

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

VOLKSWAGEN BANK GMBH
PILLAR 3 DISCLOSURE REPORT
IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION
AS OF JUNE 30,

2019

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All figures shown in tables are rounded, so minor discrepancies may arise from addition of these amounts.

Foreword

The Pillar 3 Disclosure Report for the period ended June 30, 2019 is published in accordance with the supervisory law requirements of the Basel III framework (Regulation (EU) No. 575/2013 – the Capital Requirements Regulation or “CRR” – and Directive 2013/36/EU – the Capital Requirements Directive IV or “CRD IV”), which came into force as of January 1, 2014. This Report is based on the legal requirements in force as of the reporting date.

Volkswagen Bank GmbH acts as the parent of the institution group for supervisory law purposes and is responsible for implementing the requirements of supervisory law within the Group. This also includes the obligation to make regular disclosures in accordance with Article 433 of the CRR.

As Volkswagen Bank GmbH has been classified as an “other systemically important institution” (O-SII) in accordance with Article 131(3) of the CRD IV in conjunction with section 10g(2) of the German Banking Act (“KWG”) and the relevant guidelines issued by the European Banking Authority (EBA/GL/2014/10), the EBA guidelines on the disclosure duties in accordance with Part 8 of Regulation (EU) No. 575/2013 (EBA/GL/2016/11) must also be applied.

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.

In accordance with Article 433 of the CRR, the Pillar 3 Disclosure Report is updated once a quarter to meet the requirements and published shortly thereafter as a separate report on Volkswagen Bank GmbH’s website. The scope of the quarterly Pillar 3 Disclosure Report is based on the relevant EBA guidelines (EBA/GL/2014/14 in conjunction with EBA/GL/2016/11 and EBA/GL/2017/01) and Commission Implementing Regulation (EU) 2016/200.

Braunschweig, September 2019

The Management

Own Funds

INTRODUCTION

The own funds of an institution or an institution group are measured by reference to the prudential capital ratios. In this connection, Volkswagen Bank GmbH must observe the minimum capital ratios defined in Article 92 of the CRR at both the level of the individual institution and at the consolidated level of the institution group. In addition, Volkswagen Bank GmbH must observe the prudential capital buffer requirements as well as the additional capital requirements defined in the supervisory review and evaluation process (SREP).

In this document, the explanatory notes and data pertaining to own funds refer to Volkswagen Bank GmbH's institution group and are based on IFRS accounting.

STRUCTURE OF OWN FUNDS

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

Common Equity Tier 1 capital

Common Equity Tier 1 capital primarily consists of equity reported in the balance sheet. In turn, the equity reported in the balance sheet is composed of ordinary share capital and disclosed reserves. Volkswagen Bank GmbH's share capital is fully paid up and unrestricted. 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 decline in Common Equity Tier 1 capital compared with December 31, 2018 is primarily due to the disposal in March 2019 of the two subsidiaries Volkswagen Financial Services (UK) Ltd. and ŠkoFIN s.r.o., which were carved out on a non-cash basis and transferred to Volkswagen Financial Services AG. As a result of this, the Common Equity Tier 1 capital declined by €1.3 billion. Part of this reduction was offset by an increase in the Common Equity Tier 1 capital in connection with a portfolio transfer. The merger of the loan portfolio held by VOLKSWAGEN FINANCE S.A. with Volkswagen Bank GmbH was executed in the form of a non-cash capital contribution in May 2019. This non-cash capital contribution caused Volkswagen Bank GmbH's capital reserve and, hence, Common Equity Tier 1 capital to rise by €0.4 billion.

Tier 2 capital

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

The subordinated liabilities, which are subject to interest at market rates, have original maturities of 20 years and are due for settlement no later than 2024. Some of the liabilities are subject to a contractual call right by Volkswagen Bank GmbH if certain trigger events occur. However, in accordance with Article 78 of the CRR, this right can only be exercised with the prior permission of the supervisory authorities. The investors do not have any call rights. The requirements of Article 63 of the CRR have been met.

In accordance with the prudential definition set out in Article 50 of the CRR, Common Equity Tier 1 capital is composed of the Common Equity Tier 1 items after allowance for prudential adjustment items and deductions. Common Equity Tier 1 items as defined in Article 26 of the CRR include the capital instruments of Common Equity Tier 1 capital provided that the conditions for recognition as Common Equity Tier 1 capital are satisfied.

In accordance with Article 72 of the CRR, Tier 2 capital is composed of Tier 2 items after deductions. The Tier 2 items primarily comprise Tier 2 capital instruments provided that the conditions for recognition as Tier 2 capital are satisfied.

This table breaks down the Common Equity Tier 1 and Tier 2 capital instruments by their principal characteristics.

TABLE 1: DISCLOSURE ON CAPITAL INSTRUMENTS' MAIN FEATURES IN ACCORDANCE WITH ARTICLE 437(1)(B) OF THE CRR (IMPLEMENTING REGULATION 1423 ANNEX II GROUP)

| Annex II | | Instrument type 1 | Instrument type 2 | Instrument type 3 |
|----------|---|------------------------------|----------------------------------|----------------------------------|
| 1 | Issuer | Volkswagen Bank GmbH Gruppe | Volkswagen Bank GmbH | Volkswagen Bank GmbH |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | Bilateral agreements | XS0175737997 | XS0193333613 |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| | Regulatory treatment | | | |
| 4 | Transitional CRR rules | Common Equity Tier 1 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at solo/(sub)consolidated/solo and (sub)consolidated | (Sub)consolidated | Solo and (sub)consolidated | Solo and (sub)consolidated |
| 7 | Instrument type (types to be specified by each jurisdiction) | Share capital | Subordinated bond | Subordinated bond |
| 8 | Amount recognized in regulatory capital (currency in million, as of most recent reporting date) | EUR 318 million | EUR 19 million | EUR 11 million |
| 9 | Nominal amount of instrument | EUR 318 million | EUR 20 million | EUR 10 million |
| 9a | Issue price | Various | EUR 19.3 million | EUR 9.5 million |
| 9b | Redemption price | N/A | EUR 20.0 million | EUR 10.0 million |
| 10 | Accounting classification | Share capital | Liability – amortized cost | Liability – amortized cost |
| 11 | Original date of issuance | Various | 26.09.2003 | 07.06.2004 |
| 12 | Perpetual or dated | Perpetual | Dated | Dated |
| 13 | Original maturity date | No maturity | 26.09.2023 | 07.06.2024 |
| 14 | Issuer call subject to prior supervisory approval | No | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | N/A | Termination option for tax event | Termination option for tax event |
| 16 | Subsequent call dates, if applicable | N/A | N/A | N/A |
| | Coupons/dividends | | | |
| 17 | Fixed or floating dividend/coupon | Variable | Fixed | Fixed |
| 18 | Coupon rate and any related index | N/A | 5.4% p.a. | 5.5% p.a. |
| 19 | Existence of a dividend stopper | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Mandatory | Mandatory |
| 20b | Fully discretionary, partly discretionary or mandatory (in terms of amount) | Fully discretionary | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No | No | No |
| 22 | Noncumulative or cumulative | Noncumulative | Noncumulative | Noncumulative |
| 23 | Convertible or nonconvertible | Nonconvertible | Nonconvertible | Nonconvertible |
| 24 | If convertible, conversion trigger(s) | N/A | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A | N/A |

| Annex II | Instrument type 1 | Instrument type 2 | Instrument type 3 |
|----------|---|--------------------------------|-------------------------------------|
| 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 |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Subordinate to AT1 instruments | Subordinate to insolvency creditors |
| 36 | Noncompliant transitioned features | No | No |
| 37 | If yes, specify noncompliant features | N/A | N/A |

No. 10 of instrument 1 entails the GmbH shares of Volkswagen Bank GmbH.

The own funds in accordance with Article 72 of the CRR and the capital ratios in accordance with Article 92 of the CRR as well as the capital buffers in accordance with section 10c ff. KWG are composed of the following items as of June 30, 2019:

TABLE 2: DISCLOSURE ON OWN FUNDS (IMPLEMENTING REGULATION 1423 ANNEX IV)

| No. | Capital instruments | (A) Amount at disclosure Date (€ million) | (B) Regulation (EU) No. 575/2013 Article Reference |
|--|---|--|--|
| COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES | | | |
| 1 | Capital instruments and the related share premium accounts | 318 | 26(1), 27, 28, 29, EBA list 26(3) |
| | of which: share capital | 318 | EBA list 26(3) |
| 2 | Retained earnings | 643 | 26(1)(c) |
| 3 | Accumulated other comprehensive income (and other reserves) | 8.975 | 26(1) |
| 3a | Funds for general banking risk | 0 | 26(1)(f) |
| 4 | Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1 | 0 | 486(2) |
| 5 | Minority interests (amount allowed in consolidated CET1) | 0 | 84,0 |
| 5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 0 | 26(2) |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 9.937 | Sum of rows 1 to 5a |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 7 | Additional value adjustments (negative amount) | -3 | 34, 105 |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -72 | 36(1)(b), 37 |
| 9 | Empty set in the EU | | |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount) | 0 | 36 (1) (c), 38 |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | -1 | 33 (1) (a) |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | 0 | 36 (1) (d), 40, 159 |
| 13 | Any increase in equity that results from securitised assets (negative amount) | 0 | 32(1) |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | -2 | 33 (1) (b) |
| 15 | Defined-benefit pension fund assets (negative amount) | 0 | 36 (1) (e), 41 |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | 0 | 36 (1) (f), 42 |
| 17 | Direct, indirect and synthetic holdings of the CET1 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 | 36 (1) (g), 44 |
| 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 | 36 (1) (h), 43, 45, 46, 49 (2) and (3), 79 |
| 19 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | 0 | 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79 |
| 20 | Empty set in the EU | | |

| No. | Capital instruments | (A) Amount at disclosure Date (€ million) | (B) Regulation (EU) No. 575/2013 Article Reference |
|--|---|--|--|
| 20a | Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative | -83 | 36(1)(k) |
| 20b | of which: qualifying holdings outside the financial sector (negative amount) | 0 | 36(1)(k)(i), 89 to 91 |
| 20c | of which: securitisation positions (negative amount) | -83 | 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 |
| 20d | of which: free deliveries (negative amount) | 0 | 36 (1) (k) (iii), 379 (3) |
| 21 | Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in 38(3) are met) (negative amount) | -681 | 36 (1) (c), 38, 48 (1) (a) |
| 22 | Amount exceeding the 15% threshold (negative amount) | 0 | 48(1) |
| 23 | of which: 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 | 0 | 36 (1) (i), 48 (1) (b) |
| 24 | Empty set in the EU | | |
| 25 | of which: deferred tax assets arising from temporary differences | 0 | 36 (1) (c), 38, 48 (1) (a) |
| 25a | Losses for the current financial year (negative amount) | -33 | 36 (1) (a) |
| 25b | Foreseeable tax charges relating to CET1 items (negative amount) | 0 | 36(1)(l) |
| 27 | Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount) | 0 | 36(1)(j) |
| 28 | Total regulatory adjustments to Common Equity Tier 1 (CET1) | -876 | Sum of rows 7 to 20a, 21, 22 and 25a to 27 |
| 29 | Common Equity Tier 1 (CET1) capital | 9.061 | Row 6 minus row 28 |
| Additional Tier 1 (AT1) capital: Instruments | | | |
| 30 | Capital instruments and the related share premium accounts | 0 | 51, 52 |
| 31 | of which: classified as equity under applicable accounting standards | 0 | |
| 32 | of which: classified as liabilities under applicable accounting standards | 0 | |
| 33 | Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1 | 0 | 486(3) |
| 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 | 85, 86 |
| 35 | of which: instruments issued by subsidiaries subject to phase out | 0 | 486(3) |
| 36 | Additional Tier 1 (AT1) capital before regulatory adjustments | 0 | Sum of rows 30, 33 and 34 |
| Additional Tier 1 (AT1) capital: regulatory adjustments | | | |
| 37 | Direct and indirect holdings by an institution of own AT1 instruments (negative amount) | 0 | 52 (1) (b), 56 (a), 57 |
| 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 | 56 (b), 58 |
| 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 | 56 (c), 59, 60, 79 |
| 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 | 56 (d), 59, 79 |
| 41 | Empty set in the EU | | |
| 42 | Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount) | 0 | 56(e) |
| 43 | Total regulatory adjustments to Additional Tier 1 (AT1) capital | 0 | Sum of rows 37 to 42 |
| 44 | Additional Tier 1 (AT1) capital | 0 | Row 36 minus row 43 |

| No. | Capital instruments | (A) Amount at disclosure Date (€ million) | (B) Regulation (EU) No. 575/2013 Article Reference |
|-----------|--|--|--|
| | | | Sum of row 29 and row 44 |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 9.061 | |
| | Tier 2 (T2) capital: Instruments and provisions | | |
| 46 | Capital instruments and the related share premium accounts | 30 | 62, 63 |
| 47 | Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2 | 0 | 486(4) |
| 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 | 87, 88 |
| 49 | of which: instruments issued by subsidiaries subject to phase out | 0 | 486(4) |
| 50 | Credit risk adjustments | 0 | 62(c) and (d) |
| 51 | Tier 2 (T2) capital before regulatory adjustments | 30 | |
| | Tier 2 (T2) capital: regulatory adjustments | | |
| 52 | Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount) | 0 | 63 (b) (i), 66 (a), 67 |
| 53 | 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 | 66 (b), 68 |
| 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 | 66 (c), 69, 70, 79 |
| 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 | 66 (d), 69, 79 |
| 56 | Empty set in the EU | | |
| 57 | Total regulatory adjustments to Tier 2 (T2) capital | 0 | Sum of rows 52 to 56 |
| 58 | Tier 2 (T2) capital | 30 | Row 51 minus row 57 |
| 59 | Total capital (TC = T1 + T2) | 9.091 | Sum of row 45 and row 58 |
| 60 | Total risk weighted assets | 57.601 | |
| | Capital ratios and buffers | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount) | 15,7 | 92 (2) (a) |
| 62 | Tier 1 (as a percentage of total risk exposure amount) | 15,7 | 92 (2) (b) |
| 63 | Total capital (as a percentage of total risk exposure amount) | 15,8 | 92(2)(c) |
| 64 | Institution specific buffer requirement (CET1 requirement in accordance with Article 92(1)(a), plus capital conservation and countercyclical buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffer expressed as a percentage of risk exposure amount) | 7,3 | CRD 128, 129, 130, 131, 133 |
| 65 | of which: capital conservation buffer requirement | 2,5 | |
| 66 | of which: countercyclical buffer requirement | 0,2 | |
| 67 | of which: systemic risk buffer requirement | 0,0 | |
| 67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | 0,2 | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 8,4 | CRD 128 |
| 69 | [not relevant in the EU Regulation] | | |
| 70 | [not relevant in the EU Regulation] | | |
| 71 | [not relevant in the EU Regulation] | | |

| No. | Capital instruments | (A) Amount at disclosure Date (€ million) | (B) Regulation (EU) No. 575/2013 Article Reference |
|--|--|--|--|
| Amounts under the threshold for deductions (before risk weighting) | | | |
| 72 | Direct and indirect holdings of the capital 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) | 17 | 36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70 |
| 73 | Direct and indirect holdings by the institution in CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 0 | 36 (1) (i), 45, 48 |
| 74 | Empty set in the EU | | |
| 75 | Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) | 970 | 36 (1) (c), 38, 48 |
| 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) | N/A | 62 |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | N/A | 62 |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to application of the cap) | N/A | 62 |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | N/A | 62 |
| 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 | N/A | 484(3), 486(2) and (5) |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | N/A | 484(3), 486(2) and (5) |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | N/A | 484(4), 486(3) and (5) |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | N/A | 484(4), 486(3) and (5) |
| 84 | Current cap on T2 instruments subject to phase out arrangements | N/A | 484(5), 486(4) and (5) |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | N/A | 484(5), 486(4) and (5) |

CRR OWN FUNDS REQUIREMENTS

The CRR own funds requirements relating to credit risk, the risk of a credit valuation adjustment (CVA risk), the market risk and operational risk were composed of the following items as of June 30, 2019:

TABLE 3: REGULATORY OWN FUNDS REQUIREMENTS AT GROUP LEVEL

| € million | Risk-weighted exposure amount (after SME Supporting Factor) | Own funds requirements |
|--|--|---------------------------|
| Credit risk | 52.959 | 4.237 |
| Exposures to central governments or central banks | 2.445 | 196 |
| Exposures to regional governments or local authorities | 0 | 0 |
| Exposures to public sector entities | 8 | 1 |
| Exposures to multilateral development banks | 0 | 0 |
| Exposures to international organizations | 0 | 0 |
| Exposures to institutions | 316 | 25 |
| Exposures to corporates | 16.682 | 1.335 |
| Retail exposures | 29.995 | 2.400 |
| Exposures secured by mortgages on immovable property | 0 | 0 |
| Exposures in default | 1.133 | 91 |
| Exposures associated with particularly high risk | 0 | 0 |
| Exposures in the form of covered bonds | 26 | 2 |
| Items representing securitisation positions | 123 | 10 |
| Exposures to institutions and corporates with a short-term credit assessment | 0 | 0 |
| Exposures in the form of units or shares in collective investment undertakings (CIUs) | 0 | 0 |
| Equity exposures | 23 | 2 |
| Other items | 2.206 | 176 |
| Credit valuation adjustment risk | 40 | 3 |
| CVA risk (standard method) | 40 | 3 |
| Market risk | 1.279 | 102 |
| Position risk for trading book business | - | - |
| Large exposures above the limit for trading book business | - | - |
| Foreign currency risk | 1.279 | 102 |
| Settlement risk | - | - |
| Commodity position risk | - | - |
| Capital requirement for currency risks under the standardised approach | - | - |
| Operational risks | 3.323 | 266 |
| Capital requirement for the standardised approach | 3.323 | 266 |
| Total | 57.600 | 4.608 |

The data presented above indicates clearly that counterparty credit risk is the most prominent exposure, with an own funds requirement of €4.2 billion.

The following table shows changes in the risk weighted assets (RWAs) broken down by risk type and model approach in the last quarter:

TABLE 4: EU OV1 – OVERVIEW OF RWAS

| € million | | RWAS | | MINIMUM CAPITAL REQUIREMENTS |
|--|-----------|---|------------|------------------------------|
| | | 30.06.2019 | 31.03.2019 | 30.06.2019 |
| | 1 | Credit risk (excluding counterparty credit risk) (CRR) | | 4.027 |
| Art. 438 (c) (d) | 2 | 50.341 | 45.966 | 4.027 |
| Art. 438 (c) (d) | 3 | - | - | - |
| Art. 438 (c) (d) | 4 | - | - | - |
| Art. 438 (d) | 5 | - | - | - |
| Art. 107 | | | | |
| Art. 438 (c) (d) | 6 | Counterparty credit risk (CCR) | | 8 |
| Art. 438 (c) (d) | 7 | 103 | 88 | 5 |
| Art. 438 (c) (d) | 8 | 63 | 53 | - |
| Art. 438 (c) (d) | 9 | - | - | - |
| | 10 | - | - | - |
| Art. 438 (c) (d) | 11 | - | - | - |
| Art. 438 (c) (d) | 12 | - | - | - |
| Art. 438 (c) (d) | 12 | 40 | 34 | 3 |
| Art. 438 (e) | 13 | Settlement risk | | - |
| Art. 449 (o) (i) | 14 | Securisation exposures in banking book (after the cap) | | 10 |
| | 15 | 123 | 213 | - |
| | 16 | - | - | - |
| | 17 | - | - | - |
| | 18 | - | - | - |
| | 18 | 123 | 213 | 10 |
| Art. 438 (e) | 19 | Market risk | | 102 |
| | 20 | 1.279 | 1.197 | 102 |
| | 21 | - | - | - |
| Art. 438 (e) | 22 | Large exposures | | - |
| Art. 438 (f) | 23 | Operational risk | | 266 |
| | 24 | 3.323 | 3.323 | - |
| | 25 | - | - | - |
| | 26 | 3.323 | 3.323 | 266 |
| | 26 | - | - | - |
| Art. 437 (2), Art. 48 and Art. 60 | 27 | Amounts below the thresholds for deduction (subject to 250% risk weight) | | 194 |
| Art. 500 | 28 | 2.431 | 2.324 | - |
| | 28 | - | - | - |
| | 29 | Floor adjustment | | - |
| | 29 | 57.600 | 53.112 | 4.608 |
| | 29 | Total | | 4.608 |

The increase in the credit risk exposures compared with the previous quarter is primarily due to the merger of the loan portfolio held by VOLKSWAGEN FINANCE S.A. with Volkswagen Bank GmbH in May 2019.

TABLE 5: EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

| € million | Notional | Replacement cost / Current market value | Potential future credit exposure | EEPE | Multiplier | EAD post-CRM | RWA |
|---|----------|---|----------------------------------|------|------------|--------------|-----------|
| Mark to market | | 369 | 127 | | | 495 | 63 |
| Original exposure | - | | | | | - | - |
| Standardised approach | | - | | | - | - | - |
| IMM (for derivatives and SFTs) | | | | - | - | - | - |
| Of which securities financing transactions | | | | - | - | - | - |
| Of which derivatives and long settlement transactions | | | | - | - | - | - |
| Of which from contractual cross product netting | | | | - | - | - | - |
| Financial collateral simple method (for SFTs) | | | | | | - | - |
| Financial collateral comprehensive method (for SFTs) | | | | | | - | - |
| VaR for SFTs | | | | | | - | - |
| Total | | | | | | | 63 |

Counterparty credit risk pursuant to the CRR is defined as a loss or lost profit caused by a default on the part of a counterparty in a derivative transaction. Volkswagen Bank GmbH uses solely the mark-to-market method provided for in Article 274 of the CRR to quantify counterparty credit risks. Collateral for the mitigation of risk is not included in this connection.

Transactions with counterparties in connection with over-the-counter (OTC) derivatives are exposed not only to credit risks but also to market risks. If the credit rating of the counterparty to a derivative changes, this also affects the market value. This is because the counterparty credit risk is priced into the market value. Any change in market value or any adjustment to the value of the loan as a result of a potential change in rating gives rise to a difference in value between a portfolio free of any credit risk and an identical portfolio which takes account of a potential change in the counterparty's rating. This difference is known as a credit value adjustment (CVA).

Volkswagen Bank GmbH uses the standardised method provided for in Article 384 of the CRR to quantify CVA risks.

The following table shows the own funds requirements for adjusting the credit valuation broken down by exposure value and risk-weighted assets (RWAs). The risk of a credit value adjustment (CVA risk) exhibits an RWA amount of €40 million as of June 30, 2019.

TABLE 6: EU CCR2 – CVA CAPITAL CHARGE

| | € million | Exposure Value | RWAs |
|-----|--|----------------|------|
| 1 | Total portfolios subject to the advanced method | - | - |
| 2 | (i) VaR component (including the 3 x multiplier) | - | - |
| 3 | (ii) SVaR component (including the 3 x multiplier) | - | - |
| 4 | All portfolios subject to the standardised method | 272 | 40 |
| EU4 | Based on the original exposure method | - | - |
| 5 | Total subject to the CVA capital charge | 272 | 40 |

In the period covered by this report, RWAs dropped by €16 million due to the disposal of Volkswagen Financial Services (UK) Ltd. in March 2019, rising slightly in the following months as a result of normal business activity.

The following table sets out the exposures to qualified central counter parties (CCP), broken down by exposure at default (EAD) and RWAs as of June 30, 2019.

TABLE 7: EU CCR8 – EXPOSURES TO CCPs

| | € million | EAD (post-CRM) | RWA |
|-----------|---|----------------|-----------|
| 1 | Exposure to QCCPs (total) | | 12 |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which | 224 | 9 |
| 3 | (i) OTC derivatives | 224 | 9 |
| 4 | (ii) Exchange-traded derivatives | - | - |
| 5 | (iii) SFTs | - | - |
| 6 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 7 | Segregated initial margin | 64 | - |
| 8 | Non-segregated initial margin | - | - |
| 9 | Pre-funded default fund contributions | - | - |
| 10 | Alternative calculation of own funds requirements for exposures | - | - |
| 11 | Exposures to non-QCCPs (total) | | |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - |
| 13 | (i) OTC derivatives | - | - |
| 14 | (ii) Exchange-traded derivatives | - | - |
| 15 | (iii) SFTs | - | - |
| 16 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 17 | Segregated initial margin | - | - |
| 18 | Non-segregated initial margin | - | - |
| 19 | Pre-funded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

Institutions can make use of netting agreements with counterparties for netting positive and negative market values of derivatives or collateral received under collateralization agreements to reduce their own funds requirements for the counterparty credit risk.

As Volkswagen Bank GmbH does not make use of netting agreements or collateralization agreements to mitigate the counterparty credit risk, tables CCR5-A and CCR5-B have been dispensed with.

Disclosure of the Leverage Ratio

DESCRIPTION OF THE PROCESSES USED TO MANAGE THE RISK OF EXCESSIVE LEVERAGE

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

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Common Equity Tier 1 capital and risk measure at Volkswagen Bank GmbH dropped during the period covered by this report primarily as a result of the disposal of the two subsidiaries Volkswagen Financial Services (UK) Ltd. and ŠkoFIN s.r.o. in March 2019. Part of this reduction was offset by the merger of the loan portfolio held by VOLKSWAGEN FINANCE S.A. with Volkswagen Bank GmbH in May 2019.

The reduction in Common Equity Tier 1 capital had an adverse effect whereas the reduction in the risk measure had a positive effect on the leverage ratio.

TABLE 8: CRR LEVERAGE RATIO – DISCLOSURE TEMPLATE

| | |
|----------------------|----------------------|
| Reference date | 06/30/2019 |
| Entity name | Volkswagen Bank GmbH |
| Level of application | Consolidated level |

TABLE 9: LRSUM – SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

| € million | | Applicable Amount |
|-----------|---|-------------------|
| 1 | Total assets as per published financial statements | 84.966 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | 11.087 |
| 3 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013) | 0 |
| 4 | Adjustments for derivative financial instruments | 256 |
| 5 | Adjustment for securities financing transactions (SFTs) | 0 |
| 6 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 2.065 |
| EU-6a | (Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013) | 0 |
| EU-6b | (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013) | 0 |
| 7 | Other adjustments | -1.704 |
| 8 | Leverage ratio total exposure measure | 73.262 |

TABLE 10: LRCOM – LEVERAGE RATIO COMMON DISCLOSURE

| € million | CRR leverage ratio exposures |
|---|------------------------------|
| On-balance sheet exposures (excluding derivatives and SFTs) | |
| 1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 71.722 |
| 2 (Asset amounts deducted in determining Tier 1 capital) | -747 |
| 3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2) | 70.975 |
| Derivative exposures | |
| 4 Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin) | 364 |
| 5 Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method) | 127 |
| EU-5a Exposure determined under Original Exposure Method | 0 |
| 6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | 0 |
| 7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | -162 |
| 8 (Exempted CCP leg of client-cleared trade exposures) | 0 |
| 9 Adjusted effective notional amount of written credit derivatives | 0 |
| 10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | 0 |
| 11 Total derivatives exposures (sum of lines 4 to 10) | 328 |
| SFT exposures | |
| 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 0 |
| 13 (Netted amounts of cash payables and cash receivables of gross SFT assets) | 0 |
| 14 Counterparty credit risk exposure for SFT assets | 0 |
| EU-14a Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013 | 0 |
| 15 Agent transaction exposures | 0 |
| EU-15a (Exempted CCP leg of client-cleared SFT exposure) | 0 |
| 16 Total securities financing transaction exposures (sum of lines 12 to 15a) | 0 |
| Other off-balance sheet exposures | |
| 17 Off-balance sheet exposures at gross notional amount | 9.574 |
| 18 (Adjustments for conversion to credit equivalent amounts) | -7.616 |
| 19 Other off-balance sheet exposures (sum of lines 17 and 18) | 1.958 |
| Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet) | |
| EU-19a (Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)) | 0 |
| EU-19b (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)) | 0 |
| Capital and total exposure measure | |
| 20 Tier 1 capital | 9.061 |
| 21 Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b) | 73.262 |
| Leverage ratio | |
| 22 Leverage ratio | 12,4% |
| Choice on transitional arrangements and amount of derecognised fiduciary items | |
| EU-23 Choice on transitional arrangements for the definition of the capital measure | Fully phased-in |
| EU-24 Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013 | 0 |

TABLE 11: LRSPL – SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

| € million | CRR leverage ratio exposures | |
|-----------|---|--------|
| EU-1 | Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which: | 71.722 |
| EU-2 | Trading book exposures | 0 |
| EU-3 | Banking book exposures, of which: | 71.722 |
| EU-4 | Covered bonds | 263 |
| EU-5 | Exposures to central governments or central banks | 10.677 |
| EU-6 | Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns | 17 |
| EU-7 | Institutions | 731 |
| EU-8 | Secured by mortgages of immovable properties | 0 |
| EU-9 | Retail exposures | 39.637 |
| EU-10 | Corporate | 16.406 |
| EU-11 | Exposures in default | 897 |
| EU-12 | Other exposures (eg equity, securitisations and other non-credit obligation assets) | 3.094 |

Quantitative Disclosures on Credit Risk

The following tables show Volkswagen Bank GmbH's total exposures by the standards of external reporting and with due allowance for prudential deconsolidation effects. The information is based on the supervisory reports as of June 30, 2019.

In accordance with Article 442 g) and h) of the CRR, the following template EU CR1-A breaks down the defaulted and non-defaulted exposures by exposure class. Diagram EU CR1-B sets out the corresponding data in accordance with Article 442 g) of the CRR by counterparty types. Diagram EU CR1-C shows the breakdown in accordance with Article 444 h) of the CRR by principal regions.

TABLE 12: EU CR1-A – CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASSES AND INSTRUMENTS

| € million | GROSS CARRYING VALUES OF | | | | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|--|-----------------------------|--------------------------------|---------------------------------------|--------------------------------------|---------------------------|---|---------------|
| | Defaulted exposures | Non- defaulted exposures | Specific credit risk adjustment | General credit risk adjustment | | | |
| 15 Total IRB approach | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Central governments or central banks | 0 | 7.509 | 0 | 0 | 0 | 0 | 7.509 |
| 17 Regional governments or local authorities | 0 | 812 | 0 | 0 | 0 | 0 | 812 |
| 18 Public sector entities | 0 | 973 | 0 | 0 | 0 | 0 | 973 |
| 19 Multilateral development banks | 0 | 51 | 0 | 0 | 0 | 0 | 51 |
| 20 International organisations | 0 | 101 | 0 | 0 | 0 | 0 | 101 |
| 21 Institutions | 0 | 1.625 | 0 | 0 | 0 | 0 | 1.625 |
| 22 Corporates | 950 | 24.536 | 180 | 0 | 3 | 8 | 25.306 |
| 23 Of which SMEs | 58 | 238 | 1 | 0 | 0 | 0 | 294 |
| 24 Retail | 693 | 42.309 | 280 | 0 | 4 | 13 | 42.722 |
| 25 Of which SMEs | 50 | 1.127 | 6 | 0 | 0 | 0 | 1.171 |
| 26 Secured by mortgages on immovable property | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 27 Of which SMEs | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 28 Exposures in default | 1.643 | | 655 | 0 | 9 | 31 | 988 |
| 29 Items associated with particularly high risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 Covered bonds | 0 | 264 | 0 | 0 | 0 | 0 | 264 |
| 31 Claims on institutions and corporates with a short-term credit assessment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 Collective investment undertakings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 Equity exposures | 0 | 20 | 0 | 0 | 0 | 0 | 20 |
| 34 Other exposures | 0 | 2.257 | 0 | 0 | 0 | 0 | 2.257 |
| 35 Total standardised approach | 1.643 | 80.456 | 1.115 | 0 | 16 | 52 | 80.984 |
| 36 Total | 1.643 | 80.456 | 1.115 | 0 | 16 | 52 | 80.984 |
| 37 Of which: Loans | 1.643 | 61.834 | 1.114 | 0 | 16 | 52 | 62.363 |
| 38 Of which: Debt securities | 0 | 15.031 | 2 | 0 | 0 | 0 | 15.029 |
| 39 Of which: Off-balance-sheet exposures | 0 | 3.592 | | | | | 3.592 |

TABLE 13: EU CR1-B – CREDIT QUALITY OF EXPOSURES BY COUNTERPARTY TYPES

| | € million | GROSS CARRYING VALUES OF | | | | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|--|-----------------------------|--------------------------------|---------------------------------------|--------------------------------------|---------------------------|---|---------------|
| | | Defaulted exposures | Non- defaulted exposures | Specific credit risk adjustment | General credit risk adjustment | | | |
| 1 | Central banks | 0 | 5.250 | 0 | 0 | 0 | 0 | 5.250 |
| 2 | General governments | 0 | 1.870 | 1 | 0 | 0 | 0 | 1.869 |
| 3 | Credit institutions and other financial corporations | 2 | 15.860 | 6 | 0 | 0 | 0 | 15.856 |
| 4 | Non-financial corporations | 931 | 22.736 | 619 | 0 | 4 | 0 | 23.048 |
| 5 | Households | 710 | 34.741 | 490 | 0 | 11 | 0 | 34.962 |
| 6 | Total | 1.643 | 80.456 | 1.115 | 0 | 16 | 52 | 80.984 |

TABLE 14: EU CR1-C – CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

| | € million | GROSS CARRYING VALUES OF | | | | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|--------------------------|-----------------------------|--------------------------------|---------------------------------------|--------------------------------------|---------------------------|---|---------------|
| | | Defaulted exposures | Non- defaulted exposures | Specific credit risk adjustment | General credit risk adjustment | | | |
| 1 | Germany | 1.027 | 41.490 | 590 | 0 | 10 | 27 | 41.927 |
| 2 | France | 292 | 6.517 | 210 | 0 | 3 | 10 | 6.599 |
| 3 | Spain | 67 | 5.826 | 93 | 0 | 1 | 4 | 5.800 |
| 4 | Italy | 106 | 5.049 | 92 | 0 | 1 | 4 | 5.063 |
| 5 | Luxembourg | 0 | 11.928 | 0 | 0 | 0 | 0 | 11.928 |
| 6 | Other geographical areas | 151 | 9.646 | 131 | 0 | 1 | 6 | 9.666 |
| 7 | Total | 1.643 | 80.456 | 1.115 | 0 | 16 | 52 | 80.984 |

The threshold for including an individual country in EUR CR1-C is 5% in relation to the net carrying amount of the total exposures. Countries below this threshold are combined within “Other countries”. These are Argentina, Australia, Belgium, Brazil, China, Finland, Greece, India, Ireland, Japan, Mexico, Netherlands, Norway, Poland, Portugal, Russia, Slovakia, South Africa, the Czech Republic, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

TABLE 15: EU CR1-D – AGEING OF PAST-DUE EXPOSURES

| | € million | GROSS CARRYING VALUES | | | | | |
|---|------------------------|-----------------------|---------------------|---------------------|----------------------|---------------------|------------|
| | | ≤ 30 days | > 30 days ≤ 60 days | > 60 days ≤ 90 days | > 90 days ≤ 180 days | > 180 days ≤ 1 year | |
| 1 | Loans | 59.697 | 225 | 1.383 | 157 | 84 | 288 |
| 2 | Debt securities | 15.031 | 0 | 0 | 0 | 0 | 0 |
| 3 | Total exposures | 74.728 | 225 | 1.383 | 157 | 84 | 288 |

TABLE 16: EU CR1-E – NON-PERFORMING AND FORBORNE EXPOSURES

| | GROSS CARRYING VALUES OF PERFORMING AND NON-PERFORMING EXPOSURES | | | | | | | ACCUMULATED IMPAIRMENT AND PROVISIONS AND NEGATIVE FAIR VALUE ADJUSTMENTS DUE TO CREDIT RISK | | | | COLLATERALS AND FINANCIAL GUARANTEES RECEIVED | | |
|---|--|---|------------------------------|-------------------------|-------------------|-------------------|---|--|-------|-----------------------------|-----------------------------|---|-----|-----|
| | € million | Of which performing but past due > 30 days and <= 90 days | Of which performing forborne | Of which non-performing | | | On performing exposures Of which forborne | On non-performing exposures Of which forborne | Total | On non-performing exposures | Of which forborne exposures | | | |
| | | | | Of which defaulted | Of which impaired | Of which forborne | | | | | | | | |
| | | | | | | | | | | | | | | |
| 1 | Debt securities | 15.031 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | |
| 2 | Loans and advances | 61.834 | 225 | 1.357 | 1.912 | 1.643 | 1.635 | 763 | 493 | 14 | 621 | 149 | 618 | 483 |
| 3 | Off-balance-sheet exposures | 3.398 | 0 | 0 | 79 | 0 | 0 | 0 | 8 | 11 | 1 | 92 | 0 | 0 |

TABLE 17: EU CR2-A – CHANGES IN STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

| € million | | Accumulated specific credit risk adjustment | Accumulated general credit risk adjustment |
|-----------|--|---|--|
| 1 | Opening balance | 1.167 | - |
| 2 | Increases due to amounts set aside for estimated loan losses during the period | 112 | - |
| 3 | Decreases due to amounts reversed for estimated loan losses during the period | -88 | - |
| 4 | Decreases due to amounts taken against accumulated credit risk adjustments | -19 | - |
| 5 | Transfers between credit risk adjustments | 0 | - |
| 6 | Impact of exchange rate differences | 0 | - |
| 7 | Business combinations, including acquisitions and disposals of subsidiaries | 0 | - |
| 8 | Other adjustments | -57 | - |
| 9 | Closing balance | 1.116 | - |
| 10 | Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | 20 | - |
| 11 | Specific credit risk adjustments directly recorded to the statement of profit or loss | 16 | - |

TABLE 18: EU CR2-B – CHANGES IN STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

| € million | | Gross carrying value defaulted exposures |
|-----------|-----------------|--|
| 1 | Opening balance | 1.904 |
| 6 | Closing balance | 1.643 |

Nomination of External Credit Assessment Institutions (ECAI)

DISCLOSURES ON INDIVIDUAL RISK POSITION CLASSES AND EXTERNAL CREDIT ASSESSMENT INSTITUTIONS (ECAI) IN ACCORDANCE WITH ARTICLE 135 ET SEQ./ARTICLE 444 OF THE CRR

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

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

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

TABLE 19: EU CR5 – STANDARDISED APPROACH

| Exposure Classes | RISK WEIGHT | | | | | | | | | | | | | | | | TOTAL | OF WHICH UNRATED |
|--|-------------|----|-----|-----|-----|-----|-----|-----|--------|--------|------|------|------|-------|--------|----------|--------|------------------|
| | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Others | Deducted | | |
| 1 Central governments or central banks | 7.695 | 0 | 0 | 0 | 96 | 0 | 0 | 0 | 0 | 0 | 1 | 970 | 0 | 0 | 0 | 0 | 8.762 | 0 |
| 2 Regional government or local authorities | 810 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 810 | 0 |
| 3 Public sector entities | 955 | 0 | 0 | 0 | 7 | 0 | 6 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 971 | 0 |
| 4 Multilateral development banks | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 50 | 0 |
| 5 International organisations | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100 | 0 |
| 6 Institutions | 0 | 0 | 288 | 0 | 808 | 0 | 2 | 0 | 0 | 116 | 17 | 0 | 0 | 0 | 0 | 0 | 1.231 | 0 |
| 7 Corporates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16.822 | 0 | 0 | 0 | 0 | 0 | 0 | 16.822 | 0 |
| 8 Retail | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40.492 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40.492 | 0 |
| 9 Secured by mortgages on immovable property | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Exposures in default | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 432 | 467 | 0 | 0 | 0 | 0 | 0 | 899 | 0 |
| 11 Exposures associated with particularly high risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Covered bonds | 0 | 0 | 0 | 263 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 263 | 0 |
| 13 Institutions and corporates with a short-term credit assessment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Collective investment undertakings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 Equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 0 | 3 | 0 | 0 | 0 | 0 | 20 | 0 |
| 16 Other items | 1 | 0 | 0 | 0 | 56 | 0 | 0 | 0 | 0 | 2.195 | 0 | 0 | 0 | 0 | 0 | 0 | 2.252 | 0 |
| 17 Total | 9.611 | 0 | 288 | 263 | 967 | 0 | 8 | 0 | 40.492 | 19.585 | 486 | 972 | 0 | 0 | 0 | 0 | 72.673 | 0 |

TABLE 20: EU CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK

| € million | Exposure Classes | RISK WEIGHT | | | | | | | | | | TOTAL | OF WHICH UNRATED | |
|-----------|---|-------------|----------|------------|----------|------------|----------|----------|----------|----------|----------|----------|------------------|----------|
| | | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | | | Others |
| 1 | Central governments or central banks | 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 |
| 3 | Public sector entities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Multilateral development banks (MDBs) | 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 |
| 6 | Institutions | 0 | 0 | 224 | 0 | 272 | 0 | 0 | 0 | 0 | 0 | 0 | 495 | 0 |
| 7 | Corporates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | Retail | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Institutions and corporates with a short-term credit assessment | 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 |
| 11 | Total | 0 | 0 | 224 | 0 | 272 | 0 | 0 | 0 | 0 | 0 | 0 | 495 | 0 |

CREDIT RISK MITIGATION

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 192 et seq. of the CRR is applied in the following cases:

- > Cash on deposit for loan commitments of Volkswagen Bank GmbH within the meaning of Article 197(1)(a) of the CRR.

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

TABLE 21: OVERVIEW OF THE EXPOSURE CLASSES FOR WHICH CREDIT RISK MITIGATION METHODS ARE USED

| Exposure classes | Eligible financial collateral and other eligible collateral in € million |
|---------------------------|--|
| Exposures to institutions | 422 |
| Exposures to corporates | 1.561 |
| Total | 1.983 |

TABLE 22: EU CR3 – CRM TECHNIQUES – OVERVIEW

| € million | Exposures unsecured – Carrying amount | Exposures secured – Carrying amount | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
|------------------------|---------------------------------------|-------------------------------------|---------------------------------|---|---|
| Total loans | 60.380 | 1.983 | 1.983 | 0 | 0 |
| Total debt securities | 15.029 | 0 | 0 | 0 | 0 |
| Total exposures | 79.001 | 1.983 | 1.983 | 0 | 0 |
| Of which defaulted | 1.643 | 0 | 0 | 0 | 0 |

TABLE 23: EU CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

| € million | Exposure classes | EXPOSURE BEFORE CCF AND CRM | | EXPOSURE POST-CCF AND CRM | | RWA AND RWA DENSITY | |
|-----------|---|-----------------------------|--------------------------|---------------------------|--------------------------|---------------------|--------------|
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Central governments or central banks | 7.490 | 0 | 8.762 | 0 | 2.445 | 27,9% |
| 2 | Regional government or local authorities | 810 | 0 | 810 | 0 | 0 | 0,0% |
| 3 | Public sector entities | 971 | 0 | 971 | 0 | 8 | 0,8% |
| 4 | Multilateral development banks | 50 | 0 | 50 | 0 | 0 | 0,0% |
| 5 | International organisations | 100 | 0 | 100 | 0 | 0 | 0,0% |
| 6 | Institutions | 928 | 262 | 731 | 5 | 253 | 34,4% |
| 7 | Corporates | 17.480 | 6.852 | 16.406 | 416 | 16.682 | 99,2% |
| 8 | Retail | 39.637 | 2.344 | 39.637 | 855 | 29.995 | 74,1% |
| 9 | Secured by mortgages on immovable property | 0 | 0 | 0 | 0 | 0 | 0,0% |
| 10 | Exposures in default | 897 | 116 | 897 | 2 | 1.133 | 126,0% |
| 11 | Exposures associated with particularly high risk | 0 | 0 | 0 | 0 | 0 | 0,0% |
| 12 | Covered bonds | 263 | 0 | 263 | 0 | 26 | 10,0% |
| 13 | Institutions and corporates with a short-term credit assessment | 0 | 0 | 0 | 0 | 0 | 0,0% |
| 14 | Collective investment undertakings | 0 | 0 | 0 | 0 | 0 | 100,0% |
| 15 | Equity | 20 | 0 | 20 | 0 | 23 | 120,2% |
| 16 | Other items | 2.252 | 0 | 2.252 | 0 | 2.206 | 98,0% |
| 17 | Total | 70.899 | 9.574 | 70.899 | 1.279 | 52.772 | 73,1% |

Disclosure of Market Risk

All companies in the Volkswagen Bank GmbH institution group are classified as non-trading book institutions. The institution group does not run a trading book. With respect to market risks, the institution group must back foreign exchange risks with its own funds. Own funds requirements stand at €102 million. Volkswagen Bank GmbH calculates its net foreign exchange position in accordance with Article 352 of the CRR to quantify own funds requirements for foreign exchange risks. Own risk models are not in use at this time.

TABLE 24: EU MR1 – MARKET RISK UNDER THE STANDARDISED APPROACH

| | € million | RWA | Capital requirements |
|---|--------------------------------------|--------------|----------------------|
| | Outright Products | | |
| 1 | Interest rate (general and specific) | - | - |
| 2 | Equity risk (general and specific) | - | - |
| 3 | Foreign exchange risk | 1.279 | 102 |
| 4 | Commodity risk | - | - |
| | Options | | |
| 5 | Simplified approach | - | - |
| 6 | Delta-plus method | - | - |
| 7 | Scenario approach | - | - |
| 8 | Securitisation (specific risk) | - | - |
| 9 | Total | 1.279 | 102 |

Quantitative Disclosures on the LCR

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 12 months preceding the end of each quarter in accordance with the guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No. 575/2013.

TABLE 25: EU LIQ1 – LCR DISCLOSURE TEMPLATE AND THE TEMPLATE ON QUALITATIVE INFORMATION ON THE LCR

| Scope of consolidation (consolidated) Currency and units (€million) | | Total unweighted value (average) | | | | Total weighted value (average) | | | |
|--|---|-------------------------------------|--------------|--------------|--------------|-----------------------------------|--------------|--------------|--------------|
| Quarter ends on | | 30 Sep, 2018 | 31 Dec, 2018 | 31 Mar, 2019 | 30 Jun, 2019 | 30 Sep, 2018 | 31 Dec, 2018 | 31 Mar, 2019 | 30 Jun, 2019 |
| Number of data points used in the calculation of averages | | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| HIGH-QUALITY LIQUID ASSETS | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | 5.480 | 6.412 | 6.890 | 7.535 |
| CASH OUTFLOWS | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 19.915 | 19.785 | 19.693 | 19.471 | 1.241 | 1.241 | 1.245 | 1.232 |
| 3 | Stable deposits | 16.270 | 16.256 | 16.146 | 15.958 | 813 | 813 | 807 | 798 |
| 4 | Less stable deposits | 3.579 | 3.447 | 3.456 | 3.422 | 361 | 346 | 347 | 344 |
| 5 | Unsecured w/wholesale funding | 4.630 | 4.938 | 5.287 | 5.463 | 2.174 | 2.446 | 2.791 | 2.937 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Non-operational deposits (all counterparties) | 4.361 | 4.537 | 4.882 | 5.008 | 1.905 | 2.046 | 2.386 | 2.481 |
| 8 | Unsecured debt | 269 | 401 | 405 | 456 | 269 | 401 | 405 | 456 |
| 9 | Secured w/wholesale funding | | | | | 0 | 0 | 0 | 0 |
| 10 | Additional requirements | 11.561 | 12.019 | 12.139 | 11.970 | 1.369 | 1.402 | 1.424 | 1.414 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 79 | 62 | 79 | 85 | 70 | 57 | 62 | 66 |
| 12 | Outflows related to loss of funding on debt products | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | Credit and liquidity facilities | 11.482 | 11.957 | 12.060 | 11.885 | 1.298 | 1.345 | 1.362 | 1.349 |
| 14 | Other contractual funding obligations | 4.201 | 4.408 | 4.077 | 4.012 | 3.845 | 4.045 | 3.715 | 3.675 |
| 15 | Other contingent funding obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | TOTAL CASH OUTFLOWS | | | | | 8.629 | 9.134 | 9.174 | 9.258 |
| CASH INFLOWS | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | Inflows from fully performing exposures | 5.452 | 5.361 | 5.191 | 4.755 | 3.502 | 3.391 | 3.236 | 2.902 |
| 19 | Other cash inflows | 954 | 967 | 959 | 961 | 954 | 967 | 959 | 961 |
| 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 |
| EU-19b | (Excess inflows from a related specialised credit institution) | | | | | 0 | 0 | 0 | 0 |
| 20 | TOTAL CASH INFLOWS | 6.406 | 6.328 | 6.150 | 5.716 | 4.455 | 4.358 | 4.195 | 3.864 |
| EU-20a | Fully exempt inflows | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EU-20b | Inflows subject to 90 % cap | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EU-20c | Inflows subject to 75 % cap | 6.406 | 6.328 | 6.150 | 5.716 | 4.455 | 4.358 | 4.195 | 3.864 |
| ADJUSTED TOTAL AMOUNT | | | | | | | | | |
| 21 | CASH BUFFER | | | | | 5.480 | 6.412 | 6.890 | 7.535 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 4.174 | 4.776 | 4.979 | 5.394 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | | | | | 131,8 | 133,9 | 139,7 | 141,8 |

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