122,2	0,0	0,0	0,0	0,0	704,2	0,0	0,0	0,0	0,0	826,4	826,4
EU															
7 a	Aus nachrangigen Schuldtiteln bestehende Risikopositionen	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EU															
7 b	Eigenkapitalpositionsrisiko	0,0	0,0	122,2	0,0	0,0	0,0	0,0	704,2	0,0	0,0	0,0	0,0	826,4	826,4
8	Risikopositionen aus dem Mengengeschäft	0,0	0,0	207,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	53.079,7	53.079,7
9	Durch Grundpfandrechte auf Immobilien besichert und ADC-Risikopositionen	0,0	0,0	2.971,1	0,0	0,0	0,0	0,7	0,0	0,0	0,0	0,0	0,0	3.007,4	3.007,4
9.1	Durch Grundpfandrechte auf Wohnimmobilien besichert – nicht IPRE	0,0	0,0	9,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	14,2	14,2
9.1.1	1. Ohne Kreditsplitting	0,0	0,0	9,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	13,9	13,9
9.1.2	2. Mit Kreditsplitting (besichert)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,3	0,3
9.1.3	3. Mit Kreditsplitting (unbesichert)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
9.2	Durch Grundpfandrechte auf Wohnimmobilien besichert – IPRE	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
9.3	Durch Grundpfandrechte auf Gewerbeimmobilien besichert – nicht IPRE	0,0	0,0	2.962,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2.992,4	2.992,4
9.3.1	4. Ohne Kreditsplitting	0,0	0,0	2.961,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2.968,1	2.968,1
9.3.2	5. Mit Kreditsplitting (besichert)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	23,9	23,9
9.3.3	6. Mit Kreditsplitting (unbesichert)	0,0	0,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,5	0,5
9.4	Durch Grundpfandrechte auf Gewerbeimmobilien besichert – IPRE	0,0	0,0	0,0	0,0	0,0	0,0	0,7	0,0	0,0	0,0	0,0	0,0	0,7	0,7
9.5	Grunderwerb, Erschließung und Bau (ADC)	0,0	0,0	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	Ausgefallene Risikopositionen	0,0	0,0	538,1	0,0	0,0	0,0	1.698,1	0,0	0,0	0,0	0,0	0,0	2.236,3	2.236,3
EU															
10a	Risikopositionen gegenüber Instituten und Unternehmen mit kurzfristiger Bonitätsbeurteilung	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EU															
10b	Organismen für Gemeinsame Anlagen (OGA)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EU															
10c	Sonstige Positionen	0,0	0,0	4.896,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	80.812,6	87.159,4	87.159,4
11	Entfällt	X	X	X	X	X	X	X	X	X	X	X	X	X	X
11 c	Insgesamt	0,0	0,0	56.744,2	0,0	0,0	0,0	1.899,4	1.926,1	0,0	0,0	0,0	80.960,7	208.237,3	194.815,8

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 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 25: 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	11,031.1	1.9	11,031.1	0.8	3,128.6	28.4%
2	Non-central govern- ment public sector enti- ties	1,673.4	115.4	1,674.0	46.1	118.6	6.9%
EU 2a	Regional government or local authorities	1,140.9	69.5	1,140.9	27.7	100.0	8.6%
EU 2b	Public sector entities	532.5	46.0	533.1	18.4	18.5	3.4%
3	Multilateral devel- opment banks	89.6	–	89.6	–	–	0.0%
EU 3a	International organisations	207.8	–	207.8	–	–	0.0%
4	Institutions	706.1	43.7	706.1	17.4	446.9	61.8%
5	Covered bonds	167.2	–	167.2	–	43.7	26.1%
6	Corporates	46,921.8	15,598.8	45,479.8	2,508.2	47,600.3	99.2%
6.1	Of which: Specialised Lending	–	–	–	–	–	0.0%
7	Subordinated debt ex- posures and equity	826.4	–	826.4	–	1,882.7	227.8%
EU 7a	Subordinated debt exposures	–	–	–	–	–	0.0%
EU 7b	Equity	826.4	–	826.4	–	1,882.7	227.8%
8	Retail	51,186.7	7,262.9	51,186.7	1,893.0	39,125.4	73.7%

	Exposure classes	EXPOSURES BEFORE CCF AND BEFORE CRM		EXPOSURES POST CCF AND POST CRM		RWAS AND RWAS DENSITY	
		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
9	Secured by mortgages on immovable property and ADC exposures	3,002.6	1,540.8	3,002.6	4.8	2,970.8	98.8%
9.1	Secured by mortgages on residential immovable property - non IPRE	14.2	1.6	14.2	0.0	12.2	85.6%
9.2	Secured by mortgages on residential immovable property - IPRE	—	—	—	—	—	0.0%
9.3	Secured by mortgages on commercial immovable property - non IPRE	2,987.7	1,539.2	2,987.7	4.7	2,957.4	98.8%
9.4	Secured by mortgages on commercial immovable property - IPRE	0.7	—	0.7	—	1.1	150.0%
9.5	Acquisition, Development and Construction (ADC)	—	—	—	—	—	0.0%
10	Exposures in default	2,166.2	364.7	2,166.2	70.1	3,085.4	138.0%
EU 10a	Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	0.0%
EU 10b	Collective investment undertakings	—	—	—	—	—	0.0%
EU 10c	Other items	85,718.0	—	87,159.4	—	60,213.6	69.1%
11	Not applicable	x	x	x	x	x	x
12	TOTAL	203,696.9	24,928.2	203,696.9	4,540.4	158,615.8	76.2%

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:

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

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

USE OF CREDIT RISK MITIGATION TECHNIQUES

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

TABLE 26: EU CR3 – CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

		UNSECURED CARRY- ING 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	62,714.8	72,284.7	72,043.5	241.1	0.0
2	Debt securities	3,076.6	0.0	0.0	0.0	0.0
3	Total	65,791.5	72,284.7	72,043.6	241.1	0.0
4	Of which non-performing exposures	548.4	1,913.1	1,895.6	16.6	0.0
EU-5	Of which defaulted	401.8	1,817.2	X	X	X

DISCLOSURE OF THE CREDIT VALUATION ADJUSTMENT RISK

With the entry into force of CRR III, the previous standard method under Article 384 of the CRR for calculating the own funds requirements for CVA risk is no longer applicable. Effective January 1, 2025, Volkswagen Financial Services AG applies the new basic approach (BA-CVA) in accordance with Article 384 of CRR III at the consolidated level.

As of December 31, 2025, own funds requirements for CVA risks amount to €192.4 million. Applying a factor of 12.5 results in risk-weighted assets of €2,405.1 million, which corresponds to 1.3% of the total risk exposure.

TABLE 2: EU CVA 1 – CREDIT VALUATION ADJUSTMENT RISK UNDER THE REDUCED BASIC APPROACH

	A	B
	Components of Own Funds Requirements	Own Funds Requirements
Aggregation of systematic components of CVA risk	471.8	
Aggregation of idiosyncratic components of CVA risk	206.5	
Total		192.4

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 2025. 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, 2025 reporting date, the carrying amount of the encumbered assets was €13,736 million (previous year: €13,084 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 28: EUR AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

		CARRYING AMOUNT OF ENCUMBERED ASSETS		FAIR VALUE OF ENCUM- BERED ASSETS		CARRYING AMOUNT OF UNENCUMBERED ASSETS		FAIR VALUE OF UNEN- CUMBERED ASSETS	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA of which EHQLA and HQLA	
in € millions		010	030	040	050	060	080	090	100
Assets of the reporting institu-									
010	tion	13.736,4	0.0	X	X	196.077,5	12.931,6	X	X
030	Equity instruments	0,0	0.0	0.0	0.0	13,5	0,0	0,0	0,0
040	Debt securities	0,0	0.0	0.0	0.0	3.076,6	2.453,8	3.111,6	2.544,4
050	of which: covered bonds	0,0	0.0	0.0	0.0	373,2	0,0	412,3	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	2.240,6	2.045,3	2.143,1	2.143,1
080	of which: issued by financial corporations	0,0	0.0	0.0	0.0	409,7	408,5	968,6	401,3
090	of which: issued by non-financial corporations	0,0	0.0	0.0	0.0	426,3	0,0	0,0	0,0
120	Other assets	212,0	0.0	X	X	71.512,3	1.902,2	X	X

TABLE 29: 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
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
Own debt securities issued other than own covered bonds or securitisations		0.0	0.0	0.0	0.0
241 Own covered bonds and securitisation issued and not yet pledged		X	X	0.0	0.0
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED		13,736.4	0.0	X	X

TABLE 30: 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
			010 030
010	Carrying amount of selected financial liabilities	13,713.6	13,713.6

Counterparty credit risk (CCR)

DISCLOSURE OF COUNTERPARTY CREDIT RISK

Counterparty risk arises from interbank investments, derivatives and pension funds. Counterparty risk is a subcategory of counterparty credit risk and describes the risk that a counterparty may be unable to make payments of interest and/or repayments of principal as contractually required. Similarly, issuer risk is the risk that the issuer of a security could become insolvent during the maturity of the product and, as a consequence, some or all of the invested capital, including the expected interest payments, has to be written off. Issuer risk results from the purchase of securities to optimize liquidity management and to fulfill statutory and/or regulatory requirements.

The 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.

Risk identification and assessment

Both counterparty risk and issuer risk are recorded as components of counterparty credit risk. Counterparty and issuer risks are quantified by estimating the portfolio loss distribution using a Monte Carlo simulation and in terms of the value-at-risk or unexpected loss thus calculated.

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 31: 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	3.392,98
Dealer financing	0
Leases	0
Total	3.392,98

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 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 recog-

nized 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 32: 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	151.8	0.0	225.7	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	151.8	0.0	225.7	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 EU CCR8.

TABLE 33: 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)	481.6	1,328.1	X	1.4	2,533.6	2,533.6	2,529.5	927.2
2	IMM (for derivatives and SFTs)	X	X	0.0	0.0	0.0	0.0	0.0	0.0
2a	Of which securities financing transactions netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
2b	Of which derivatives and long settlement transactions netting sets	X	X	0.0	X	0.0	0.0	0.0	0.0
2c	Of which from contractual cross-product 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	2,533.6	2,533.6	2,529.5	927.2

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 34: EUR CCR8 – EXPOSURES TO CCPs

	in € millions	A	B
		Exposure value	RWEA
1	Exposures to QCCPs (total)	X	1.7
	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
2		83.3	1.7
3	(i) OTC derivatives	83.3	1.7
4	(ii) Exchange-traded derivatives	0.0	0.0
5	(iii) SFTs	0.0	0.0
	(iv) Netting sets where cross-product netting has been approved		
6		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
	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
12		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
	(iv) Netting sets where cross-product netting has been approved		
16		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

The following table shows risk exposure by credit risk mitigation, broken down by risk weight and regulatory exposure class.

TABLE 35: EU CCR3 – STANDARDIZED APPROACH – CRR RISK EXPOSURES BY REGULATION RISK EXPOSURE CLASS AND RISK WEIGHTS

		RISK WEIGHT											
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	83.3	0.0	0.0	162.8	187.1	0.0	0.0	0.0	79.5	2,019.4	2,532.1
7	Corporates	0.0	0.0	0.0	0.0	0.0	3.9	0.0	10.8	66.0	0.0	0.0	80.7
8	Retail	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	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	0.0	0.0	0.0
11	Total exposure value	0.0	83.3	0.0	0.0	162.8	191.0	0.0	10.8	66.0	79.5	2,019.4	2,612.8

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 €548.4 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 €6,855.1 million as of December 31, 2025. This equals 3.7% of the total risk amount.

TABLE 36: 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		6,855.1
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		6,855.1

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), Volkswagen Semler Finans Danmark Holding 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. Internal Audit reviews the implementation of OPR management as the third 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.

LITIGATION RISKS – LEGAL VIOLATIONS

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 FINANCIAL SERVICES 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
- > Capital market law
- > Market abuse regulation
- > Banking supervision law (selected topics),
- > 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.

EXTERNAL RISKS – EXTERNAL SERVICES AND OUTSOURCED TASKS

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).

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.

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 specialist outsourcing officer carries out checks mainly to establish whether the quality of performance is in line with the contractually agreed

targets and, where appropriate, initiates corrective measures to ensure such quality of performance is delivered. The framework policy also specifies that all outsourced activities must be agreed with the central Outsourcing Coordination unit. This coordination unit is therefore informed about all outsourcing activities and the associated risks, and communicates these risks to the Board of Management on a quarterly basis.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RISKS

Given the advances in digitalization and the increasing interconnection of business processes, information and communication technology (ICT) is of central importance to Volkswagen Financial Services AG. With the development and expansion of new technologies, such as artificial intelligence, as well as the tense geopolitical situation, the financial sector is facing a wide range of threats. As regards cyber threats, 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 DDoS or ransomware attacks, supply chain attacks). Cybercriminals are using new technologies to carry out more sophisticated and targeted attacks. Consequently, businesses are highly dependent on stable, secure and resilient IT systems.

ICT risks are a component of operational risk and refer to all potential threats and vulnerabilities arising from the use of IT systems, digital infrastructures and communication networks that could compromise the confidentiality, integrity (including authenticity) and availability of information. ICT risks arise, for example, from cyberattacks, system failures, data loss or vulnerabilities on the part of third-party providers. To address 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. The primary focus is on safeguarding the confidentiality, integrity, authenticity, and availability of information. The measures are based on various instruments of the “Three Lines of Defense” model to safeguard security, stability and compliance within the entire IT-based business operations.

The Group is continuously investing in ICT security measures and focusing on ongoing monitoring of the threat landscape, as well as raising awareness and providing training for employees. Identified potential vulnerabilities are systematically transferred to the IKT risk process, assessed and managed in accordance with the risk appetite. In addition, the ICT risk control function ensures the appropriate management and ongoing monitoring of ICT risk. The Group regularly reviews the ICT risk management framework to identify any necessary adjustments. With these measures, Volkswagen Financial Services AG is responding to the entry into force in January 2025 of the EU’s Digital Operational Resilience Act (DORA), which has raised significantly the requirements for a uniform framework for the effective and comprehensive management of ICT risks for financial market participants and critical third-party ICT service providers. By addressing these requirements, the Group will be able to strengthen its digital resilience in the long term and manage ICT risks appropriately.

Quantitative disclosure of operational risk

The Volkswagen Financial Services AG institution group uses the standardized approach to determine the capital requirement for operational risks. Own funds requirements stand at €1,346.7 million.

TABLE 37: EU OR1 – OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

	A	B	C	D	E	F	G	H	I	J	K
	T	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	Ten-year average
Using 20,000€ threshold											
1	Total amount of operational risk losses net of recoveries (no exclusions)										
	89.99	185.31	53.92	-20.08	-56.16	77.58	163.31	80.43	-16.35	307.00	86.49
2	Total number of operational risk losses										
	34.00	71.00	79.00	67.00	84.00	83.00	89.00	103.00	105.00	63.00	77.80
3	Total amount of excluded operational risk losses										
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Total number of excluded operational risk events										
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Total amount of operational risk losses net of recoveries and net of excluded losses										
	89.99	185.31	53.92	-20.08	-56.16	77.58	163.31	80.43	-16.35	307.00	86.49
Using 100,000€ threshold											
6	Total amount of operational risk losses net of recoveries (no exclusions)										
	72.89	180.37	50.50	-26.98	-64.98	74.42	158.91	44.61	-43.86	16.01	46.19
7	Total number of operational risk losses										
	7	13	28	15	27	26	31	34	26	31	24
8	Total amount of excluded operational risk losses										
	0	0	0	0	0	0	0	0	0	0	0
9	Total number of excluded operational risk events										
	0	0	0	0	0	0	0	0	0	0	0
10	Total amount of operational risk losses net of recoveries and net of excluded losses										
	72.89	180.37	50.50	-26.98	-64.98	74.42	158.91	44.61	-43.86	16.01	46.19

TABLE 38: EU OR2 SCOPE AND EXTENT OF APPLICATION OF THE VARIOUS METHODS USED IN CASES OF PARTIAL APPLICATION

		A	B	C	D
		T	T-1	T-2	Average value
	BI and its subcomponents				
1	Interest, lease and dividend component (ILDC)				4,065.96
EU 1	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(3))				4,065.96
1a	Interest and lease income	19,610.26	20,578.90	16,462.38	18,883.85
1b	Interest and lease expense	15,211.30	16,454.44	12,788.22	14,817.99
1c	Total assets/Asset component	203,465.20	189,948.26	191,434.44	194,949.30
1d	Dividend income/dividend component	0.12	0.08	0.08	0.10
2	Services component (SC)				4,835.59
2a	Fee and commission income	725.27	494.23	295.64	505.05
2b	Fee and commission expense	337.77	461.82	515.10	438.23
2c	Other operating income	5,050.99	4,622.51	3,318.12	4,330.54
2d	Other operating expense	3,383.85	3,049.40	2,207.22	2,880.15
3	Financial component (FC)				276.44
3a	Net profit or loss applicable to trading book (TB)	3.04	159.33	118.39	93.59
3b	Net profit or loss applicable to banking book (BB)	186.32	299.98	62.27	182.86
EU 3c	Approach followed to determine the TB/BB boundary (PBA or accounting approach)				Accounting approach
4	Business Indicator (BI)				9,177.99
5	Business indicator component (BIC)				1,346.70
	Disclosure on the BI:	A			
6a	BI gross of excluded divested activities	9,177.99			
6b	Reduction in BI due to excluded divested activities	0,00			
EU 6c	Impact in BI of mergers/acquisitions	0,17			

TABLE 39: EU OR3 REQUIREMENTS FOR OPERATIONAL CAPITAL AND RISK EXPOSURE AMOUNTS

		A
1	Business Indicator Component (BIC)	1,346.7
EU 1	Alternative Standardised Approach (ASA) Own Funds Requirements (OROF) under Article 314(4)	0.0
2	Not applicable	
3	Minimum Required Operational Risk Own Funds Requirements (OROF)	1,346.7
4	Operational Risk Exposure Amounts (REA)	16,833.7

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 the 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 in 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 harm (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 (e.g. penalties, litigation costs).

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-taking 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 from the climate stress test simulates the risks associated with the transition to becoming a provider of zero-emission mobility, supplemented by additional rising 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 the Volkswagen Financial Services AG Group are pooled and evaluated by Treasury. Daily liquidity requirements are calculated by Cash Management in the Treasury Back Office

of Volkswagen Bank GmbH. Liquidity surpluses and shortfalls are eliminated by investing or raising cash with external banks as well as through ECB tenders.

Risk identification and assessment

In line with the requirements of the ECB's Supervisory Review and Evaluation Process (SREP), the Volkswagen 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. 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. Utilization limits are set on the basis of funding capacity to ensure liquidity at all times. 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 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. The rating agencies Standard & Poor's, Moody's and Fitch have assigned Volkswagen Financial Services AG ratings of BBB+ (negative outlook), Baa1 (stable outlook) and 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 indica-

tors 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. On this basis, a distinction is made between insolvency risk and funding 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. The Volkswagen Financial Services AG Group manages liquidity risk to prevent this situation from arising.

Composition of the liquidity buffer

The normative liquidity buffer (HQLAs) for the prudential scope of consolidation of the Volkswagen Financial Services AG Group are held centrally and also managed by Group Treasury. The liquidity buffer is

composed of LCR Level-1 securities and balances held with Deutsche Bundesbank. The economic view includes the unencumbered part of the ECB safe custody account in the liquidity buffer.

Concentration of liquidity and funding sources

The Volkswagen Financial Services AG Group is funded largely through direct banking deposits and by capital market and asset-backed security programs.

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

The calculation of the liquidity coverage ratio (LCR) disclosure setting out quantitative information on the LCR is based on the averages for the last twelve reporting dates prior to the December 31, 2025 disclosure date. These are simple averages of the figures reported at the end of the month over the twelve

months prior to the end of each quarter. The deviation from the Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 is due to the restructuring of the Volkswagen Financial Services AG Group in 2024. Consequently, the first quarter of 2025 comprises only nine averages (for the period from July 31, 2024 through March 31, 2025).

TABLE 40: 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 YYYY)	00-31-25	00-30-25	00-30-25	00-31-25	00-31-25	00-30-25	00-30-25	00-31-25
EU 1b	Number of data points used in the calculation of averages	12	12	12	9	12	12	12	9
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			11,187.3	13,808.0	17,580.1	19,739
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	55,605.6	53,210.7	51,579.3	50,418.2	2,809.2	2,555.4	2,277	2,109
3	<i>Stable deposits</i>	18,574.7	17,354.6	15,372.5	14,362.6	928.7	867.7	769	718
4	<i>Less stable deposits</i>	15,974.6	14,918.8	13,727.2	12,931.5	1,774.4	1,634.8	1,482	1,369
5	Unsecured wholesale funding	11,633.4	12,056.1	11,664.8	11,392.6	6,781.4	6,975.8	6,851	6,802
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	0.0	0.0	0.0	0.0	0.0	0.0	0	0
7	<i>Non-operational deposits (all counterparties)</i>	10,774.1	11,201.7	10,810.2	10,402.2	5,922.2	6,121.5	5,996	5,812
8	<i>Unsecured debt</i>	859.2	854.3	854.6	990.5	859.2	854.3	855	991
9	<i>Secured wholesale funding</i>					0.0	0.0	0.0	0.0
10	Additional requirements	13,067.9	12,345.0	11,641.1	11,299.2	1,932.5	1,834.3	1,693	1,641
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	365.0	364.3	356.4	339.4	365.0	364.3	356	339
12	<i>Outflows related to loss of funding on debt products</i>	0.0	0.0	0.0	0.0	0.0	0.0	0	0
13	<i>Credit and liquidity facilities</i>	12,702.9	11,980.7	11,284.7	10,959.8	1,567.5	1,470.1	1,336	1,302
14	<i>Other contractual funding obligations</i>	3,761.4	3,619.7	3,554.1	3,363.3	2,812.8	2,570.6	2,709	2,706
15	Other contingent funding obligations	13,673.4	14,079.1	15,038.5	15,331.3	1,335.9	1,375.5	1,477	1,508
16	TOTAL CASH OUTFLOWS					15,671.8	15,311.7	15,006	14,766
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	0.0	0.0	0.0	0.0	0.0	0.0	0	0
18	Inflows from fully performing exposures	10,594.1	10,693.3	10,299.4	10,161.3	6,008.0	6,068.5	5,883	5,811
19	Other cash inflows	4,109.3	3,522.5	3,246.5	2,908.1	2,324.6	1,846.0	1,640	1,353
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)					0.0	0.0	0.0	0.0
EU-19b	(Excess inflows from a related specialised credit institution)					0.0	0.0	0.0	0.0
20	TOTAL CASH INFLOWS	14,703.4	14,215.7	13,545.9	13,069.5	8,332.6	7,914.5	7,523	7,163
EU-20a	<i>Fully exempt inflows</i>	0.0	0.0	0.0	0.0	0.0	0.0	0	0

		A	B	C	D	E	F	G	H
	in € millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	00-31-25	00-30-25	00-30-25	00-31-25	00-31-25	00-30-25	00-30-25	00-31-25
EU-20b	<i>Inflows subject to 90% cap</i>	0.0	0.0	0.0	0.0	0.0	0.0	0	0
EU-20c	<i>Inflows subject to 75% cap</i>	14,703.4	14,215.7	13,545.9	13,069.5	8,332.6	7,914.5	7,523	7,163
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER	X	X			11,187.3	13,808.0	17,580	19,739
22	TOTAL NET CASH OUTFLOWS	X	X			7,339.1	7,397.2	7,484	7,603
23	LIQUIDITY COVERAGE RATIO	X	X			152.51%	188.17%	234.62%	260.92%

Changes in LCR over time

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

TABLE 41: 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	33,846.6	0.0	0.0	2,747.0	33,846.6
2	Own funds	33,846.6	0.0	0.0	2,746.0	33,845.7
3	Other capital instruments	X	0.0	0.0	1.0	1.0
4	Retail deposits	X	48,682.1	10,189.6	3,924.2	58,565.8
5	Stable deposits	X	25,800.2	7,340.1	2,917.8	34,401.1
6	Less stable deposits	X	22,881.9	2,849.5	1,006.4	24,164.7
7	Wholesale funding:	X	17,568.8	8,056.9	36,593.0	44,873.9
8	Operational deposits	X	0.0	0.0	0.0	0.0
9	Other wholesale funding	X	17,568.8	8,056.9	36,593.0	44,873.9
10	Interdependent liabilities	X	0.0	0.0	0.0	0.0
11	Other liabilities:	344.7	3,317.9	294.9	4,937.9	5,085.3
12	NSFR derivative liabilities	344.7				
13	All other liabilities and capital instruments not included in the above categories	X	3,317.9	294.9	4,937.9	5,085.3
14	Total available stable funding (ASF)	X				142,371.6
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)	X	X	X	X	7.3
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool	X	747.8	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	22,735.6	14,557.9	59,574.1	69,188.0
18	Performing securities financing transactions with financial customers collateralised 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	1,520.5	1,465.9	3,640.8	4,525.8
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	X	21,040.9	11,273.2	48,134.6	57,114.8
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	X	81.2	34.3	173.2	170.4
22	Performing residential mortgages, of which:	X	41.1	13.9	59.5	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	133.1	1,804.9	7,739.3	7,547.4
25 Interdependent assets	X	0.0	0.0	0.0	0.0
26 Other assets:		13,842.7	7,544.2	32,501.7	43,397.3
27 Physical traded commodities	X	X	X	0.0	0.0
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	X	0.0	0.0	0.0	0.0
29 NSFR derivative assets	X	0.0	X	X	0.0
30 NSFR derivative liabilities before deduction of variation margin posted	X	794.0	X	X	39.7
31 All other assets not included in the above categories	X	13,048.7	7,544.2	32,501.7	43,357.6
32 Off-balance sheet items	X	22,342.4	525.8	2,041.7	2,128.2
33 Total RSF	X	X	X	X	114,720.8
34 Net Stable Funding Ratio (%)	X	X	X	X	124.10%

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 42: 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	Current period	Last period	Current period	Last period
1	Parallel up	-667.3	-1,078.4	-144.4	-307.3				
2	Parallel down	446.1	912.9	57.2	265.4				
3	Steepener	929.6	766.5	X	X				
4	Flattener	-1,057.6	-965.0	X	X				
5	Short rates up	-1,177.6	-1,211.7	X	X				
6	Short rates down	1,230.7	1,263.7	X	X				

The “Last period” presented corresponds to the figures as of June 30, 2025.

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 365-day holding period and a confidence level of 99.9%. The model is based on a historical simulation and calculates potential losses taking into account 3,650 historical market fluctuations (volatilities). Negative interest rates can also be processed in the historical simulation.

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

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

The calculation of interest rate risk uses notional maturities to take into account early repayments under termination rights. The behavior of investors with indefinite deposits is analyzed using internal models and methods for managing and monitoring interest rate risk. The maximum duration of the interest rate adjustment is nine years. The average duration of the interest rate adjustment is 1.9 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.

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 selectively reduce the demands on regulatory own funds.

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.

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 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 43: 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 AG 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.

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, 2025 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 in the consolidated financial statements. 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, bonded loans 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 part of funding operations.

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 of Volkswagen Financial Services AG because the special purpose entities are consolidated.

Subsequent entries are for example 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, bonded loans 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.

Securities purchased and subordinated loans granted are 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 per-

formance 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
- > 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).

Volkswagen Bank GmbH did not engage in any new transactions in 2025. With respect to the Driver Master Compartment 2 securitization transaction, there was an extraordinary repayment of a tranche by an external investor during the reporting year. The volume was transferred from the Class A series of VOLKSWAGEN Bank GmbH.

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 44, VCL 45 and VCL 46 securitization transactions in 2025.

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 36 (February 2025), VCL 37 (June 2025) and VCL 38 (October 2025) securitization transactions were duly repurchased.

Volkswagen Financial Services UK

In 2025, Volkswagen Financial Services UK issued Private Driver UK 2025-1 (March 2025) and Driver UK 10 (October 2025) and securitized the loan receivables on an ongoing basis under Driver UK Master 6 and Driver UK Master C7.

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 44: 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	4,085.1	0.0	1,818.7	0.0	0.0	0.0	5,903.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Retail (total)	531.4	0.0	322.2	0.0	0.0	0.0	853.7	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	531.4	0.0	322.2	0.0	0.0	0.0	853.7	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)	3,553.7	0.0	1,496.5	0.0	0.0	0.0	5,050.2	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	3,553.7	0.0	1,496.5	0.0	0.0	0.0	5,050.2	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 45: 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			
							SEC-ERBA (including IAA)				SEC-ERBA (including IAA)				SEC-ERBA (including IAA)		
in € millions	≤20% RW	>20 % to 50 % RW	>50 % to 100 % RW	>100 % to <1250 % RW	1250% RW/ deductions	SEC-IRBA		SEC-SA	1250% RW/ deductions	SEC-IRBA		SEC-SA	1250 % RW	SEC-IRBA		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 46: 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		
							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
in € millions	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100 % bis <1250 % RW	1250% RW/ deductions	SEC-IRBA											
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 Bank GmbH Group acts as an originator together with the risk exposures classified as in default in accordance with Article 178 of the CRR and the associated specific credit risk adjustments in accordance with Article 110 of the CRR.

TABLE 47: 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	40,412.6	243.4	215.0
2	Retail (total)	9,259.3	95.0	122.2
3	residential mortgage	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0
5	other retail exposures	9,259.3	95.0	122.2
6	re-securitisation	0.0	0.0	0.0
7	Wholesale (total)	31,153.2	148.3	92.8
8	loans to corporates	0.0	0.0	0.0
9	commercial mortgage	0.0	0.0	0.0
10	lease and receivables	31,153.2	148.3	92.8
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 €40.4 billion as of December 31, 2025. Of this, €243.4 million or 0.6% is classified as in default.

Environmental, social and governance risks (ESG risks)

QUALITATIVE REPORTING

TABLE 48: QUALITATIVE INFORMATION ON ENVIRONMENTAL RISKS (IN ACCORDANCE WITH ARTICLE 449A OF THE CRR)

Row number	Qualitative information - Free format	
1 (a)	Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning	Both the financial services industry and the automotive sector play a pivotal role in the transformation of society and the economy towards greater sustainability. As the largest automotive financial and mobility services provider in Europe, Volkswagen Financial Services AG occupies a unique position in this transition. As a wholly owned subsidiary of the Volkswagen Group and a key enabler of vehicle sales, we play a critical role in advancing the sustainable transformation of mobility. In line with the Volkswagen Group's ambition to actively shape the future of the automotive industry, the Group pursues its strategic agenda through “The Group Strategy – Mobility for Generations” and its sustainability strategy “regenerate+”. The overarching objective is to become a global leader in sustainable mobility and a benchmark for environmental stewardship. Against this backdrop, we view sustainability as an integral component of our business model. It encompasses the balanced consideration of economic, environmental, and social objectives and is firmly embedded in our corporate decision-making processes. Our sustainability strategy is closely aligned with our business and risk strategies and fully integrated into our established management and planning processes. It defines clear objectives and measurable key performance indicators (KPIs) with a target horizon extending to 2030. This framework enhances transparency regarding our progress, enables effective performance management, and ensures that sustainability objectives are systematically embedded in operational execution. We regard sustainability as an ongoing transformation journey. The continuous evolution of our strategic direction is guided by internal analyses, external expectations, and regulatory developments, while remaining closely aligned with the strategic priorities of the Volkswagen Group. Our mission is to meet our customers' mobility needs through sustainable solutions across the entire vehicle and mobility lifecycle. By doing so, we actively support the transition towards low-emission and resource-efficient mobility while simultaneously contributing to the long-term value creation of our business. Sustainability is therefore a fundamental element of our corporate identity and decision-making. We are convinced that the long-term competitiveness of our business model depends on responsible, forward-looking, and consistently sustainability-oriented action. ➤ We protect and strengthen our environment. ➤ We respect people and treat them with dignity. ➤ We act with integrity and in compliance with regulations. ➤ We live up to our responsibility in society. ➤ We enable sustainable mobility and business models.
	Our four sustainability dimensions Our sustainability strategy is structured into the following four dimensions ➤ Nature ➤ Employees ➤ Society ➤ Business This is how we translate the classic ESG areas (Environmental, Social, and Governance) into concrete fields of action that reflect our corporate strategy. This section 1 (a) explains the dimensions Nature and Business. Further explanations of the dimensions Employees and Society are provided in section 2 (a).	

Nature

We assume environmental responsibility and contribute to the preservation and protection of nature through:

- > Long-standing peatland conservation and restoration initiatives in partnership with NABU, focused on the rewetting of peatland ecosystems and implemented continuously since 2008.
- > Biodiversity projects, including the restoration of rivers and aquatic ecosystems in Lower Saxony and Brandenburg. This includes initiatives such as *Allervielfalt Verden*, which received funding between 2021 and 2023 and is planned to continue through 2030.
- > The development of a scalable portfolio of nature-based solutions in collaboration with NABU and Volkswagen Konzern Versicherung (VWK), with project development and ramp-up activities underway since 2023 and a long-term impact horizon extending to 2050.

Supporting our customers in their sustainable transformation

All risk-relevant dealer customers receive an ESG assessment, with a target coverage rate of 100%. In addition, from 2027 onwards, each market will be required to implement at least one flagship sustainability project per year. These projects may include the promotion of charging infrastructure, photovoltaic installations, and similar sustainability initiatives that contribute to the objectives of our Green Loan Framework.

Achieving net carbon neutrality in our operations by 2050

We have the opportunity and responsibility to make our operations as climate-friendly as possible. Our objective is to achieve net carbon neutrality across our operations by 2050 at the latest.

To reach this goal, we aim to reduce our gross CO₂ emissions by 50% by 2025 and by 70% by 2035, compared with the 2021 baseline year, primarily through emission avoidance and reduction measures.

As the largest share of our operational emissions is generated by electricity consumption and company vehicles powered by internal combustion engines, the key levers for achieving these targets are:

- > Transitioning to electricity from renewable energy sources
- > Converting the company car fleet to battery electric vehicles (BEVs)

Comprehensive reporting enables transparency about the main emission drivers per country. Based on this analysis, the most effective measures are implemented locally. We will compensate for unavoidable residual emissions by offsetting. (For details, see 1 (c)) In addition, an ISO 14001-certified environmental management system has been implemented to record, evaluate and minimize the environmental impact of Volkswagen Financial Services AG’s business operations at the Braunschweig site, our largest facility.

Business

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

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

Our products connect people as well as helping to spare resources and making processes simple and efficient. We create mobility concepts, develop fleet management solutions, and offer attractive financing options and services.

As part of its sustainability strategy, Volkswagen Financial Services AG has set clear goals for sustainably operating its business model:

We are driving the shift towards sustainable mobility

The long-term viability of environmentally sustainable individual mobility depends on the rapid adoption of electric vehicles. Innovative mobility solutions and financing concepts provided by Volkswagen Financial Services AG are key enablers in accelerating this transition.

To drive the shift towards sustainable mobility, Volkswagen Financial Services AG aims for **70% of all electric vehicles produced by Volkswagen Group brands in Europe to be financed or leased through Volkswagen Financial Services by 2030**. By comparison, the target penetration rate for internal combustion engine (ICE) vehicles is **55%**.

In addition to making electric mobility more accessible to private customers through attractive leasing and financing solutions, the future-oriented and sustainable transformation of corporate fleets plays a crucial role. We therefore develop tailored fleet electrification concepts for our business customers and provide comprehensive support throughout their transition to electric fleets, working closely with the brands of the Volkswagen Group.

Furthermore, Volkswagen Financial Services AG offers customers the opportunity to expand their mobility mix through corporate bicycle leasing solutions in close cooperation with the **Lease a Bike** brand. This complements our broader commitment to promoting sustainable and low-emission mobility options.

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

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

Volkswagen Financial Services AG’s Finance Framework **designed to support our customers’ transition** is the basis for our sustainable refinancing activities. It supports the current sustainability strategy and facilitates the development of a new investor base. The **said** Finance Framework covers all refinancing products of Volkswagen Financial Services AG, from classical bonds to ABS (asset-backed securities), credit lines, commercial papers, and promissory notes. The funds generated under the framework are exclusively used for refinancing credit and leasing contracts for BEVs (battery electric vehicles). An internal committee of specialists oversees compliance with the rules and regulations set out in the **said** Finance Framework.

Furthermore, Volkswagen Bank GmbH has developed a framework for loans **dedicated to support the transition of its customers** and at the same time created the basis for classifying the loan portfolio on the basis of specific sustainability criteria. Sustainable financing includes, for example, the energy-efficient renovation of buildings, the installation of solar systems or the construction of a charging park at our dealer partners. But it also includes the financing of our customers’ electric vehicles.

Volkswagen Bank GmbH is mindful of its responsibility as a lender and has therefore been a signatory of the voluntary code of conduct “Responsible Lending for Consumers” since 2010. This code sets standards for the granting of loans and applies to all instalment loans and lines of credit.

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

1 (b)

Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information about the design of business strategy and processes

Volkswagen Financial Services AG’s sustainability goals (and KPIs) including decarbonization targets are described in 1(a). Table 46 (see below) provides a compact overview. The risk strategy derived from the ESG business strategy defines the basic understanding and lays the framework for ESG activities for the future by defining the main elements of the risk management framework. At the same time, the focus area of sustainability has become a further component of the risk culture principles as sustainability risks are handled with greater awareness and employees become actively involved in the process at an early stage. The ECB’s supervisory expectations published in the EBA Guidelines on climate-related and environmental risks are incorporated into Volkswagen Financial Services AG’s methodologies. To ensure a holistic view of its transition, Volkswagen Financial Services AG (Group) has developed a transition plan based on its current business and risk strategy, including its current sustainability strategy. The plan outlines the strategic direction, sustainability goals, and the resulting short-, medium-, and long-term ESG risks. It also details the key implementation and engagement measures. The transition plan is regularly reviewed, updated, and integrated into the further development of the business and risk strategy. To appropriately assess and manage sustainability risks, Volkswagen Financial Services AG (Group) has defined Key Risk Indicators (KRI) including upper limits. The ESG Key Risk Indicators (KRIs) shown in Table 47 are implemented as part of the risk strategy. The limits for ESG KRI are reviewed once a year as part of the review and adjustment process of the business and risk strategy. The review starting in Q3 is based on insights gained from the risk inventory of ESG risk drivers and analyses of the ESG-KRIs limits adequacy. In Q4 ESG-KRIs and their limits are adjusted and adopted as part of the resolution on the business and risk strategy at the beginning of the year. As part of the roll-out of ECB’s requirement on climate-related and environmental risks for Volkswagen Financial Services AG, reporting and monitoring of KRIs will be implemented by Q3 2025. For further information on the management of ESG-KRIs see section 1 (g).

1 (c)	Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities	Our goal is for the direct emissions of our portfolio to be net carbon neutral by no later than 2030. We are actively driving this transformation to sustainable e-mobility through attractive product offerings for private and business customers (see 1 (a) for details). In addition, from 2027 onwards, we will offset the CO₂ emissions of every new vehicle financing and leasing contract¹. To this end, as part of supporting international nature and climate protection projects, we work closely with Volkswagen Climate Partner. The aim of the joint venture between Volkswagen AG and Climate Partner is to develop high-quality projects with a focus on efficiently reducing greenhouse gas emissions. But the focus is also on the positive impact on biodiversity as well as on local communities and their livelihoods. A comprehensive due diligence process ensures the high quality and concrete implementation of the projects. Our offset portfolio excludes REDD+ projects². Rather, we are investing, for example, in two lighthouse projects in the field of agroforestry and reforestation in Brazil (Biriba) and South Africa (Eastern Cape). To achieve our goal of making our business operations net carbon neutral by no later than 2030, we aim to reduce our gross emissions by 70% by 2030 compared to the base year 2021 through CO₂ avoidance and reduction, and to compensate for unavoidable residual emissions through carbon offsets. For this reason, Volkswagen Financial Services AG has been working with Naturschutzbund Deutschland e.V. (NABU) for more than 15 years to protect and restore peatlands, as they play a vital role in both climate protection and biodiversity. So far, Volkswagen Financial Services has invested around seven million euros in peatland protection projects. Additionally, we are involved in the restoration of rivers – for example, in the Schunteraue in Braunschweig, the Aller near Verden, and the Dosse and Temnitz in Brandenburg. The goal is to restore the original course of the rivers that have often been straightened, allowing typical species and habitat diversity to return.
1 (d)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks	At Volkswagen Financial Services AG, ESG criteria are assessed as part of the lending and credit monitoring processes and are therefore an integral part of identifying ESG risks for all corporate customers in risk-relevant business. Several ESG tools have been integrated into the lending and decision-making processes to assess ESG risk. The implemented ESG instruments follow international standards, e.g., set by the UN Sustainable Development Goals (UN SDG's) and EU Taxonomy Regulation. For financing business at subsidiaries of Volkswagen Financial Services AG, an ESG questionnaire entitled "ESG-Scoring light" was introduced. For leasing business at the subsidiaries of Volkswagen Financial Services AG, an external ESG score was incorporated. Both scoring tools cover the three ESG pillars: > Climate protection (emission reduction and energy supplies) and environmental protection as well as the sparing use of raw materials and energy in the "Climate and Environment" segment. > Within "Social", it takes account of occupational health and safety as well as employee co-determination. > The "Governance" pillar covers aspects related to good corporate governance and compliance as well as controversial business activities. The "ESG-Scoring light" serves as a source of information and is intended to prompt in-depth discussions with corporate clients on ESG-related topics and their alignment with a valid sustainability strategy. The insights and content of the sustainability discussions are used as the basis for calculating an ESG score. Potential findings from these conversations may find their way into corporate customers' transformation processes. The sustainability discussion with the "ESG-Scoring light" is carried out on an annual basis or when changes during the year become known. Most corporate customers achieve an overall "green" or "amber" rating in the traffic-light system within the "ESG-Scoring light". The external ESG score delivers sub-scores for the pillars "Environmental", "Social" and "Governance" along with an overall score. Most lessees are ranked with a total score result of "3", which can be assessed as a medium risk. The external ESG score is a mandatory component of the loan approval process. The review is conducted annually and on an ad hoc basis whenever changes in exposure come to light. In addition, back office credit analysts at Volkswagen Financial Services AG's subsidiaries conduct an additional ESG-related analysis using the "ESG key questions." The aim of the "ESG key questions" is to shed light on potential impacts, i.e., how ESG risks affect corporate customers. The insights gained from this are then incorporated into the corporate customer's transformation process. The "ESG key questions" must be incorporated into the loan documentation, the approval process, and the lending decision. In addition, credit departments review corporate customers' sustainability strategies and existing transition plans in light of ESG disclosure requirements to assess further ESG-related information and incorporate it into the lending assessment. The ESG-related due diligence process encompasses a discussion of critical issues with clients, the identification of recommendations for action, and the development of investment measures. Volkswagen Financial Services AG aims to support corporate customers in their sustainability efforts through in-depth involvement in their transformation process in the coming years. The monitoring of corporate customers' progress towards agreed climate change mitigation actions is also one of the main key activities within the ESG due diligence process. An appropriate lending policy that has been drawn up in connection with the ESG instruments forms a basis for the lending departments and has been included in the German and European organization manuals. As part of the integration process, Volkswagen Financial Services AG conducted targeted training and internal conferences for users in the Market, Back Office, and Internal Audit departments. Volkswagen Financial Services AG follows high ethical principles in its business activities and complies with applicable German and European laws and regulations, for example on conflict management, anti-money laundering, anti-corruption and conflicts of interest, and observes other regulatory requirements. Effective April 1, 2025, sector-specific exclusion criteria were introduced as the basis for lending decisions on new business within Volkswagen Financial Services AG, which exclude controversial and contentious industries and business areas. Volkswagen Financial Services AG commits not to provide new loans outside the defined intended uses in controversial industries and business areas. Financing provided to corporate customers that meet the defined intended uses below will not be restricted by the exclusion list, despite belonging to a controversial industry and business area:

¹ The emissions of the financed vehicles are not offset in full but in accordance with the attribution factor, i.e., proportionately to the extent to which we finance the vehicle.

² REDD+: Reducing Emissions from Deforestation and Degradation; Forest conservation projects attract heavy criticism due to the risk of greenwashing.

- › Vehicle-based financing and vehicle-based leasing, including vehicle financing, leasing, and dealer purchase lines
- › Dealer financing, including working capital loans, spare parts financing, and investment loans for dealers, which will be assessed for suitability under the Loan Framework **designed to support customers' transition** in the future
- › Real estate financing, including new construction financing, energy-efficient construction and modernization
- › Financing without a specific intended use (“Other”) in line with the Loan Framework **mentioned above**

Volkswagen Financial Services AG classifies the following industries/businesses as controversial:

- › Coal-fired power production and mining
- › Invasive intervention in ecology and biodiversity to extract oil and natural gas (fracking, oil, sand, etc.)
- › Trawler fishing or other harmful fishing methods
- › Non-sustainable palm oil production
- › Deforestation and uncertified logging
- › Stem cell research, animal testing
- › Pornography, brothels
- › Gambling, including related development and marketing activities
- › Tobacco products and e-cigarettes

The industries / business areas classified as controversial are evaluated annually or on an ad-hoc basis to reflect their dynamic development. Within Volkswagen Financial Services AG, the avoidance of controversial business and economic activities is firmly integrated into the compliance frameworks. A binding code of conduct forms 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 AG for business relationships with customers, business partners, and suppliers. Requirements regarding national and international regulations and conventions, internal norms, and values, such as human rights, labor rights, and compliance aspects, are ensured. Applicable laws and regulations, such as anti-corruption, money laundering, fraud prevention, and cybercrime, are considered and implemented within the Volkswagen Financial Services AG 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

1 (e)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels	The overall responsibility for all sustainability-related matters rests with the Board of Management of Volkswagen Financial Services AG. To ensure effective oversight and execution, sustainability is firmly embedded within the Company's governance framework and forms an integral part of its strategic direction and decision-making processes. The Chief Sustainability Officer (CSO) is responsible for the overarching coordination of sustainability activities across Volkswagen Financial Services AG and serves as the key link between the Board of Management and the business functions. The Board is supported by the systematic involvement of relevant specialist functions as well as the dedicated Sustainability function, ensuring a holistic consideration of all relevant environmental, social, and governance (ESG) aspects. To further strengthen accountability for the implementation of the sustainability strategy, each strategic sustainability objective has been assigned to a designated member of the Board of Management. This sponsorship approach ensures the active management of sustainability targets and related key performance indicators (KPIs), including defined interim milestones, and guarantees that sustainability considerations are reflected in all major management decisions. Sustainability topics are regularly incorporated into Board reporting by the responsible business functions and the Sustainability function, ensuring continuous dialogue and transparency towards the Supervisory Board. Volkswagen Financial Services AG manages its sustainability strategy through clearly defined KPIs with a target horizon extending to 2030. The strategy is fully integrated into the Company's established strategic planning and management processes. As part of the annual strategy cycle, progress is systematically monitored, discussed with relevant stakeholders, and translated into appropriate management actions where necessary. Key sustainability metrics, particularly environmental indicators such as emissions generated by business operations, are embedded as core performance measures within the planning process. These targets are incorporated into the multi-year planning framework and are regularly monitored through the forecasting process. In addition, progress against targets is reviewed in detail through regular Strategy Status Updates and the annual Strategy Review process. To effectively manage ESG-related risks, Volkswagen Financial Services AG has established a consistent risk culture and a clearly defined risk appetite derived from its sustainability strategy. ESG risks are an integral part of the Company's risk management framework and are embedded within existing risk categories and governance structures. Oversight is exercised through established committees and control mechanisms, ensuring comprehensive monitoring and effective risk management. Regular training programmes for senior management further support the continuous development of relevant ESG capabilities and expertise.
1 (f)	Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organizational structure both within business lines and internal control functions	As described in section 1(e), ultimate responsibility for all sustainability-related matters rests with the Board of Management of Volkswagen Financial Services AG and the managing directors of its subsidiaries. The governance framework, including the responsibilities of the relevant committees and accountable functions, has been established and is fully operational. The management body ensures that the short-, medium-, and long-term impacts of environmental factors and environmental risks are systematically incorporated into strategic planning, decision-making, and business management processes. This is achieved through the integrated management of sustainability, business, and risk strategies, as well as through the consideration of relevant analyses within established governance and steering processes. The organisational structure ensures that environmental factors and ESG risks are embedded across both business functions and internal control functions, particularly Risk Management, Compliance, and Internal Audit. ESG risks are integrated into existing risk categories, governance frameworks, and management mechanisms and are subject to ongoing monitoring and oversight.

1 (g)	Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels	Volkswagen Financial Services AG has incorporated ESG risks as an integral part of ESG governance arrangements in risk management, such as the risk strategy, risk measurement, limitation, monitoring and management. As a major part of ESG governance, the Corporate Sustainability department draws up group policies for corporate sustainability and designs the institution's ESG strategy. The Risk Management department draws up the ESG risk strategy together with the Corporate Strategy department. The risk strategy sets a focus on addressing key risk drivers with the greatest impact on the portfolio, describing the objectives, targets, and Board measures implemented. Methods for measuring ESG-risks are integrated into the existing framework across various risk types within risk management. On the one hand, ESG risks are analyzed yearly in form of an ESG-materiality assessment as part of the regular risk inventory process. The materiality assessment comprises comprehensive portfolio assessments, as well as qualitative and quantitative assessments of all known environmental (including physical and transition risk), social and governance risk drivers based on defined transmission channels. For most relevant ESG risk drivers, key risk indicators including targets and limits will be defined and integrated in risk strategy and reporting. Regular reporting to the management body within risk management report ensures timely communication and monitoring of significant ESG-risks. Based on regular monitoring and to ensure that timely management actions are taken to adhere to the targets set in the business and risk strategy, also related to ESG risks, the Volkswagen Financial Services AG Group has established major committees, that involve related governance functions and business lines: > Equity and risk committee > Stress Test committee > European residual value advisory board > Asset Liability management committee > Finance committee for steering the transition. For the committees shown above the Volkswagen Financial Services AG Group has defined separate rules and allocated tasks and responsibilities to participants. In particular, the “equity and risk committee”, that is composed of decision-makers from finance-, risk-, treasury-, credit department and internal audit, coordinates equity and risk-related issues, discusses the current situation and the development of large volumes, including financing and leasing of battery-electric-vehicles. The stress test committee, involving decision-makers from risk, finance and strategy functions, facilitates information exchange between front and back offices, identifies, discusses current developments and formulates recommendations to the Board of Management regarding scenarios analyzed, including climate-related scenarios, which are quantified in the form of a climate stress test. The European residual value advisory board (ERVAB) is composed of participants such as the Head of Region Europe (respectively Deputy Regional Manager), the Head of Remarketing, the Head Of Residual Value Management & Residual Value Risk Management, the local residual manager and optionally the local front- and back-office managers as well as the Head of Brand Management. The ERVAB is the fundamental committee of the residual value risk management group for the review of neutral residual value forecasts at management level. The purpose of the ERVAB is to advise and align the neutral Residual Value Forecasts for European markets. The aligned neutral Residual Value Forecasts are the basis for the residual value pricing setting and portfolio assessment in the applicable European markets. The Asset Liability Management (ALM) Commit-tee, gathering decision makers from finance, treasury, controlling and risk management, discusses the liquidity risk indicators with regard to ESG aspects. The finance committee for steering the transition is established to monitor compliance with the corresponding finance framework that provides the framework for refinancing activities such as green bonds issued to the capital market. This committee includes decision-makers and specialists from various business areas, including treasury, sustainability, legal, reporting & controlling. The committees play an essential role in managing various aspects of risk within the organization by including members of the Board of Management of Volkswagen Financial Services AG according to their functional responsibilities, as well as decision-makers from responsible business lines, ensuring that both financial and ESG considerations are integrated into relevant processes.
1 (h)	Lines of reporting and frequency of reporting relating to environmental risk	The expansion of risk reporting to include information on the treatment of climate and environmental risks is a major topic in the ESG environment and was integrated into the existing risk reporting framework in 2025. The Management Board of the Volkswagen Financial Services AG Group and the Supervisory Board will then be informed about climate and environmental risks as part of the quarterly risk management report. Even though the focus in the reporting is on climate and environmental risks, aspects of social and governance risks are also addressed selectively. On the basis of this reporting, the management body can assess the impact of ESG risks on the risk profile of the Volkswagen Financial Services AG on the basis of the aggregated and up-to-date data.
1 (i)	Alignment of the remuneration policy with institution's environmental risk-related objectives	The ESG factor as a multiplier for the annual bonus is composed in equal parts of the components of the decarbonization index (DKI) at Volkswagen Group level for the Environment (E) topic and the proportion of women in management at brand level for the social topic (S). The DKI serves as a measuring instrument for the CO ₂ emissions of brands producing passenger cars and light commercial vehicles throughout their entire life cycle. The aim is to sustainably reduce carbon and to offset carbon dioxide (CO ₂) emissions in order to create a CO ₂ -free global economy in the long term. The product life cycle analysis (ecological balance sheet) analyzes the environmental impact of a product throughout its entire life cycle and is included in the DKI. This involves a holistic approach: from vehicle development via the required raw materials and logistics to production, from the first to the last kilometer on the road and from deregistration to recycling.
1 (j)	Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework	ESG risks are not treated as a separate risk type within the Volkswagen 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. In the case of climate and environmental risks, a difference is drawn between physical and transitional risks. Physical risks entail the direct impact of environmental changes on companies and their activities. They are linked to physical changes in the environment, such as climate change. Examples include natural disasters and environmental change. Transitional risks are related to the transition to a more sustainable economy and arise from changes in underlying political, technological, legal or economic conditions. They tend to reflect the ways in which companies respond to change and adapt. For example, new legislation and regulatory requirements pertaining to environmental and climate protection may influence companies' operations or, if consumers increasingly seek sustainable products and services, companies that are unable to respond sustainably may lose market share. Resulting from that, it is the task of each risk type owner to annually identify ESG risk drivers which, if they materialize, are expected to have short-, medium- and long-term effects on VOLKSWAGEN FINANCIAL SERVICES AG's net assets, financial condition and result of operations as well as its reputation. To gain a full and well-documented overview of the impact of these risk drivers, the associated transmission channels are reconciled with the risk types in existence and their potential financial impact. (Further details see 1 (l)) This materiality assessment is part of the annual risk inventory in order to identify material ESG risks within Volkswagen Financial Services AG. In order to take ESG risks into account within the short term risk appetite, KRIs have also been defined in the Volkswagen Financial Services AG Group with reference to various types of risk. These indicators are incorporated into the overarching Risk Appetite Framework and the ESG-specific risk appetite is expressed in the form of specific KRIs including thresholds or targets, similar to the limits in the individual risk types. ESG-KRIs are reviewed and adjusted as part of the annual business and risk strategy control process (Illustration 1). Volkswagen Financial Services AG has a climate stress-testing framework to ensure the standardized integration of climate and environmental risks in the stress testing program in order to gain a better understanding about the medium and long-term effects of environmental factors and risks. The risk drivers and risk transmission channels to be considered are therefore identified and evaluated as part of the risk inventory. Climate scenarios and climate sensitivity analyses are defined on the basis of this analysis. The results are in turn incorporated in the risk inventory. The framework has been applied since 2023 and thus supporting the systematic analysis of the risk profile including an assessment of the potential impact via a feedback process. The latest institution-wide internal climate stress test was carried out in 2025 on this basis. It identified possible effects on Volkswagen Financial Services AG's capital and liquidity resources on the basis of various NGFS scenarios, combined with individual short-term effects of varying degrees of severity. The findings were consistent with the previously analyzed scenarios and risk volatilities. In preparation for the climate stress test, ESG-related sensitivity analyses are also conducted within credit risk, liquidity risk, operational risk, and residual value risk, with the results incorporated into the ICAAP. These were found to remain within the scope that had previously been identified in standard sensitivity analyses already being performed on a regular basis.
1 (k)	Definitions, methodologies and international standards on which the environmental risk management framework is based	Instruments included in the lending and decision-making processes are described within 1 (d). ESG risks are not treated as a separate risk type but are assigned to various risk types with specific risk drivers (1 (j)). Two different perspectives are taken to determine the financed and leased emissions of the portfolio and to monitor them as part of the business and risk strategy – see Section 1 a. One describes the asset view procedure according to the PCAF standard and the other describes the counterparty view analogous to the ECB climate stress test. The distinction between these views is based on the different requirements of the addressees, such as disclosure or risk management. To achieve net carbon neutrality in our business operations by no later than 2030, we have implemented an environmental compliance management system (ECMS) in accordance with DIN EN ISO 14001 and the auditing standard for compliance management systems IDW PS 980. The main focus of our efforts to reduce carbon emissions in operations is explained in 1 (a) and 1 (c). Methodologies in the lending and decision-making processes, also in terms of international standards are described within 1 (d).

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

TABLE 49: OBJECTIVES OF THE NH STRATEGY AND KPIS

Objective	KPI	KPI target value 2030
Reducing CO ₂ emissions from our own operations (achieving net carbon neutrality by 2050)	Reduction of CO ₂ emissions compared with the 2021 baseline year	50% reduction by 2025 70% reduction by 2035 90% reduction by 2050
Supporting our customers in their sustainable transformation	100% of risk-relevant dealer customers are covered by an ESG assessment (ESG scoring)	
We are committed to diversity and inclusion.	Implementation of one flagship sustainability project per market per year from 2027 onwards	100%
We are committed to providing an outstanding employee experience and building high-performing teams.	Female representation in management	27% in 2028
We make a sustainable contribution to society.	100% of employees complete basic ESG training	100 %
	Annual implementation of two CSR projects per market from 2027 onwards	100 %
	100% of the processes and measures required by ISO 27001 certification to ensure IT security in IT systems are established	
Protecting our data is our top priority.		100 %
	BEV new car penetration	70 %
We are driving forward the transformation towards sustainable mobility	CO ₂ intensity* of the financed and leased portfolio	2030: 103,7* 2040: 20,2* 2050: 0,7* CO ₂ intensity (gCO ₂ /km)
We are growing our volume of sustainable refinancing on the capital markets	Share of green bonds	40 %

TABLE 50: KEY RISK INDICATORS

KRI	Target / Additional explanation	Limits
Intensity of carbon emissions of financed/leased vehicles	Monitor the reduction in average vehicle emissions.	No year-on-year increase in intensity.
Carbon footprint of own business operations and IT	Identify activities with the highest CO ₂ emissions and develop potential savings and efficiency measures.	70% reduction in 2035 as compared to year 2021
ESG-Scoring light and external ESG scores	A limit for the maximum proportion of red overall ESG scores was defined for each market. Compliance with this requirement is reviewed quarterly.	Limits are set per market.
Share of green bonds	Share of green bonds at Volkswagen Financial Services AG in the respective fiscal year, calculated as a percentage of the company's total outstanding bond volume on the capital market.	2030: Green bonds to account for at least 40% of total outstanding bond volume on the capital market.

TABLE 51: 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 CO ₂ 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. 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.
liquidity 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. Customer demand may change due to future regulations. This could lead to higher demand for electric cars with lower demand for used combustion cars.
operational risk		
business risk		

Risk type	Transmission channel for physical risks (based on climate and environmental risks)	Transmission channel for transitory risks (based on climate and environmental risks)
Risk type	Transmission channels Social risks	
	Due to the ageing workforce and changing social trends in Europe, corporate clients are facing the challenges of a shortage of skilled workers, which could affect the profitability of selected industries more than others.	
credit risk	Car dealers are also confronted with a possible change in the mobility behavior of young people, which could have an impact on their profitability.	
Risk type	Transmission channels Social risks	
	Due to the ageing workforce and changing social trends in Europe, corporate clients are facing the challenges of a shortage of skilled workers, which could affect the profitability of selected industries more than others.	
credit risk	Car dealers are also confronted with a possible change in the mobility behavior of young people, which could have an impact on their profitability.	

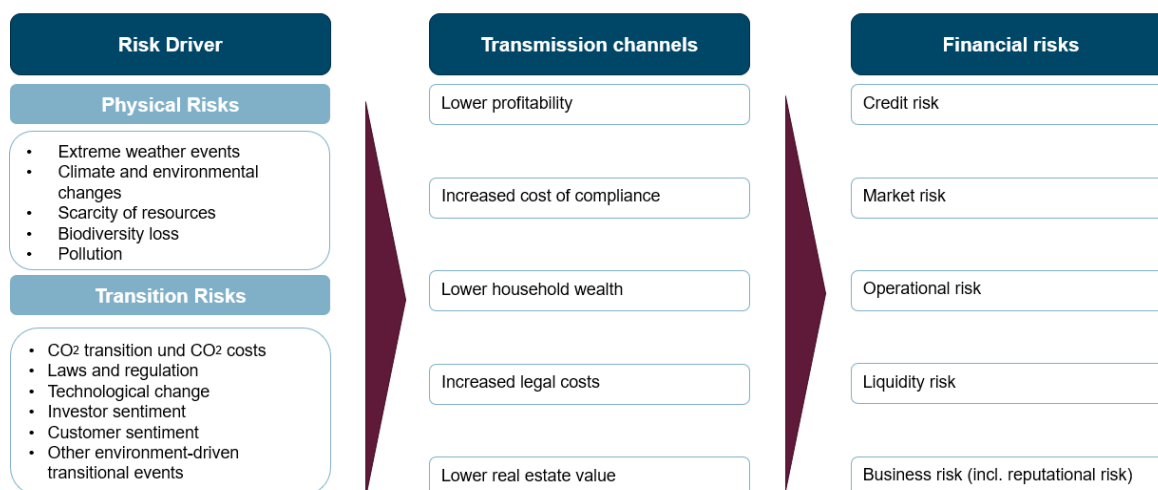


Figure 2: Risk drivers, transmission channels and financial impact

TABLE 52: QUALITATIVE INFORMATION ON SOCIAL RISKS (IN ACCORDANCE WITH ARTICLE 449A OF THE CRR)

Row number		Qualitative information - Free format
2 (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, business 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. That is why we are committed to providing them with an excellent work environment and fully supporting their personal and professional development. As part of our sustainability strategy, we have set ourselves 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 AG was one of the first companies to sign the Diversity Charter back in 2007. 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% 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 are committed to providing an outstanding employee experience and building high-performing teams. The transformation to sustainable mobility makes our work more colorful, multifaceted and interesting. We want to leverage 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, the company is making significant investments in training and continuing education with the goal of increasing the average number of training hours per employee 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. Furthermore, employees are offered various communication platforms for interaction within Volkswagen Financial Services AG: management conferences, dialogue events and direct exchange between employees and the board or management are firmly established. Also, the Opinion Survey 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 responsibility 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, Volkswagen Financial Services AG promotes cultural, sports and social projects, especially at its business locations. In addition to engaging with regional cultural projects, Volkswagen Financial Services AG sponsors professional soccer and basketball as well as individual young talents in a wide variety of sports. University partnerships 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 advancement of socially disadvantaged children and young people in particular. One example of this is the “Our Children in Braunschweig” foundation, which we founded back in 2008. Protecting 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. Volkswagen Financial Services AG aims to remain a leader in cyber security: 100% of our IT systems are already ISO 27001 certified and thus state-of-the-art.

2 (b)	Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes	The sustainability goals of Volkswagen Financial Services AG (including KPIs) related to the social dimension are described in Section 2 (a) and listed in 1 (b). Volkswagen Financial Services AG has been subject to reporting obligations under the German Supply Chain Due Diligence Act (LkSG) since January 1, 2023. It therefore publishes a policy statement with the most important content on risk management relating to human rights in its own business area and in the supply chain. Volkswagen Financial Services AG’s policy statement is reviewed regularly in accordance with the requirements of the Supply Chain Due Diligence Act and updated, as necessary. Updates are made in particular based on the annual risk analysis to ensure that new or changing human rights and environmental risks are appropriately taken into account. In addition, the policy statement is continuously adapted as required by significant developments in risk management, the supply chain, or legal requirements. Respect for human rights is a central concern for Volkswagen Financial Services AG and its employees. We are convinced that sustainable business is only possible through ethical action and in-tegrity. Volkswagen Financial Services AG stands for individual freedom, fair working condition, open world trade, economic development and peaceful coexistence. Volkswagen Financial Services AG 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 Charter, > the VW 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 Financial Services AG, 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.
2 (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 Services AG to mitigate and reduce socially harmful activities.
2 (d)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties’ approaches to:	Social risk management is embedded within the Governance structure as described within 1 (e) - (i) whose content applies to environmental, social and governance aspects. Responsibilities of management body are described especially within 1 (e) and (f). For the sustainability goals described in 1 (b), sponsors have been designated within the Board of Management of Volkswagen Financial Services AG (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 internally 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 employees and represent Volkswagen Financial Services AG with integrity both internally and externally. Volkswagen Financial Services AG is fully committed to support society, culture, education and sport. In addition to social and educational projects, an internal focus is on a comprehensive cyber security strategy to ensure the trust of all stakeholders and the stability of the economic system. As part of this, 100% of the processes and measures required by ISO 27001 certification to ensure information security/IT security in IT systems are established. 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 universities, such as the TU Braunschweig and the University of Hildesheim on the subject of artificial intelligence. The “Our Children in Braunschweig” foundation, established in 2008, supports disadvantaged children in education, music, exercise and nutrition. Other projects are implemented directly by the local national companies in the respective markets.
(i)	Activities towards the community and society	
(ii)	Employee relationships and labor standards	
(iii)	Customer protection and product responsibility	

(iv)	Human rights	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 (ombudsmen) while maintaining the anonymity of the whistleblower. As part of this, potential violations of the Code of Conduct for Business Partners, including serious risks and human rights and environmental violations by direct and indirect suppliers, can be reported. This also applies to other reports that require immediate action by the company. The Central Investigation Office in the Volkswagen Group informs the responsible departments, which are processing the matter accordingly. This includes, in particular, necessary measures to minimize 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 communication. 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 processing the information and discussing a matter are obliged to act impartially and to maintain confidentiality. They perform these tasks independently and without being bound by instructions. The process for dealing with human rights-related complaints is described in the Volkswagen Group's Rules of Procedure. If a suspicion is assumed, it is examined which investigative or clarification measures (so-called follow-up measures) are necessary in the individual case. This includes, for example, conducting a formal internal investigation. If necessary, interim measures may be taken or ordered. In addition, it is examined to what extent the company may or should take further legal and factual measures on the basis of the complaint at this stage. Depending on the outcome of the follow-up measures, business decisions are made to adequately counter any violation or risk that may have been identified, e.g., through personnel measures or adjustments to processes. This can lead to the dismissal of employees and the termination of business relationships. If, in the case of complaints relevant to the Supply Chain Due Diligence Act, a grievance has been found in the company's own business area in Germany, countermeasures are taken and monitored in order to immediately end the risk or violation and avoid recurrence. This principle also applies to the company's own business abroad – subject to conflicting national regulations. In order to ensure that the principle of equal treatment is also adhered to when follow-up measures are taken, both the works council and the equal opportunities officer act as a possible contact point for their own workforce to address suspicions of unequal treatment or similar concerns.
2(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).
2 (f)	Lines of reporting and frequency of reporting relating to social risk	Social risk management is embedded within the Governance structure as described within 1 (e) - (i) whose content applies to environmental, social and governance aspects. Lines of reporting as well as reporting frequency are described especially within 1 (h). As part of the roll-out of the ECB's Guide to Climate and Environmental Risks at Volkswagen Financial Services AG, an internal reporting system was established that reflects ESG aspects and also takes the "Social" pillar into account. Lines of reporting and frequency regarding human rights and related risks are described in section 2(d).
2 (g)	Alignment of the remuneration policy in line with institution's social risk-related objectives	The ESG factor as a multiplier for the annual bonus is composed in equal parts of the components of the decarbonization 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 previously defined target values.

2 (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 analyzed in a fundamentally abstract manner. The business areas and the countries in which either subsidiaries or suppliers are located are analyzed. 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 specialized 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 recognizes 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 analyzed 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.
2 (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. To ensure that ESG risks related to corporate customers are adequately identified, Volkswagen Financial Services AG has introduced “ESG key questions” in its back-office departments, which address the three pillars of “Climate and Environment,” “Social,” and “Governance.” The purpose of the “ESG key questions” is to identify possible impacts, i.e., to what extent is a corporate customer exposed to ESG risks. Social risks are therefore considered within the back offices and documented within the credit application process. The assessment of whether the customer is affected by social risks has been conducted for years and is standard practice. The “ESG key question” for the “Social” pillar covers the topics of labor and health standards. In the back offices, it is ensured that consideration is given to the extent to which the corporate customer as a counterparty takes social actions and contributes to workplace safety, e.g., through health protection and compliance with accident prevention regulations. Processes to identify measure and monitor human rights and related social risks are described in section 2(d).
2 (j)	Activities, commitments and assets contributing to mitigate social risk	Volkswagen Financial Services AG has integrated a set of measures into its risk policy to prevent and mitigate social risks. The exclusion of controversial business and environmental practices is therefore an integral part of the compliance framework and lending guidelines. A binding code of conduct is an integral part of the contracts between dealers and brands. A supplementary compliance policy supports compliance with the Volkswagen Group's sustainability requirements in relationships with business partners. This ensures that requirements for national and international requirements and conventions, internal standards and values, such as human rights, labor rights, occupational health and safety and compliance aspects, are met. Moreover, sufficient monitoring, reporting obligations and mandatory trainings of the employees are incorporated. The behavior 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 educational projects, an internal focus is on a comprehensive cyber security strategy to ensure the trust of all stakeholders and the stability of the economic system. As part of this, 100% of the processes and measures required by ISO 27001 certification to ensure information security/IT security in IT systems are established. 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 universities, such as the TU Braunschweig and the University of Hildesheim on the subject of artificial intelligence. The “Our Children in Braunschweig” foundation, established in 2008, supports disadvantaged children in education, music, exercise and nutrition. Other projects are implemented directly by the local national 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 uniform basis at both national and international level. The organizational handbook covers various areas, such as structural and procedural organization as well as department-specific guidelines. It is accessible via an internal platform. An international version in English serves as a guide for the subsidiaries when implementing processes in accordance with the specifications of the headquarters. The Code of Conduct (CoC) lays the foundation for integrity and compliant behavior within the Volkswagen Group. It acts as a central element to raise awareness of responsible behavior and decision-making, provides assistance and provides contact persons. In addition to the International Bill of Human Rights and the core labor standards of the International Labor Organization (ILO), the United Nations Convention against Corruption is also anchored in the CoC of Volkswagen Financial Services AG. Non-compliance with the Code of Conduct 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, embezzlement or other deliberate damage to the assets of customers or third parties. To anchor the national and international legal regulations in the company, the “Anti-Corruption” guidelines for employees are available at all times in the digital organization manual. In addition, the guideline on avoiding conflicts of interest and corruption in the OHB of Volkswagen Financial Services AG can be accessed. These internal guidelines apply uniformly to all employees within the companies of Volkswagen Financial Services AG. The compliance function of Volkswagen Financial Services AG has implemented control measures to monitor compliance with the requirements within the companies (see section 2 (k)).

Compliance trainings

The contents of the CoC and other internal organizational topics related to governance are communicated to employees in various training sessions. Compliance training at Volkswagen Financial Services AG is based on statutory requirements and the Volkswagen Group's specifications. The Volkswagen Group defines minimum requirements for the essential content and process-related design of training formats. Preventive compliance work is fundamentally based on employee training measures. This is based on a risk-oriented and target group-specific training concept, which was updated in the reporting year. Volkswagen 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 aforementioned companies as well as in the event of criminal matters that could result in reputational damage. Internal reports are submitted to the Board of Management of Volkswagen Financial Services AG and the Group Chief Compliance Officer of Volkswagen AG at least once a year. In addition, the results of the annual compliance report of 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).

2 (k)	Implementation of tools for identification and management of social risk	ESG risks are not treated as a separate risk type within 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, data of 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).
2 (l)	Description of setting limits to social risk and cases to trigger escalation 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).
2 (m)	Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market 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. Transmission channels for material risk types within Volkswagen Financial Services AG are described within the following table and 2 (i).

TABLE 53: QUALITATIVE INFORMATION ON BUSINESS RISKS (IN ACCORDANCE WITH ARTICLE 449A OF THE CRR)

Row number	Qualitative information - Free format	
3 (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 VW Group. Therefore, most of the Volkswagen Financial Services' 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. Volkswagen Financial Services recognizes its economic and social responsibility as a financial institution and has incorporated the Loan Framework designed to support its customers' transition 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 corresponding 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, Volkswagen Financial Services has implemented the "ESG-Scoring light" "for financing business, an external ESG-Scores for leasing business and corresponding "ESG key questions" within the credit process to assess the sustainability of risk relevant corporate customers. This enables Volkswagen Financial Services to support corporate 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 remuneration) > 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 corporate customers' governance aspects became a mandatory part of the credit processing which is carried out on an annual basis or when changes during the year become known. Within Volkswagen Financial Services, 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 AG for business relationships with customers, business partners, and suppliers. Requirements regarding national and international regulations and conventions, internal norms, and values, such as human rights, labor rights, and compliance aspects, are ensured. Applicable laws and regulations, such as anti-corruption, money laundering, fraud prevention, and cybercrime, are considered and implemented within the Volkswagen Financial Services AG 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 April 1, 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.
3 (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.
3 (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) Volkswagen Financial Services has incorporated ESG risks step by step as an integral part of its risk management framework as described in 1 (j). (ii, iii – vi) Volkswagen Financial Services follows high ethical principles in its business activities and complies with applicable German and European laws and regulations. Aspects like conflict management, inclusiveness, anti-corruption, anti-money laundering and conflict of interest are strictly observed, also on corporate-customer level. Therefore, the checking and assessment of ESG aspects have been integrated into the lending procedures, for all corporate customers. Observing governance aspects play a significant role in the "ESG-Scoring light", within the external ESG Score results as well as in the assessment of the "ESG key questions". Governance criteria like: > Precautions regarding data protection and defense cyber criminality > Reporting and persecuting compliance violations (money laundering etc.) > Equal rights (inclusion, development of gender neutral remuneration) > 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 corporate customers' governance aspects became a mandatory part of the credit processing which is carried out on an annual basis or when changes during the year become known. Furthermore, governance risks aspects like management quality, i.e., skills, qualification, reliability of the management and succession planning, are an immanent part of the corporate rating model. In addition, there are several override reasons of the calculated rating results, also for governance aspects, like legal breaches or acute successor problems.
(i)	Ethical considerations	
(ii)	Strategy and risk management	
(iii)	Inclusiveness	
(iv)	Transparency	
(v)	Management of conflict of interest	
(vi)	Internal communication on critical concerns	

3 (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 54: 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		
		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								
in € millions																		
Exposures towards sectors that highly contribute to climate change*		42.034,5	1.471,8	0,0	25.565,5	1.417,2	-767,6	-298,8	-393,4	56.566,39	3,9	51.244.145,7	0.0	34.580,0	596,9	585,7	6.272,0	2
2	A - Agriculture, forestry and fishing	349,7	0,0	0,0	268,4	24,8	-13,6	-4,4	-9,2	215.478,5	79.940,6	0.0	318,8	4,2	0.0	26,7	2	
3	B - Mining and quarrying	55,7	19,4	0,0	44,8	2,0	-1,4	-0,5	-0,9	25.212,7	9.221,4	0.0	49,2	0,1	0.0	6,3	2	
4	B.05 - Mining of coal and lignite	2,7	2,7	0,0	2,0	,3	-0,1	0,0	-0,1	935,2	497,7	0.0	2,7	0,0	0.0	0,1	2	
5	B.06 - Extraction of crude petroleum and natural gas	6,2	6,2	0,0	5,4	0,5	-0,5	-0,1	-0,4	3.605,9	1.201,8	0.0	6,2	0,0	0.0	0,0	2	
6	B.07 - Mining of metal ores	4,6	0,0	0,0	3,9	0,4	-0,3	-0,1	-0,2	1.770,7	566,1	0.0	4,4	0,1	0.0	0,2	2	
7	B.08 - Other mining and quarrying	31,6	0,0	0,0	29,5	0,5	-0,4	-0,3	-0,2	17.037,2	6.276,4	0.0	31,5	0,0	0.0	0,1	2	
8	B.09 - Mining support service activities	10,5	10,5	0,0	4,0	0,2	-0,1	0,0	-0,1	1.863,7	679,4	0.0	4,4	0,0	0.0	6,0	2	
9	C - Manufacturing	5.168,7	67,2	0,0	3.807,7	114,1	-74,8	-39,8	-30,2	4.823.540,	1	3.546.863,5	0.0	4.109,9	24,9	0.0	1.033,6	2
10	C.10 - Manufacture of food products	271,2	0,0	0,0	223,2	8,4	-5,2	-2,6	-2,5	169.390,0	79.496,4	0.0	257,1	1,2	0.0	12,9	2	
11	C.11 - Manufacture of beverages	249,6	0,0	0,0	39,8	1,6	-2,0	-0,4	-0,3	37.805,8	16.027,2	0.0	43,7	0,5	0.0	205,4	2	
12	C.12 - Manufacture of tobacco products	6,1	0,0	0,0	3,5	0,1	-0,1	0,0	0,0	4.270,4	1.275,5	0.0	3,5	0,0	0.0	2,7	1	
13	C.13 - Manufacture of textiles	64,7	0,0	0,0	53,6	2,2	-1,3	-0,5	-0,7	34.915,1	16.002,4	0.0	60,8	0,3	0.0	3,7	2	
14	C.14 - Manufacture of wearing apparel	50,8	0,0	0,0	41,9	1,6	-0,9	-0,3	-0,6	32.559,3	17.242,6	0.0	48,0	0,6	0.0	2,2	2	
15	C.15 - Manufacture of leather and related products	18,2	0,0	0,0	15,1	0,8	-,04	-0,1	-0,2	13.242,8	7.004,0	0.0	17,4	0,2	0.0	0,7	2	
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	123,9	0,0	0,0	96,7	3,3	-1,8	-1,0	-0,8	55.746,5	25.527,3	0.0	118,9	1,1	0.0	3,9	2	
17	C.17 - Manufacture of pulp, paper and paperboard	54,2	0,0	0,0	49,9	0,7	-0,5	-0,4	-0,2	31.084,2	13.995,8	0.0	53,2	0,0	0.0	1,0	2	
18	C.18 - Printing and service activities related to printing	63,8	0,0	0,0	50,0	1,7	-0,9	-0,5	-0,4	29.990,9	17.049,9	0.0	60,1	0,3	0.0	3,5	2	
19	C.19 - Manufacture of coke oven products	61,0	61,0	0,0	14,1	0,2	-0,3	-0,1	-0,1	9.081,5	4.343,3	0.0	14,3	0,0	0.0	46,8	1	
20	C.20 - Production of chemicals	150,6	0,0	0,0	123,6	4,0	-2,2	-1,0	-1,1	98.761,4	43.848,1	0.0	133,1	0,3	0.0	17,2	2	
21	C.21 - Manufacture of pharmaceutical preparations	146,0	0,0	0,0	93,2	1,5	-1,1	-0,3	-0,7	54.955,8	25.933,9	0.0	95,3	0,0	0.0	50,6	1	
22	C.22 - Manufacture of rubber products	202,9	0,0	0,0	178,5	4,5	-2,7	-1,4	-1,3	107.839,5	49.719,1	0.0	194,3	0,3	0.0	8,3	2	
23	C.23 - Manufacture of other non-metallic mineral products	127,9	0,0	0,0	110,7	4,5	-2,1	-1,0	-1,1	104.927,5	44.265,7	0.0	122,7	0,7	0.0	4,5	2	
24	C.24 - Manufacture of basic metals	93,7	6,1	0,0	78,2	3,7	-1,5	-0,6	-0,9	84.025,0	47.217,7	0.0	92,1	0,2	0.0	1,4	1	
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	615,5	0,0	0,0	521,7	15,7	-9,0	-4,4	-4,3	288.817,8	138.534,3	0.0	599,3	6,9	0.0	9,0	2	
26	C.26 - Manufacture of computer, electronic and optical products	277,8	0,0	0,0	261,8	5,1	-3,6	-1,9	-1,7	181.733,0	94.724,7	0.0	276,6	0,2	0.0	1,0	2	
27	C.27 - Manufacture of electrical equipment	222,9	0,0	0,0	202,2	6,4	-3,5	-1,7	-1,8	129.280,8	62.547,0	0.0	219,9	0,6	0.0	2,3	2	
28	C.28 - Manufacture of machinery and equipment n.e.c.	645,0	0,0	0,0	587,0	15,1	-8,6	-4,3	-4,2	363.570,7	155.146,4	0.0	632,8	6,8	0.0	5,4	2	
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	602,3	0,0	0,0	572,0	4,0	-14,2	-12,2	-2,0	2.645.823,	0	2.528.213,6	0.0	494,4	0,2	0.0	107,6	0
30	C.30 - Manufacture of other transport equipment	75,6	0,0	0,0	57,8	2,9	-1,4	-,5	-0,8	45.835,4	22.440,7	0.0	63,4	0,1	0.0	12,1	1	
31	C.31 - Manufacture of furniture	90,6	0,0	0,0	62,0	2,7	-1,6	-0,7	-0,9	38.863,6	16.474,4	0.0	73,5	1,0	0.0	16,1	2	
32	C.32 - Other manufacturing	717,6	0,0	0,0	188,1	16,5	-5,7	-1,7	-1,5	121.784,5	55.644,7	0.0	210,2	1,5	0.0	505,9	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
		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					
in € millions																	
33	C.33 - Repair and installation of machinery and equipment	236,6	0,0	0,00	183,3	7,1	-4,4	-2,3	-2,1	139.235,4	64.188,9	0.0	225,0	2,1	0,0	9,4	2
34	D - Electricity, gas, steam and air conditioning supply	183,1	182,4	0,00	140,1	3,3	-2,3	-1,2	-0,9	130.416,2	72.471,5	0.0	177,3	5,8	0,0	0,0	2
35	D35.1 - Electric power generation, transmission and distribution	159,1	158,5	0,00	117,6	2,8	-2,0	-1,0	-0,8	117.491,0	65.381,7	0.0	153,3	5,8	0,0	0,0	2
36	D35.11 - Production of electricity	74,0	74,0	0,00	62,3	2,0	-1,2	-,5	-0,5	47.478,3	32.269,3	0.0	68,5	5,4	0,0	0,0	2
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	13,9	13,9	0,00	12,9	0,3	-,2	-0,1	-0,1	7.956,6	4.288,8	0.0	13,9	,0	0,0	0,0	2
38	D35.3 - Steam and air conditioning supply	10,1	10,1	0,00	9,6	0,1	-,1	-0,1	0,0	4.968,6	2.801,1	0.0	10,1	,0	0,0	0,0	2
39	E - Water supply; sewerage, waste management and remediation activities	266,8	0,0	0,00	234,0	9,3	-7,0	-3,5	-3,5	82.408,0	26.680,0	0.0	248,6	8,6	0,0	9,6	2
40	F - Construction	3.704,1	0,0	0,00	2.651,8	164,0	-91,2	-34,1	-51,6	1.381.493,7	645.592,6	0.0	3.386,1	56,3	3,0	258,8	2
41	F.41 - Construction of buildings	743,8	0,0	0,00	505,6	42,0	-22,4	-6,7	-14,4	271.876,4	127.636,1	0.0	668,7	13,7	3,0	58,4	2
42	F.42 - Civil engineering	311,4	0,0	0,00	242,9	14,1	-9,1	-3,1	-5,8	129.866,7	49.619,2	0.0	295,2	3,6	0,0	12,5	2
43	F.43 - Specialised construction activities	2.648,9	0,0	0,00	1.903,4	107,9	-59,7	-24,3	-31,4	979.750,7	468.337,3	0.0	2.422,2	38,9	0,0	187,8	2
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	28.978,5	1.139,6	0,00	16.251,7	844,0	-440,5	-172,2	-207,0	48.087.122,7	46.137.030,0	0.0	23.526,4	378,7	270,8	4.802,7	1
45	H - Transportation and storage	1.913,8	63,2	0,00	1.385,5	194,1	-93,8	-27,2	-65,0	1.278.198,3	424.146,0	0.0	1.756,4	64,9	0,0	92,6	2
46	H.49 - Land transport and transport via pipelines	1.112,7	36,4	0,00	766,6	124,7	-59,5	-16,1	-41,6	622.732,9	187.508,3	0.0	1.016,8	48,9	0,0	47,0	3
47	H.50 - Water transport	48,3	24,6	0,00	37,5	0,4	-,4	-0,3	-0,1	61.904,8	56.867,5	0.0	39,7	5,9	0,0	2,7	2
48	H.51 - Air transport	78,1	0,0	0,00	71,9	2,7	-2,4	-1,2	-1,2	33.844,5	16.643,8	0.0	77,2	,1	0,0	0,8	2
49	H.52 - Warehousing and support activities for transportation	557,6	2,2	0,00	431,7	48,5	-23,8	-7,2	-16,8	491.733,5	146.783,3	0.0	512,5	8,5	0,0	36,6	2
50	H.53 - Postal and courier activities	117,2	0,0	0,00	77,9	17,8	-7,7	-2,5	-5,3	67.982,5	16.343,0	0.0	110,1	1,6	0,0	5,5	2
51	I - Accommodation and food service activities	447,1	0,0	0,00	308,0	19,9	-13,3	-6,3	-6,2	234.056,8	128.218,1	0.0	422,0	7,7	0,0	17,4	2
52	L - Real estate activities	966,9	0,0	0,00	473,4	41,6	-29,7	-9,6	-19,0	308.466,8	173.981,9	0.0	585,3	45,7	311,6	24,3	7
53	Exposures towards sectors other than those that highly contribute to climate change*	11.450,1	0,0	0,00	8.005,6	766,5	-418,6	-141,1	-258,7	0,0	0,0	0.0	10.079,8	96,8	18,6	1.254,9	0
54	K - Financial and insurance activities	0,0	0,0	0,00	0,00	0,00	0,0	0,0	0,0	0,0	0,00	0.0	0,0	0,0	0,0	0,0	0
55	Exposures to other sectors (NACE codes J, M - U)	11.450,1	0,0	0,00	8.005,6	766,5	-418,6	-141,1	-258,7	0,0	0,00	0.0	10.079,8	96,8	18,6	1.254,9	0
56	TOTAL	53.484,6	1.471,8	0,00	33.571,2	2.183,6	-1.186,1	-439,9	-652,1	56.566.39	51.244.145,7	0.0	44.659,8	693,7	604,2	7.526,9	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

The above table shows 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 codes³ 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 3.5% in the case of nonfinancial corporates, with the total coming to only 2.75%.

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.

³Nomenclature 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 55: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE RISKS: EXPOSURES TO THE 20 MOST CARBON-INTENSIVE CORPORATES

	A	B	C	D	E
		Gross carrying amount to- wards the counterparties compared to total gross carrying amount (aggre- gate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
in € millions	Gross carrying amount (aggregate)				
1	16.6	0.00%	0.0	4	9

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

The above table discloses Volkswagen Financial Services AG's aggregated 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.

TABLE 56: BANKING BOOK - INDICATORS OF POTENTIAL CLIMATE CHANGE RISKS

	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	94,531.6	Average grams of CO2 per km: 121.50	00-31-25	14.6%	Not reported due to VW FS AG restructuring.
2	Automotive		19,158.0	Average share of low carbon technologies: 36.7 %	00-31-25	-42.7 %	Not reported due to VW FS AG restructuring.

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

The table above 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 56 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 57: LIST OF NACE SECTORS TO BE INCLUDED

IEA SECTOR	COLUMN B - NACE SECTORS (A MINIMA) - SECTORS REQUIRED		**EXAMPLES OF METRICS - NON-EXHAUSTIVE LIST. INSTITUTIONS SHALL APPLY METRICS DEFINED BY THE IEA SCENARIO
Sector in the template	sector	code	
Maritime transport	shipping	301	Average tonnes of CO2 per passenger-km Average gCO ₂ /MJ and Average share of high carbon technologies (ICE).
Maritime transport	shipping	3.011	
Maritime transport	shipping	3.012	
Maritime transport	shipping	3.315	
Maritime transport	shipping	50	
Maritime transport	shipping	501	
Maritime transport	shipping	5.010	
Maritime transport	shipping	502	
Maritime transport	shipping	5.020	
Maritime transport	shipping	5.222	
Maritime transport	shipping	5.224	
Maritime transport	shipping	5.229	
Power	power	27	Average tonnes of CO2 per MWh and Average share of high carbon technologies (oil, gas, coal).
Power	power	2.712	
Power	power	3.314	
Power	power	35	
Power	power	351	
Power	power	3.511	
Power	power	3.512	
Power	power	3.513	

IEA SECTOR	COLUMN B - NACE SECTORS (A MINIMA) - SECTORS REQUIRED		**EXAMPLES OF METRICS - NON-EXHAUSTIVE LIST. INSTITUTIONS SHALL APPLY METRICS DEFINED BY THE IEA SCENARIO
Sector in the template	sector	code	
Power	power	3.514	Average tons pf CO2 per GJ. And Average share of high carbon technologies (ICE).
Power	power	4.321	
Fossil fuel combustion	oil and gas	91	
Fossil fuel combustion	oil and gas	910	
Fossil fuel combustion	oil and gas	192	
Fossil fuel combustion	oil and gas	1.920	
Fossil fuel combustion	oil and gas	2.014	
Fossil fuel combustion	oil and gas	352	
Fossil fuel combustion	oil and gas	3.521	
Fossil fuel combustion	oil and gas	3.522	
Fossil fuel combustion	oil and gas	3.523	
Fossil fuel combustion	oil and gas	4.612	
Fossil fuel combustion	oil and gas	4.671	
Fossil fuel combustion	oil and gas	6	
Fossil fuel combustion	oil and gas	61	
Fossil fuel combustion	oil and gas	610	
Fossil fuel combustion	oil and gas	62	
Fossil fuel combustion	oil and gas	620	
Iron and steel, coke, and metal ore production	steel	24	Average tonnes of CO2 per tonne of output and Average share of high carbon technologies (ICE).
Iron and steel, coke, and metal ore production	steel	241	
Iron and steel, coke, and metal ore production	steel	2.410	
Iron and steel, coke, and metal ore production	steel	242	
Iron and steel, coke, and metal ore production	steel	2.420	
Iron and steel, coke, and metal ore production	steel	2.434	
Iron and steel, coke, and metal ore production	steel	244	
Iron and steel, coke, and metal ore production	steel	2.442	
Iron and steel, coke, and metal ore production	steel	2.444	
Iron and steel, coke, and metal ore production	steel	2.445	
Iron and steel, coke, and metal ore production	steel	245	
Iron and steel, coke, and metal ore production	steel	2.451	
Iron and steel, coke, and metal ore production	steel	2.452	
Iron and steel, coke, and metal ore production	steel	25	

IEA SECTOR	COLUMN B - NACE SECTORS (A MINIMA) - SECTORS REQUIRED		**EXAMPLES OF METRICS - NON-EXHAUSTIVE LIST. INSTITUTIONS SHALL APPLY METRICS DEFINED BY THE IEA SCENARIO
Sector in the template	sector	code	
<i>Iron and steel, coke, and metal ore production</i>	<i>steel</i>	<i>251</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>steel</i>	<i>2.511</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>steel</i>	<i>4.672</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>coal</i>	<i>5</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>coal</i>	<i>51</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>coal</i>	<i>510</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>coal</i>	<i>52</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>coal</i>	<i>520</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>steel</i>	<i>7</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>steel</i>	<i>72</i>	
<i>Iron and steel, coke, and metal ore production</i>	<i>steel</i>	<i>729</i>	Average tons of CO2 per GJ. And Average share of high carbon technologies (ICE).
<i>Fossil fuel combustion</i>	<i>coal</i>	<i>8</i>	
<i>Fossil fuel combustion</i>	<i>coal</i>	<i>9</i>	Average tonnes of CO2 per tonne of output and Average share of high carbon technologies (ICE).
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>235</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>2.351</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>2.352</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>236</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>2.361</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>2.363</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>2.364</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>811</i>	
<i>Cement, clinker and lime production</i>	<i>cement</i>	<i>89</i>	
<i>aviation</i>	<i>aviation</i>	<i>3.030</i>	Average share of sustainable aviation fuels and Average tonnes of CO2 per passenger-km
<i>aviation</i>	<i>aviation</i>	<i>3.316</i>	
<i>aviation</i>	<i>aviation</i>	<i>511</i>	
<i>aviation</i>	<i>aviation</i>	<i>5.110</i>	
<i>aviation</i>	<i>aviation</i>	<i>512</i>	
<i>aviation</i>	<i>aviation</i>	<i>5.121</i>	
<i>aviation</i>	<i>aviation</i>	<i>5.223</i>	
<i>automotive</i>	<i>automotive</i>	<i>2.815</i>	Average tonnes of CO2 per passenger-km and Average share of high carbon technologies (ICE).
<i>automotive</i>	<i>automotive</i>	<i>29</i>	
<i>automotive</i>	<i>automotive</i>	<i>291</i>	

IEA SECTOR		COLUMN B - NACE SECTORS (A MINIMA) - SECTORS REQUIRED		**EXAMPLES OF METRICS - NON-EXHAUSTIVE LIST. INSTITUTIONS SHALL APPLY METRICS DEFINED BY THE IEA SCENARIO
Sector in the template	sector	code		
automotive	automotive	2.910		
automotive	automotive	292		
automotive	automotive	2.920		
automotive	automotive	293		
automotive	automotive	2.932		

TABLE 58: 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	291,5	43,0	,7	0,0	0,0	2	39,3	59,2	14,6	29,8	2,6	-1,9	-0,5	-1,3
2	B - Mining and quarrying	43,7	8,6	,0	0,0	0,0	2	1,7	7,7	0,5	7,6	,4	-0,2	0,0	-,2
3	C - Manufacturing	4.019,4	696,9	14,7	0,3	0,0	2	352,1	712,9	127,6	591,6	23,7	-13,3	-5,9	-7,0
4	D - Electricity, gas, steam and air conditioning supply	171,5	39,7	5,5	0,0	0,0	2	21,3	38,4	4,1	36,6	1,1	-,8	-0,3	-0,3
5	E - Water supply; sewerage, waste management and remediation activities	211,0	48,9	,7	0,0	0,0	3	17,8	51,7	6,7	43,5	2,0	-1,0	-0,5	-0,6
6	F - Construction	3.036,0	852,7	30,9	3,0	0,0	2	328,9	796,3	142,1	604,3	61,6	-33,7	-10,1	-22,8
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	23.839,4	2.955,8	82,9	161,8	342,5	1	1687,8	4977,1	677,5	2.229,0	211,7	-104,3	-36,5	-61,1
8	H - Transportation and storage	1.264,6	428,3	18,6	0,0	,0	2	193,2	367,8	82,7	291,2	60,4	-27,6	-7,5	-19,9
9	L - Real estate activities	860,8	134,2	13,3	282,3	2,0	6	147,4	235,0	58,8	95,2	13,4	-6,0	-2,6	-3,1
10	Loans collateralised by residential immovable property	10,3	0,4	0,3	1,2	0,0	2	0,4	0,1	1,5	0,0	0,3	-0,1	0,0	-0,1
11	Loans collateralised by commercial immovable property	2.153,2	313,8	58,3	160,4	15,3	3	56,3	343,6	148,0	274,4	52,7	-20,3	-10,4	-9,0
12	Repossessioned colaterals	0,0	0,0	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)	10.355,4	2.730,4	64,0	2,6	137,0	3	258,2	808,2	80,4	2.031,9	118,0	-123,8	-75,5	-45,7

Remuneration policy

As the parent financial holding company, Volkswagen Financial Services AG is required to disclose information on a consolidated basis. It is 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 2025 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 2025 are reported. Accordingly, it includes payments that have been made in 2026 for 2025, 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 2025.

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 three other Supervisory Board members, one of whom is an employee representative. Under the remuneration control committee's rules of procedure, at least one member must have sufficient specific knowledge and professional experience in the area of risk management and risk controlling, particularly with regard to mechanisms for the alignment of the remuneration systems with the company's overall risk appetite and risk strategy and its equity position. The remuneration control committee met a total of five times in 2025, 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 return on equity (ROE) and operating earnings (OE IV) of the Volkswagen Financial Services Group (including Volkswagen Bank GmbH). The annual bonus is derived from the individual target amount of the employee eligible for the bonus and the two weighted components of the annual bonus, i.e., the KPI component on the one hand and the individual component on the other. The KPI component is determined by reference to financial and non-financial KPIs comprising the total financial target achievement multiplied by the ESG factor. The individual component is composed of the payout factor for the overall performance category of performance management and the KPI component.

Accordingly, qualitative and quantitative factors are used to determine the individual component. Volkswagen AG's standardized process for target agreement discussions is applied to all managers worldwide. This not only involves defining the targets for the coming year but also includes an assessment of the target achievement level reached in the previous year and of the manager's performance. The individual payout factor is determined in a shared process involving Human Resources and the line manager as well as the responsible member of 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.

Target achievement for the annual bonus in any given year is capped at 175%.

The ESG factor 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 (CO₂) 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 2025 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. 59 functions at Volkswagen Financial Services AG (including six members of the Board of Management and twelve members of the Supervisory Board⁴) have been identified as risk takers. An additional 74 functions within the Volkswagen Financial Services Group (including the Volkswagen Bank Group) 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.

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").

⁴ including eight employees in the Volkswagen Group and three externals

The penalty check for the deferred payments for risk-takers in accordance with section 20 (5) of the Remuneration Ordinance for Institutions was applied for 2025. The retained portions of the variable remuneration accruing in previous years were paid out in full in the reporting period.

QUANTITATIVE REPORTING

TABLE 59: EU REM1 – REMUNERATION AWARDED FOR THE FINANCIAL YEAR

		A	B	C	D
	in € million	MB Supervisory function ¹⁾	MB Management function	Other senior management ²⁾	Other identified staff
1	<i>Number of identified staff³⁾</i>	13	6	67	20
2	Total fixed remuneration	0.2	4.2	12.8	3.2
3	Of which: cash-based	0.2	4.2	12.8	3.2
4	(Not applicable in the EU)	x	x	x	x
EU-4a	Fixed remuneration	0.0	0.0	0.0	0.0
5	Of which: share-linked instruments or equivalent non-cash instruments	0.0	0.0	0.0	0.0
EU-5x	Of which: other instruments	0.0	0.0	0.0	0.0
6	(Not applicable in the EU)	x	x	x	x
7	Of which: other forms	0.0	0.0	0.0	0.0
8	(Not applicable in the EU)	x	x	x	x
9	<i>Number of identified staff³⁾</i>	13	6	67	20
10	Total variable remuneration	0.0	2.7	7.0	1.1
11	Of which: cash-based	0.0	1.3	3.7	0.8
12	Of which: deferred	0.0	0.8	2.0	0.2
EU-13a	Variable remuneration	0.0	0.0	0.0	0.0
EU-14a	Of which: deferred	0.0	0.0	0.0	0.0
EU-13b	Of which: share-linked instruments or equivalent non-cash instruments	0.0	1.3	3.3	0.4
EU-14b	Of which: deferred	0.0	1.3	3.3	0.4
EU-14x	Of which: other instruments	0.0	0.0	0.0	0.0
EU-14y	Of which: deferred	0.0	0.0	0.0	0.0
15	Of which: other forms	0.0	0.0	0.0	0.0
16	Of which: deferred	0.0	0.0	0.0	0.0
17	Total remuneration (2+10)	0.2	6.9	19.8	4.3

The table includes discrepancies caused by rounding.

¹⁾ In accordance with a resolution passed by the shareholders' meeting, the members of the Supervisory Board who are not employees of the Volkswagen Group are generally entitled to annual remuneration. This remuneration is independent of the performance of the Bank. The members of the Supervisory Board who are employees of the Volkswagen Group receive a lump-sum remuneration from VW FS. If they are also members of other supervisory boards of Group companies of Volkswagen AG, remuneration received for these functions is deducted from their entitlement.

²⁾ Senior management of VW FS and Managing Directors of subsidiaries and branches

³⁾ The number reported here is based on identified risk takers at the individual level (including intra-year changes and multiple roles), adjusted for employees remunerated under collective bargaining agreements in accordance with Section 1 (4) IVV, and therefore differs from the number of risk taker functions.

TABLE 60: EU REM2 – SPECIAL PAYMENTS TO STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

	A	B	C	D
Number/€ million	MB Supervisory function ¹⁾	MB Management function	Other senior management ²⁾	Other identified staff
Guaranteed variable remuneration awards				
1 <i>Guaranteed variable remuneration awards - Number of identified staff³⁾</i>	0.0	0.0	0.0	0.0
2 Guaranteed variable remuneration awards -Total amount	0.0	0.0	0.0	0.0
3 <i>Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap</i>	0.0	0.0	0.0	0.0
Severance payments awarded in previous periods, that have been paid out during the financial year				
4 <i>Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff³⁾</i>	0.0	0.0	0.0	0.0
5 Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0.0	0.0	0.0	0.0
Severance payments awarded during the financial year				
6 <i>Severance payments awarded during the financial year - Number of identified staff³⁾</i>	0.0	0.0	0.0	0.0
7 Severance payments awarded during the financial year - Total amount	0.0	0.0	0.0	0.0
8 <i>Of which paid during the financial year</i>	0.0	0.0	0.0	0.0
9 <i>Of which deferred</i>	0.0	0.0	0.0	0.0
10 <i>Of which severance payments paid during the financial year, that are not taken into account in the bonus cap</i>	0.0	0.0	0.0	0.0
11 <i>Of which highest payment that has been awarded to a single person</i>	0.0	0.0	0.0	0.0

¹⁾ In accordance with a resolution passed by the shareholders' meeting, the members of the Supervisory Board who are not employees of the Volkswagen Group are generally entitled to annual remuneration. This remuneration is independent of the performance of the VW FS. The members of the Supervisory Board who are employees of the Volkswagen Group receive a lump-sum remuneration from VW FS. If they are also members of other supervisory boards of Group companies of Volkswagen AG, remuneration received for these functions is deducted from their entitlement.

²⁾ Senior management of VW FS and Managing Directors of subsidiaries and branches

³⁾ The number of risk takers shown here does not include any employees receiving remuneration under collective bargaining agreements, as these are expressly excluded from the requirements of the IVV in accordance with section 1(4) of the IVV.

TABLE 61: EU REM3 – DEFERRED REMUNERATION

		A	B	C	D	E	F	EU-g	EU-h
		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
€ million									
1	MB Supervisory function	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Cash-based	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Share-linked instruments or equivalent non-cash instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Other instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Other forms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	MB Management function	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.3
8	Cash-based	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0
9	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Share-linked instruments or equivalent non-cash instruments	0.6	0.0	0.6	0.0	0.0	0.0	0.0	0.3
11	Other instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Other forms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Other senior management¹⁾	13.8	3.7	10.1	0.0	0.0	0.1	3.8	2.1
14	Cash-based	5.5	1.5	4.0	0.0	0.0	0.0	1.5	0.0
15	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16	Share-linked instruments or equivalent non-cash instruments	8.3	2.2	6.1	0.0	0.0	0.0	0.0	0.0
17	Other instruments	0.0	0.0	0.0	0.0	0.0	0.1	2.3	2.1
18	Other forms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Other identified staff	1.2	0.5	0.8	0.0	0.0	0.0	0.5	0.2
20	Cash-based	0.4	0.1	0.3	0.0	0.0	0.0	0.1	0.0
21	Shares or equivalent ownership interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	A	B	C	D	E	F	EU-g	EU-h

The table includes discrepancies caused by rounding.

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

TABLE 62: EU REM4 – REMUNERATION OF 1 MILLION EUR OR MORE PER YEAR

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

TABLE 63: EU REM5 – INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

	A	B	C	D	E	F	G	H	I	J	
	MANAGEMENT BODY			BUSINESS AREAS							
Numbers/€ million	MB Supervisory function ¹⁾	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	In-dependent internal control functions	All others	Total	
1	Total number of identified staff ²⁾	13	6	19	0	6	1	17	19	44	106
2	Of which: members of the MB	13	6	19							
3	Of which: other senior management			0	5	1	16	11	34		
4	Of which: other identified staff			0	1	0	1	8	10		
5	Total remuneration of identified staff	0.2	6.9	7.1	0.0	1.6	n/a ³⁾	5.0	4.3	13.2	31.1
6	Of which: variable remuneration	0.0	2.7	2.7	0.0	0.5	n/a ³⁾	1.7	1.1	4.8	10.8
7	Of which: fixed remuneration	0.2	4.2	4.4	0.0	1.1	n/a ³⁾	3.2	3.2	8.4	20.3

The table includes discrepancies caused by rounding.

¹⁾ In accordance with a resolution passed by the shareholders' meeting, the members of the Supervisory Board who are not employees of the Volkswagen Group are generally entitled to annual remuneration. This remuneration is independent of the performance of the Bank. The members of the Supervisory Board who are employees of the Volkswagen Group receive a lump-sum remuneration from VW FS. If they are also members of other supervisory boards of Group companies of Volkswagen AG, remuneration received for these functions is deducted from their entitlement.

²⁾ The number reported here is based on identified risk takers at the individual level (including intra-year changes and multiple roles), adjusted for employees remunerated under collective bargaining agreements in accordance with Section 1 (4) IVV, and therefore differs from the number of risk taker functions.

³⁾ In order to ensure confidentiality in accordance with the interpretation guidance on section 16 of the InstitutsVergV, disclosures are made if necessary in aggregated form, to the extent that certain information could be attributed to one or two individuals and would herefore result in the disclosure of personal data of natural persons.

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.

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 64: 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	209,566.5
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	247.4
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)	-0.6
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	2,618.1
9	Adjustment for securities financing transactions (SFTs)	0.0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,913.6
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-9.7
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) and point (ca) 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	-6,517.0
13	Total exposure measure	211,818.4

The following table provides an overview of the individual components of the total exposure measure and compares the current reporting period with June 30, 2025.

TABLE 65: EU LR2 – LRCOM – LEVERAGE RATIO COMMON DISCLOSURE

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
in € millions		Jun 30, 2025	Dec 31, 2024
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	203,696.9	205,531.3
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0.0	0.0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.0	0.0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0.0	0.0
5	(General credit risk adjustments to on-balance sheet items)	0.0	0.0
6	(Asset amounts deducted in determining Tier 1 capital)	-708.9	-429.2
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	202,988.0	205,102.0
Risikopositionen aus Derivaten			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	717.7	1,542.6
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0.0	0.0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	2,199.1	2,148.1
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0.0	0.0
EU-9b	Exposure determined under Original Exposure Method	0.0	0.0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0.0	0.0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0.0	0.0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	0.0	0.0
11	Adjusted effective notional amount of written credit derivatives	0.0	0.0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.0	0.0
13	Total derivatives exposures	2,916.8	3,690.7
Risikopositionen aus Wertpapierfinanzierungsgeschäften (SFTs)			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0.0	0.0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.0	0.0
16	Counterparty credit risk exposure for SFT assets	0.0	0.0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0.0	0.0
17	Agent transaction exposures	0.0	0.0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0.0	0.0
18	Total securities financing transaction exposures	0.0	0.0
Securities financing transaction (SFT) exposures			
19	Off-balance sheet exposures at gross notional amount	24,966.4	18,713.9
20	(Adjustments for conversion to credit equivalent amounts)	-19,052.8	-15,370.4
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0.0	0.0
22	Off-balance sheet exposures	5,913.6	3,343.4
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) and point (ca) of Article 429a(1) CRR)	0.0	0.0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0.0	0.0
EU-22c	(-) (Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0.0	0.0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0.0	0.0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0.0	0.0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0.0	0.0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0.0	0.0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0.0	0.0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0.0	0.0
EU-22k	(Excluded exposures to shareholders according to Article 429a (1), point (da) CRR)	0.0	0.0

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
		Jun 30, 2025	Dec 31, 2024
	in € millions		
EU-22l	(Exposures deducted in accordance with point (q) of Article 429a(1) CRR)	0.0	0.0
EU-22m	(Total exempted exposures)	0.0	0.0
Capital and total exposure measure			
23	Tier 1 capital	30,239.6	30,425.6
24	Total exposure measure	211,818.4	212,136.2
Leverage ratio			
25	Leverage ratio (%)	14.28%	14.34%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	14.28%	14.34%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	14.28%	14.34%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	n/a	n/a
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	0.0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	0.0
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	211,818.4	212,136.2
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)	211,818.4	212,136.2
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)	14.28%	14.34%
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)	14.28%	14.34%

The leverage ratio excluding the impact of any temporary exclusions for central bank reserves stands at 14.28% 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 Financial Services AG does not make use of the option to temporarily apply the exemption for central bank reserves.

**TABLE 66: EU LR3 – LRSPL – SPLIT-UP OF ON-BALANCE SHEET EXPOSURES
(EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)**

	in € millions	A CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	203,696.9
EU-2	Trading book exposures	0.0
EU-3	Banking book exposures, of which:	203,696.9
EU-4	Covered bonds	167.2
EU-5	Exposures treated as sovereigns	12,435.5
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	567.0
EU-7	Institutions	706.1
EU-8	Secured by mortgages of immovable properties	3,002.6
EU-9	Retail exposures	51,186.7
EU-10	Corporates	45,479.8
EU-11	Exposures in default	2,166.2
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	87,985.8

As a non-trading book institution, Volkswagen Financial Services AG has on-balance-sheet exposures of €203.7 billion that are held solely in the banking book. Accounting for a share of 43.2%, the other risk exposures of €88.0 billion constitute the largest item. Other risk exposures consist primarily of residual lease values under the “Other items” exposures class.

Annex

Volkswagen Financial Services AG has been classified by BaFin as an other systemically important institution since the 2026 financial year.

The Total Leverage Ratio Exposure Measure within the meaning of Art. 429 para. 4 CRR of Volkswagen Financial Services AG exceeds the amount of €200 billion. Therefore, under section 10f (4) of the German Banking Act, it is obliged to participate in an annual survey by the Basel Committee on Banking Supervision (BCBS), which collects the indicators of possible global systemic importance. The indicators are determined on the basis of specific requirements of the BCBS. For example, several indicators also include insurance subsidiaries. This severely limits comparability with other statements in the disclosure report.

In accordance with Section 10f (4) of the German Banking Act, Volkswagen Financial Services AG is obliged to publish the indicators compiled and transmitted as part of the survey in the same medium as the content in accordance with Part 8 of the CRR. Volkswagen Financial Services AG therefore discloses the indicator values as of December 31, 2025 as follows:

TABLE 67: END-2025 G-SIB ASSESSMENT EXERCISE

CHECKS SUMMARY		INDICATOR VALUE	
Section 23 - Indicator Values (revised methodology)		in single EUR	GSIB
a.	Section 2 - Total exposures indicator, including insurance subsidiaries	213.161.096.455	2001
b.	Section 3 - Intra-financial system assets indicator, including insurance subsidiaries	3.503.361.516	2002
c.	Section 4 - Intra-financial system liabilities indicator, including insurance subsidiaries	20.426.541.265	2003
d.	Section 5 - Securities outstanding indicator, including insurance subsidiaries	69.411.137.381	2004
e.	Section 6 - Payments activity indicator	185.305.899.144	2005
f.	Section 7 - Assets under custody indicator	0	2006
g.	Section 8 - Underwriting activity indicator	0	2007
h.	Section 9.c - Trading Volume fixed income sub-indicator	400.762.100	2008
i.	Section 9.f - Trading Volume equities and other securities sub-indicator	0	2009
j.	Section 10 - OTC derivatives indicator, including insurance subsidiaries	30.009.033.294	2010
k.	Section 11 - Trading and AFS securities indicator	0	2011
l.	Section 12 - Level 3 assets indicator, including insurance subsidiaries	4.468.980.827	2012
m.	Section 13 - Cross-jurisdictional claims indicator	58.433.661.589	2013
n.	Section 14 - Cross-jurisdictional liabilities indicator	15.685.235.995	2014

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