VOLKSWAGEN BANK

GMBH

ANNUAL REPORT

German GAAP

2024

Fundamental Information about the Group

The companies of the Volkswagen Bank GmbH Group provide a large number of different automotive-related financial services for retail and business customers.

BUSINESS MODEL

The companies of the Volkswagen Bank GmbH Group are responsible for operating activities required to perform vehicle-related financial services. The business operations are closely interlinked with those of the manufacturers and the dealer organizations of the Volkswagen Group.

The key tasks are:

> Promoting the vehicle sales of Group products in the interests of the Volkswagen Group brands and those of its sales partners
> Strengthening customer loyalty to Volkswagen Bank GmbH and the Group brands along the value chain in the automotive sector, including through the targeted use of digital products and mobility solutions
> Creating synergies for the Group by bringing together the requirements of the Group and brand divisions in terms of financial and mobility services
> Generating a sustainably high return on equity for the Group.

The individual activities include those described below:

Financing

Vehicle-related financing for retail and business customers, e.g., in the form of deferred payment credit and three-way financing, which is marketed primarily through the Volkswagen Group dealers. It also provides services for the authorized dealers themselves, for which it offers financing for inventory vehicles, working capital and investment loans in particular.

Leasing

This business area includes the finance leasing business and operating lease business for retail and business customers as well as various subscription services for mobility requirements ranging from a few minutes to several years, in addition to fleet management.

Direct banking

Volkswagen Bank GmbH focuses on offering retail and business customers investment products such as instant-access accounts, fixed-term deposits and saving certificates. It also markets current accounts and various payment solutions. The Group conducts direct banking business in Germany and, to a lesser extent, from the Bank's branch in Poland.

Insurance and services

This business area includes, for example, comprehensive and vehicle liability insurance. It also covers residual debt insurance to protect against financial difficulties, for instance in the event of unemployment. The Volkswagen Bank GmbH Group exclusively conducts insurance broking. Another area is service contracts, e.g., for tire replacement, maintenance and servicing, as well as extended warranties.

MOBILITY2030 STRATEGY

The core mission of the Volkswagen Financial Services AG Group companies is to develop and make available a broad range of mobility services together with the Volkswagen Group brands. This gives customers rapid, digital and flexible access to mobility – from financing and leasing options, through car sharing, down to the Auto Abo car subscription product.

As a provider of mobility solutions, Volkswagen Financial Services AG has formulated a clear growth plan in its MOBILITY2030 strategy and intends to extend its relationship with customer and vehicle throughout the automotive value chain.

Five strategic dimensions for the practical implementation of this growth plan are defined in the MOBILITY2030 strategy:

> **Customer loyalty:** “We maximize the loyalty of our customers to our Group brands.”
> **Vehicle:** “We tap business potential throughout the vehicle cycle together with the Group brands.”
> **Performance:** “We are entrepreneurial in our approach and strive to maximize our performance.”
> **Data and technology:** “We leverage data and technology as central pillars of our success.”
> **Sustainability:** “We drive the transformation to zero-emissions mobility in accordance with the Volkswagen Group’s ESG principles.”

The products and services offered by the Volkswagen Financial Services AG Group companies will contribute to implementing the MOBILITY2030 strategy.

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

Since 2023, the Board of Management of Volkswagen Financial Services Overseas AG (formerly Volkswagen Financial Services AG) and the Management Board of Volkswagen Bank GmbH implemented a comprehensive restructuring program for the previous subgroups Volkswagen Financial Services Overseas AG, which operated as Volkswagen Financial Services AG until June 30, 2024, and Volkswagen Bank GmbH, and completed it as of July 1, 2024.

The restructuring program aims to lay the foundation for the successful implementation of the Group’s strategy in the mobility sector, taking into account the regulatory framework.

Volkswagen Financial Services AG’s former operating business was conducted under the name carmobility GmbH, Braunschweig. The company carmobility GmbH was renamed to Volkswagen Mobility GmbH on March 13, 2023 and to Volkswagen Financial Services Europe GmbH on June 5, 2023. The legal form was changed to *Aktiengesellschaft* (German stock corporation), Volkswagen Financial Services Europe AG, on June 22, 2023. Formerly, the company was a micro corporation in accordance with section 267a of the *Handelsgesetzbuch* (German Commercial Code – HGB).

As a consequence of the restructuring, Volkswagen Financial Services AG, as a financial holding company, together with the German and European companies, including their respective subsidiaries, is supervised by the European Central Bank (ECB). This is intended to create a clearer focus on geographic regions. In addition, since the reporting period Volkswagen Bank GmbH and Volkswagen Leasing GmbH have for the first time also been subsidiaries of Volkswagen Financial Services AG.

These restructuring measures were implemented by notarization of the various spin-off agreements and their entry in the commercial register as of July 1, 2024, and the following transactions under company law were completed effective July 1, 2024:

- Spin-off of the shares in the subsidiary Volkswagen Leasing GmbH to Volkswagen Bank GmbH
- Spin-off of the European operation of the former Volkswagen Financial Services AG, including shares of European subsidiaries and equity investments plus other assets and liabilities, to the new financial holding company, Volkswagen Financial Services AG (formerly Volkswagen Financial Services Europe AG).
- Contribution of Volkswagen Bank GmbH to Volkswagen Financial Services AG by Volkswagen AG through a noncash contribution by way of a premium (“*Sachagio*”) in the course of a capital increase.

In addition, VOLKSWAGEN FINANCIAL SERVICES AG was renamed Volkswagen Financial Services Overseas AG through an entry in the commercial register, and the company previously called Volkswagen Financial Services Europe AG as of July 1, 2024 was renamed Volkswagen Financial Services AG.

In connection with the spin-off of the European operations, the employment relationships with employees and all employee-related obligations, liabilities and provisions from employment relationships and former employment relationships of Volkswagen Financial Services Overseas AG were transferred to Volkswagen Financial Services AG. Some of these employment relationships that were transferred to Volkswagen Financial Services AG were transferred to Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Volkswagen Versicherung AG, Volkswagen Insurance Brokers GmbH or Vehicle Trading International (VTI) GmbH immediately after the spin-off took effect on the basis of transfer agreements or through business unit transfers in accordance with section 613a of the *Bürgerliches Gesetzbuch* (German Civil Code – BGB).

Furthermore, in the course of the restructuring, organizational units of Volkswagen Bank GmbH were relocated across the company to Volkswagen Leasing GmbH and Volkswagen Financial Services AG. The transfer of the organizational units resulted in transfers of part of a business pursuant to section 613a of the BGB.

By pooling its activities in a European financial services provider and through the spin-off of Volkswagen Leasing GmbH to Volkswagen Bank GmbH, Volkswagen Bank GmbH can optimally use its funding strength to expand the leasing business in Germany and Europe. The new Group structure takes account of both the expected business growth and the growing customer trend away from vehicle financing and towards leasing. The reorganization means that Volkswagen Bank GmbH no longer has limited scope for providing funds to Volkswagen Leasing GmbH. In addition to placing bonds and engaging in ABS transactions, Volkswagen Bank GmbH can now also use the significant increase in customer deposits to fund the planned business growth.

Volkswagen Financial Services AG assumed the bonds of Volkswagen Financial Services Overseas AG that are traded on regulated markets and belong to the European operation. This means that since July 1, 2024, Volkswagen Financial Services AG has been active in the capital markets pursuant to section 264d of the HGB for the first time. The bonds are used to fund its subsidiaries.

Volkswagen Bank GmbH and Volkswagen Leasing GmbH dominate the business focus of the subgroup due to their size. They are regulated companies and must therefore comply with the relevant supervisory requirements. As the parent company, Volkswagen Financial Services AG and its subsidiaries form a financial holding group in accordance with section 10a of the *Kreditwesengesetz* (KWG – German

Banking Act). Volkswagen Financial Services AG is regulated according to its role as a financial holding company.

As a holding company, Volkswagen Financial Services Overseas AG controls the non-European subsidiaries. A wholly owned subsidiary of Volkswagen AG, it will remain an integral part of the Volkswagen Group.

ORGANIZATION OF VOLKSWAGEN BANK GMBH

Generally speaking, the aim of all structural measures implemented by Volkswagen Bank GmbH is to improve the quality offered to both customers and dealerships, make processes more efficient and leverage synergies.

Volkswagen Bank GmbH has three Management Board divisions. The Corporate Management & Operations division is home to Central Business Processes, Bank Corporate Management, Purchasing Financing, Portfolio Financing, Direct Bank Customer Service, Bank Internal Audit, Corporate Customer Sales. This division is led by Dr. Volker Stadler, Chair of the Management Board of Volkswagen Bank GmbH.

The Finance division comprises the areas of Direct Bank Sales, Reporting, and Group Treasury & Investor Relations. Mr. Oliver Roes is responsible for this division.

The Risk Management division, headed by Christian Löbke, encompasses Enterprise Risk Management, Operational Risk Management, Applications & Risk Reporting, Bank Back Office, Bank Special Customer Care and Treasury Back Office.

The implementation of the Koralle program resulted in structural changes within the three Management Board divisions as of July 1, 2024. Operational, treasury, regulatory and risk management matters remain located within Volkswagen Bank GmbH. All customer services have been pooled in the Corporate Management & Operations division. Volkswagen Bank GmbH's international business has been relocated to the reestablished Europe region within Volkswagen Financial Services AG. Company officers and specialist outsourcing officers have remained within the Bank. Accounting & Controlling, Human Resources & Organization and Legal, Integrity & Compliance were removed from Volkswagen Bank GmbH and integrated into Volkswagen Financial Services AG as of July 1, 2024.

REPORT ON THE SUBSIDIARIES AND BRANCHES

The Volkswagen Bank GmbH Group has a presence in numerous countries within the European market. Each of the Volkswagen Bank GmbH's international branches in France, Greece, Italy, the Netherlands, Poland, Portugal, Spain and the United Kingdom operate their own local business.

Please refer to the section on changes in equity investments in this report for further information in this regard.

The brand-related branches of the Volkswagen Bank GmbH Group (Audi Bank, SEAT Bank, ŠKODA Bank, AutoEuropa Bank and ADAC Finance Service) are intended to provide specific support for the financing of the corresponding vehicles. The Ducati Bank branch supports the financing of motorcycles.

In Braunschweig, Emden, Hanover, Ingolstadt, Kassel, Neckarsulm, Salzgitter and Wolfsburg, the Volkswagen Bank GmbH Group maintains branches offering customers counter services, advisory support and, in some cases, ATMs.

INTERNAL MANAGEMENT

The key performance indicators used by the Group are determined on the basis of the IFRSs and presented as part of the internal reporting system. The most important nonfinancial performance indicators are penetration, current contracts and new contracts. The financial key performance indicators are the volume of business, deposit volume and the operating result. Return on equity (RoE) and, since 2024

– in line with parent Volkswagen Financial Services AG – the overhead ratio (OHR) are adopted as further key performance indicators. From this year, the cost/income ratio (CIR) is no longer used as a key performance indicator. The conclusion of the restructuring program did not result in any further changes to the key performance indicators.

	Definition
Nonfinancial performance indicators	
Penetration	Amount of new contracts for new Group vehicles under retail financing and leasing business as a proportion of deliveries of Group vehicles, based on the Volkswagen Bank GmbH Group's relevant markets
Current contracts	Contracts recognized as of the reporting date
New contracts	Contracts recognized for the first time in the reporting period
Financial performance indicators	
Volume of business	Loans to and receivables from customers arising from retail financing, dealership financing (incl. factoring), leasing business and direct banking
Volume of deposits	Loans to and receivables from customers arising from retail financing, dealership financing (incl. factoring), leasing business and direct banking
Operating result	Interest income from lending transactions and marketable securities, net income from leasing transactions, interest expense, net income from service contracts, net income from insurance business, provision for credit risks, net fee and commission income, net gain or loss on hedges, net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income, general and administrative expenses and net other operating income/expenses
Return on equity	Return on equity before tax is calculated by dividing profit before tax by average equity
Overhead Ratio	Personnel expenses, material overheads and accounting depreciation and amortization minus income from services rendered / average balance sheet total

CHANGES IN EQUITY INVESTMENTS

Effective July 1, 2024, Volkswagen Bank GmbH acquired 100% of shares in Volkswagen Leasing GmbH by way of a spin-off from the current Volkswagen Financial Services Overseas AG (formerly Volkswagen Financial Services AG) as part of the restructuring program described above. Volkswagen Leasing GmbH is now a direct subsidiary of Volkswagen Bank GmbH. In addition, Volkswagen Bank GmbH was transferred to Volkswagen Financial Services AG (formerly Volkswagen Financial Services Europe AG) as a contribution in kind in the context of a capital increase. Although this move will have no significant direct impact on Volkswagen Bank GmbH, the transfer of Volkswagen Leasing GmbH will affect areas such as the capital structure, net assets, financial performance and risk management at consolidated level.

In addition, Volkswagen Bank GmbH divested its joint venture investments in Germany (51% in Volkswagen Financial Services Digital Solutions GmbH) and the Netherlands (60% in DFM N.V.), as well as the associated company in Austria (32.5% in Credi2 GmbH), on July 1, 2024. The above-mentioned joint venture shares and the associated company have been transferred to Volkswagen Financial Services Europe AG or Group companies.

In addition to this, no material changes in equity investments occurred.

Volkswagen Bank GmbH has plans to sell the shares of VOLKSWAGEN Finančné služby Slovensko s.r.o., Bratislava within the Volkswagen Group in the first quarter of 2025 in a further project for the strategic realignment of Volkswagen Bank GmbH.

CORPORATE GOVERNANCE DECLARATION

Increase in the proportion of women

As of December 31, 2024, women accounted for 59.5% of the workforce of Volkswagen Bank GmbH in Germany, but this is not yet reflected in the percentage of women at all management levels. Volkswagen Bank GmbH is working toward achieving the targets for women at all levels. The Bank has set itself the objective of achieving a sustained increase in the proportion of women in management positions. In succession planning, female candidates are systematically considered with the aim of meeting the relevant targets.

PROPORTION OF WOMEN – TARGET AND ACTUAL VALUES FOR GERMANY

	Target 2026	Actual 2024
Second management level	27.3	15.2
First management level	19.7	16.7
Management Board	20.0	0.0
Supervisory Board	25.0	50.0

Following completion of the Group restructuring as of July 1, 2024, the companies of the Volkswagen Financial Services AG Group set uniform targets for the proportion of women working at the first and second levels of management throughout the Group. The achievement of the targets for the proportion of women is assessed from a Group perspective, taking into account the fact that the professional development of relevant employees typically takes place across the Group with employees moving between individual Group companies in the course of their career development. Where necessary, Volkswagen Bank GmbH will take (counter)measures to achieve the relevant targets.

NON-FINANCIAL GROUP STATEMENT

Volkswagen Bank GmbH makes use of the option provided pursuant to section 315b(2) of the HGB to be exempted from the presentation of a nonfinancial group statement of the Volkswagen Group and Volkswagen AG for fiscal year 2024, which forms part of the consolidated financial statements in the 2024 Annual Report of the Volkswagen Group. It will be available on the website https://www.volkswagen-group.com/r/geschaeftsbericht-2024 in German and at https://www.volkswagen-group.com/r/financial-report-2024 in English from March 11, 2025.

In this context, Volkswagen AG is also responsible for managing environmental, social and corporate governance (ESG) issues throughout the Group.

Report on Economic Position

**The global economy recorded positive growth in 2024.
Global demand for vehicles increased slightly as compared with the previous year.
In a challenging market environment the Volkswagen Group delivered 9.0 million vehicles to customers.**

OVERALL ASSESSMENT OF BUSINESS PERFORMANCE

The Management Board of Volkswagen Bank GmbH considers the course of business in the year 2024 to have been positive. Profit before tax amounted to €1,130.0 million and was higher than in the prior-year period (€787.7 million).

The company-law restructuring is of primary importance for the assessment of the year 2024. The growth targets set out in MOBILITY2030 require an efficient use of the funding strength of Volkswagen Bank GmbH. By including Volkswagen Leasing GmbH in the Volkswagen Bank GmbH Group, the restrictions on the passing-on of funds no longer apply. This means that the deposits from the direct banking business can be used in full to fund the leasing business. Against this backdrop, deposit growth last year was stepped up and even accelerated compared with the same period of the prior year. Overall, the liabilities from direct banking business rose by €18.5 billion to €56.0 billion.

The development of the lending business was marked by the absorption of Volkswagen Leasing GmbH. Therefore 2024 saw a significant increase in the development of loans and receivables volumes subject to credit risk. This increase comes after the continuing economic recovery trends in the prior year following the supply problems experienced by the Volkswagen Group brands which had continued to have a strong impact on the volume of loans and receivables, especially in dealer financing. The quality of the lending portfolio remained at a stable level.

Direct residual value risk also assumes greater importance following the integration of Volkswagen Leasing GmbH. The residual value portfolio continued to grow in 2024 despite the tense situation on the markets. The development of residual value risks continues to be closely monitored, with measures tailored to requirements being derived.

DEVELOPMENTS IN THE GLOBAL ECONOMY

The global economy remained on a growth path in 2024 with somewhat slower momentum than in the previous year. This trend was seen in both the advanced economies and the emerging markets. Declining but in some cases still relatively high inflation rates in many countries, combined with restrictive monetary policies introduced by some central banks, continued to put a damper on economic growth in many places. Since around the middle of the reporting year, a number of these central banks have started to gradually bring down key rates from their comparatively high level.

Europe/Other Markets

In the reporting year, the economy in Western Europe exhibited positive growth overall, somewhat higher than the prior-year level. Development in the individual countries in Northern and Southern Europe was mixed. In response to declining inflation rates, the European Central Bank lowered its key interest rates in four steps, starting in June 2024. The economies in Central and Eastern Europe recorded overall growth in 2024 that was somewhat higher than in the prior-year period.

Germany
German gross domestic product decreased somewhat in 2024, showing a similar trend to the previous year. Compared with2023, the seasonally adjusted unemployment figures rose slightly on average over the year. After reaching historically high levels in late 2022, monthly inflation rates have since fallen broadly in step with the Eurozone average.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES
There were high levels of demand for automotive financial services in 2024.

In the year under review, the European passenger car market remained at the same level as in the prior year. However, sales of financial services products increased, as a result of which their share in vehicle deliveries exceeded the equivalent figure for 2023 as a percentage. The positive trend in the financing of used vehicles continued once again in 2024. The sale of after sales products such as servicing, maintenance and spare parts agreements likewise continued to expand.

In Germany, the deliveries of new vehicles in the 2024 fiscal year were on a par with the figure for the previous year. However, the number of new contracts in the financial services business increased noticeably, particularly leasing contracts with individual customers. This meant that the penetration level for new vehicles was above expectations and significantly above the prior-year figure. The used car segment remained stable, with a marginally higher number of new contracts than in 2023. The number of new contracts signed for services and insurance also increased, which was a result of the sale of maintenance and servicing products, as well as passenger car and warranty insurance.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES
In 2024, the volume of the passenger car market worldwide was slightly up on the prior-year figure, with most regions developing favorably. Western Europe was on a level with the previous year, while the Middle East region came in slightly lower. The supply situation continued to return to normal levels and the affordability of vehicles improved in some regions of the world.

The global volume of new registrations of light commercial vehicles in fiscal year 2024 was similar to the previous year.

Sector-specific environment
Along with fiscal policy measures, the sector-specific environment was affected by the economic situation, which contributed to the mixed trends in unit sales in the markets in the fiscal year now ended. The fiscal policy measures included tax cuts or increases, the introduction, expiry and adjustment of incentive programs and sales incentives, as well as import duties. In addition, non-tariff trade barriers to protect the respective domestic automotive industries made the movement of vehicles, parts and components more difficult.

In the reporting period, the sector-specific environment in the European financial market was dominated by the interest rate turnaround resolved by the European Central Bank. Whereas the focus in the previous year was still on measures to combat inflation, the four cuts in key interest rates in the current year reflected the declining inflation and the weak economic development. Nevertheless, repayments by banks under the ECB's targeted longer-term refinancing operations (TLTRO III) and the reduction in holdings under its asset purchase program (APP) and pandemic emergency purchase program (PEPP) are contributing to a tighter monetary policy.

Europe/Other Markets
In Western Europe, the number of new passenger car registrations in 2024 was on a level with the previous year. The performance of the large individual passenger car markets in this region was mixed. The

United Kingdom registered slight growth and Spain noticeable growth, while Germany and Italy were at the prior-year level and the market volume in France decreased slightly.

In the reporting year, the volume of new registrations for light commercial vehicles in Western Europe was noticeably up year-on-year.

In the Central and Eastern Europe region, there was a significant increase in the volume of the passenger car market in the reporting year. Positive movement was recorded in the number of vehicles sold in the major markets of both Central and Eastern Europe.

In fiscal year 2024, the market volume of light commercial vehicles in Central and Eastern Europe was significantly higher than in the previous year.

Germany

The number of new passenger car registrations in Germany from January to December 2024 was on a level with the previous year. The change in electric vehicle subsidies at the end of 2023 weighed on new registrations of all-electric vehicles, and demand for vehicles with conventional and hybrid drivetrains was unable to offset this effect overall. Production in Germany stagnated at 4.1 million vehicles (–0.0%) in 2024, while passenger car exports rose to 3.2 million units (+2.0%).

The number of light commercial vehicles sold in Germany in the reporting year was noticeably higher than the 2023 figure.

CHANGES IN KEY PERFORMANCE INDICATORS FOR FISCAL YEAR 2024 COMPARED WITH PRIOR-YEAR FORECASTS

The availability of vehicles from the Group brands remained constant year-on-year as shortages became increasingly less acute and the disruption in global supply chains continued to fade, resulting in constant growth in the markets of the Volkswagen Bank GmbH Group. This led to a stable market for new vehicle financing and leasing. Used vehicles also continued to be available on the market. Demand for financing and leasing products was stable despite persistently high funding costs, the subsequent decisions made regarding customer business terms and the gloomy economic situation on the markets of Volkswagen Bank GmbH. The integration of the leasing business into the Volkswagen Bank GmbH Group as of July 1, 2024, in particular, led to a strong expansion of the obtainable market.

As a result, penetration, current contracts and new contracts are in line with the forecast, and the high expectation of total business volume for 2024 was achieved.

Customer deposits were increased by means of specific business policy measures to a significantly higher level than in 2023, as planned, first of all enabling the full repayment of funds obtained through the ECB’s TLTRO-III tender, which had become more expensive, and secondly to help cover the very strong increase in business volume associated with the integration of the leasing business in Germany and Italy into the Volkswagen Bank GmbH Group.

The operating result for fiscal year 2024 had been expected to be significantly higher than the 2023 level. This forecast was exceeded, in particular, thanks to the exceptionally strong result in the deposit business as volume expectations were exceeded and net interest income increased as a result. Return on equity did not follow this trend due to the high capital requirements of Volkswagen Leasing GmbH, which has now been integrated into the Bank, and was in line with forecasts. By contrast, the cost/income ratio outperformed the forecast.

All forecasts take into account the new structure of the Volkswagen Bank GmbH Group. The overhead ratio has only been used as a financial key performance indicator since 2024 and was therefore not projected for 2024 in the 2023 Report on Expected Developments.

	Actual 2023	Forecast 2024	Actual 2024
Nonfinancial performance indicators			
Penetration[1] (percent)	16.1	very strongly above the level achieved in 2023	31.0
Current contracts (thousands)	3,146	very strongly above the level achieved in 2023	8,156
New contracts[1] (thousands)	1,106	very strongly above the level achieved in 2023	2,052
Financial performance indicators			
Volume of business (€ million)	50,750	very strongly above the level achieved in 2023	108,947
Volume of deposits[2] (€ million)[2]	38,178	very strongly above the level achieved in 2023	56,044
Operating result (€ million)[2]	740	significantly above the level achieved in 2023	1,118
Return on equity[2] (percent)	7.2	strongly below the level achieved in 2023	5.3
Cost/income ratio[2] (percent)	46.3	slightly above the level achieved in 2023	42.7
Overhead ratio[2] (percent)	–	new, therefore not forecast	0.66

1 For Volkswagen Leasing GmbH (Germany and Italy), contract additions are only taken into account from 01.07.2024
2 For Volkswagen Leasing GmbH (Germany and Italy), results are only taken into account from 01.07.2024

FINANCIAL PERFORMANCE

The net assets, financial position and results of operations described in the following sections were largely shaped by the restructuring under company law. The inclusion of Volkswagen Leasing GmbH in the Volkswagen Bank GmbH Group, in particular, resulted in significant changes to items on the balance sheet and income statement.

The earnings performance of the Volkswagen Bank GmbH Group improved year-on-year in fiscal year 2024.

At €1,118.3 million, the operating result was roughly on a level with the previous year (€739.5 million). Profit before tax increased by €342.3 million year-on-year to €1,130.0 million.

Interest income from lending and securities transactions was up at €3,510 million due to the increase in the volume of loans and receivables (previous year: €2,411.7 million). Interest expenses more than doubled, from €1,243.4 million to €2,997.2 million, fueled by the growth in deposits. As a result, the interest margin decreased by €655 million to €513.3 million.

Net income from leasing business increased by €1,427.3 to €1,845.2 million (previous year: €417.8 million).

Net income from service contracts, which is generated exclusively at companies and branches that also offer leasing products, improved by €52.5 million to €46.4 million.

Net additions to provisions for credit risks as total of the corresponding income and expenses rose to €309.7 million particularly due to the increase in the volume of loans and receivables (previous year: €143.8 million).

Net fee and commission income declined by €22.9 million year-on-year to €41.5 million.

The net gain or loss on hedges amounted to a net loss of €38.6 million (previous year: net loss of €13.3 million) generated predominantly by Volkswagen Bank Germany. There was a net loss on financial instruments measured at fair value of €66.0 million (previous year: net loss of €10.2 million).

General and administrative expenses recorded a year-on-year increase of €255.8 million to €1,045.3 million, in particular due to the impact of the personnel transfer.

Other operating income amounted to €467.5 million (previous year: €112.5 million). This also included income from vehicle marketing of €281.7 million (previous year: €5.8 million). Other operating expenses rose to €335.9 million (previous year: €60.6 million), essentially as a result of costs for direct residual value risks.

Including the other components of financial gains or losses, the Volkswagen Bank GmbH Group generated profit after tax of €598.5 million (previous year: €640.3 million).

The profit of Volkswagen Bank GmbH determined in accordance with the HGB (after deduction of taxes) amounting to €581.7 million (previous year: €620.8 million) will be transferred to Volkswagen AG under the existing profit-and-loss transfer agreement.

NET ASSETS AND FINANCIAL POSITION

The Management Board of Volkswagen Bank deems the net assets and financial position to be positive.

Lending business

The lending business of the Volkswagen Bank GmbH Group is marked by the leasing business; finance leases are reported within loans and receivables from customers while operating leases are reported in lease assets. It is further characterized by vehicle-related loans granted to retail customers, business customers and dealers. The volume of these loans and receivables is €117.7 billion (previous year: €53.5 billion) and represents around 83.7% of the Group's total assets. This also includes the increase in lending to other Group companies.

Retail financing

In the Volkswagen Bank GmbH Group, the total number of current customer financing contracts fell to 2.0 million (previous year: 2.2 million). A total of 674 thousand new contracts were concluded in fiscal year 2024 (previous year: 697 thousand). As of December 31, 2024, the volume of loans and receivables in retail financing amounted to €29.0 billion (previous year: €28.3 billion). Of this total, €12.6 billion (previous year: €11.1 billion) was attributable to European countries other than Germany.

Dealer financing

The lending volume in dealer financing – which comprises loans to and receivables from dealers in connection with financing for inventory vehicles, as well as working capital and investment loans – rose by 8.7% or €1.3 billion to €16.6 billion.

The volume of loans and receivables related to the international branches and international subsidiaries came to €9.1 billion (previous year: €8.2 billion) as of the balance sheet date.

Lending to other Group companies

In addition to funding the subsidiary Volkswagen Leasing GmbH, Volkswagen Bank GmbH is also of great importance when it comes to loans to other companies of the Volkswagen Financial Services AG Group. Overall, this portfolio amounts to €9.2 billion (previous year: €3.1 billion).

Leasing business

Receivables from leasing transactions (finance leases) were €26.3 billion (previous year: €3.4 billion). This balance sheet item is primarily characterized by the German business of Volkswagen Leasing GmbH, which accounts for around 77.2%.

Marketable securities
The Volkswagen Bank GmbH Group's portfolio mainly consists of fixed-income securities from public-sector and private issuers amounting to €3.7 billion (previous year: €4.3 billion).

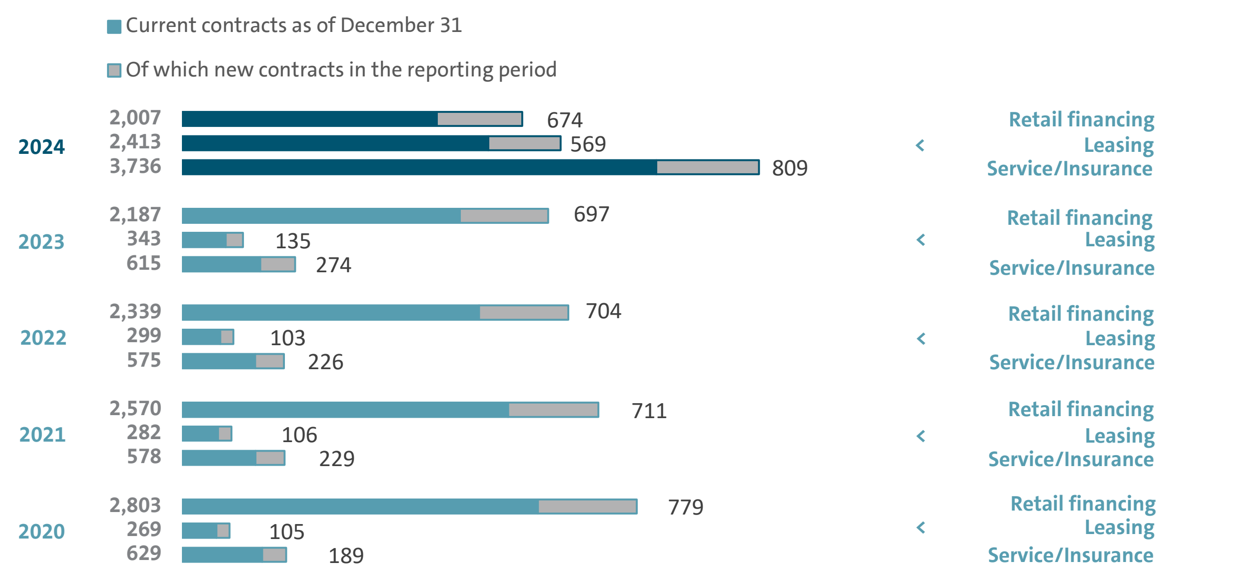
Lease assets
This item mostly consists of assets from operating leases, which are predominantly recognized in Germany with a volume of €28.7 billion (previous year: €0 billion) or 78.4%.

CURRENT CONTRACTS AND NEW CONTRACTS

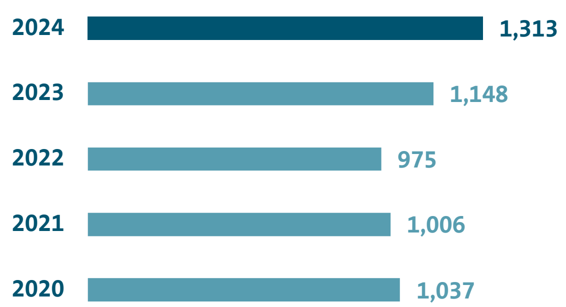
in thousands[1]	Volkswagen Bank Group	of which: Germany	of which: Italy	of which: France	of which: Spain	of which: other branches/ subsidiaries
Current contracts[2]	8,156	5,230	1,216	1,167	328	216
Automotive retail financing	1,884	927	378	130	317	132
Consumer retail financing	123	111	–	–	8	4
Leasing business	2,413	1,860	124	405	3	20
Service/insurance	3,736	2,332	714	631	–	59
New contracts[2]	2,052	1,039	273	527	98	115
Automotive retail financing	665	271	149	63	94	88
Consumer retail financing	9	6	–	–	1	2
Leasing business	569	369	27	161	3	9
Service/insurance	809	393	98	302	-	16
€ million						
Loans to and receivables from customers attributable to						
Retail financing	29,021	16,451	6,077	848	4,474	1,171
Direct banking	407	375	–	0	1	31
Dealer financing	16,598	7,465	1,613	2,399	950	4,171
Leasing business	26,290	22,297	61	3,699	1	233
Assets leased out	36,547	28,668	3,092	4,787	–	–
Percent						
Penetration rates[4]	31.0	35.4	47.3	59.2	30.6	9.2

1 All figures shown are rounded; so minor discrepancies may arise from addition of these amounts.
2 Current contracts and new contracts in each case in relation to the markets shown for the Volkswagen Bank GmbH Group
3 Corresponds to the additions to the non-current leased assets of VW Leasing GmbH
4 Ratio of new contracts for new Group vehicles to deliveries of Group vehicles in each case in relation to the markets shown for the Volkswagen Bank GmbH Group

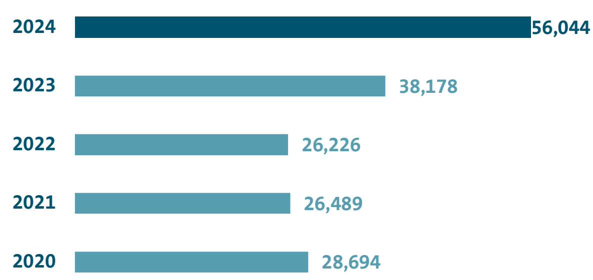
NEW AND EXISTING CONTRACTS AS OF DEC. 31
In thousands



DIRECT BANK CUSTOMERS AS OF DEC. 31
Lending and deposit business and borrowings (in thousands)



CUSTOMER DEPOSITS AS OF DEC. 31
€ million



Since January 1, 2019, the volume of deposits has been calculated without cash deposits from Group companies.

Deposit business and borrowings

Liabilities to customers

The main item on the equity and liabilities side of the balance sheet is liabilities to customers with a volume of €83.4 billion (previous year: €46.2 billion), 67.2% of which derives from the operation of the direct bank's deposit business. In addition to the security provided by statutory deposit guarantees, Volkswagen Bank GmbH is also covered by its ongoing membership in the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.).

Notes, commercial paper issued
Notes and commercial paper issued in the amount of €30.3 billion (previous year: €5.2 billion) mostly originate from Volkswagen Leasing GmbH's capital market activities.

Equity
Equity in accordance with the HGB was €21.3 billion (previous year: €10.9 billion). It comprises subscribed capital in the unchanged amount of €318.3 million, capital reserves of €12.4 billion (previous year: €8.9 billion), retained earnings of €8.8 billion (previous year: €1.8 billion) and other reserves amounting to €108 million (previous year: €104 million).

CAPITAL ADEQUACY ACCORDING TO REGULATORY REQUIREMENTS

Under regulatory requirements, Volkswagen Bank GmbH must comply with the provisions of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR) and satisfy the minimum capital requirements. In this context, Volkswagen Bank GmbH must comply with the minimum capital ratios as specified in Article 92(1) of the CRR at partly consolidated level (IFRS).
Since the reorganization under company law as of July 1, 2024, there have been two notable changes to capital adequacy according to regulatory requirements. Volkswagen Leasing GmbH became part of the partly consolidated own funds reporting of Volkswagen Bank GmbH on July 1, 2024. The year-on-year figures in this chapter are therefore not very meaningful. Moreover, since July 1, 2024, Volkswagen Bank GmbH no longer needs to comply with the minimum capital ratios as specified in Article 92(1) of the CRR at the individual level (HGB). It is exempt from the capital requirements and from the reporting obligation on an individual basis under a capital waiver pursuant to Art. 10 of the CRR.

The minimum ratio under the CRR for Common Equity Tier 1 (CET1) capital is 4.5%, for Tier 1 capital 6% and for total capital 8%.

In addition, Volkswagen Bank GmbH must satisfy the combined capital buffer requirement specified in section 10i of the *Kreditwesengesetz* (KWG – German Banking Act), i.e. the requirements for the capital conservation buffer and the institution-specific countercyclical capital buffer.

In its capacity as the competent supervisory authority for 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 ratios and the capital buffer requirements. The legal basis for this capital add-on, or Pillar 2 requirement (P2R), is Article 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 Bank GmbH to satisfy, at partly consolidated level, a total SREP capital requirement (TSCR) of at least 10.25% and a Pillar 2 requirement of 2.25%. The ECB decision specifies that the Pillar 2 requirement must be satisfied with a minimum of 56.25% in the form of CET1 capital. The remainder of the Pillar 2 requirement can be met with Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.

Volkswagen Bank GmbH complied with all minimum requirements at all times in the reporting period at partly consolidated level.

The total capital ratio (ratio of own funds to total risk exposure) was 16.1% at the end of the reporting period (previous year restated: 17.6%), significantly above the statutory minimum ratio. The prior-year total capital ratio is not comparable on account of the reorganization under company law as of July 1, 2024.

The Tier 1 capital ratio and Common Equity Tier 1 capital ratio were each 16.1% (previous year: 17.5%) at the end of the reporting period, and therefore also significantly above the respective minimum ratios specified in the CRR. The prior-year Tier 1 capital ratio and Common Equity Tier 1 capital ratio are not comparable on account of the reorganization under company law as of July 1, 2024.

Total risk exposure is calculated on the basis of credit risks, market risks, operational risks and risks arising from credit valuation adjustment (CVA charge). Volkswagen Bank GmbH uses the Standardized Approach for Credit Risk (CRSA) to quantify credit risk and to determine risk-weighted exposures.

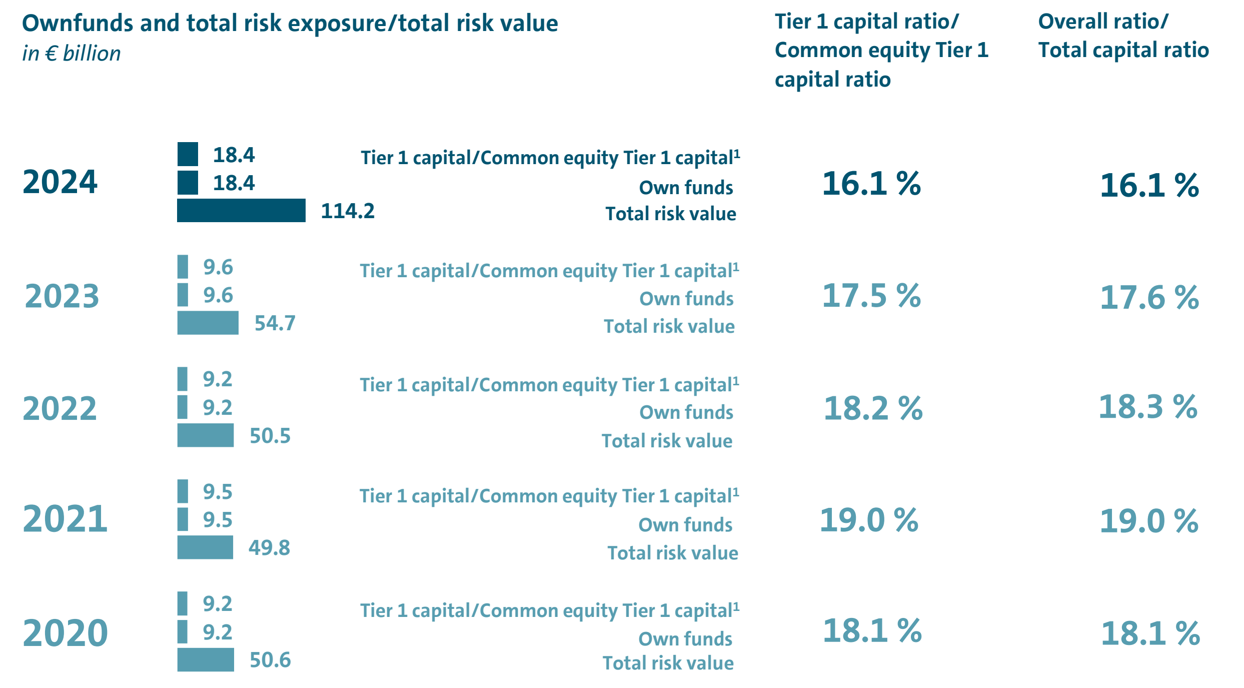
The Standardized Approach as specified in Article 317 of the CRR is used to calculate the own funds requirements for operational risk. The own funds requirements for the CVA charge are determined using the standardized method specified in Article 384 of the CRR. The own funds requirements for market risk are calculated as specified in Article 351 of the CRR in accordance with the Standardized Approach for foreign exchange risk.

The following overview shows a breakdown of total risk exposure and own funds:

	Dec. 31, 2024		Dec. 31, 2023[3]	
Total risk exposure[1] (€ million)	–	114,216	–	54,707
of which risk-weighted exposure amounts for credit risk	107,439	–	50,545	–
of which own funds requirements for market risk * 12,5	352	–	560	–
of which own funds requirements for operational risk * 12.5	5,258	–	3,554	–
of which own funds requirements for credit valuation adjustments * 12.5	1,167	–	48	–
Own funds (€ million)	–	18,350	–	9,601
of which Common Equity Tier 1 capital	18,350	–	9,600	–
of which Additional Tier 1 capital	-	–	-	–
of which Tier 2 capital	–	–	1	–
Common Equity Tier 1 capital ratio[2] (percent)	–	16.1	–	17.5
Tier 1 capital ratio[2] (percent)	–	16.1	–	17.5
Total capital ratio[2] (percent)	–	16.1	–	17.6

1 According to Article 92(3) of the CRR
2 According to Article 92(1) of the CRR
3 Minor correction notification in calendar year 2024 in the amount of around EUR 15 million total risk amount. The key figures as at the reporting date of December 31, 2023 are not comparable due to the reorganization under company law as of July 1, 2024.

REGULATORY RATIOS OF THE VOLKSWAGEN BANK GMBH GROUP AS OF DEC. 31



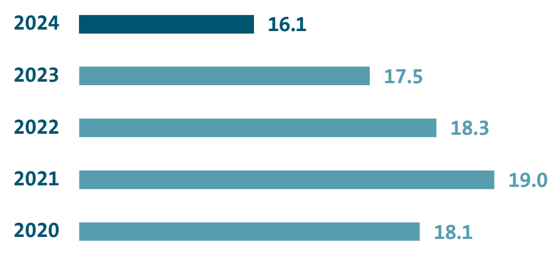
1 The amounts of Tier 1 capital and Common Equity Tier 1 capital are the same because Volkswagen Bank GmbH has not issued any Additional Tier 1 capital instruments.

The year-on-year change in the regulatory capital ratios (CET1 capital ratio, Tier 1 capital ratio and total capital ratio) is largely attributable to the increase in total risk exposure having more than offset the increase in own funds.

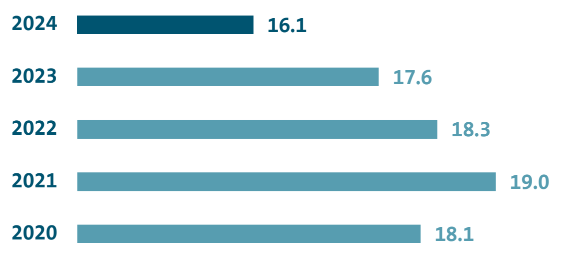
The increase in the total risk exposure of €59.5 billion is principally a result of the integration of Volkswagen Leasing GmbH in the wake of the reorganization under company law as of July 1, 2024 and an increase in business volume in the corporate and retail areas.

The increase in the own funds of €8.7 billion is principally also a result of the integration of Volkswagen Leasing GmbH in the wake of the reorganization under company law as of July 1, 2024.

TIER 1 CAPITAL RATIO/COMMON EQUITY TIER 1 CAPITAL RATIO
In %



OVERALL RATIO/TOTAL CAPITAL RATIO (CRR/SOLVV)
In %



Volkswagen Bank GmbH has a capital planning process, the aim of which is to ensure that the regulatory minimum capital ratios are satisfied, even when the volume of business grows. In addition to making additions to capital reserves and using Tier 2 capital proportionately in the form of subordinated liabilities, the Bank can also make use of ABS transactions to optimize its capital management. Volkswagen Bank GmbH therefore has the benefit of a sound foundation for further expansion of the financial services business.

In a letter dated June 19, the ECB informed Volkswagen Bank GmbH that from July 1, following the creation of the financial holding group Volkswagen Financial Services AG, Volkswagen Bank GmbH will need to comply with the provisions of Parts 2 to 8 of the CRR and Title VII of the CRM at the level of the entities included in the regulatory basis of consolidation of Volkswagen Bank Group. The provisions of Title VII of the CRD have been implemented and are enshrined in the KWG and put into specific terms by MaRisk and the applicable EBA guidelines. Moreover, as of July 1, 2024, Volkswagen Bank GmbH received a CRR waiver approval pursuant to section 2a(1) of the KWG in conjunction with Art. 7(1) and 6(1) of the CRR and a Pillar 2 waiver approval pursuant to section 2a(2) of the KWG. What this means is that Volkswagen Bank GmbH is exempt, in particular, from the capital and large exposure provisions pursuant to the CRR and from calculating the risk-bearing capacity at the level of the single entity Volkswagen Bank GmbH. To this end, Volkswagen Financial Services AG issued a hard letter of comfort to the creditors of Volkswagen Bank GmbH. The relevant provisions must instead be fulfilled at the level of the Volkswagen Bank Group. Volkswagen Bank GmbH furthermore received approval according to section 2(3) of the *Groß- und Millionenkreditverordnung* (GroMiKV – Regulation governing large exposures or loans of €1.5 million or more) to exempt 90% of its loans to parent companies, subsidiaries and affiliates within the regulatory basis of consolidation of the financial holding group Volkswagen Financial Services AG from the calculation of the utilization of the large exposure limit of Volkswagen Bank Group.

CHANGES IN OFF-BALANCE-SHEET LIABILITIES

The off-balance-sheet liabilities relate mainly to irrevocable credit commitments. At the Volkswagen Bank GmbH Group, they amounted to €10,280 million as of December 31, 2024 (previous year restated: €10,039 million).

Following the spin-off and absorption of the shares in Volkswagen Leasing GmbH by Volkswagen Bank GmbH, because of the special liability provision of section 133 of the *Umwandlungsgesetz* (UmwG – German Transformation Act) the Volkswagen Bank Group has become jointly and severally liable for the legacy liabilities of former Volkswagen Financial Services AG, now Volkswagen Financial Services Overseas AG, although this liability is limited to the allocated net assets of Volkswagen Leasing GmbH. Since the lion's share of the liabilities of former Volkswagen Financial Services AG, now Volkswagen Financial Services AG Overseas AG, has been transferred to the present-day financial holding company Volkswagen Financial Services AG by way of a spin-off, the joint and several liability essentially extends to the legacy liabilities that were transferred to the financial holding company Volkswagen Financial Services AG. To comply with the large exposure provisions of the Volkswagen Bank Group, Volkswagen Financial Services AG has placed a cash deposit with Volkswagen Bank GmbH.

LIQUIDITY ANALYSIS

The Volkswagen Bank GmbH Group is funded largely through direct banking deposits and through capital market and asset-backed security programs. If required, the sources of funding are supplemented by utilizing liquidity made available by the ECB in open market operations. The Volkswagen Bank GmbH Group holds liquidity reserves in the form of credit balances on its account with the ECB and securities deposited in its operational safe custody account with Deutsche Bundesbank. In addition to bonds from various countries, German federal states (Länder bonds), supranational institutions and multilateral development banks plus *Pfandbriefe* (mortgage bonds), all totaling €3.2 billion, the Volkswagen Bank GmbH Group holds senior ABS bonds issued by special purpose entities of Volkswagen Bank GmbH in an amount of €9.8 billion, which can be deposited as collateral in the operational safe custody account.

In conjunction with various ILAAP metrics, the normative and economic perspectives of liquidity adequacy are assessed over short-, medium- and long-term time horizons. The Volkswagen Bank GmbH Group ensures that it has appropriate liquidity adequacy at all times by measuring and limiting the ILAAP metrics. A significant ILAAP metric used by Treasury to manage short-term liquidity at Volkswagen Bank GmbH and in the entities within the regulatory basis of consolidation of the Volkswagen Bank GmbH Group is the liquidity coverage ratio (LCR). From January to June in the year under review, this ratio varied between 316% and 430% for the relevant Volkswagen Bank GmbH Group at the time, and from June to December in the year under review, following the restructuring of the Volkswagen Bank GmbH Group, it ranged between 209% and 457%. The LCR was therefore significantly above the lower regulatory limit of 100% at all times. The changes in the liquidity ratio are continuously monitored and proactively managed by a lower limit for internal management purposes. Highly liquid assets for the purposes of the LCR include central bank balances and government bonds plus other securities such as Länder bonds, supranational bonds and *Pfandbriefe*.

The requirement under the *Mindestanforderungen an das Risikomanagement* (MaRisk – German Minimum Requirements for Risk Management) for the Volkswagen Bank GmbH Group to provide a highly liquid cash buffer and appropriate liquidity reserves to cover any liquidity requirements over 7-day and 30-day time horizons was also satisfied at all times, even under various stress scenarios. Compliance with this requirement is determined and continuously monitored by the liquidity risk management department. In this process, the cash flows for the coming 12 months are projected and compared against the potential funding available in each maturity band. Adequate potential funding to cover the liquidity requirements was available at all times in the normal scenario. The survival period recovery indicator remained within the stipulated limits through the 2024 reporting year.

FUNDING

Strategic principles

In terms of funding, the Volkswagen Bank GmbH Group pursues a strategy of diversification. This includes optimization of the available instruments, currencies, maturities and interest rate matches while taking into account cost and risk aspects.

By pooling its activities in the European financial holding company Volkswagen Financial Services AG and by spinning off Volkswagen Leasing GmbH to Volkswagen Bank GmbH, the funding strength of

Volkswagen Bank GmbH can be used for the growth of the leasing business in Germany and Europe. The new Group structure takes account of both the expected business growth and the growing customer trend away from vehicle financing and towards leasing. The reorganization means that Volkswagen Bank GmbH no longer has limited scope for providing funds to Volkswagen Leasing GmbH. In addition to the placement of bonds and ABS transactions, for example, the substantially increased customer deposits at Volkswagen Bank GmbH can now be used to finance the planned business growth.

Unsecured capital market transactions can be issued from the newly established €50 billion debt issuance program of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Financial Services N.V. published on September 25, 2024. Effective July 1, 2024, Volkswagen Financial Services AG issued a hard letter of comfort in favor of Volkswagen Bank GmbH.

Implementation

Volkswagen Bank GmbH issued no unsecured bonds in 2024. Nor were any public securitization transactions carried out in the reporting period. ECB funding instruments constituted additional sources of funding. The significant increase in customer deposits can now also be used without restrictions to fund the increase in business volume of Volkswagen Leasing GmbH.

Ratings

Volkswagen Bank GmbH is a wholly owned subsidiary of Volkswagen Financial Services AG and, as such, its credit ratings with Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings Limited (Fitch) are closely associated with those of Volkswagen Financial Services AG and the Volkswagen Group.

Rating agency S&P confirmed its short-term and long-term ratings of A-2 and BBB+ for Volkswagen Bank GmbH on July 1, 2024. The outlook remains "stable". Rating agency Moody's confirmed its P-1 (short term) and A1 (long term) ratings for Volkswagen Bank GmbH on July 1, 2024. On October 10, 2024, the outlook was lowered from "stable" to "negative", first for Volkswagen AG and then for Volkswagen Bank GmbH. On July 1, 2024, Fitch confirmed the short-term and long-term ratings of F1 and A- for Volkswagen AG and issued new short-term and long-term ratings for Volkswagen Bank GmbH at F1 and A. The outlook for Volkswagen AG and Volkswagen Bank GmbH is "stable".

This confirmation of the ratings reflects the overall stability of the Group during the current transition phase to electromobility even though the negative outlook at Moody's is an expression of the current challenges facing the entire automotive industry.

Volkswagen Bank GmbH

(Condensed, in accordance with the HGB)

As the parent company, Volkswagen Bank GmbH accounts for a significant share of the business performance of the Volkswagen Bank GmbH Group even after the restructuring under company law. Please refer to the previous section for a presentation of the business performance of the Group in accordance with the IFRSs. In the section below, information is provided on the changes in the net assets, financial position and results of operations of Volkswagen Bank GmbH in accordance with the HGB.

BUSINESS PERFORMANCE 2024

The result from ordinary activities increased to €1,053,3 million (previous year: €886.6 million). The net interest income earned by Volkswagen Bank GmbH, including interest anomalies from negative interest and net income from leasing transactions, came to €2,810.7 million compared with €2,390.3 million in the prior year due to the increase in the volume of loans and receivables.

Interest income from lending and money market transactions including finance leases, which originated predominantly from financing business with end customers and from vehicle and capital investment financing with dealerships in the Volkswagen Group, increased by €1,426.3 million year-on-year to €3,983.1 million due to the general course of interest rates. Of this amount, €1,113.2 million (previous year: €787.0 million) was attributable to retail financing and €938.3 million (previous year: €756.5 million) to dealer financing. It also includes interest income from the return of central bank liquidity totaling €807.5 million (previous year: €355.8 million).

Net income from leasing business amounted to €1,024.4 million (previous year: €1,001.0 million). Within this figure, income from leasing transactions, which rose by €273.8 million or 16.2%, is set against expenses from leasing transactions, which increased by €250.5 million or 36.1%.

Fee and commission income amounted to €271.8 million, which equated to a decrease of €18.3 million compared with the prior-year level. Fee and commission expenses came to €659.3 million (previous year: €444.9 million). Net fee and commission income was in negative territory in the year under review, with a net expense of €387.5 million (previous year: net expense of €154.8 million).

Other operating income rose by €6.6 million to €397.8 million.

General and administrative expenses increased by €29.1 million to €826.6 million (previous year: €797.5 million). Personnel expenses increased by €58.6 million to €246.5 million.

Expenses arising from cost transfers from affiliated companies decreased by €141.9 million to €192.1 million. Both effects are a consequence of the restructuring under company law and the associated changes in personnel.

Fees for services provided by third parties increased by €29.3 million to €61.8 million.

Depreciation and write-downs on lease assets amounted to €972.0 million (previous year: €853.9 million). Other operating expenses fell by €0.6 million to €83.7 million.

The provision for credit risks came to a net addition of €165.5 million (previous year: net addition of €7 million), due to the increase in the volume of loans and receivables to Group companies and dealers.

The profit after tax of €581.7 million (previous year: €620.8 million) will be transferred to Volkswagen AG pursuant to the existing control and profit-and-loss transfer agreement.

Total assets rose by €20.8 billion to €103.1 billion (previous year: €82.3 billion), due to increased loans to Volkswagen Group companies and the rise in loans and receivables in dealer finance. As a result, the customer loans and receivables reported in the balance sheet increased by €17.5 billion and amounted to €68.0 billion as of the reporting date (previous year: €50.5 billion). This included loans to and receivables from customers attributable to sales finance, which remained almost unchanged with growth of €0.8 million to €29.1 billion. Loans and receivables from dealers in connection with purchase financing rose by €1.3 billion to €16.5 billion. Receivables from loans to Group companies grew by €14.5 billion to €17.4 billion. Other receivables resulted from leasing transactions, direct banking activities and other matters, and had a volume totaling €5.0 billion as of December 31, 2024 (previous year: €4.1 billion). The cash reserve remained unchanged at €0.9 billion (previous year: €0.9 billion).

Most of Volkswagen Bank GmbH's portfolio comprises securities from ABS transactions, of which €10.1 billion (previous year: €11.6 billion) is attributable to securities from own-account transactions. For investment purposes, the portfolio also included ABSs with a total value of €0.5 billion (previous year: €0.5 billion) issued by special purpose entities of Volkswagen Financial Services (UK) Ltd., Milton Keynes.

On the equity and liabilities side of the balance sheet, there were significant changes in liabilities to banks, which declined by €7.2 billion to €0.3 billion as a result of the return of central bank liquidity. Due to maturities, notes and commercial paper issued also decreased, by €1.7 billion to €3.4 billion. In return, liabilities to customers (incl. direct banking business) rose by €26.7 billion to €73.1 billion (previous year: €46.4 billion). The restructuring under company law, which is described in the relevant section, moreover led to a €3.4 billion increase of equity to €12.6 billion since the spin-off of the shares of Volkswagen Leasing GmbH to Volkswagen Bank GmbH is recognized as an addition to capital reserves.

INCOME STATEMENT OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG

€ million	2024	2023
Net interest income	1,786	1,389
Net leasing income	1,024	1,001
Net fee and commission income	–388	–155
Income from profit pooling, profit transfer/partial profit transfer agreement	140	–
Administrative expenses	827	798
Other comprehensive income	–518	–544
Provision for credit risks	165	7
Result from ordinary business activities	**1,053**	**887**
Tax expense	471	266
Profits transferred under a profit transfer agreement	582	621
Net income for the year	**0**	**0**
Retained profits brought forward	0	0
Net retained profits	**0**	**0**

BALANCE SHEET STRUCTURE OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG

€ million	Dec. 31, 2024	Dec. 31, 2023
Assets		
Cash reserve	918	850
Loans to and receivables from banks	12,106	11,426
Loans to and receivables from customers	67,986	50,513
Marketable securities	13,699	15,666
Equity investments and shares in affiliated companies	3,417	182
Lease assets	4,456	3,226
Other assets	553	465
Total assets	**103,135**	**82,328**
Equity and liabilities		
Liabilities to banks	288	7,521
Liabilities to customers	73,051	46,399
Notes, commercial paper issued	3,431	5,088
Provisions	622	452
Subordinated liabilities	–	10
Funds for general banking risks	26	26
Equity	12,616	9,224
Other liabilities	13,101	13,609
Total equity and liabilities	**103,134**	**82,328**
Balance sheet disclosures		
Contingent liabilities	9,086	176
Other obligations	10,280	10,039

OPPORTUNITIES AND RISKS FACING VOLKSWAGEN BANK GMBH

The business performance of Volkswagen Bank GmbH is largely subject to the same opportunities and risks as those faced by the Volkswagen Bank GmbH Group. These opportunities and risks are described in the report on opportunities and risks in the following sections of this management report.

Report on Opportunities and Risks

In challenging times, the balanced, active management of opportunities and and risks characterizes the sustained operating success of Volkswagen Bank GmbH.

OPPORTUNITIES AND RISKS

In this section, the opportunities and risks that arise in connection with the Bank's business activities are presented. They are grouped into various categories. Unless explicitly mentioned, there were no material year-on-year changes to the individual risks and opportunities.

Analyses of the competitive and operating environment are used, together with market observations, to identify not only risks but also opportunities, which then have a positive impact on the design of products, their success in the marketplace and on cost structure. Risks and opportunities that are expected to materialize have already been taken into account in the Bank's medium-term planning and forecast. The following sections therefore describe fundamental opportunities that could lead to a positive variance from the forecast, as well as including a detailed description of the risks.

MACROECONOMIC OPPORTUNITIES AND RISKS

The Management Board of Volkswagen Bank GmbH expects deliveries to Volkswagen Group customers in 2025 to be on the same level as in the previous year in the face of challenging market conditions. The Volkswagen Bank GmbH Group promotes the sale of vehicles through financial services.

The economic growth in Europe depends substantially on the trend of inflation. While overall inflation is declining compared with prior years, core inflation remains at a level above the central bank's target corridor. Key interest rates are expected to have peaked. If core inflation remains high, however, this may lead to a further tightening of monetary policy, thereby weakening economic growth.

Geopolitical tensions may have an additional adverse impact on economic growth by resulting in shortages and delays in the global supply chains, for example, or by contributing to a renewed rise in inflation. This may have an additional negative effect on consumer confidence and the investment climate.

The macroeconomic environment could also give rise to opportunities for the Volkswagen Bank GmbH Group if, for example, actual inflation turns out to be more positive than forecast or geopolitical tensions ease, with a positive impact on the economic development.

The expansion of the digital sales channels promotes direct sales to supplement the dealership business. It addresses the changing needs of customers and strengthens the competitive position of the Volkswagen Bank GmbH Group.

STRATEGIC OPPORTUNITIES

The Volkswagen Bank GmbH Group is continuing to pursue a strategy that focuses on the digitalization and optimization of all processes, systems and products. The aim is to also offer all key products online.

Moreover, the Volkswagen Bank GmbH Group wants to leverage the opportunities for growth more and more in the areas of vehicle financing and leasing. It sees further opportunities in the development of innovative products that are geared to the changed mobility requirements of customers. Growth areas such as mobility products and service offerings are being systematically developed and expanded within the integrated Volkswagen Leasing GmbH.

By pooling its activities in a European financial services provider and through the spin-off of Volkswagen Leasing GmbH to Volkswagen Bank GmbH, Volkswagen Bank GmbH can use its funding strength to expand the leasing business in Germany and Europe.

With customers increasingly preferring to lease vehicles rather than seek finance for their purchase, and with business expected to grow, the new Group structure will extend not only to the placement of bonds and ABS transactions, but also in particular to the use of funding opportunities of Volkswagen Bank GmbH, such as the planned significant increase in customer deposits to fund the planned business growth at Volkswagen Leasing GmbH and for the companies of the European financial holding company, Volkswagen Financial Services AG.

The restrictions in the form of large exposure limits no longer apply following the reorganization; consequently the funds from funding options of Volkswagen Bank GmbH can be used in full to fund Volkswagen Leasing GmbH as well.

OPPORTUNITIES FROM CREDIT RISK

Opportunities may arise in connection with credit risks if the losses actually incurred on lending and leasing transactions turn out to be lower than the prior calculations of expected loss and the associated provisions recognized on the basis thereof. Particularly in those countries in which increased risk provisioning was identified due to an uncertain economic situation, the realized losses may be lower than the expected losses if the economy stabilizes and borrowers' credit ratings improve as a result.

OPPORTUNITIES FROM RESIDUAL VALUE RISK

When vehicles are remarketed, the Volkswagen Bank GmbH Group may be presented with the opportunity to obtain a price that is higher than the contractual residual value if actually realized marketing prices show a better development than expected.

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM AND THE INTERNAL RISK MANAGEMENT SYSTEM AS REGARDS THE FINANCIAL REPORTING PROCESS

The internal control system (ICS) for the consolidated and annual financial statements as well as the management report of Volkswagen Bank GmbH, as far as it is related to the accounting system, is defined as the sum of all principles, procedures and activities aimed at ensuring the effectiveness and propriety of the financial reporting and ensuring compliance with the relevant legal requirements. The internal risk management system (IRMS) as regards the accounting process refers to the risk of misstatement in the bookkeeping at the company and Group level as well as in external financial reporting. The sections below describe the key elements of the ICS/IRMS as they relate to the financial reporting process of Volkswagen Bank GmbH.

> The Management Board of Volkswagen Bank GmbH is the governing body with responsibility for the executive management of the business. In this role, the Management Board has set up accounting, treasury, risk management, controlling, and compliance and integrity units, each with clearly distinct functions and clearly defined areas of responsibility and authority, to ensure that the accounting and financial reporting processes are legally compliant and in line with the relevant standards. All accounting tasks (single-entity and consolidated financial statements) are performed by Volkswagen Financial Services AG in the context of an outsourcing agreement. Volkswagen Leasing GmbH fulfills some of the controlling tasks as part of an outsourcing agreement. The compliance function has also

been outsourced to Volkswagen Financial Services AG and is supplemented by the compliance officer function at Volkswagen Bank GmbH.

> Group-wide rules and regulations have been put in place as the basis for a standardized, proper and continuous financial reporting process.
> The accounting policies applied by the domestic and foreign entities included in the consolidated financial statements are, among others, governed by the Volkswagen Group's accounting policies, including the accounting requirements specified in the IFRS Accounting Standards (IFRSs). Reporting requirements including the accounting policies according to the German Commercial Code (HGB) in conjunction with the *Verordnung über die Rechnungslegung der Kreditinstitute* (RechKredV – German Regulation on Accounting for Banks, Financial Services Institutions and Investment Firms) set out the accounting and valuation principles for the single-entity financial statements of Volkswagen Bank GmbH.
> The accounting standards also set out the specific formal requirements for the consolidated financial statements. The standards determine the basis of consolidation and also describe in detail the components of the reporting packages to be prepared by the Group companies. The accounting standards also define specific details relating to the recognition and processing of intragroup transactions and the associated reconciliation of balances.
> At Group level, specific control activities aimed at ensuring that the consolidated financial reporting provides a true and fair view include the analysis and any necessary adjustment of IFRS reporting packages prepared by the consolidated entities, taking into account the reports submitted by the auditor and the related discussions concerning the financial statements.
> These activities are supplemented by the clear delineation of areas of responsibility and by various monitoring and review mechanisms.
> These monitoring and review mechanisms are designed with both integrated and independent process components. Automated IT processing controls account for a significant proportion of the integrated process activities alongside manual process controls, such as double-checking by a second person.
> Internal auditing is a key component of the monitoring and control system. It carries out regular audits of accounting-related processes in Germany and abroad as part of its risk-oriented auditing activities and reports on these audits directly to the Management Board of Volkswagen Bank GmbH. Parts of Internal Audit's activities are outsourced to Volkswagen Financial Services AG.

To summarize, the aim of the ICS and IRMS of Volkswagen Bank GmbH is to ensure that the financial position of the single entity and the Volkswagen Bank GmbH Group is based on information that is reliable and has been properly recognized as of the December 31, 2024 reporting date. In addition, the accurate recording, processing and evaluation of all transactions and recording them in the accounting system as a whole must be ensured.

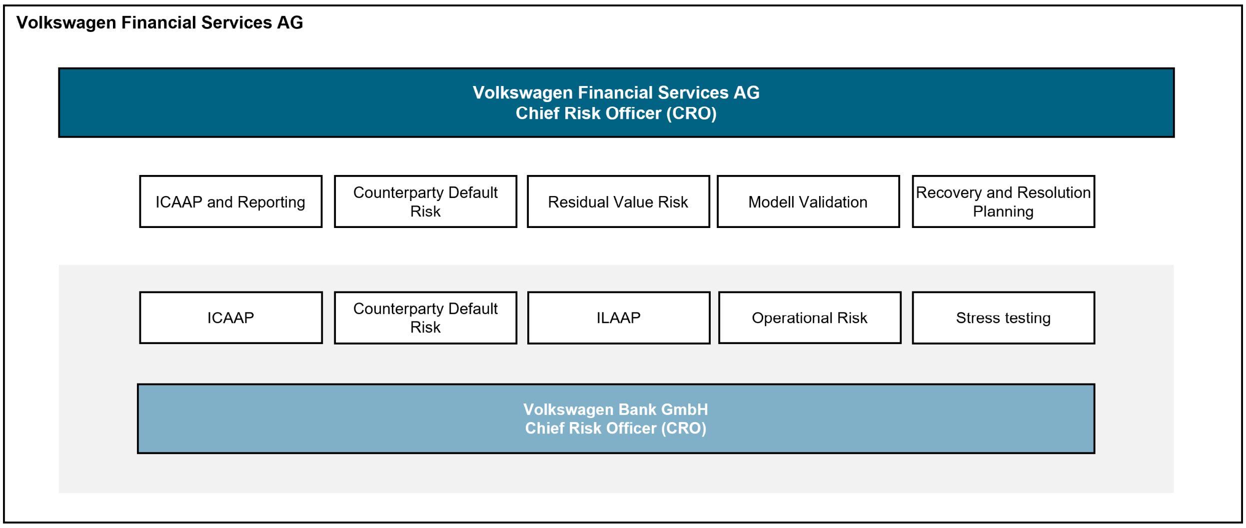
No material changes were made to the internal monitoring and control system of Volkswagen Bank GmbH after the reporting date.

ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT

At Volkswagen Bank GmbH, risk is defined as the danger of loss or damage that could occur if an anticipated future development turns out to be less favorable than planned. In the realm of its primary operating activities, Volkswagen Bank GmbH is exposed to a large number of risks typical for the financial services sector. The Group takes on these risks within the limits of the approved risk strategy so that it can target and exploit any resulting market opportunities.

Volkswagen Bank GmbH , working in close cooperation with Volkswagen Financial Services AG, has put a risk management system in place to identify, assess, manage, monitor and communicate risks. The risk management system comprises an integrated framework of risk principles, organizational structures and processes for assessing and monitoring risks. The individual elements are aligned with 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.

The entire Management Board is responsible for risk management at Volkswagen Bank GmbH, although responsibility for operational implementation lies with the Chief Risk Officer (CRO). In this function, the CRO submits regular reports on the overall risk position of Volkswagen Bank GmbH to the other members of the Management Board and to the Supervisory Board.



The management body is supported by a number of risk management units that were set up to fulfill the operational risk controlling functions. This means that Volkswagen Financial Services AG and Volkswagen Bank GmbH manage the risks using an integrated approach. In terms of the practical implementation, operational implementation for the liquidity risks (ILAAP), operational risks and activities in stress testing is the responsibility of Volkswagen Bank GmbH. Moreover, it uses the competence of Volkswagen Financial Services AG's Risk Management for residual value risk processes, defined activities of model validation and for recovery and resolution planning. The risk-bearing capacity of Volkswagen Financial Services AG and Volkswagen Bank GmbH are determined, their capital adequacy assessed (ICAAP – Internal Capital Adequacy Assessment Process) and the counterparty default risks managed in close cooperation between the two companies.

Volkswagen Bank GmbH has implemented suitable procedures to make sure that the risk management system is fit for purpose. The Internal Audit department monitors the individual elements in the system regularly on a risk-oriented basis.

In 2024, no changes were made to the existing Pillar 2 requirement for Volkswagen Bank GmbH of 2.25%. The Pillar 2 requirement, which is specified and reviewed by the ECB banking supervisor every year, must be satisfied in addition to the minimum capital requirements under Pillar 1 and covers risks that are underestimated in or not covered by the minimum capital requirements.

An important feature of the integrated risk management system is the clear, unequivocal separation of tasks and areas of responsibility, both organizationally and in terms of personnel. This ensures that the system is fully functioning 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, and issuing and monitoring international framework standards for the procedures to be used across Europe.

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 evaluating risks, and for determining the resulting measures to respond to the risks.

Local risk management units ensure that the requirements specified by Volkswagen Bank GmbH's Risk Management are implemented and complied with in their respective market.

To summarize, continuous monitoring of risks, open and direct communication with the Management Board and the integration of all findings into the operational risk management system together form the basis, in the view of the Management Board, for the best possible leveraging of market potential based on conscious, effective management of the overall risk faced by Volkswagen Bank GmbH.

RISK STRATEGY AND RISK MANAGEMENT

Fundamental decisions relating to strategy and the instruments of risk management are the responsibility of the Management Board of Volkswagen Bank GmbH.

As part of this overall responsibility, the Management Board of Volkswagen Bank GmbH has introduced a MaRisk-compliant strategy process and implemented a business and risk strategy.

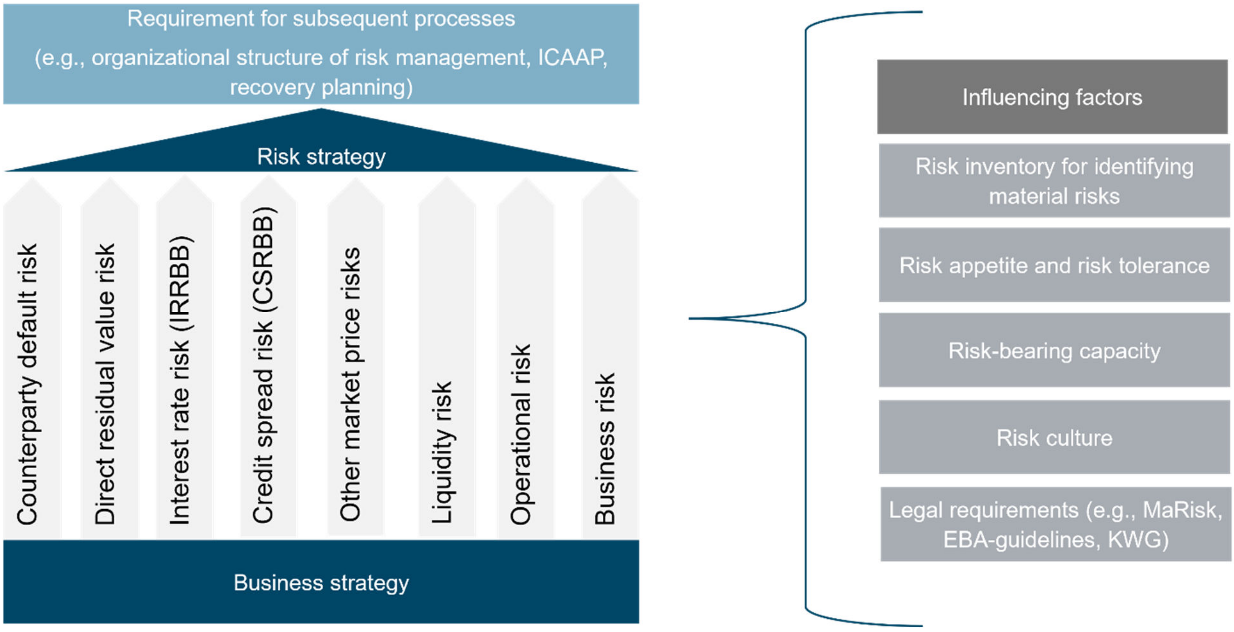
The MOBILITY2030 Group-wide business strategy sets out the fundamental views of the Management Board of Volkswagen Bank GmbH on key matters relating to business policy. It includes the objectives for each major business activity and the strategic areas for action to achieve the relevant objectives. The business strategy also serves as the starting point for creating an associated risk strategy.

The risk strategy is reviewed each year and whenever required on the basis of a risk inventory, risk-bearing capacity and legal requirements. It is adjusted where appropriate, approved by the Management Board and discussed with the Supervisory Board of Volkswagen Bank GmbH. The risk strategy describes the main risk management goals and action plans for each category of risk, taking into account the business policy focus, risk tolerance and risk appetite. A review is carried out annually to establish whether the goals in the risk strategy have been attained. The causes of any variances are analyzed and then discussed with the Management Board of Volkswagen Bank GmbH.

The risk strategy includes all material quantifiable and non-quantifiable risks. More detailed information and specific examples of the individual risk categories are modeled in the form of subrisk strategies and operationalized in the business and risk planning process.

The Management Board of Volkswagen Bank GmbH is responsible for specifying and subsequently implementing the overall risk strategy in the Volkswagen Bank GmbH Group.

RISK STRATEGY PROCESS



RISK INVENTORY

The objective of the risk inventory, which has to be carried out at least once a year, is to identify the main categories of risk. To this end, all known categories of risk are examined to establish whether they arise and are relevant in the Volkswagen Bank GmbH Group. In the risk inventory, the relevant categories of risk are examined in greater detail, quantified or, if they cannot be quantified, assessed by experts, and then evaluated to determine whether they are material for the Volkswagen Bank GmbH Group. 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). The Volkswagen Bank GmbH Group also has an ILAAP-specific framework for risk identification in place as required by the ILAAP guide.

The risk inventory for 2024 carried out as per December 31, 2024 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. The indirect residual value risk and the pension risk are still considered immaterial due to their low share of the overall risk. Other existing subcategories of risk are taken into account within the categories specified above.

Moreover, based on the new structure of the Volkswagen Bank GmbH Group a risk inventory was performed during the year in order to assess the risks as of July 1, 2024. In the process, the above-mentioned risks (see RISK STRATEGY AND RISK MANAGEMENT) were identified. The materiality of the risks as stated above was reaffirmed.

RISK-BEARING CAPACITY, RISK LIMITS AND STRESS TESTING

The Volkswagen Bank GmbH Group has set up a system for calculating risk-bearing capacity in accordance with the requirements specified in the ECB Guide to the internal capital adequacy assessment process (ICAAP). In the opinion of the Management Board, the system should ensure that the Group maintains risk-bearing capacity from both economic and normative perspectives.

In the economic risk-bearing capacity analysis, the overall economic risk is compared against the risk-taking potential. An institution has the capacity to bear its risk if, as a minimum, all material risks to which the institution is exposed are covered at all times by the institution's risk-taking potential.

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.

The objective of the normative perspective is to ensure that the Volkswagen Bank GmbH Group meets all relevant regulatory capital ratio requirements (in particular, the requirements for the total capital ratio and CET1 capital ratio) in the planning period. To this end, the Volkswagen Bank GmbH Group analyzes a baseline scenario and a multidimensional adverse scenario over a forward-looking time horizon of three years beyond the current year and constantly monitors its compliance with the regulatory capital requirements and its internally specified early warning thresholds.

In addition, the Volkswagen Bank GmbH Group 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 Management Board.

Building on Volkswagen Bank GmbH's risk appetite framework, the risk limit system that has been put in place limits the risk at different levels, thereby aiming to safeguard the economic risk-bearing capacity of the Volkswagen Bank GmbH Group.

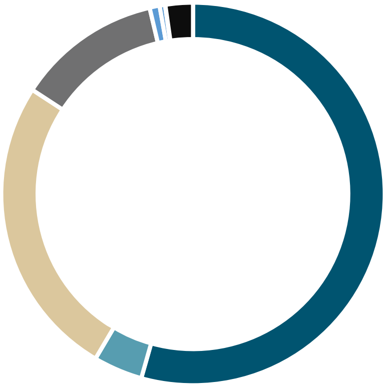
Risk-taking potential is determined from the available equity and earnings components subject to deductions (such as undisclosed liabilities). In accordance with a moderate, overarching risk appetite, only a portion (a maximum of 90%) of this risk-taking potential is specified as a risk ceiling or overall 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 risk 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 to low based on the business model and risk strategy of Volkswagen Bank GmbH.

In a second step, the limits for the risk categories of credit and residual value risk are broken down and allocated at the level of the branches and subsidiaries. For the interest rate risk in the banking book, an operating limit is set in addition to the strategic limit. The business risk, consisting of earnings risk, reputational risk and strategic risk including ESG markup and business model risk, is not limited but treated as a deduction from the risk-taking potential.

The limit system provides management with a tool that enables it to meet its strategic and operational corporate management responsibilities in accordance with statutory requirements.

The overall economic risk of the Volkswagen Bank GmbH Group as of December 31, 2024 amounted to €12.2 billion (previous year: €3.5 billion). The apportionment of this total risk by individual risk category was as follows:

DISTRIBUTION OF RISKS BY RISK CATEGORY
As of December 31, 2024



CHANGES IN RISK CATEGORY APPORTIONMENT[1]

	€ MILLION		SHARE IN PERCENT	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Risk category				
Credit risk	6,633	2,169	54	62
Shareholder, issuer and counterparty risk	508	348	4	10
Residual value risk	3,133	42	26	1
Interest rate risk in the banking book (IRRBB)	1,487	716	12	20
Credit spread risks in the banking book (CSRBB)	102	–	1	–
Other market risk (currency and fund price risk)	56	23	1	1
Liquidity risk (funding risk)	3	2	0	0
Operational risk	284	201	2	6
Business risk	0	0	0	0
Total	**12,206**	**3,501**	**100**	**100**

1 The confidence level is 99.9% as standard.

Due to the changes to the company, the direct residual value risks constitute the key driver for the year-on-year increase in economic risks.

As of December 31, 2024, risk-taking potential amounted to €17.4 billion and comprised CET1 capital (€18.3 billion) plus accumulated earnings after dividend deduction (€0.5 billion) less hidden charges and loss allowance shortfalls (€1.5 billion in total). As of December 31, 2024, 70% of risk-taking potential was utilized by the risks outlined above. In the period January 1, 2024 to December 31, 2024, the maximum utilization of the risk-taking potential in the economic perspective was 70%. In addition to determining the risk-bearing capacity in a normal scenario, the Volkswagen Bank GmbH Group also conducts Group-wide stress tests and reports the results to the Management Board. Stress tests are used to examine the potential impact from exceptional but plausible events on the risk-bearing capacity and earnings performance of Volkswagen Bank GmbH 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 what events could represent a threat to the ability of the Volkswagen Bank GmbH Group to continue as a going concern. Stress tests using a multi-year time horizon (for example an economic downturn, ESG scenarios) are also prepared annually.

In 2024, the calculations of risk-bearing capacity confirmed that all material risks that could adversely impact the financial position or financial performance were adequately covered by the available risk-taking potential at all times. The stress tests did not indicate any need for action.

RISK CONCENTRATIONS

The Volkswagen Bank GmbH Group is a captive finance company in the automotive sector. The business model, which focuses on promoting vehicle sales for the different Volkswagen Group brands, results in concentrations of risk, which can take various forms.

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

- Just a few borrowers/contracts account for a large proportion of the loans (counterparty concentrations)
- A small number of sectors account for a large proportion of the loans (sector concentrations)
- Many of the loans are to businesses within a defined geographical area (regional concentrations)
- Loans/receivables are secured by just one type of collateral or by a limited range of collateral types (collateral concentrations)
- Volkswagen Bank GmbH’s income is generated from just a few sources (income concentrations)

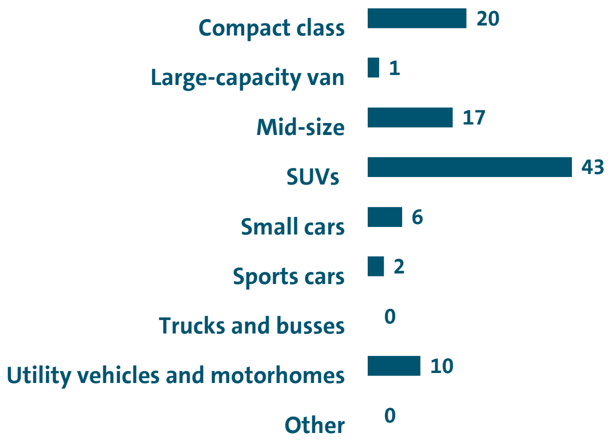
The potential concentrations are counteracted by diversification, for example in the dimensions of brands, models and countries.

Counterparty concentrations from customer business are only of minor significance in the Volkswagen Bank GmbH Group because of the large proportion of business accounted for by retail lending. From a regional perspective, the Volkswagen Bank GmbH Group has a concentration of business in the German market, but looks to achieve broad nationwide diversification within the country.

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. Overall, no noticeable impact has been identified, even in periods of economic downturn such as that caused by the Covid-19 pandemic.

Likewise, a captive 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, the Volkswagen Bank GmbH Group enjoys a broad diversification across all vehicle segments (see following diagram) based on a large range of vehicles from the different brands in the Volkswagen Group.

COLLATERAL STRUCTURE AS OF DECEMBER 31, 2024
In %



Income concentration arises from the very nature of the business model. The special constellation in which the Company serves to promote Volkswagen Group sales results in certain dependencies that directly affect income growth.

MODEL RISK

Model risk arises from inaccuracies in the modeling of risk values and must be taken into account, particularly in complex models.

Depending on model complexity, 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.

ESG RISKS

The increasing emphasis placed on sustainability and the need to manage ESG (environmental, social, governance) risks is changing the financial system. The Bank intends to be proactively involved in these changes and make the most of the opportunities that arise.

In this context, the Volkswagen Bank GmbH Group, in its role as a provider of financial products across Europe serving the automotive and individual mobility markets, sees sustainability as a business responsibility and critical strategic success factor.

Based on the goals of the “Sustainability” dimension as part of the corporate strategy MOBILITY2030 that has been derived for Volkswagen Financial Services AG and for the Volkswagen Bank GmbH Group, the risk strategy sets out the fundamental understanding for handling ESG risks and describes the risk strategy guidelines for the operational framework to address this issue. These strategies are complemented by the separate sustainability strategy adopted at the beginning of 2024.

The Volkswagen Bank GmbH Group attaches high importance to the treatment of sustainability risks that could have negative consequences for the financial position, financial performance and reputation of the Bank if such risks were to materialize. Demand for environmentally friendly and climate-neutral products is growing too, and customers have ever higher expectations of companies, including financial sector companies, in terms of sustainable operations and behavior.

In order to take into account stakeholders' changing requirements with regard to sustainability at the Volkswagen Bank GmbH Group, in recent years the Volkswagen Bank GmbH Group has gradually integrated ESG risks into the risk management framework as an integral part in the context of a comprehensive sustainability project. Here, ESG risks do not constitute a risk category of their own; rather, they are risk drivers of existing types of risk. Although climate- and environment-specific risk drivers, in particular, are of great importance for the Volkswagen Bank GmbH Group, social and governance risks are also taken into account when identifying, evaluating and managing ESG risks.

In order to ensure that the ESG risks are adequately identified, quantified, managed and monitored, a qualitative and quantitative assessment of the materiality of the ESG risk drivers within the existing risk categories is carried out as part of an annual materiality assessment. Starting from the results of the materiality assessment, appropriate scenarios are devised, which are quantified as part of an annual climate stress test. The definition of ESG key risk indicators ensures that they are integrated into the risk strategy so that they can be managed. To guarantee appropriate monitoring, ESG risks are integrated into the quarterly risk management report. In addition, ESG aspects are regularly published in the Disclosure Report.

In order to address the identified material ESG risks, the Volkswagen Bank GmbH Group has established tools to take ESG aspects into account in its credit and residual value processes. As part of the credit approval process, the Volkswagen Bank GmbH Group assesses ESG risks on the basis of the comprehensive expertise of the front and back office. As a captive, the Volkswagen Bank GmbH Group is geared to the financing and leasing of passenger cars for retail and corporate customers. This means that the transformation of the automotive industry and the impact on vehicle dealers and the residual values of vehicles constitute a material risk for the Volkswagen Bank GmbH Group.

By contrast, from a funding perspective the electric mobility transformation is supported by the issue of green bonds, assisted by Volkswagen Financial Services AG's positive ESG rating. The Volkswagen Bank GmbH Group established a green finance framework on the basis of ICMA GBP 2021 and LMA/LSTA/APLMA GLP 2023 standards for the issuance of the green bonds.

In this case, the objective is to base funding to a greater extent on sustainability criteria overall.

The Volkswagen Bank GmbH Group is making various efforts to ensure that its own business operations are net climate-neutral and prevent the danger of serious environmental damage. Accordingly, high priority is being accorded to cutting carbon emissions.

Potential hazards to employees, buildings or technology (particularly from environmental factors) and the means used to protect against them are also analyzed continuously and included in the impact analyses so that remedial actions can be defined and implemented if necessary.

The Volkswagen Bank GmbH Group also has a tradition of supporting specific social and environmental protection projects through donations and sponsorship such as wetland restoration projects run by NABU (Nature And Biodiversity Conservation Union in Germany).

RISK REPORTING

A detailed risk management report is submitted to the Management Board and to the Supervisory Board of Volkswagen Bank GmbH on a quarterly basis. The risk management report contains information including the following:

- Presentation of the risk situation for the main risk categories including 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 Management Board in the quarterly ICAAP report:

- Presentation and evaluation of stress test results in various scenarios (historical and hypothetical)
- Sensitivity analyses (by risk category)
- 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 and specific risk category reports are generated as needed to supplement the system of regular reporting.

Volkswagen Bank GmbH 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

Since July 1, 2024, Volkswagen Bank GmbH has been part of the Volkswagen Financial Services AG Group. This means that it is included in the group recovery plan of Volkswagen Financial Services AG. The plan is scheduled to come into force and subsequently be submitted to the competent supervisory authority, the European Central Bank, in the first quarter of fiscal year 2025.

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.

As part of the Volkswagen Financial Services AG Group, Volkswagen Bank GmbH 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 resolution capability of the Group. During the course of fiscal year 2025, delivery of the group resolution plan is expected, which includes determining the relevant resolution unit.

Volkswagen Bank GmbH complied with the applicable bank-specific minimum requirement for own funds and eligible liabilities (MREL) at all times in 2024.

CURRENT REGULATORY FACTORS

Following years of tightening of the regulatory framework for institution and financial holding groups as a result of the financial crisis, the banking crisis in the USA and the problems affecting Swiss bank Credit Suisse, the narrative of the upcoming EU legislative period will shift to the topic of competitiveness as the European Union's ability to compete against China and the USA is declining. At the moment, however, this is not likely to have a positive impact on the regulatory framework requirements, except for selective improvements. No major regulatory projects are planned in the foreseeable future in terms of Level I legislation, i.e. new EU regulations and directives. However, the existing comprehensive mandates of numerous European directives and regulations for the EU Commission, in particular the banking package, i.e. CRR III (Capital Requirements Regulation) and CRD VI (Capital Requirements Directive) and DORA on the adoption of delegated acts and on MIFIR etc., suggest a further large number of new, tighter regulatory requirements at Level II, which are essentially drafted by the European Banking Authority (EBA) and also ESMA, and supplemented by guidance at Level III. Based on past experience, the draft rules and regulations may include a considerable tightening of regulation that cannot be foreseen at present; they need to be identified in the course of the expected consultation processes and highlighted by the associations. As part of the financial holding group Volkswagen Financial Services AG, Volkswagen Bank GmbH will scrutinize these new stipulations, comply with them and take them into account. This may also have implications for the business and risk strategy.

Following over two years of deliberations, the Council and EU Parliament accepted compromise drafts for CRR III and CRD VI that were agreed by the trilogue parties in November 2023 and came into effect on July 9, 2024. The CRR III is concerned primarily with the implementation of Basel IV (also referred to by the Basel Committee as the completion of Basel III). Furthermore, the EBA has published a number of draft Commission-delegated regulations on CRR III, which will be accepted by the Council and the EU Parliament by way of the consent procedure following their acceptance by the EU Commission. In addition to the reporting requirements, they include specific requirements for the individual types of risk that must be backed by capital. The majority of CRR III provisions took effect on January 1, 2025 while the CRR III reporting requirements only have to be implemented as of June 30, 2025. The first-time application of the market risk requirements has been postponed by one year. Volkswagen Bank GmbH launched a CRR III implementation project designed to fulfill the requirements of CRR III and the associated delegated regulation.

CRD VI, which also came into force on July 9, 2024, focuses on the topic of sustainability risks. Its intention is that institutions should in future be required to create transition plans for their transition to sustainable operation. As soon as the draft CRD VI implementation bill becomes available in 2025, Volkswagen Bank GmbH and Volkswagen Financial Services AG will analyze and assess it and then determine and implement the actions required.

Even after the creation of the financial holding group Volkswagen Financial Services AG, Volkswagen Bank GmbH is considered a significant institution and, as part of this group, it remains subject to the direct supervision of the ECB. 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 *Mindestanforderungen an das Risikomanagement* (MaRisk – German Minimum Requirements for Risk Management) insofar as BaFin has not limited the scope of its requirements to less significant institutions. Volkswagen Bank GmbH is also subject to the ECB's Supervisory Review and Evaluation Process (SREP) for the supervised Volkswagen Bank Group. 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 have been in effect since 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 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 Volkswagen Bank Group. In future, this assessment will probably have an increased effect on the level of the overall SREP score determined by the ECB.

Once the SREP has been completed, Volkswagen Bank GmbH, like other significant institutions, will be notified of the additional equity requirements and expectations in relation to Pillar 2 along with recommendations for implementation. Volkswagen Bank GmbH is bound to respect that notification for the Volkswagen Bank GmbH Group.

Given that Volkswagen Bank GmbH originates securitizations on a large scale, the provisions of the Securitization Regulation and compliance with the requirements for STS securitizations are also of great relevance.

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. The regulator does not currently allow CRSA institutions like Volkswagen Bank GmbH to recognize collateral in the form of vehicles, which means that deductions are made from equity. This deduction from equity also affects Pillar II.

The expectations of the ECB set out in its addendum to the guidance on nonperforming loans (prudential provisioning backstop for nonperforming exposures), most recently updated by the expectations regarding adequate prudential minimum provisioning published on August 22, 2019, also have a regulatory impact. Volkswagen Bank GmbH must also ensure that its management of nonperforming loans complies with the EBA Guidelines on the 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 Bank GmbH Group or at the level of the single entity. Volkswagen Bank GmbH must additionally 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. The necessary IT was gradually implemented at Volkswagen Bank GmbH by June 30, 2024 in accordance with the EBA's transitional provisions.

There are regulatory effects arising from the stipulations concerning interest rate risk, which include the guidelines on interest rate risks for banking book (IRRBB) and credit spread risk arising from non-trading book activities (CSRBB). These guidelines were to be implemented in two stages in 2023. Among the more prominent changes were the requirements pertaining to credit spread risk. The adopted delegated act related to CRD V for 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 the net interest income or in the economic value of equity that could trigger supervisory measures. Completing the IRRBB package are extensive reporting requirements for interest rate risk that had to be implemented by September 30, 2024. Accordingly, the first report had to be submitted by September 30, 2024. The LiMA project will ensure sustainable IT implementation.

Other regulatory effects on risk management in Pillar 2 stem in particular from the EBA Guidelines on ICT and security risk management and the EBA Guidelines on outsourcing arrangements, which are also considered in the MaRisk published in August 2021.

The Regulation on digital operational resilience for the financial sector (DORA) will also be of great relevance in this connection and largely determine the requirements for IT but also the relationship with ICT service providers. DORA is intended to establish a standardized framework for the effective and all-inclusive management of cybersecurity risk 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 requirements are already familiar from the aforementioned EBA Guidelines on ICT and security risk management and EBA Guidelines on outsourcing arrangements and from the supervisory requirements for IT in financial institutions (BAIT) and MaRisk. What the regulation does, in effect, is elevate many requirements that are already known onto a statutory footing. The DORA Regulation has applied since January 17, 2025. BaFin has exempted financial undertakings that are directly subject to the DORA Regulation from the scope of BAIT in order to avoid double regulation. Consequently, BAIT no longer directly addresses Volkswagen Bank GmbH and its subsidiary Volkswagen Leasing GmbH.

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

One project implements the requirements of DORA and the associated delegated regulations. It aims to implement regulatory requirements set out in DORA and to strengthen the resilience of Volkswagen Bank GmbH and its subsidiary Volkswagen Leasing GmbH against cyber risks.

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

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

The Guide focuses on seven key areas: a) the responsibilities of the management body, b) the scope of application of the data governance framework, c) key roles and responsibilities for data governance, d) the implementation of an integrated data architecture at group level, e) the effectiveness of data quality controls, f) the timeliness of internal risk reporting and g) implementation programs. Volkswagen Bank GmbH attaches great importance to this matter and is working with Volkswagen Financial Services AG to ensure that there is continuous improvement in data quality. It is also tackling the subject from the governance side, with a Head of Data Governance ensuring there is an appropriate governance framework in place and that data quality will be adequate for regulatory reporting and internal management purposes.

Factoring in climate and environmental risks, including transition risk, in risk management will continue to play a significant role in light of the stricter regulatory requirements anticipated. This requires a continuing intensive review of these risks that could be drivers of existing categories of risk and that are considered in the identification, assessment, monitoring and management of the categories of risk. While large amounts of data are already collected to identify and assess any climate and environmental risks, be it for internal risk management or for disclosure purposes, it will become more important to ensure the relevance and quality of this data so it can be managed in line with transition plans.

Of particular significance in this connection is the ECB's Guide on climate-related and environmental risks. Its requirements are due to be implemented following the establishment of the financial holding group in accordance with a plan agreed with the ECB. This plan also includes the new Volkswagen Bank Group with Volkswagen Leasing GmbH as a subsidiary of Volkswagen Bank GmbH. The requirements of this Guide, building on the methodology developed for the Volkswagen Bank Group in its composition up to June 30, 2024, will be implemented for the Volkswagen Bank Group as part of the financial holding group by the end of September 2025; the materiality of the risks is due to be assessed by June 30, 2025. For Volkswagen Bank GmbH (single entity) the requirements of this Guide were already implemented in 2023.

Moreover, the MaRisk requirements, including the 7th and 8th MaRisk amendments, were due to be implemented Group-wide by July 1. The main issues of these amendments related particularly to the integration of ESG risks in all relevant risk management processes and the quantification of ESG risks where possible, the implementation of the EBA Guidelines on loan origination and monitoring, the requirements for the use of models in the context of risk parameterization and measurement, and the implementation of the EBA Guidelines on IRRBB and CSRBB.

It is worth noting that ESG risks must not only be taken into account comprehensively in risk management; a comprehensive disclosure of ESG risks is now required, and this trend is set to increase. In the December 31, 2024 disclosure report of the Volkswagen Bank Group, for example, extensive sustainability-related information must be disclosed. This relates, in particular, to information on CO_2 emissions including emissions related to the financing of vehicles, so-called Scope 3 emissions, and the green asset ratio. The green asset ratio expresses the proportion of loans and receivables that satisfy the taxonomy criteria in the Taxonomy Regulation and the current associated Delegated Regulation (EU) 2021/2139. Scope 1, 2 and 3 emissions were first disclosed as of June 30, 2024.

It is to be expected that the green asset ratio will rise over the next few years as the proportion of battery-powered vehicles financed and leased rises. At the same time, emissions intensity is expected to decline, with an increase in the proportion of battery-powered vehicles financed, i.e., leased CO_2 emissions are likely to fall relative to the portfolio of loans and receivables over the next few years. Vehicles with combustion engines will still be financed in the future, so measures to offset these emissions are planned as part of the sustainability strategy. The Volkswagen Bank Group as part of the Volkswagen Financial Services Group is aiming for the direct emissions of financed and leased vehicles in the portfolio to become net climate-neutral by 2030. The corresponding unavoidable carbon emissions will be compensated for by investment in climate protection projects.

Finally, the Corporate Sustainability Reporting Directive entered into force during 2023 and is expected to be transposed into national law in the course of 2025. In future, being a large subsidiary active in the capital markets, Volkswagen Bank GmbH will have to disclose extensive sustainability-related information in its (sub)group management report. This includes the required disclosure in accordance with Article 8 of the Taxonomy Regulation and the Delegated Regulation (EU) 2021/2178. The sustainability and transformation strategy and the transition plans with defined target dates for reducing CO_2 emissions will also be covered by the disclosure requirements. The details are set out in a delegated act that is now in force. Initial publication is expected as of December 31, 2025.

In order to ensure the consistent EU-wide implementation of the CRD VI requirements with regard to the management of ESG risks, the EBA published a consultation paper on the management of ESG risks in January 2024; the final version was published by the EBA on January 9, 2025, and its requirements must be implemented by January 11, 2026. Whereas a large part of the requirements for managing ESG risks is already 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 very binding standards in some cases that 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. While today it is often enough for ESG risks to be taken into account in the various risk management processes for all categories of risk, the EBA Guide formulates requirements for various cases that are as specific as possible and must be met for the requirement in question to be considered as having been fulfilled and for it to have been adequately taken into account. The specifications resulting from the CRD VI requirements are also new. They relate, in particular, to the requirements for the transition plan that is to be prepared. Accordingly, the management body will, following implementation at the national level, be responsible for the development of specific plans with quantifiable objectives to monitor and mitigate physical and transition risks resulting over the short, medium and long term from the business model and strategy of the institution or group 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 10 years. Furthermore, the plan must include an interim target for 2030 to demonstrate to the supervisory authorities how the plan enables the institution and the group to identify and measure ESG risks associated with the EU's target of reducing greenhouse gas emissions by 55% from 1990 levels. Furthermore, the transition plans must be consistent with the business strategy, risk appetite, ICAAP and the other risk management processes.

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

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

- Requirements relating to the risk culture
- Functioning and effectiveness of the governing bodies of the supervised companies (including committees of the supervisory board and of the independent members)
- Functioning and effectiveness of the internal controlling functions consisting of the risk management function, the compliance function and Internal Audit and
- Design and implementation of the risk appetite framework.

The guide outlines the good practices observed in the ECB's view.

With regard to the policies on the composition and functioning of the bodies, in future the ECB expects a suitability policy and diversity policy to be implemented, in particular.

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 at times questionable whether they will really achieve the intended strengthening of governance, although this is welcome in principle. It therefore remains to be seen what the final ECB guide on governance and risk culture will look like. Volkswagen Financial Services AG and Volkswagen Bank GmbH will scrutinize the final ECB guide and derive any need for action and any measures to be taken, where applicable.

NEW PRODUCTS AND NEW MARKET PROCESS

Before launching new products or commencing activities in new markets, the Volkswagen Bank GmbH Group first runs through its new product and new market process. All the units involved (such as Risk Management, Controlling, Accounting, Reporting, Legal Affairs, Compliance, Antitrust Law, Treasury, Payments, IT) must be integrated into the process. The process for every new activity involves 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 Board of Management of Volkswagen Financial Services AG and with the relevant members of the Management Board of Volkswagen Bank GmbH or those with delegated authority from the Management Board, and, in the case of new markets, also with the members of the Supervisory Board.

The Bank maintains a product manual containing details of all products and markets intended to form part of the business activities.

CHANGES TO OPERATING PROCESSES OR STRUCTURES

Any material changes proposed to the operational and organizational structure or IT systems have to be analyzed prior to implementation to determine their impact on control procedures and on the extent of such controls.

This analysis is completed using a standardized questionnaire to ensure a consistent, rigorous approach.

The organizational units that will be involved in the future workflows are included in the preliminary stages of any proposed changes. The Risk Management and Compliance units each give an opinion and details are passed to Internal Audit to keep it informed.

OVERVIEW OF RISK CATEGORIES

Financial risks	Nonfinancial risks
Counterparty default risk	Operational risk
Residual value risk	
Interest rate risk in the banking book (IRRBB)	
Credit spread risk	
Other market risk (currency and fund price risk)	
Refinancing risk	
Business risk	

Unless explicitly mentioned, there were no material year-on-year changes to the individual risks and opportunities.

FINANCIAL RISKS

Counterparty default risk

Counterparty default risk refers to a potential negative variance between actual and forecast counterparty risk outcomes. The forecast outcome is exceeded if the loss incurred as a consequence of defaults or changes in credit rating is higher than the expected loss.

In the Volkswagen Bank GmbH Group, counterparty default risk encompasses the following risk categories: credit risk, counterparty risk, issuer risk, country risk and shareholder risk.

Credit risk

Credit risk is defined as the danger of incurring losses as a result of defaults in customer business (retail and corporate), specifically the default of 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 default risk in connection with leases, accounts by far for the greatest proportion of risk exposures in the counterparty default risk category.

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

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

Risk identification and assessment

Lending or credit decisions in the Volkswagen Bank GmbH Group 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 procedural instructions outlines the requirements for developing and maintaining the rating systems. The Bank also has a rating manual which 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

The Volkswagen Bank GmbH Group uses rating systems to assess the credit quality 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. A centrally maintained, workflow-based rating application is used for the most part to support this analysis of creditworthiness. 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 provisions.

Scoring systems in the retail business

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

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

Supervision and review of retail and corporate systems

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

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

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 the Volkswagen Bank GmbH Group focus on retail and dealership financing as well as vehicle leasing, the vehicles themselves are hugely important as collateral assets. For this reason, trends in the market values of vehicles are closely monitored and analyzed. Procedures provide for adjustments to evaluation systems and vehicle remarketing processes if there are strong changes in the market values/remarketing proceeds of vehicles.

Risk Management also carries out quality assurance tests on local collateral policies on a regular basis. This includes a review of collateral values and implementation of any necessary adjustments.

Provisions

The calculation of provisions is based on the expected loss model in accordance with IFRS 9. Provisions are determined as a function of the results of the rating and scoring processes applied.

The provision for risk in accordance with IFRS 9 is determined on the basis of the credit risk parameters used in the internal risk calculations (see also “Risk Identification and Assessment” and the following sections).

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 (the) Volkswagen Bank GmbH (Group) are also used to manage credit risk. These limits are specified separately for each individual branch and subsidiary.

Trends

In fiscal year 2024 material changes were made to the structure of Volkswagen Bank GmbH under company law, and Volkswagen Leasing GmbH became a subsidiary of Volkswagen Bank GmbH. Furthermore, the Dutch subsidiary DFM N.V. of Volkswagen Bank GmbH became a subsidiary of Volkswagen Financial Services AG.

The absorption of Volkswagen Leasing GmbH into the Volkswagen Bank GmbH Group led to a significant increase in the loans and receivables volume in the lending portfolio at the consolidated level of the Volkswagen Bank GmbH Group (€+52 billion as of December 2024 compared with December 2023). Accordingly, the volume of loans and receivables of the Volkswagen Bank GmbH Group almost doubled.

All told, a stable trend of credit risks at a moderate level was established in 2024. The persistent rise in the default rate is attributable to the markets in Germany and France. This rise is due to the implementation of the regulatory requirements on the definition of default according to the CRR (Capital Requirements Regulation) in the companies of Volkswagen Leasing GmbH and, secondly, the economic environment has led to a persistent slight deterioration of the risk position.

Retail portfolio

The absorption of Volkswagen Leasing GmbH in fiscal year 2024 led to a significant increase in the loans and receivables volume in the retail portfolio of the Volkswagen Bank GmbH Group. The volume of loans and receivables in the retail portfolio as of December 2024 was up by €37 billion year-on-year. By contrast, Volkswagen Bank Germany reported a continuing decline in the loans and receivables volume in 2024 (€–697 million) since the existing business that matured could not be offset by the new business and the migration of the financing business to the leasing business continued.

Credit risk in the Volkswagen Bank GmbH Group’s retail portfolio was stable and changed at a moderate level in the current economic circumstances. In fiscal year 2024, the default rate rose slightly from 2.8% in December 2023 to 2.9% in December 2024, and the percentage provision for credit risks declined slightly from 2.0% as of December 2023 to 1.7% as of December 2024. The increase in the default rate is due to the execution of the regulatory requirements on the definition of default according to the CRR in the companies of Volkswagen Leasing GmbH and the accompanying implementation of the good conduct period.

Corporate portfolio

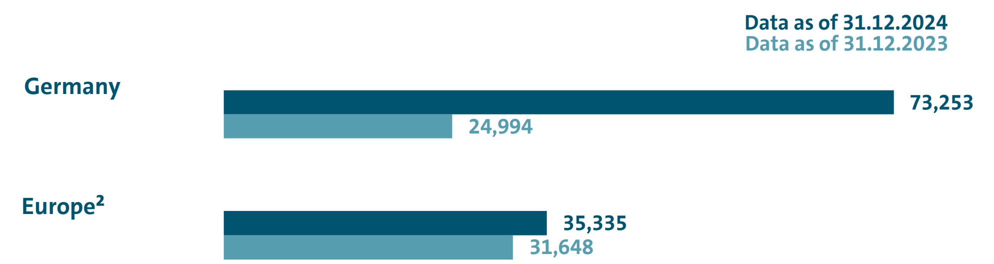
There was a significant and sustained rise in the volume of loans and receivables in the Volkswagen Bank GmbH Group's corporate portfolio in fiscal year 2024 (year-on-year increase of €15 billion as of December 2024). This development is also attributable to the absorption of Volkswagen Leasing GmbH into Volkswagen Bank GmbH.

By contrast, the transfer of DFM N.V. to Volkswagen Financial Services AG (€–3.3 billion corporate portfolio, of which €2.6 billion dealer finance portfolio) led to a decline in the dealer finance portfolio of the Volkswagen Bank GmbH Group (€–661 million as of December 31, 2024 compared with December 2023).

In fiscal year 2024, risk in the corporate portfolio was shaped by a rise in the default rate (from 2.7% as of December 2023 to 3.8% as of December 2024) and a decrease in the percentage provision for credit risks (from 1.8% as of December 2023 to 1.6% as of December 2024). The rise in the default rate is attributable to the non-dealer portfolio and to the absorption of Volkswagen Leasing GmbH. The increase in the default rate is due to the execution of the regulatory requirements on the definition of default according to the CRR in the companies of Volkswagen Leasing GmbH and the accompanying implementation of the good conduct period.

BREAKDOWN OF LENDING VOLUME BY REGION[1]

€ million



1 Figures before application of consolidation effects

2 Europe excluding Germany

BREAKDOWN OF LENDING VOLUME BY PD BAND AND PORTFOLIO[1]

€ million

PD band	Retail	Corporate	Total
< = 1 %	31,299	14,836	46,135
	28.8%	13.7%	42.5%
> 1 % < 100 %	39,083	19,915	58,998
	36.0%	18.3%	54.3%
100%	2,121	1,334	3,455
	2.0%	1.2%	3.2%
Total	**72,503**	**36,085**	**108,588**
	66.8%	33.2%	100.0%

1 Figures before application of consolidation effects

Counterparty/Issuer risk

Counterparty risk arises in connection with interbank investments, derivatives and pension funds. Counterparty risk is a subcategory of counterparty default 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 Bank 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 default 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.

Risk monitoring and control

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 limits are set as a function of the capital available in line with the adopted strategy taking account of business requirements and the credit assessment. The Back Office department is responsible for the initial classification and then regular reviews. The relevant credit applications are then submitted to the decision-makers for a decision. Risk Management analyzes counterparty and issuer risks quarterly as part of the calculation of risk-bearing capacity. Counterparty and issuer risk is reported to the Management Board in the quarterly risk management report.

Country risk

Country risk refers to risks in international transactions that are not attributable to the counterparty itself but that arise because of the counterparty's domicile in a country outside Germany. The Volkswagen Bank GmbH Group has to take into account country risk particularly in connection with funding and equity investment activities involving foreign companies and in connection with the lending business. Given the focus of business activities in the Volkswagen Bank GmbH Group, only limited country risks could arise as the Group is not usually involved in cross-border lending business, with the exception of intercompany loans. Cross-border activities account for less than 1% of lending business in retail financing. The conventional country risk analysis is not applicable to intercompany lending because, if the difficulties described above were to occur, the funding of the entities through lending could be extended if necessary, thereby ensuring that the entities could continue to operate in the strategic market concerned. For these reasons, there has been no need to establish limits related to the overall level of business for countries or regions, for example, to limit transfer risk.

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, the Volkswagen Bank GmbH Group only makes such equity investments to help achieve its corporate objectives. The investments must therefore support the Bank's own operating activities and be as intended a long-term holding.

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 in the Volkswagen Bank GmbH Group would be adversely affected by write-downs recognized in profit or loss.

Risk identification and assessment

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

Risk monitoring and control

Equity investments are integrated into the annual strategy and planning process of the Volkswagen Bank GmbH Group. 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 themselves.

Interest rate risk in the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) consists of potential present-value and periodic losses arising as a result of changes in market interest rates. It occurs because of interest rate mismatches between asset and liability items. The Volkswagen Bank GmbH Group is exposed to interest rate risk in its banking book. The Volkswagen Bank GmbH Group does not keep a trading book.

The objective of interest rate risk management is to control the financial losses arising from this category of risk. With this in mind, the Management Board of the Volkswagen Bank GmbH Group decided on risk limits whose utilization is reported monthly. If limits are exceeded, the situation is escalated on an ad hoc basis to the Management Board and the Asset Liability Management Committee (ALM Committee), which discusses and recommends action to reduce risk.

Risk identification and assessment

Operating and strategic interest rate risks for the Volkswagen Bank GmbH Group are determined and reported as part of the monthly monitoring process using the value at risk (VaR) method The model is based on a historical simulation and calculates potential losses taking into account 3,650 historical market fluctuations. Negative interest rates can also be processed in the historical simulation and are factored into the risk assessment.

The VaR calculated for operational management purposes estimates potential losses under historical market conditions, but stress tests are also carried out for situations in which interest rate exposures are subject to exceptional changes in interest rates and worst-case scenarios. The results from 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 German Federal Financial Supervisory Authority (BaFin) and from the scenarios relating to interest rate risk in the banking book specified by the ECB and the Basel Committee on Banking Supervision.

The behavior of investors with indefinite deposits is analyzed using internal models and methods for managing and monitoring interest rate risk.

In addition to the present value perspective, the interest rate risk in the Volkswagen Bank GmbH Group is measured using the income-oriented and periodic perspective. The income-oriented perspective relates to the periodic results and thus creates a direct link with the income statement. All told, the focus of interest rate risk management is on the present-value perspective. The periodic perspective supplements the present-value perspective and is monitored using limits.

Risk monitoring and control

The strategic orientation and management of interest rate risk is decided by the ALM Committee and implemented by Treasury. Interest rate risk is managed on the basis of limits or target structures. Funding instruments and interest rate derivatives are used to ensure adherence to these limits and target structures. The hedging contracts entered into by the Group mainly comprise interest rate swaps and cross-currency interest rate swaps.

Hedged banking book items are assigned to interest rate derivatives either individually for each interest rate derivative (micro hedges) or, aggregated at portfolio level, in portfolio hedge accounting. Interest rate risk is accordingly hedged using fair value hedges, cash flow hedges at micro level and portfolio hedges. Hedge ineffectiveness in micro-hedge accounting results from differences between the mark-to-market (fair value) measurement of hedged items and that of hedging instruments. Hedge ineffectiveness in portfolio hedge accounting also results from differences in transaction attributes between the portfolio hedged items and hedging instruments.

Other factors (e.g., in relation to counterparty risk) are only of minor significance as regards hedge ineffectiveness. Individual yield curves are used when determining forward interest rates and prices and also when discounting future cash flows for hedged items and hedging instruments in order to obtain a measurement in line with the market. Risk Management is responsible for monitoring and reporting on interest rate risk.

The Management Board of the Volkswagen Bank GmbH Group receives a separate report on the latest interest rate risk position in the Volkswagen Bank GmbH Group each month.

Trends

Interest rate risk in the banking book at the level of the Volkswagen Bank GmbH Group remained high in the reporting period due to high interest rate volatility. The set operating limits were complied with in the reporting period.

Credit spread risk in the banking book (CSRBB)

The credit spread risk in the banking book (CSRBB) as defined by the European Banking Authority (EBA) is the risk driven by changes of the market price for credit risk and liquidity risk. The Volkswagen Bank GmbH Group has developed and implemented methods for measuring CSRBB from a present-value and periodic perspective to comply with the EBA requirements (EBA/GL/2022/14). The Volkswagen Bank GmbH Group has been monitoring CSRBB for its securities portfolios regularly.

Strategic CSRBB for the Volkswagen Bank GmbH Group is determined and reported as part of the monthly monitoring process using the value at risk (VaR) method with a 365-day holding period and a confidence level of 99.9%. The strategic VaR for CSRBB is subject to limits agreed by the Management Board. If limits are exceeded, the situation is escalated to the Management Board and the Asset Liability Management Committee (ALM Committee). As soon as limit utilization increases, risk-relieving measures are agreed between Risk Management and Treasury.

Other market risk (currency and fund price risk)

Currency risk arises from foreign exchange exposures and potential changes in the corresponding exchange rates. The Volkswagen Bank GmbH Group is exposed to structural currency risks. These risks arise from the equity investments in the relevant local currency in the foreign branches.

The risk in connection with fund investments arises from possible changes in market prices. Fund price risk describes the risk relating to changes in market prices which can cause the value of portfolios of securities to fall, thereby giving rise to a loss.

The Volkswagen Bank GmbH Group is exposed to fund price risk solely from its employee post-employment benefit arrangements that are funded by pension plan assets consisting of fund investments (pension fund price risk). The Volkswagen Bank GmbH Group has undertaken to meet these pension obligations to employees if the employees' guaranteed entitlements can no longer be satisfied from the pension trust, and covers these obligations by recognizing pension provisions.

The objective of currency and fund price risk management is to control the financial losses arising from these categories of risk. With this in mind, the Management Board has agreed limits for this category of risk. As part of risk management activities, currency risk and fund price risk are included in the monthly risk report with a transparent analysis based on value at risk (VaR), a calculation offsetting the risk against the loss ceiling set for the Volkswagen Bank GmbH Group.

Other market risk is determined based on the strategic value-at-risk 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).

Liquidity risk

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

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

The primary objective of liquidity management in the Volkswagen Bank GmbH Group is to safeguard the ability of the Group to meet its payment obligations at all times. To this end, the Volkswagen Bank GmbH Group holds liquidity reserves in the form of securities deposited in its operational safe custody account with a number of banks, including Deutsche Bundesbank.

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 financial performance. The consequence of illiquidity risk in the worst-case scenario is insolvency caused by illiquidity. The Volkswagen Bank GmbH Group manages liquidity risk to prevent this situation from arising.

Risk identification and assessment

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

In conjunction with various ILAAP metrics, the normative and economic perspectives of liquidity adequacy are assessed over short-, medium- and long-term time horizons. The Volkswagen Bank GmbH Group ensures that it has appropriate liquidity adequacy at all times by measuring and limiting the ILAAP metrics. In the normative perspective, the liquidity coverage ratio (LCR) is used to assess the short-term liquidity risk; this approach is complemented by an analysis of the net stable funding ratio (NSFR), which is a longer-term structural liquidity ratio. The economic perspective also distinguishes between the analysis time horizons. For the purposes of safeguarding solvency at all times, utilization limits are specified for potential funding over the short- and medium-term time horizons.

Unexpected funding risks are quantified in order to manage the medium- to long-term funding structure. Liquidity adequacy is evaluated using a baseline scenario and multiple adverse scenarios, and is complemented by reverse stress tests. Stress tests are applied to funding matrices using a scenario approach with scenario triggers from the Bank itself or the market, or a combination of the two. Two approaches are used to determine the parameters for these stress scenarios. The first approach uses observed historical events and specifies different degrees of impact from hypothetical, but conceivable events. To quantify the funding risk, this approach takes into account the relevant aspects of illiquidity risk and changes in spreads driven by credit ratings or the market. 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 that an effective overall process is in place. Funding risk is also included in the calculation of risk-bearing capacity for the Volkswagen Bank GmbH Group.

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

Risk monitoring and control

Volkswagen Bank GmbH’s Treasury manages the liquidity of the Volkswagen Bank Group in operational terms. To this end, it prepares funding matrices, carries out cash flow forecasts and uses this information to determine the relevant range of liquidity coverage. The analysis results, the current liquidity situation and possible funding measures are presented to and discussed with the Operational Liquidity Committee (OLC) at meetings generally held every week.

The OLC comprises representatives from the Risk Management (Volkswagen Bank GmbH), Controlling (Volkswagen Leasing GmbH), Direct Bank and Treasury (both Volkswagen Bank GmbH divisions).

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

A further strict requirement imposed under banking regulations is the need to provide a highly liquid cash buffer and appropriate liquidity reserves to cover any liquidity requirements over seven-day and 30-day time horizons. For this reason, a contingency plan with an appropriate list of measures for obtaining liquidity has already been drawn up so that it can be implemented in the event of a liquidity squeeze.

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 Management Board.

The members of the Management of Volkswagen Bank GmbH are informed on a daily basis of outstanding funding and the value of the securities in the operational safe custody account held with Deutsche Bundesbank.

Trends
Liquidity risk at the level of the Volkswagen Bank GmbH Group remained stable. The prevailing global uncertainty did not result in any unanticipated liquidity outflows. Funding instruments remained available and stable at all times. The main ILAAP metrics remained within the specified limits in the reporting period.

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 the Volkswagen Bank GmbH Group. 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 default risk in respect of the bearer of the residual value risk. If the bearer of the residual value risk defaults, the Volkswagen Bank GmbH Group's indirect residual value risk becomes relevant in that the indirect residual value risk passes back to the Volkswagen Bank GmbH Group and becomes a direct residual value risk. In other words, the Volkswagen Bank GmbH Group 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 the Volkswagen Bank GmbH Group 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 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 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 method used to quantify residual value risk is generally similar to that used for direct residual value risk. In addition, further risk parameters are taken into account (dealer default and other factors specific to this category of risk).

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 the Volkswagen Bank GmbH Group.

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.

The preparation of the risk management report includes a review of adequacy in which the level of existing direct residual value risk is compared against the level of the recognized provisions for risks.

Based on the resulting potential residual value risk, various measures are initiated as part of a proactive risk management approach to limit the residual value risk. With regard to new business, the residual value recommendation takes 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 the Volkswagen Bank GmbH Group 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.

DEVELOPMENT OF DIRECT RESIDUAL VALUE RISK

Direct residual value risk[1]	Dec. 31, 2024	Dec. 31, 2023
Number of contracts	1,374,006	170,214
Guaranteed residual values (€ million)	28,200	3,220
Risk exposure in %	4.56	9.56

1 Including joint ventures (full inclusion) and subsidiaries recognized at cost

For 2024, the portfolio of the Volkswagen Bank GmbH Group recorded an increase in the volume of residual value risk contracts despite the tense market situation on account of economic and political risks.

Due to technological developments, the residual values of electric vehicles of the first generation have come under pressure. By contrast, the residual values of combustion engines are approaching pre-Covid levels, leading to a slight decrease in the remarketing performance. The increase in list prices on account of inflation has additionally contributed to this development. These factors led to an increase in residual value risks in 2024.

The Volkswagen Bank GmbH Group stipulates provisions for the management of residual values; first of all, its procedures for determining risk exposures include forward-looking residual value forecasts. Secondly, requirements applicable throughout the Group have been established that take into account the accounting standards for the provision for credit risks. On the basis of this mandatory outer framework the divisions/markets manage and monitor their business policy activities, planning and decisions, in compliance with their assigned authority. For risk monitoring at portfolio level, residual value risks are monitored as part of regular reporting and in the annual planning process.

Business risk

The Volkswagen Bank GmbH 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
> Reputational risk
> Strategic risk
> Business model risk

All four risk subcategories relate to earnings 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

The Volkswagen Bank GmbH Group 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: firstly, the observed, relative variances between target and actual values; secondly, the volatility and interdependencies among 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.

Reputational risk

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

The responsibilities of Corporate Communications include avoiding negative press reports or similar communications that might damage the Group's reputation or, if this is not possible, assessing such reports and initiating appropriate communication measures specific to the target group with a view to ensuring that the reputational damage is kept to a minimum. The strategic objective is thus to avoid or reduce negative variances of the reputation from the expected level. Reputational losses or damage to the Group’s image may have a direct impact on the company’s economic success.

Reputational risk is recognized quantitatively in the context of the risk-taking potential 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 Bank GmbH Group is to manage its acceptance of strategic risk enabling it to systematically leverage earnings potential in its core business. In the worst-case scenario, a materialization of strategic risk could jeopardize the continued existence of the Bank 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 Bank’s economic dependency on Volkswagen Financial Services AG. The value for business model risk is derived using a scenario-based approach. The underlying scenario assumes that Volkswagen Bank GmbH is unable to participate in the electric mobility transformation, a development it maps with additional increases in risk parameters. The additional capital that would be required to satisfy all creditor claims is calculated to determine the business model risk. An analysis of business model risk is carried out annually and the value of this risk is currently assessed at €0 (previous year: €0).

NONFINANCIAL RISKS

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, which 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 Three Lines of Defense model. The local operational risk units in Germany and abroad are responsible for the local operational risk management as the first 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 second 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 second 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 ensures that information about monetary operational losses is collected internally on an ongoing basis and the relevant data is stored. The local experts use this form to determine and record the relevant data, including the amount and cause of the loss.

The risk value (value-at-risk) for operational risk is determined quarterly by the central operational risk unit on the basis of a loss distribution approach (LDA), factoring in the results from the risk self-assessment and actual losses incurred.

Risk monitoring and control

Operational risk is managed by the operational risk units (first 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 (second 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.

Trends

Operational risk was within the set strategic limits. Risks classified as legal risks (within the process risk category) account for the greatest proportion of risk exposure in the operational risk category. This is followed by the category of external risk – external services and outsourced tasks. The topic of technology risks – information technology (in particular due to the general rise in the number of cyber attacks and the increasing importance of artificial intelligence implications) still has a high risk potential.

These three important causes of risk are described in detail below.

Process risks - compliance risk

To counter the risk of violations of rules, regulations and laws (compliance risk), a compliance and integrity function has been established in the Volkswagen Bank GmbH Group whose task it is to specify and implement risk-mitigating measures in the role of a governance function. At the Volkswagen Bank GmbH Group, compliance risk encompasses all risks that could arise from non-compliance with statutory rules and regulations or other official or supervisory requirements, or that could be caused by a breach of internal company regulations. 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 values of Financial Services, thereby presenting an obstacle to the sustained success of the business. This differs from conduct risk, which is defined as the risk arising from inadequate conduct by the institution toward the customer, unreasonable treatment of the customer or provision of advice using products that are not suitable for the customer.

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

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 material 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.

Further regular activities also nurture a compliance and integrity culture. These activities include, in particular, constantly promoting the Volkswagen Group's Code of Conduct, raising employee 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-based activities), carrying out communication initiatives, including distributing guidelines and other information media, and participating 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 material 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, the findings from various audit activities are used to evaluate whether there are indications that the implemented compliance requirements may be ineffective, or whether the audits have identified material residual risks on the basis of which further action needs to be determined.

The compliance officer manages the coordination of ongoing legal monitoring, the purpose of which is to ensure that new or amended legal regulations and requirements are identified promptly. All departments and the legal department are actively involved to ensure that new or amended regulations and requirements relevant to their areas of responsibility are identified at an early stage and reported to the compliance officer in accordance with the process description.

The internal Compliance Committee conducts a regular materiality analysis on the basis of the outcomes of this legal monitoring. After taking into account the evaluated compliance risks, the Compliance Committee makes a decision on the materiality of new legal requirements applicable to the Bank. Compliance risk primarily includes the risk of a loss of reputation vis-à-vis the general public or supervisory authorities and the risk of material financial loss.

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

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

The compliance requirements for the Volkswagen Bank GmbH Group are specified centrally and must be implemented autonomously in the local branches and 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. In particular, the internal compliance risk assessment (ICRA), which also covers human rights issues, and the plans for action derived from it on a risk-oriented basis play a particularly prominent role in helping to ensure the Bank's companies and branches take proper account of compliance and integrity matters. 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.

In cooperation with the Central Clarification Office of Volkswagen AG, an independent, impartial and confidential whistleblower system is operated in order to obtain reports of potential regulatory violations or misconduct by employees. The system enables employees and third parties to report relevant matters – anonymously if desired.

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

To meet the statutory reporting requirements of the compliance unit, the Management Board furthermore receives an annual compliance report, which is updated on an ad hoc basis, including during the year, as necessary. The annual compliance report contains a presentation of the appropriateness and effectiveness of the compliance requirements implemented to ensure compliance with material legal regulations and requirements.

The Management Board has also entered into a voluntary undertaking regarding compliance and integrity to ensure that compliance and integrity issues are always discussed and taken into account in connection with all decisions made by the Management Board.

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.

In the context of the completed restructuring of the subgroups of Volkswagen Financial Services AG and Volkswagen Bank GmbH, Volkswagen Bank GmbH has signed internal outsourcing agreements with Volkswagen Services AG in the following areas: IT, Accounting, Controlling, Legal, Compliance, Corporate Security, Human Resources, Internal Audit, Corporate Management, Marketing, Sales, Purchasing, Risk Management and Process Management.

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 financial 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 Bank itself or may be eliminated entirely. The legal bases are derived mainly from the KWG, MaRisk and the EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02).

Risk identification and assessment

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

Risk monitoring and control

To ensure effective management of outsourcing risk in accordance with the EBA guidelines, a framework policy specifying the constraints that outsourcing arrangements must observe has been issued. 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 is intended to help ensure 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 of all outsourcing activities and the associated risks, and through the Central Outsourcing Officer of Volkswagen Bank GmbH it communicates these risks to the Management Board on a regular basis.

The Central Outsourcing Officer of Volkswagen Bank GmbH and/or their deputy is responsible for all of the institution's outsourcings. The Officer is appointed by the Management Board, is directly connected to the Management Board of the individual institution in organizational terms and has the duty to report to the Management Board on an annual and ad hoc basis. The function of the Central Outsourcing Officer cannot be outsourced. The Central Outsourcing Officer is, however, supported in the performance of their tasks by the Outsourcing Coordination unit that has been centrally outsourced to Volkswagen Financial Services AG.

Technological risk – information technology

In the risk category IT and infrastructure, the focus is on information security, stability and compliance. As regards cyber risks, a general rise in the number of cyber attacks on businesses and their customers was evident. The nature of these attacks is continually evolving and becoming increasingly professionalized (examples being DDoS attacks, ransomware attacks and supply chain attacks). Due to the associated potential damage resulting from disruptions or interruptions in business operations, preventative action and countermeasures are continuously implemented and developed in order to ensure the

Volkswagen Bank GmbH Group's IT remains resilient. The focus here is on ensuring the confidentiality, integrity, authenticity and availability of information. The preventive measures are based on various instruments of the Three Lines of Defense model to ensure security, stability and compliance within the entire IT-based business operations. Identified potential vulnerabilities are systematically transferred to the IT risk process, assessed and appropriately managed in accordance with the risk appetite.

SUMMARY

The Volkswagen Bank GmbH Group strives to handle risks in a responsible manner as part of its operating activities. This approach is based on systematically identifying, measuring, analyzing, monitoring and controlling risks, which is part of a comprehensive risk- and return-oriented management system.

The Volkswagen Bank GmbH Group will continue to invest in optimizing its control system and risk management systems in order to meet the business and statutory requirements for the management and control of risks.

As is clear from the above details in the Report of on Opportunities and Risks, there is currently no evidence of any risks that could jeopardize the continued existence of the Volkswagen Bank GmbH Group as a going concern.

As of December 31, 2024, the regulatory own funds requirements amounted to €9.1 billion. The actual available own funds amounted to €18.4 billion and therefore exceeded the regulatory requirements.

As a result of the integration of Volkswagen Leasing GmbH the overall economic risk of the Volkswagen Bank GmbH Group as of December 31, 2024 amounted to €12.2 billion (previous year: €3.5 billion). Due to the changes to the company, the direct residual value risks constitute the key driver for the year-on-year increase in economic risks.

Forecast of material risks

Credit risk forecast

The volume of loans and receivables subject to credit risk for the Volkswagen Bank GmbH Group is expected to continue to increase in fiscal year 2025 (by 7% compared with December 2024 based on the 2025 budget). All told, due to the geopolitical and macroeconomic conditions, we expect a challenging risk situation for selected markets of the Volkswagen Bank GmbH Group, both in the retail and the corporate portfolios. From the Management Board's perspective, it is therefore urgently necessary to monitor the development of the Volkswagen Bank GmbH Group's credit risks intensively and to respond proactively when developments occur. The target for fiscal year 2025 is a stable risk situation in the credit portfolio.

Interest rate risk in the banking book forecast and other market risk forecast

As expected, the integration of new entities in Volkswagen Bank GmbH's basis of consolidation as part of the restructuring in July 2024 led to an increase in interest rate risk. Moreover, from a present-value perspective of the interest rate risk the company is susceptible to rising interest rates. In view of the macroeconomic situation, the trend of falling interest rates is expected to continue in 2025. Unexpected interest rate rises cannot be ruled out, however.

Liquidity risk forecast

The restructuring and the integration of new entities into the subgroup will have no material effect on the methods and procedures used by Volkswagen Bank GmbH in relation to liquidity risk owing to its centralized approach to the identification and management of this category of risk. The Bank revises its risk models constantly to ensure they continuously improve and adapt.

Volkswagen Bank GmbH predicts that its funding instruments will still be permanently available in fiscal year 2025 and that the planned growth in the deposit business will be realized. Liquidity risk is expected to remain stable against the backdrop of the corporate reorganization.

Residual value risk forecast

In 2025, due to the persistence of economic risks and the global political tensions the risk situation will remain strained. The risk situation regarding the portfolios of the Volkswagen Bank GmbH Group will be driven by the further development of inflation and purchasing power on the relevant markets.

The risk situation is monitored closely at all times in order to respond proactively to possible developments by taking targeted measures.

The portfolio of contracts with residual value is generally expected to continue to grow in fiscal year 2025. The main drivers here, too, will be the implemented growth programs, further expansion of the fleet business and the trend away from vehicle financing and toward leasing

Operational risk forecast

The year 2024 has demonstrated that we can effectively manage potential operational risk in such a way that this risk does not materialize to any significant extent.

We predict that our management will be equally successful in 2025 and we do not therefore anticipate any significant rise in operational risk. In this context, we expect the effectiveness of fraud protection to remain stable and the high level of quality in processes, staff skills and qualifications, and IT systems to be maintained.

Report on Expected Developments

The global economy is expected to grow at somewhat weaker pace in 2025 than in the reporting period. Global demand for passenger cars will probably vary from region to region and increase slightly year-on-year.

The expected development of the Volkswagen Bank GmbH Group and the general parameters of its business activity are described below. Risks and opportunities that could represent a departure from the forecast trends are presented in the Report on Risks and Opportunities.

Our assumptions are based on current estimates by third-party institutions. These include economic research institutes, banks, multinational organizations and consulting firms.

DEVELOPMENTS IN THE GLOBAL ECONOMY

Our planning is based on the assumption that global economic output will grow overall in 2025 at a slightly slower pace than in 2024. Declining inflation in major economic regions and the resulting easing of monetary policy are expected to boost consumer demand. We continue to believe that risks will arise from increasing fragmentation of the global economy and protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East, and the increasing uncertainties regarding the political orientation of the USA. We assume that both the advanced economies and the emerging markets will record somewhat weaker momentum on average than that of the reporting year.

We also expect the global economy to continue on a path of stable growth until 2029.

Europe/Other Markets

In Western Europe, we expect the economy to grow at a similar rate in 2025 to in the reporting year, with a further decline in the average inflation rate. The associated key interest rate cuts by the European Central Bank (ECB) will likely support the eurozone economy.

For Central Europe, we estimate a somewhat higher growth rate for 2025 than in the previous year, with persistently high though less dynamic price increases. Economic output in Eastern Europe should continue to recover following the heavy slump in 2022 as a result of the Russia-Ukraine conflict.

Germany

We expect gross domestic product (GDP) to develop positively in Germany in 2025, albeit with less momentum. The German inflation rate is likely to decline somewhat on average for the year. The labor market situation is likely to deteriorate somewhat.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

We assume that automotive financial services will prove highly important to global vehicle sales in 2025, in combination with the development of the vehicle markets. We expect demand to rise in emerging markets where market penetration has so far been low. Regions with established automotive financial services markets will probably see a continuation of the trend towards enabling mobility at the lowest possible total cost. The shift from financing in favor of lease contracts will also continue, as was initiated in European financial services business with individual customers. Integrated end-to-end solutions that include mobility-related service modules such as insurance and innovative packages of services are likely to become increasingly important. Additionally, we expect that demand will increase for new forms of mobility, such as rental and car subscription services, and for integrated mobility services, for example, refueling and charging. Dealers continue to be key strategic partners. The seamless integration of financial services into the online vehicle offering will become increasingly important. We estimate that this trend will also persist in the years 2026 to 2029.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will intensify further. Crisis-related disruption to the global supply chain and the resulting impact on vehicle availability may weigh on the volume of new registrations. Moreover, a sudden outbreak of geopolitical tension and conflicts or the intensification of existing ones could lead to rising prices for materials and declining availability of energy.

We predict that trends in the markets for passenger cars in the individual regions will be mixed but predominantly positive in 2025. Overall, the global volume of new car sales is expected to be slightly higher than in the previous year. We are forecasting growing demand for passenger cars worldwide in the period from 2026 to 2029.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, we expect the sales volume for 2025 to be similar to the previous year's figure. For the years 2026 to 2029, we expect demand for light commercial vehicles to increase globally.

Europe/Other Markets

For 2025, we anticipate that the volume of new passenger car registrations in Western Europe will be noticeably higher than that recorded in the reporting year. For the major individual markets of France, the United Kingdom and Spain, we expect growth in 2025 to varying degrees between slightly and noticeably above the prior-year level. We estimate that the Italian market will be on a par with the previous year.

For light commercial vehicles, we expect the volume of new registrations in Western Europe in 2025 to be on a level with the previous year. Mixed development is anticipated in the major individual markets of France, the United Kingdom, Italy and Spain.

Sales of passenger cars in 2025 are expected to sharply exceed the prior-year figures overall in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. We expect a mixed development in the major markets of this region.

Depending on how the Russia-Ukraine conflict evolves, registrations of light commercial vehicles in the markets of Central and Eastern Europe in 2025 will probably noticeably exceed the prior-year figures.

Germany

In the German passenger car market, we expect the volume of new registrations in 2025 to be slightly up on the prior-year level.

We anticipate that the number of registrations of light commercial vehicles in 2025 will also be slightly up on the previous year's figure.

INTEREST RATE TRENDS

Interest rates declined slightly in Europe and across much of the rest of the world in fiscal year 2024 on account of falling inflation. A few central banks have already implemented interest rate cuts. The trend of rate cuts is expected to continue in 2025.

SUMMARY OF EXPECTED DEVELOPMENTS

The Volkswagen Bank GmbH Group predicts that the volume of business in the current fiscal year will be noticeably above the level of 2024. Please refer to the details provided in the opportunities and risks report for information on changes in credit risk, liquidity risk, and residual value risk.

Sales activities related to the Volkswagen Group brands will be further intensified, particularly through joint strategic projects.

Furthermore, the Volkswagen Bank GmbH Group intends to continue enhancing the leveraging of potential along the automotive value chain. Our aim is to satisfy the wishes and needs of our customers in the most efficient manner in cooperation with the Group brands. Our end customers are looking, in particular, for mobility with predictable fixed costs. In addition, we intend to further expand the digitalization of our business.

The product packages that the Bank believes it has successfully launched in the last few years will be refined in line with customer needs.

In parallel with its market-based activities, the Volkswagen Bank GmbH Group aims to further strengthen its position in the European competitive environment through strategic investment in structural projects as well as through the Future program, which focuses on process optimization and productivity gains.

OUTLOOK FOR THE YEAR 2025

The Management Board of Volkswagen Bank GmbH expects economic growth in the eurozone to recover in 2025 and the economy to continue its growth, albeit still muted in Germany. Risks originate primarily from the further inflation trend, which has a material impact on interest rate movements. At present, the Management Board projects a slight decline in the inflation rate in Germany and the other markets of Volkswagen Bank GmbH. Geopolitical tensions and conflicts have an additional impact on the growth prospects.

Taking into account the general parameters and market trends, the following overall picture emerges: the earnings expectation is based on the assumption that collaboration with the individual Group brands will intensify, investment in digitalization for the future will increase and that geopolitical upheavals will have a potential impact, as well as further uncertainties regarding the underlying macroeconomic conditions in the real economy and the actual development of deliveries to customers of the Volkswagen Group brands.

Current contracts and business volume in 2025 are expected to be perceptibly above the levels in fiscal year 2024. The volume of deposits is anticipated to be much higher than in the prior year due to sales measures initiated to help cover the increased funding requirements associated with the integration of Volkswagen Leasing GmbH in a cost-optimized manner.

The figures for new contracts and penetration are likely to increase very strongly compared to the prior year, in particular because the leasing business in Germany and Italy were not integrated until the second half of 2024. New contracts are expected to be significantly above the prior year and penetration at the level of 2024 in relation to indicative new contracts.

The intra-year forecast of the key financial performance indicators for 2024 was adjusted to allow a statement to be made about the full-year performance, in order to ensure comparability and adequate management. For this purpose, the Management Board was provided with indicative actual and target figures for the expected full year under the new structure, based on simulated implementation effective January 1, 2024.

Against the backdrop of the aforementioned effects, an operating result very strongly above the prior year is projected for fiscal year 2025. A result that is also very strongly above the prior year is expected in relation to an indicative full-year result.

The projected earnings trend shows a return on equity very strongly above the prior-year level in the following year despite the increase in capital requirements in 2025. A return on equity strongly above the prior year is expected in relation to an indicative full-year result.

For the overhead ratio we project a figure very strongly above the prior year. The overhead ratio is expected to be at the prior-year level in relation to an indicative full-year result.

FORECAST CHANGES IN KEY PERFORMANCE INDICATORS FOR FISCAL YEAR 2025 COMPARED WITH PRIOR-YEAR FIGURES

	Actual 2023	Actual 2024	Forecast for 2025
Nonfinancial performance indicators			
Penetration (percent)	16.1	31.0	much stronger above the level achieved in 2024
Current contracts (thousands)	3,146	8,156	Noticeably above level achieved in 2024
New contracts (thousands)	1,106	2,052	much stronger above the level achieved in 2024
Financial performance indicators			
Volume of business (€ million)	50,750	108,947	Noticeably above level achieved in 2024
Volume of deposits (€ million)	38,178	56,044	strongly above the level achieved in 2024
Operating result (€ million)	740	1,118	much stronger above the level achieved in 2024
Return on equity (percent)	7.2	5.3	much stronger above the level achieved in 2024
	46.3	42.7	on level achieved in 2024
Overhead ratio (percent)	–	0.66	much stronger above the level achieved in 2024

	Actual (indicative) 2024	Forecast for 2025
Nonfinancial performance indicators		
Penetration (percent)	45.3	on level achieved in 2024
Current contracts (thousands)	8,156	Noticeably above level achieved in 2024
New contracts (thousands)	2,935	clearly above the level achieved in 2024
Financial performance indicators		
Volume of business (€ million)	108,947	Noticeably above level achieved in 2024
Volume of deposits (€ million)	56,044	strongly above the level achieved in 2024
Operating result (€ million)	1,311	very much above the level achieved in 2024
Return on equity (percent)	6.1	strongly above the level achieved in 2024
	50.2	clearly below level achieved in 2024
Overhead ratio (percent)	0.88	on level achieved in 2024

This Annual Report contains forward-looking statements on the business development of the Volkswagen Bank GmbH Group. These statements are based on assumptions relating to changes in the economic, political and legal environment in individual countries, economic regions and markets, in particular for financial services and the automotive industry; these assumptions have been made on the basis of the information available and Volkswagen Bank GmbH currently considers them to be realistic. The estimates given entail a degree of risk, and actual developments may differ from those forecast. If material parameters relating to the most important sales markets vary from the assumptions, or material changes arise from the exchange rates, the prices of commodities or supply of parts relevant to the Volkswagen Group, the performance of the business will be affected accordingly. In addition, expected business performance may vary if the key performance indicators, and also risks and opportunities presented in this annual report turn out to be different from current expectations, or additional risks and opportunities or other factors emerge that affect the development of the business. We do not update our forward-looking statements and do not assume an obligation beyond the statutory requirements to update the forward-looking statements made in this annual report.

Braunschweig, February 25, 2025
The Management Board

Dr. Volker Stadler

Oliver Roes

Christian Löbke

Balance Sheet

of Volkswagen Bank GmbH, Braunschweig, for the Year Ended December 31, 2024

€ thousand		Dec. 31, 2024	Dec. 31, 2023
Assets			
1. Cash reserve			
a) Cash-in-hand	1,457		1,418
b) Central bank balances	916,421		848,805
of which:			
at Deutsche Bundesbank € 603,490 thousand			603,490
		917,878	850,223
2. Loans to and receivables from banks			
a) Repayable on demand	11,786,288		11,398,358
b) Other receivables	319,905		27,329
		12,106,193	11,425,688
3. Loans to and receivables from customers		67,985,636	50,512,740
of which:			
mortgages			
€266,984 thousand			289,192
4. Bonds and other fixed-income securities			
a) Bonds			
aa) From public-sector issuers	2,087,321		2,157,015
of which:			
eligible as collateral at Deutsche Bundesbank € 2,157,015 thousand			2,157,015
ab) From other issuers	11,611,722		13,509,322
of which:			
eligible as collateral at Deutsche Bundesbank € 12,996,122 thousand			12,996,122
		13,699,043	15,666,336
5. Equities and other variable-yield securities		0	0
6. Long-term equity investments		31	91,050
7. Shares in affiliated companies		3,416,815	90,988
of which:			
in banks € 0 thousand			–
8. Trust assets		1,271	1,438
of which:			
Trust loans € 1,438 thousand			1,438
9. Intangible fixed assets			
a) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	1,810		3,274
c) Prepayments	820		426
		2,630	3,699
10. Property and equipment		5,666	5,779
11. Lease assets		4,456,348	3,226,468
12. Other assets		505,233	429,147
13. Prepaid expenses		37,792	24,740
Total assets		**103,134,537**	**82,328,296**

€ thousand			Dec. 31, 2024	Dec. 31, 2023
Equity and liabilities				
1.	Liabilities to banks			
a)	Repayable on demand	56,722		9,889
b)	With agreed maturity or notice period	231,586		7,511,596
			288,309	7,521,486
2.	Liabilities to customers			
a)	Other liabilities			
aa)	Repayable on demand	34,105,311		24,434,385
ab)	With agreed maturity or notice period	38,945,732		21,964,716
			73,051,043	46,399,101
3.	Notes, commercial paper issued			
a)	Bonds issued	3,431,019		5,087,632
b)	Other notes, commercial paper issued	–		–
	of which:			
	Commercial paper € 0 thousand			–
			3,431,019	5,087,632
4.	Trust liabilities		1,271	1,438
	of which:			
	Trust loans € 1,438 thousand			1,438
5.	Other liabilities		12,121,591	12,884,563
6.	Deferred income		977,640	722,525
7.	Provisions			
a)	Provisions for pensions and similar obligations	172,521		160,799
b)	Provisions for taxes	23,334		7,822
c)	Other provisions	425,950		282,887
			621,805	451,508
8.	Subordinated liabilities		–	10,000
9.	Fund for general banking risks		25,565	25,565
10.	Equity			
a)	Subscribed capital	318,279		318,279
b)	Capital reserves	12,272,411		8,880,595
c)	Revenue reserves			
	ca) Other revenue reserves	25,604		25,604
d)	Net retained profits	–		–
			12,616,294	9,224,479
Total equity and liabilities			**103,134,537**	**82,328,296**
1.	Contingent liabilities			
a)	Liabilities under guarantees and indemnity agreements		99,337	175,783
	of which:			
	to affiliated companies		5,202	39,128
b)	Liability arising from the provision of collateral for third-party liabilities		8,986,300	–
2.	Other obligations			
a)	Irrevocable credit commitments		10,279,989	10,038,837
	of which:			
	to affiliated companies		690.346	804,560

Income Statement

of Volkswagen Bank GmbH, Braunschweig, for the period January 1 to December 31, 2024

€ thousand			2024	2023
1. Interest income from				
a) Lending and money market transactions	3,601,543			2,223,303
b) Fixed-income securities and debt register claims	381,544			333,200
		3,983,087		2,556,503
2. Interest expense		2,299,571		1,233,636
3. Interest anomalies				
a) Positive interest from banking business (collateral deposits)	104,325			67,691
b) Negative interest from money market transactions	1,549			1,271
		102,776		66,420
			1,786,292	1,389,287
4. Current income from				
a) Equities and other variable-yield securities		85		82
			85	82
5. Income from profit pooling, profit transfer or partial profit transfer agreements			140,315	
5. Leasing income		1,968,549		1,694,722
6. Leasing expenses		944,157		693,684
			1,024,392	1,001,039
7. Fee and commission income		271,824		290,092
8. Fee and commission expense		659,342		444,939
			−387,518	−154,846
9. Other operating income			397,836	391,264
10. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	201,132			147,655
ab) Social security, post-employment and other employee benefit costs	45,376			40,300
of which:		246,508		187,954
in respect of post-employment benefits € 17,070 thousand				17,070
b) Other administrative expenses		580,105		609,573
			826,613	797,527
11. Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of property and equipment and lease assets				
a) Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of property and equipment		2,557		3,520
b) Depreciation and write-downs of lease assets		971,977		853,903
			974,533	857,424
12. Other operating expenses			83,699	84,270
13. Amortization and write-downs of receivables and certain securities, and additions to provisions in the lending business			165,498	6,983
14. Income from reversals of write-downs of receivables and certain securities and from reversals of provisions in the lending business			127,711	–
15. Write-downs of long-term equity investments, shares in affiliated companies, and securities treated as fixed assets			7,265	2,000

€ thousand				2024	2023
16.	Income from reversals of write-downs of long-term equity investments, shares in affiliated companies, and securities treated as fixed assets			21,747	7,953
17.	Result from ordinary activities			1,053,252	886,574
18.	Income tax expense			471,327	267,025
19.	Other taxes, unless reported under item 12			228	–1,231
20.	Profits transferred under a profit-and-loss transfer agreement			581,696	620,780
21.	Net income			0	0
22.	**Net retained profits**			**0**	**0**

Notes to the Annual Financial Statements

of Volkswagen Bank GmbH, Braunschweig, as of December 31, 2024
Registration Court: Braunschweig
Commercial Register Number: HRB 1819

1. General Information

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

The object of the Company is to develop, sell and process its own and third-party financial and mobility services both in Germany and abroad, the purpose of such services being to support the business of Volkswagen AG and of Volkswagen AG's affiliated companies.

Until June 30, 2024, Volkswagen AG, Wolfsburg, was the sole shareholder of the parent company, Volkswagen Bank GmbH. On July 1, 2024, all the shares in Volkswagen Bank GmbH were transferred from Volkswagen AG to Volkswagen Financial Services Europe AG. Volkswagen Financial Services Europe AG was renamed Volkswagen Financial Services AG on July 1, 2024. Sincel July 1, 2024, Volkswagen Financial Services AG has been the sole shareholder of the parent company, Volkswagen Bank GmbH. Volkswagen AG, Wolfsburg, is the parent company of Volkswagen Financial Services AG and the ultimate parent company of Volkswagen Bank GmbH.

The current control agreement between Volkswagen AG and Volkswagen Bank GmbH has been suspended since July 1, 2024, given that Volkswagen AG ceased to hold a direct equity investment in Volkswagen Bank GmbH as of that date. A new control agreement was signed between Volkswagen Financial Services AG and Volkswagen Bank GmbH effective July 1, 2024.

The previous profit-and-loss transfer agreement between Volkswagen AG and Volkswagen Bank GmbH was in place until December 31, 2024 and was suspended effective the end of December 31, 2024. A new profit-and-loss transfer agreement was signed between Volkswagen Financial Services AG and Volkswagen Bank GmbH effective January 1, 2025.

The annual financial statements of the Volkswagen Bank GmbH Group entities are included in the consolidated financial statements of Volkswagen AG, Wolfsburg, and additionally, as of July 1, 2024, in the consolidated financial statements of Volkswagen Financial Services AG, Braunschweig, both of which are published in the Company Register.

2. Accounting Policies

Assets and liabilities are measured in accordance with the provisions in section 252ff. of the HGB and additionally in accordance with those in section 340ff. of the HGB. Unless otherwise stated, the other accounting policies are the same as those applied in the prior year.

Foreign currency transactions in the non-trading portfolio are measured in accordance with section 340h in conjunction with section 256a of the HGB. In compliance with Volkswagen Bank GmbH's risk strategy, the portfolio of assets, liabilities and forward contracts specifically hedged in accordance with section 340h of the HGB includes all material transactions denominated in foreign currency. These items are measured using the middle spot rate at the reporting date. Income and expenses arising from the translation of foreign currency exposures specifically hedged in the same currency are recognized in net other operating income/expense.

Foreign currency assets and liabilities that are not specifically hedged in the same currency are translated at the middle spot rate at the reporting date in accordance with section 256a sentence 1 of the HGB and in compliance with the historical cost convention and the principle of imparity (whereby unrealized losses are recognized but unrealized gains are not). If the items have a residual maturity of one year or less, the net gains or losses from translation are recognized in full in the income statement in accordance with section 256a sentence 2 of the HGB.

Currency forwards in the non-trading portfolio that are intended to hedge interest-bearing balance sheet items and that have not yet been settled as of the reporting date are measured and recognized by applying a split forward rate method. In this method, the forward rate in the contract is broken down into its two components of spot rate and swap rate, the latter being the forward premium or forward discount. The forward premium or discount is allocated and recognized over the term of the forward contract in the same way as interest. It is measured by comparing the spot basis in the forward contract with the middle spot rate at the reporting date. Positive and negative spot rate differences within the same currency are offset against each other. The net amount is reported as an adjustment item from foreign exchange transactions under the “Other assets” or “Other liabilities” item.

Interest rate and currency derivative transactions entered into by Volkswagen Bank GmbH are used as part of general economic hedges. The Bank does not make use of the option to apply specific hedge accounting arrangements in accordance with section 254 of the HGB.

The cash reserve is carried at the nominal amount.

Receivables are recognized at their principal amounts, net of provisions for credit risks. The expected credit loss model of IFRS 9 is applied to determine specific valuation allowances. Global valuation allowances are recognized to cover risks arising in connection with receivables for which no specific valuation allowances have been recognized. In this regard, Volkswagen Bank GmbH applies accounting principle IDW AcP BFA 7, using the expected credit loss model of IFRS 9 to determine global valuation allowances.

Volkswagen Bank GmbH has acquired all of its own Driver Master Compartment 2, Private Driver Italia 2020-1, Private Driver Italia 2024-1 and Private Driver España 2020-1 asset-backed securities (ABSs). Under the principles specified in IDW AcP HFA 8, significant credit risks thus remain with Volkswagen Bank GmbH. There has been no transfer of the beneficial ownership in the receivables underlying these ABS transactions, and these receivables therefore continue to be reported under loans to and receivables from customers. A miscellaneous liability is recognized in the amount of the purchase price received. When the payments from the sold receivables are forwarded, this liability is reduced on a pro rata basis in the amount of the change in the present value of the underlying receivables. The difference compared with the payments received is recognized as an interest expense. No subsequent measurement is carried out for the securities because the risks are already factored into the measurement of the receivables themselves. They are recognized at cost, net of any redemptions, during the term of the deals.

Other current bonds and other fixed and variable-income securities held in the liquidity reserve and measured using parameters derived from the market are recognized at historical cost, applying the strict lower of cost or market principle and the requirement to reverse write-downs when the reasons for them no longer exist (section 340e(1) sentence 2 in conjunction with section 253(4) sentence 1 of the HGB and section 253(5) sentence 1 of the HGB).

Equities, long-term equity investments and shares in affiliated companies are measured at the lower of cost and fair value.

Trust loans are granted in the name and for the account of KfW Kreditanstalt für Wiederaufbau, Frankfurt am Main. The receivable from the dealer is recognized at its principal amount. *Kreditanstalt für Wiederaufbau* (KfW) grants a 100% exemption from liability for the refinancing loan for the entire term of the loan.

Items of property and equipment with finite useful lives are depreciated, and intangible assets with finite useful lives are amortized on a straight-line basis over the course of their useful lives. They are initially recognized at cost.

Straight-line depreciation is applied to vehicles reported under the “Lease assets” item in accordance with their expected useful lives. They are initially recognized at cost. If property and equipment, intangible assets, or lease assets are identified as impaired and this impairment is likely to be permanent, the carrying amounts of the assets concerned are written down to fair value. When vehicles recognized as lease assets are sold, the proceeds are recognized under leasing income and the derecognized residual carrying amounts are reported under leasing expenses.

Differences between the amount received and the nominal amount are recognized in prepaid expenses or deferred income and then amortized over the maturity of the liability concerned.

Liabilities are recognized at the settlement amount.

Provisions are measured using the best estimate of the amount required to settle the obligations concerned.

Some of the pension commitments are direct pension commitments, while others are funded through Volkswagen Pension Trust e.V. The commitments funded through Volkswagen Pension Trust e.V. are unit-linked pension commitments. Their amount is determined on the basis of the fair values of the associated securities in accordance with section 253(1) sentence 3 of the HGB. The fair value of the securities is offset against the funded provisions in accordance with section 246(2) of the HGB.

Other pension obligations (time asset bonds) are also linked to securities funds. Time asset bonds provide the opportunity to save for early retirement by acquiring time asset bond units. The securities measured at fair value are offset as plan assets against the corresponding provisions.

The pension provision that is not externally funded is recognized at present value.

The 2018 G mortality tables published by Professor Klaus Heubeck are used to measure pension obligations. The provisions for pension obligations are discounted using an average discount rate in accordance with section 253(2) sentence 1 of the HGB, whereby it is assumed that the obligations have a general residual maturity of 15 years. The recognized provisions for pensions equate to the pension obligations net of the associated plan assets, which are measured at fair value. If the value of the plan assets is higher than that of the pension provisions, the difference is reported as an excess of plan assets over pension liability.

For reasons of materiality, individual provisions with a maturity of more than one year are not discounted as would be required in accordance with section 253(2) of the HGB. The materiality assessment is continually reviewed.

The banking book of Volkswagen Bank GmbH was reviewed in accordance with IDW ACP BFA 3 to assess whether there was any need to recognize a provision for expected losses. The discounted cash flow method was used for the evaluation. The discount rate used to discount the cash flows included a component to cover risk costs still expected to be incurred together with a risk costs premium and administrative expenses. The present value determined in this way was then compared against the carrying amounts recognized in the HGB financial statements for the assets in the banking book. There was no indication that a provision for expected losses was required.

All identifiable risks have been adequately provided for in the annual financial statements by the recognition of specific valuation allowances and provisions. Latent risk in the lending business is covered by global valuation allowances.

The model rules on global minimum taxation (Pillar 2) published by the OECD have been enacted or substantively enacted in certain countries where Volkswagen Bank GmbH operates. For Germany, the legislation entered into force for the fiscal year of Volkswagen Bank GmbH beginning on January 1, 2024. Volkswagen Bank GmbH falls within the scope of the legislation that has been enacted or substantively enacted and has begun to assess the potential risk to which the Bank is exposed in relation to the global minimum taxation.

The introduction of global minimum taxation (Pillar 2) has not had any negative impact on Volkswagen Bank GmbH. This means that there is no current tax expense in connection with Pillar 2 income taxes. Volkswagen Bank GmbH has applied the exemption of the recognition and presentation of deferred taxes in connection with Pillar 2 income taxes.

The exemption introduced in section 274(3) of the HGB means that deferred taxes in connection with income taxes arising from applicable or announced tax rules relating to the implementation of the Pillar Two model rules are neither recognized nor disclosed at Volkswagen Bank GmbH.

In the reporting period, the negative interest from financial assets and the positive interest from financial obligations are reported separately in the income statement as interest anomalies. This method of presentation makes the composition of net interest income more transparent.

3. Balance Sheet Disclosures

LOANS TO AND RECEIVABLES FROM BANKS

Loans to and receivables from banks include loans to and receivables from affiliated companies amounting to €30 thousand (previous year: €70 thousand).

The maturity analysis of loans to and receivables from banks is as follows:

> Repayable on demand €11,786,288 thousand (previous year: €11,398,358 thousand)
> Up to three months: €319,905 thousand (previous year: €27,329 thousand)
> More than three months and up to one year: €0 thousand (previous year: €0 thousand)
> More than one year and up to five years: €0 thousand (previous year: €0 thousand)
> More than five years: €0 thousand (previous year: €0 thousand)

No loans to or receivables from banks are evidenced by certificates.

LOANS TO AND RECEIVABLES FROM CUSTOMERS

This item includes loans to and receivables from affiliated companies amounting to €17,361,601 thousand (previous year: €667,534 thousand).

The maturity analysis of the total amount of loans to and receivables from customers, none of which are evidenced by certificates, is as follows:

> Up to three months: €16,919,241 thousand (previous year: €12,129,486 thousand)
> More than three months and up to one year: €14,733,108 thousand (previous year: €9,974,680 thousand)

> More than one year and up to five years: €31,965,202 thousand (previous year: €23,975,458 thousand)
> More than five years: €916,986 thousand (previous year: €852,379 thousand)

Loans to and receivables from customers include receivables with an indefinite maturity (in accordance with the disclosure requirements in section 9(3) no. 1 of the RechKredV) amounting to €3,721,099 thousand (previous year: €3,580,737 thousand).

Loans to and receivables from customers include subordinated loans and receivables of €348,361 thousand (previous year: €162,039 thousand), of which €348,361 thousand (previous year: €162,039 thousand) is attributable to subordinated receivables arising from ABS transactions entered into by Volkswagen Bank GmbH.

The receivables from leasing business included in loans to and receivables from customers amount to €4,128,616 thousand (previous year: €3,489,005 thousand), of which €3,785,285 thousand (previous year: €3,213,541 thousand) is attributable to the Bank's branch in France.

Receivables from retail financing amounting to €828,251 thousand (previous year: €814,048 thousand) are attributable to the Bank's branch in France.

As of the reporting date, loans to and receivables from the sole shareholder, Volkswagen Financial Services AG, Braunschweig, amounted to €31 thousand (previous year: €0 thousand).

BONDS AND OTHER FIXED-INCOME SECURITIES

To help safeguard the supply of liquidity, Volkswagen Bank GmbH has set up ABS structures in Germany and in the branches in Italy and Spain. However, the securities issued by the special purpose entities purchasing the assets concerned have not been sold to investors but have instead been purchased by Volkswagen Bank GmbH and pledged as collateral for its participation in the open market operations of Deutsche Bundesbank. The total portfolio of these securities amounts to €10,135,172 thousand (previous year: €11,641,455 thousand). All the securities involved are allocated to the liquidity reserve.

To accumulate collateral for participation in open market operations and to ensure that requirements in accordance with the liquidity coverage ratio are satisfied in the future, the Bank made repeated purchases of fixed-income securities with strong credit ratings. As of the reporting date, these bonds amounted to a total of €3,008,225 thousand (previous year: €3,505,596 thousand). The securities are allocated to the liquidity reserve and measured at market prices, applying the strict lower of cost or market principle under the HGB.

The securities and bonds reported under this balance sheet item – all of which are marketable, listed securities – total €13,699,043 thousand (previous year: €15,666,336 thousand).

As of the reporting date, securities within the portfolio amounting to €9,965,527 thousand (previous year: €11,544,753 thousand) had been deposited in the operational safe custody account maintained with Deutsche Bundesbank. These securities serve as collateral for funding transactions. There were no open market loans as of the reporting date (previous year: €7,196,241 thousand).

Of the bonds and other fixed-income securities, a nominal amount of €2,618,958 thousand (previous year: €4,422,276 thousand) was due to mature in the fiscal year following the reporting date.

LONG-TERM EQUITY INVESTMENTS AND SHARES IN AFFILIATED COMPANIES

An overview of long-term equity investments and information on shares in affiliated companies can be found in the list of shareholdings in these annual financial statements.

The shares in affiliated companies and other long-term equity investments held by Volkswagen Bank GmbH are neither marketable nor listed.

TRUST ASSETS

This item includes trust loans to dealers amounting to €1,271 thousand (previous year: €1,438 thousand).

INTANGIBLE FIXED ASSETS

Intangible fixed assets increased by €1,069 thousand to €2,630 thousand (previous year: €3,699 thousand).

PROPERTY AND EQUIPMENT

The total value of buildings and properties used for the Bank's own operations amounts to €4,477 thousand (previous year restated: €5,053 thousand). The amount within property and equipment attributable to other equipment, operating and office equipment is €901 thousand (previous year: €726 thousand).

LEASE ASSETS

This item comprises vehicles leased out as part of the leasing business operated by the branches in France and Italy and amounts to €4,456,348 thousand (previous year: €3,226,468 thousand).

OTHER ASSETS

This item includes receivables from interest rate hedging transactions amounting to €103,842 thousand (previous year: €83,488 thousand) and tax receivables of €182,050 thousand (previous year: €138,481 thousand), of which €17,637 thousand relates to tax receivables at the Bank's branch in Italy and €150,761 thousand to tax receivables at the Bank's branch in France. A significant component of the remaining other assets comprises receivables of €14,584 thousand (previous year: €17,714 thousand) from the ABS special purpose entities relating to the return of pledged collateral (not yet due) and service fees.

PREPAID EXPENSES

This item contains deferred discounts of €4,339 thousand (previous year: €6,387 thousand), advance insurance premiums of €1 thousand (previous year: €1 thousand) and advance fees and commissions amounting to €6,224 thousand (previous year: €2,662 thousand) paid in connection with a rise in the level of new business at the Bank's branches.

LIABILITIES TO BANKS

The maturity analysis of the liabilities to banks, all of which comprise deposits or other liabilities not evidenced by certificates, is as follows:

- Repayable on demand €56,722 thousand (previous year: €9,889 thousand)
- Up to three months: €12,051 thousand (previous year: €278,020 thousand)
- More than three months and up to one year: €39,654 thousand (previous year: €7,038,175 thousand)
- More than one year and up to five years: €122,079 thousand (previous year: €140,294 thousand)
- More than five years: €57,802 thousand (previous year: €55,107 thousand)

Liabilities to banks do not include liabilities to an affiliated company (previous year: €0 thousand).

As there were no liabilities to Deutsche Bundesbank as of the reporting date, no marketable securities were pledged as security (previous year: €7,000,000 thousand).

LIABILITIES TO CUSTOMERS

This item includes liabilities to affiliated companies not evidenced by certificates amounting to €15,854,887 thousand (previous year: €7,621,116 thousand).

Customer deposits amount to €56,545,004 thousand (previous year: €38,177,739 thousand).

The item also includes accrued liabilities to dealers, customers and other creditors, i.e. incurred liabilities still to be billed.

The maturity breakdown of sub-item “ab) With agreed maturity or notice period” is as follows:

- Up to three months: €14,856,892 thousand (previous year: €6,543,212 thousand)
- More than three months and up to one year: €15,987,628 thousand (previous year: €12,327,107 thousand)
- More than one year and up to five years: €7,421,814 thousand (previous year: €2,368,008 thousand)
- More than five years: €679,399 thousand (previous year: €726,392 thousand)

As of the reporting date, liabilities to the sole shareholder, Volkswagen Financial Services AG, Braunschweig, amounted to €4,920,850 thousand (previous year: €558,746 thousand).

NOTES, COMMERCIAL PAPER ISSUED

This item comprises bonds.

“a) Bonds issued” comprises: bonds: €3,431,019 thousand (previous year: €5,087,632 thousand)

Residual maturities:

- Up to three months: €81,019 thousand (previous year: €937,632 thousand)
- More than three months and up to one year: €500,000 thousand (previous year: €800,000 thousand)
- More than one year and up to five years: €2,350,000 thousand (previous year: €2,850,000 thousand)
- More than five years: €500,000 thousand (previous year: €500,000 thousand)

“Notes, commercial paper issued” does not include any liabilities to an affiliated company.

Of the total bonds issued, an amount of €500,000 thousand matures in the subsequent year.

TRUST LIABILITIES

This item includes trust liabilities to KfW Kreditanstalt für Wiederaufbau amounting to €1,271 thousand (previous year: €1,438 thousand).

OTHER LIABILITIES

Of the total liabilities, liabilities in an amount of €10,793,240 thousand (previous year: €11,822,747 thousand) are backed by collateral. These liabilities have arisen from ABS transactions in which Volkswagen Bank GmbH has retained beneficial ownership of the sold receivables after the sale.

The following are also reported under this item: outstanding debt servicing amounts and obligations to cover current costs in connection with ABS transactions amounting to €921,902 thousand (previous year: €836,959 thousand), liabilities from interest rate hedging transactions amounting to €39,955 thousand (previous year: €43,041 thousand), liabilities to tax authorities of €185,449 thousand (previous year: €93,412 thousand) and accrued interest liabilities related to subordinated bonds and profit-sharing rights amounting to €0 thousand (previous year: €312 thousand).

Derivatives to hedge currency risk gave rise to a currency adjustment item of €39,515 thousand (previous year: €25,278 thousand), which has been recognized under other liabilities.

DEFERRED INCOME

This item largely comprises deferred income in connection with manufacturer and partner participation in sales promotion campaigns amounting to €924,528 thousand (previous year: €675,970 thousand), which will be recognized in the income statement over the term of the relevant agreements.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The pension obligations are determined annually by an independent actuary using the projected unit credit method.

The main measurement assumptions and parameters applied in the actuarial calculations by Volkswagen Bank GmbH were as follows:

	Germany	International
Discount rate	1.90%	1.90%
Expected rate of salary increases	2.15%	0.00 – 0.00%
Expected rate of pension increases	2.00%	0.00 – 2.80%
Employee turnover rate	1.21%	0.00%

For Germany, the discount rate applied was the discount rate of 1.90% published by Deutsche Bundesbank for December 2024 in accordance with section 253(2) of the HGB (average market interest rate for the past ten years).

Discounting at the average market interest rate of the past seven years (1.96%) resulted in a difference of €3,225 thousand.

For reasons of materiality, the actuarial assumptions used for other countries are reported as a range of values.

Pension funds with a value equivalent to a settlement amount of €91,600 thousand and fair value funds with a corresponding value of €66,681 thousand were offset against the liabilities for pensions and similar obligations. The cost of the pension fund securities amounted to €94,121 thousand and the cost of the fair value fund securities amounted to €67,967 thousand. The fair value of the pension fund totaled €91,600 thousand and that of the fair value fund was €66,681 thousand at the reporting date. The securities were measured at closing prices as of the reporting date.

Income of €2,210 thousand from the measurement of the fund at fair value was offset against interest expenses from provisions of €2,210 thousand as part of the netting of the obligation (measured at the fair value of the securities) and of the securities fund for the fair value securities.

In the year under review, the amount of the difference for Germany determined in accordance with section 253(6) of the HGB is €1,024 thousand for the pension provisions not funded externally and €2,201 thousand for the commitments funded through Volkswagen Pension Trust e.V. There is no restriction on distribution due to the profit or loss transfer agreement with Volkswagen AG. The amounts of the difference determined in accordance with section 253(6) of the HGB are €3 thousand for the Bank's branch in Italy and €59 thousand for the Bank's branch in the UK.

OTHER PROVISIONS

Other provisions mainly comprise costs of customer financing brokerage claims amounting to €223,444 thousand (previous year: €16,803 thousand), personnel expenses amounting to €97,721 thousand (previous year: €85,405 thousand) and provisions for outstanding invoices amounting to €22,383 thousand (previous year: €29,651 thousand). Provisions for impending losses relate primarily to the provision for irrevocable credit commitments amounting to €52,336 thousand (previous year: €74,640 thousand).

Provisions for litigation and legal risks amounted to €6,347 thousand in the reporting period (previous year: €28,043 thousand).

SUBORDINATED LIABILITIES

The total portfolio of subordinated liabilities amounts to €0 thousand (previous year: €10,000 thousand).

Until June 7, 2024, the subordinated liability was deemed to be a component of equity in accordance with the provisions of Article 62(a) of the Capital Requirements Regulation (CRR) (previous year: €865 thousand).

Until June 7, 2024, the overall portfolio included subordinated bonds in the amount of €0 thousand (previous year: €10,000 thousand), which have been placed on public capital markets.

There were no early repayment obligations for the subordinated liabilities.

The Bank had not entered into any agreement to convert these liabilities into equity or another form of debt, nor is it planning any such conversion. Volkswagen Bank GmbH has entered into derivative contracts to mitigate interest rate risk. The expenses incurred in connection with raising subordinated loans and issuing subordinated bonds amounted to €238 thousand (previous year: €1,345 thousand).

There are no subordinated liabilities to affiliated companies (previous year: €0 thousand).

SUBORDINATED BONDS

In the year under review, the last subordinated bond with a nominal amount of €10,000 thousand was repaid as scheduled on June 7, 2024. This investment carried a fixed interest rate of 5.5% until maturity.

The subordination of the bond was structured as follows:
If the issuer had been wound up, liquidated, or had filed for insolvency, the liability under this bond would have ranked behind the claims of all the non-subordinated third-party creditors of the issuer such that amounts in connection with this bond would have been repayable only once the claims of all these non-subordinated third-party creditors of the issuer had been satisfied in full. No agreement could be made retrospectively to limit the subordination or shorten the maturity of the bond. The bonds could have been redeemed early, but no earlier than five years after the issue date, and the issuer would first have had to call the bond in question before any such redemption could have taken place. The issuer was only permitted to call the bond concerned if one of the following two requirements was satisfied: an equivalent amount of liable capital within the meaning of the *Kreditwesengesetz* (KWG – German Banking Act) and the CRR had been paid in to replace the redemption amount; or the German Federal Financial Supervisory Authority (BaFin) and the European Banking Authority had consented to the early redemption.

EQUITY

The capital reserves of Volkswagen Bank GmbH increased to €12.3 billion (previous year: €8.9 billion) as of December 31, 2024. In the reporting period significant changes to equity occurred from a contribution in kind made by the previous shareholder, Volkswagen AG. The contribution in kind resulted from the spin-off of Volkswagen Leasing GmbH by Volkswagen Financial Services Overseas AG.

CHANGES IN FIXED ASSETS OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG, IN THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2024

€ thousand	Long-term equity investments	Shares in affiliated companies	Purchased concessions and similar rights	Payments on account for intangible fixed assets	Land, land rights and buildings on third-party land	Other equipment, operating and office equipment	Prepayments and assets under construction	Lease assets
Cost as of Dec. 31, 2023	**101,050**	**125,906**	**44,103**	**426**	**34,002**	**12,765**	**57**	**4,818,632**
Additions in 2024	–	3,391,815	1,580	302	458	1,110	288	2,942,064
Disposals in 2024	101,019	86,306	1,144	–	–	234	57	1,356,954
Reclassifications in 2024	–	–	–	92	57	–	–	–
Currency translation	–	–	201	–	–	–	–	–
Cost as of Dec. 31, 2024	**31**	**3,431,415**	**44,740**	**820**	**34.517**	**13,641**	**288**	**6,403,742**
Accumulated depreciation, amortization and write-downs as of Dec. 31, 2023	**10,000**	**34,918**	**40,830**	**–**	**28,949**	**12,039**	**–**	**1,592,164**
Additions in 2024	3,208	4,057	1,900	–	1,091	907	–	972,641
Reversals of write-downs in 2024	–	–24,375	–	–	–	–	–	–617,412
Disposals in 2024	13,208	–	–	–	–	206	–	–
Reclassifications in 2024	–	–	–	–	–	–	–	–
Currency translation	–	–	–200	–	–	–	–	–
Accumulated depreciation, amortization and write-downs as of Dec. 31,2024	**–**	**14,600**	**42,930**	**–**	**30,040**	**12,740**	**–**	**1,947,393**
Carrying amount as of Dec. 31, 2024	**31**	**3,416,815**	**1,810**	**820**	**4,477**	**901**	**288**	**4,456,349**
Carrying amount as of Dec. 31, 2023	**91,050**	**90,988**	**3,273**	**426**	**5,053**	**726**	**57**	**3,226,468**

4. Income Statement Disclosures

INTEREST INCOME FROM LENDING AND MONEY MARKET TRANSACTIONS

The proportion of interest income generated in the foreign branches is 43.8% (previous year: 52.1%). The branches in Italy and France account for the largest share of this foreign income.

Interest income from lending and money market transactions includes income from finance leases amounting to €365,364 thousand (previous year: €262,938 thousand).

INTEREST ANOMALIES

The negative interest from money market transactions results from short-term deposits with banks. The positive interest from banking transactions results from the recharged negative interest on deposits of affiliated companies, the provision of short-term collateral for derivatives by banks and the participation in the tender operations of Deutsche Bundesbank.

LEASING INCOME

Income from leasing transactions comprises net income from operating leases and is generated primarily by the Bank's branch in France. The total amount of this income is €1,968,549 thousand (previous year: €1,694,722 thousand).

LEASING EXPENSES

The expenses from leasing transactions amount to €944,157 thousand (previous year: €693,684 thousand).

NET FEE AND COMMISSION INCOME

The proportion of fee and commission income generated in the foreign branches is 58.2% (previous year: 52.0%). The branches in Spain and France account for the largest share of this foreign income.

Fee and commission income is derived largely from insurance broking, especially in connection with credit protection insurance, from the administration and collection of receivables sold as part of ABS transactions and from miscellaneous fees relating to the retail business.

It includes prior-period income of €235 thousand (previous year: €146 thousand) largely generated from special fees for credit protection insurance, from the card payment system and from the credit card business.

Most of the fee and commission expenses are fees and commissions paid to dealers in connection with consumer credit business.

OTHER OPERATING INCOME

Other operating income amounted to €397,836 thousand (previous year: €391,264 thousand) and comprises mainly cost reimbursements from Group companies of €73,130 thousand (previous year: €28,148 thousand).

The proportion of other operating income generated in the foreign branches is 33.7% (previous year: 29.9%). The branches in Spain and Italy account for the largest share of this foreign income.

This item includes prior-period income of €46,037 thousand (previous year: €31,395 thousand), of which €43,044 thousand (previous year: €23,806 thousand) is income from the reversal of provisions. Other income includes the effects from the discounting of provisions amounting to €116 thousand (previous year restated: €414 thousand).

This item also includes income from the premature termination of ABS transactions amounting to €174,187 thousand (previous year: €232,660 thousand) and income from currency translation amounting to €21,723 thousand (previous year: €25,483 thousand).

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amount to €826,613 thousand (previous year: €797,527 thousand). Significant elements are personnel expenses of €246,508 thousand (previous year: €187,954 thousand) and cost allocations from Group companies amounting to €192,075 thousand (previous year: €333,970 thousand). They include prior-period expenses of €1 thousand. The cost allocations were mainly attributable to staff leasing arrangements. The fee paid to the auditor for audit services in the year under review was mostly attributable to the audit of the consolidated financial statements of Volkswagen Bank GmbH and of the annual financial statements of German Group companies, as well as to reviews of the reporting packages of German Group companies. Other attestation services related to the issue of a letter of comfort and the analysis of a contractual compliance issue. For further disclosures of the total fee charged by the auditor for the fiscal year, please refer to the notes to the consolidated financial statements of Volkswagen Bank GmbH.

AMORTIZATION AND WRITE-DOWNS OF INTANGIBLE FIXED ASSETS, AND DEPRECIATION AND WRITE-DOWNS OF PROPERTY AND EQUIPMENT AND LEASE ASSETS

Depreciation and write-downs of lease assets amounting to €971,977 thousand (previous year: €853,903 thousand) are reported within this line item as a separate sub-item.

The “Depreciation and write-downs of lease assets” sub-item is mainly used to recognize the depreciation and impairment of lease vehicles at the branch in France. Depreciation is calculated on a straight-line basis.

AMORTIZATION AND WRITE-DOWNS OF RECEIVABLES AND CERTAIN SECURITIES, AND ADDITIONS TO PROVISIONS IN THE LENDING BUSINESS

Amortization and write-downs increased by €102,209 thousand to €672,185 thousand. At €506,687, income from the reversal of valuation allowances no longer required and income from loans and receivables previously written off was down year-on-year (previous year: €562,994 thousand). This resulted in a net addition to provisions for credit risk, amounting to €165,498 thousand in the reporting year (previous year: €6,983 thousand).

WRITE-DOWNS OF LONG-TERM EQUITY INVESTMENTS, SHARES IN AFFILIATED COMPANIES, AND SECURITIES TREATED AS FIXED ASSETS

In fiscal year 2024, write-downs of long-term equity investments amounted to €3,208 thousand (previous year: €2,000 thousand) and write-downs of shares in affiliated companies totaled €4,057 thousand (previous year: €0 thousand).

OTHER OPERATING EXPENSES

This item is essentially the aggregation of a large number of individual items. These include prior-period expenses of €6,045 thousand (previous year: €16,429 thousand), of which €637 thousand (previous year: €471 thousand) relate to the branch in Italy and €2,750 thousand (previous year: €3,436 thousand) to the branch in France. Other operating expenses include expenses from currency translation amounting to €10,192 thousand (previous year: €12,397 thousand). The item also comprises the effects from the discounting of provisions amounting to €482 thousand (previous year: €2,166 thousand).

INCOME TAX EXPENSE

This item comprises domestic and foreign taxes on income. The domestic income taxes for the reporting period amounting to €362,018 thousand (previous year: €192,417 thousand) were recharged to Volkswagen Bank GmbH within the existing tax group by Volkswagen AG, the controlling entity in the tax group.

The income taxes item includes prior-period expenses of €1,028 thousand (previous year: €490 thousand) and tax refunds for prior years amounting to €12,318 thousand (previous year: €13,020 thousand).

The deferred taxes of the independently taxable branches are determined separately in a dedicated statement using the appropriate local tax rates of between 19.00% and 33.07% in accordance with local tax laws. The deferred tax liabilities of the branch in France, most of which are attributable to lease assets, are offset against deferred tax assets of the other branches arising from receivables. The option not to recognize the resulting total excess of assets over liabilities of €82,682 thousand (previous year: €80,442 thousand) is exercised in accordance with section 274(1) sentence 2 of the HGB.

In Germany, deferred taxes are determined using a tax rate of 30%. Due to the Volkswagen AG tax group, the resulting net deferred tax assets of €183,483 thousand (previous year: €174,631 thousand) are attributable to Volkswagen AG.

PROFITS TRANSFERRED UNDER A PROFIT-AND-LOSS TRANSFER AGREEMENT

The profit after tax of €581,696 thousand (previous year: €620,780 thousand) will be transferred to Volkswagen AG pursuant to the existing control and profit-and-loss transfer agreement.

5. Other Disclosures

REPORT ON POST-BALANCE SHEET DATE EVENTS

Subsequent to the conclusion of the collective bargaining process of Volkswagen AG on December 20, 2024, Volkswagen Financial Services AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Volkswagen Insurance Brokers GmbH, Volkswagen Versicherung AG and Vehicle Trading GmbH started their own collective bargaining process with the IG Metall union; this process was concluded on January 31, 2025. The collective bargaining outcome of Volkswagen AG also applies to these companies, based on the follow-on collective agreement. The above companies made some amendments or additions to some points of the collective bargaining outcome of Volkswagen AG. No material impacts on the annual financial statements as of December 31, 2025 are expected.

With reference to the disclosures in the note on "Assets held for sale (IFRS 5)" in the notes to the consolidated financial statements, the shares in the joint venture VOLKSWAGEN Finančné služby Slovensko s.r.o., Bratislava, were sold at their carrying amount to Porsche Bank AG and Porsche Versicherungs AG as of February 3, 2025.

GROUP ACCOUNTING

The annual financial statements of Volkswagen Bank GmbH, Braunschweig, are included in the consolidated financial statements of Volkswagen Bank GmbH, Braunschweig, which are prepared in accordance with the International Financial Reporting Standards. The consolidated financial statements of Volkswagen Bank GmbH are included in the consolidated financial statements of Volkswagen AG, Wolfsburg (smallest and largest consolidated group within the meaning of section 285 no. 14 and no. 14a of the HGB). The annual financial statements of Volkswagen Bank GmbH, the consolidated financial statements of Volkswagen Bank GmbH and those of Volkswagen AG are all published in the Company Register.

CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The contingent liabilities amounting to €99,337 thousand (previous year: €175,783 thousand) consist exclusively of guarantees. Of these guarantees, an amount of €65,903 thousand (previous year: €156,860 thousand) is secured by collateral in the form of deposits. Volkswagen Bank GmbH is therefore not exposed to any loss risk up to this amount if the guarantees were to be called upon.

As a legal entity involved in the spin-off of the business shares of Volkswagen Leasing GmbH, pursuant to section 133(1) sentence 1 of the *Umwandlungsgesetz* (UmwG – German Transformation Act), Volkswagen Bank GmbH was liable as joint and several debtor for the liabilities established by the legal entity transferring assets, Volkswagen Financial Overseas AG (at the time operating as Volkswagen Financial Services AG), until July 1, 2024, when the spin-off came into effect. Pursuant to section 133(3) sentence 2 of the UmwG, the joint and several liability of Volkswagen Bank GmbH is limited to the fair value of the allocated net assets that were allocated to Volkswagen Bank GmbH with the spin-off of the business shares in Volkswagen Leasing GmbH, which is the upper liability limit. This results in contingent liabilities for the Volkswagen Bank GmbH Group of €8,986,300 thousand. In the unlikely event of claims arising from joint and several liability, potential claims for reimbursement might be made against Volkswagen Financial Services Overseas AG and Volkswagen Financial Services AG.

The irrevocable credit commitments are commitments that have arisen as part of the general banking business. The agreed credit amounts can be drawn down at any time. Once drawn down, the loans concerned are subject to the general rules and regulations for credit monitoring.

Volkswagen Bank GmbH has issued the following hard letter of comfort:

Volkswagen Bank GmbH, with its registered office in Braunschweig, is the sole shareholder of the company under the name Volkswagen Leasing GmbH with its registered office in Braunschweig.

Volkswagen Bank GmbH undertakes vis-à-vis all current and future creditors of Volkswagen Leasing GmbH to ensure that Volkswagen Leasing GmbH is financially equipped in such a way that it is able at all times to properly fulfil all its current and future obligations.

The assignment of rights and obligations arising from this letter of comfort is excluded.

OFF-BALANCE-SHEET TRANSACTIONS AND OTHER FINANCIAL OBLIGATIONS

Derivative financial instruments

Volkswagen Bank GmbH has entered into derivative contracts to mitigate interest rate and currency risks. The derivatives used are interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and currency forwards, all of which are used solely for hedging purposes. The fair values of interest rate swaps, cross-currency swaps and currency forwards are determined with the help of suitable IT-based valuation techniques (discounted cash flow method) based on market swap rates; the levels vary in line with changes in interest or exchange rates. The fair values are not reported in the balance sheet. In the case of interest rate swaps, the interest is allocated and recognized over the maturity of the instrument.

The breakdown of derivative financial instruments in accordance with section 285 no. 19 of the HGB is as follows:

€ MILLION	NOTIONAL VALUES	NOTIONAL VALUES	POSITIVE FAIR VALUES[1]	POSITIVE FAIR VALUES[1]	NEGATIVE FAIR VALUES[1]	NEGATIVE FAIR VALUES[1]
	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024
Interest rate risks						
Interest rate swaps	8,058.1	8,904.2	65.1	85.3	85.4	59.5
Currency risks						
Currency forwards	1,924.2	2,680.1	11.9	1.6	15.8	11.6
Cross-currency swaps	1,807.8	2,212.7	7.2	3.0	26.8	16.7
Cross-currency interest rate risks						
Cross-currency interest rate swaps	–	–	–	6.0	–	1.9
Total derivatives	11,790.1	14,404.1	84.2	95.9	128.0	89.7

1 Fair value including accrued interest is shown for all contracts.

The maturity analysis for the derivatives is as follows:

NOMINAL VALUES € million	INTEREST RATE RISKS Dec. 31, 2023	INTEREST RATE RISKS Dec. 31, 2024	CURRENCY RISKS Dec. 31, 2023	CURRENCY RISKS Dec. 31, 2024	CROSS-CURRENCY INTEREST RATE RISKS Dec. 31, 2023	CROSS-CURRENCY INTEREST RATE RISKS Dec. 31, 2024
Residual maturities						
<= 3 months	850.0	250.0	787.8	901.9	–	–
<= 1 year	850.1	1,865.7	907.1	1,304.2	–	264.60
<= 5 years	5,858.0	6,288.4	112.9	6.5	–	342.50
> 5 years	500.00	500.0	–	–	–	–

OTHER FINANCIAL OBLIGATIONS

Other financial obligations amount to €36,826 thousand (previous year: €34,992 thousand).

FOREIGN CURRENCIES

As of the reporting date, the total amount of assets denominated in foreign currency (translated into euros) amounted to €7,011,296 thousand (previous year: €4,739,049 thousand); liabilities in foreign currency (translated into euros) came to €1,063,664 thousand (previous year: €631,884 thousand).

The volume of spot exchange transactions not yet settled as of the reporting date was €0 thousand (previous year: €321 thousand), while the volume of currency forwards was €2,680,085 thousand (previous year: €1,924,223 thousand). The notional value of cross-currency swaps was €2,212,665 thousand (previous year: €1,807,820 thousand); that of cross-currency interest rate swaps amounted to €607,144 thousand (previous year: €0 thousand).

All currency forwards and the cross-currency swaps and cross-currency interest rate swaps of Volkswagen Bank GmbH were exclusively entered into to hedge interest and exchange rate fluctuations. There were no trading transactions as of the balance sheet date.

GOVERNING BODY DISCLOSURES

Since fiscal year 2024, the members of the Management Board have received their remuneration from Volkswagen Bank GmbH. The total remuneration of the members of the Management Board amounted to €1,253 thousand.

In accordance with a resolution passed by the Annual General Meeting, the members of the Supervisory Board who are not employees of the Volkswagen Group are 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 flat-rate remuneration from Volkswagen Bank GmbH. 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. As a result, a total amount of less than €0.2 million was granted to the members of the Supervisory Board in the reporting period.

The employee representatives on the Supervisory Board employed by Volkswagen Bank GmbH also receive their regular salaries under the terms of their employment contracts. This salary is based on the provisions in the *Betriebsverfassungsgesetz* (BetrVG – German Works Constitution Act) and corresponds to the remuneration for equivalent employees with career development typical for the organization. Appropriate remuneration for the representative of the senior executives on the Supervisory Board corresponds to the remuneration for a corresponding function or role within the company.

The members of the Management Board are as follows:

DR. VOLKER STADLER
Chair of the Management Board
Corporate Management & Operations, Volkswagen Bank GmbH

OLIVER ROES
Finance, Volkswagen Bank GmbH

CHRISTIAN LÖBKE
Risk Management, Volkswagen Bank GmbH

The members of the Supervisory Board as of the reporting date December 31, 2024 were as follows:

FRANK FIEDLER
Chair (as of July 1, 2024)
Member of the Board of Management of Volkswagen Financial Services AG
Chief Risk Officer

BJÖRN BÄTGE
Deputy Chair (as of July 1, 2024)
Chair (until June 30, 2024)
Group Treasury – Head of Global Markets of Volkswagen AG

SILVIA STELZNER
Deputy Chair
Managing Director of the Joint Works Council of Volkswagen Financial Services AG , Volkswagen Financial Services Overseas AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Vehicle Trading International GmbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG

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

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

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

DR. ALENA KRETZBERG (AS OF MARCH 1, 2024)
Member of the Board of Management of Volkswagen Financial Services AG
IT and Processes, Operations

KATRIN ROHMANN
Auditor

ALINA ROß (AS OF JULY 1, 2024)
IG Metall District Management Lower Saxony and Saxony-Anhalt
Tariff Secretary and In-house Counsel

BJÖRN SCHÖNE
Member of the Joint Works Council of Volkswagen Financial Services AG , Volkswagen Financial Services Overseas AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Vehicle Trading International GmbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG

The following were also members of the Supervisory Board in 2024:

MARION LEFFLER (UNTIL JUNE 30, 2024)
Member of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH

CONNY SCHÖNHARDT (UNTIL JUNE 30, 2024)
Trade union secretary for the IG Metall Board of Management in the unit for vehicle construction coordination

DR. CHRISTIAN DAHLHEIM (UNTIL FEBRUARY 29, 2024)
Chair of the Board of Management of Volkswagen Financial Services AG

The composition of the committees of the Supervisory Board of Volkswagen Bank GmbH was as follows as of the reporting date, December 31, 2024:

MEMBERS OF THE AUDIT COMMITTEE
Katrin Rohmann (Chair)
Prof. Dr. Susanne Homölle (Deputy Chair)
Dr. Alena Kretzberg (as of July 1, 2024)
Silvia Stelzner

The Audit Committee had the following additional member in 2024:
Frank Fiedler (until June 30, 2024)

MEMBERS OF THE RISK COMMITTEE
Prof. Dr. Susanne Homölle (Chair)
Björn Bätge (Deputy Chair)
Frank Fiedler
Björn Schöne

MEMBERS OF THE NOMINATION COMMITTEE
Frank Fiedler (Chair) (as of July 1, 2024)
Silvia Stelzner (Deputy Chair)
Katrin Rohmann (as of March 1, 2024)

The following were also members of the Nomination Committee in 2024:
Dr. Christian Dahlheim (until February 29, 2024)
Björn Bätge (Chair) (until June 30, 2024)

MEMBERS OF THE REMUNERATION COMMITTEE
Frank Fiedler (Chair) (as of July 1, 2024)
Silvia Stelzner (Deputy Chair)
Björn Bätge (Chair) (until June 30, 2024)

Prof. Dr. Susanne Homölle (as of March 1, 2024)

The following were also members of the Remuneration Committee in 2024:
Dr. Christian Dahlheim (until February 29, 2024)

Provisions of €8,984 thousand (previous year: €3,580 thousand) were recognized for pensions and similar obligations in favor of former members of the Management Board or their surviving dependants. In the reporting period, payments to these individuals amounted to €224 thousand (previous year: €232 thousand).

Assets include receivables of €26 thousand (previous year: €32 thousand) relating to loans falling within the scope of section 15(1) nos. 1 and 3 of the KWG. Of this amount, receivables of €7 thousand (previous year: €14 thousand) are due from members of the Supervisory Board and an amount of €19 thousand (previous year: €18 thousand) is due from the members of the Management Board.

Average number of employees during the reporting period

	2024	2023
Salaried employees	2,357	1,484
of which senior managers	51	32
of which part time	522	407
Vocational trainees	31	4

BRANCHES

Branches
Audi Bank, Braunschweig
SEAT Bank, Braunschweig
ŠKODA Bank, Braunschweig
AutoEuropa Bank, Braunschweig
ADAC Finance Service, Braunschweig
Ducati Bank, Braunschweig

Branches
Volkswagen Bank, Braunschweig
Volkswagen Bank, Emden
Volkswagen Bank, Hannover
Volkswagen Bank, Kassel
Volkswagen Bank, Salzgitter
Volkswagen Bank, Wolfsburg
Audi Bank, Ingolstadt
Audi Bank, Neckarsulm

Branches
Volkswagen Bank GmbH, St. Denis-Paris, France
Volkswagen Bank GmbH, Glyfada-Athen, Greece
Volkswagen Bank GmbH, Milton Keynes, United Kingdom
Volkswagen Bank GmbH, Milan, Italy
Volkswagen Bank GmbH, Verona, Italy
Volkswagen Bank GmbH, Amersfoort, Netherlands
Volkswagen Bank GmbH, Warsaw, Poland
Volkswagen Bank GmbH, Lisbon, Portugal
Volkswagen Bank GmbH, Alcobendas-Madrid, Spain

Appointments to Supervisory Bodies – Disclosures in Accordance with Section 340a(4) of the HGB

CHRISTIAN LÖBKE

> Volkswagen Leasing GmbH
Member of the Supervisory Board

OLIVER ROES

> Volkswagen Finančné služby Slovensko s.r.o., Bratislava, Slovakia
Member of the Supervisory Board
> J.P. Morgan Mobility Payments Solutions S.A., Strassen, Luxembourg
Member of the Supervisory Board
> Volkswagen Finance Belgium S.A., Brussels
Member of the Supervisory Board

ROMAN ROSENBERG

> Volkswagen Financial Services N.V., Amsterdam, Netherlands
Member of the Supervisory Board

Shareholdings

Shareholdings of Volkswagen Bank GmbH and the Volkswagen Bank Group in accordance with sections 285 and 313 of the HGB and presentation of the companies included in the consolidated financial statements of the Volkswagen Bank Group in accordance with IFRS 12 as of December 31, 2024.

		EXCHANGE RATE (1 EURO =)	VW BANK GMBH'S INTEREST IN CAPITAL IN %			EQUITY IN THOU-SANDS	PROFIT/ LOSS IN THOUS-ANDS		
Name and registered office of the company	Currency	Dec. 31, 2024	Direct	Indirect	Total	local currency	local currency	Footnote	Year
I. PARENT COMPANY									
Volkswagen Bank GmbH, Braunschweig									
II. SUBSIDIARIES									
A. Consolidated companies									
1. Germany									
Volkswagen Leasing GmbH	EUR		100.00	–	100.00	3,269,912	–	1)	2024
2. International									
Driver Master S.A., Luxembourg	EUR		–	–	–	31	–	2)	2023
Private Driver España 2020 -1, Fondo de Titulización, Madrid	EUR		–	–	–	–	–	2)	2023
Private Driver Italia 2020-1 S.r.l., Milan	EUR		–	–	–	10	–	2)	2023
Private Driver Italia 2024-1 S.r.l., Milan	EUR		–	–	–	–	–	2), 3)	
Tucknology S.A., Luxembourg	EUR		–	–	–	31	–	2)	2023
VCL Master Residual Value S.A., Luxembourg	EUR		–	–	–	31	–	2)	2023
VCL Master S.A., Luxembourg	EUR		–	–	–	31	–	2)	2023
VCL Multi-Compartment S.A., Luxembourg	EUR		–	–	–	31	–	2)	2023
B. Unconsolidated companies									
1. Germany									
2. International									

Name and registered office of the company	Currency	EXCHANGE RATE (1 EURO =) Dec. 31, 2024	VW BANK GMBH'S INTEREST IN CAPITAL IN % Direct	Indirect	Total	EQUITY IN THOUSANDS local currency	PROFIT/ LOSS IN THOUSANDS local currency	Footnote	Year
III. JOINT VENTURES									
A. Equity-accounted companies									
1. Germany									
2. International									
B. Companies accounted for at cost									
1. Germany									
2. International									
Volkswagen Financné služby Slovensko s.r.o., Bratislava	EUR	–	58.00	–	58.00	83,733	–1,364	4)	2023
IV. ASSOCIATES									
A. Equity-accounted companies									
1. Germany									
2. International									
B. Associates accounted for at cost									
1. Germany									
2. International									
V. EQUITY INVESTMENTS									
1. Germany									
2. International									
OOO Volkswagen Bank RUS, Moskau	RUB	112.4384	1.00	–	1.00	21,763,274	1,681,435	4)	2023
Society for Worldwide Interbank Financial Telecommunications SCRL, La Hulpe	EUR	–	0.01	–	0.01	719,274	55,313	4), 5)	2023

1) Profit and loss transfer agreement
2) Structured entity in accordance with IFRS 10 and 12
3) New formation/ spin-off
4) Figures in accordance with IFRS
5) Consolidated financial statements

Braunschweig, February 25, 2025
The Management Board

Dr. Volker Stadler Oliver Roes

Christian Löbke

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen Bank GmbH, and the management report includes a fair review of the development and performance of the business and the position of Volkswagen Bank GmbH, together with a description of the material opportunities and risks associated with the expected development of Volkswagen Bank GmbH.

Braunschweig, February 25, 2025
The Management Board

Dr. Volker Stadler

Oliver Roes

Christian Löbke

Independent Auditor's Report

(Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German)

To Volkswagen Bank GmbH, Braunschweig

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

OPINIONS

We have audited the annual financial statements of Volkswagen Bank GmbH, Braunschweig (which, together with its dependent branches, forms the Group as defined in ISA [DE] 600 (Revised), which comprise the balance sheet as at 31 December 2024, and the income statement for the fiscal year from 1 January 2024 to 31 December 2024, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Volkswagen Bank GmbH, which is combined with the group management report, for the fiscal year from 1 January 2024 to 31 December 2024. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration pursuant to Sec. 289f (4) in conjunction with Sec. 289f (2) No. 4 HGB ["Handelsgesetzbuch": German Commercial Code] included in the Corporate Governance Declaration section of the management report (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

> the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2024 and of its financial performance for the fiscal year from 1 January 2024 to 31 December 2024 in compliance with German legally required accounting principles, and
> the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the statement on the group corporate governance declaration referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2024 to 31 December 2024. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

IDENTIFICATION OF IMPAIRED LOANS AND DETERMINATION OF SPECIFIC VALUATION ALLOWANCES IN DEALER FINANCING

Reasons why the matter was determined to be a key audit matter

The identification of impaired loans and the determination of specific valuation allowances in dealer financing are significant areas in which the executive directors of Volkswagen Bank exercise judgment. The identification of impaired loans and the determination of an appropriate specific valuation allowance entail uncertainties, which include various assumptions and estimation inputs, particularly regarding the dealers' financial performance, expected future cash flows and the valuation of collateral. As a result of the continued geopolitical tensions and challenging economic environment affecting the European economy, general automotive sales in particular are developing cautiously. Combined with a continued rise in prices driven by inflation in prior years and persistently high interest rates, as well as the resulting increase in refinancing costs for car dealers, these uncertainties are significantly elevated in the fiscal year.

Even minimal changes in the assumptions and estimation inputs can lead to significant variation in values.

In view of Volkswagen Bank's business model and the significance of dealer financing for its assets and financial performance, we determined the identification of impaired loans and the determination of specific valuation allowances in dealer financing to be a key audit matter.

Auditor's response

During our audit, we analyzed the accounting-related processes for the identification of impaired loans and the determination of specific valuation allowances to check for the consideration of relevant risk factors. We tested the operating effectiveness of the controls implemented in these processes for identifying impaired loans and determining specific valuation allowances. Our audit procedures focused on the processes for evaluating the borrowers' economic situation, monitoring early warning indicators, applying impairment triggers and thus for applying internal risk classification procedures and for valuing collateral.

In addition, we performed substantive audit procedures on a sample basis and assessed the existence of any acute default risks and the determination of the specific valuation allowances. We selected our sample applying a risk-based approach, using criteria such as the inclusion of loans on watch lists for increased default risks, rating class, the level of exposure and specific valuation allowances already recognized.

As part of our risk-based sampling, we assessed whether the significant assumptions and estimates relating to dealers' expected cash flows including the carrying amounts of collateral held are consistent with the borrower's economic situation and market expectations. Furthermore, we checked the arithmetical accuracy of the specific valuation allowances determined.

Our audit procedures did not lead to any reservations relating to the identification of impaired loans and the determination of specific valuation allowances in dealer financing.

Reference to related disclosures

The Company's disclosures on the valuation of the loan portfolios (including the dealer financing portfolio) are contained in the section "Accounting Policies" of the notes to the financial statements as well as in the section "Report on Opportunities and Risks," subsection "Credit risk," passages "Collateral" and "Provisions" of the management report, which is combined with the group management report.

MACROECONOMIC SCENARIOS AND THE SPECIFIC CREDIT RISK PARAMETERS DERIVED THEREFROM IN CONNECTION WITH THE DETERMINATION OF THE GLOBAL VALUATION ALLOWANCE FOR FORESEEABLE BUT NOT INDIVIDUALLY IDENTIFIED COUNTERPARTY DEFAULT RISKS RELATING TO LOANS TO AND RECEIVABLES FROM CUSTOMERS

Reasons why the matter was determined to be a key audit matter

The valuation of loans to and receivables from customers and the related determination of the global valuation allowance for foreseeable but not individually identified counterparty default risks relating to loans to and receivables from customers are significant areas in which the executive directors exercise judgment.

In accordance with the Accounting Principle "Risk provision for foreseeable but not yet individually specified counterparty default risks in banks' lending business ("global valuation allowances") (IDW AcP BFA 7)," the Bank uses for the sake of simplification the approach specified by International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9") to determine the global valuation allowance. Consequently, as of the reporting date, the model-based determination of the global valuation allowance according to the IFRS 9 impairment approach uses three macroeconomic scenarios to meet the requirements for an unbiased and probability-weighted estimate. The three scenarios (base, positive, negative) differ in terms of the assumptions and estimates of future macroeconomic developments and are reflected in the different specific credit risk parameters underlying the calculation of the global valuation allowance (loss given default, probability of default and credit conversion factor). The continued geopolitical tensions and challenging economic environment have an effect on the European economy and thus on credit risk parameters. Combined with a continued rise in prices driven by inflation in prior years and persistently high interest rates, these uncertainties are significantly elevated in the fiscal year.

Minimal changes in the assumptions can lead to significant variation in values.

In light of the significant volume of non-defaulted loans to and receivables from customers underlying the model-based determination of the global valuation allowance as well as the increased uncertainty and judgment involved in the macroeconomic scenarios, we consider the macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the determination of the global valuation allowance for foreseeable but not yet individually specified counterparty default risks relating to loans to and receivables from customers to be a key audit matter.

Auditor's response

As part of our audit, we analyzed the derivation of the scenarios to determine whether they are consistent with the macroeconomic forecasts of leading economic research institutes. We also consulted internal specialists to assess the appropriateness of the derived scenarios on the basis of our expectations of industry performance.

We analyzed the processes implemented by the executive directors of Volkswagen Bank GmbH in connection with the specific credit risk parameters derived from the scenarios and assessed the adequate design and operating effectiveness of the controls implemented in the process.

We examined the method used so as to check that the specific credit risk parameters are consistent with the relevant scenario. To test the adequate design of the credit risk parameters for each scenario, we first assessed the operating effectiveness of the controls implemented in the risk classification process with regard to the default risk. We also examined the appropriate valuation of the collateral using the recovery rates realized in the past.

We reperformed the calculations of the model-based global valuation allowance determined on the basis of the different scenarios and the different specific credit risk parameters and checked whether the Bank correctly included the scenarios in its calculation. In this context, we checked that the specific credit risk parameters relate to the entire term for the relevant derived scenario if there has been a significant increase in the credit risk of the loans to and receivables from customers since initial recognition.

Our audit procedures did not give rise to any reservations with regard to the macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the model-based determination of the global valuation allowance for non-defaulted loans to and receivables from customers of Volkswagen Bank GmbH.

Reference to related disclosures

Disclosures on the model-based determination of the global valuation allowance for loans to and receivables from customers including the presentation of the different macroeconomic scenarios are included in the "Accounting Policies" section of the notes to the financial statements and in the management report, which is combined with the group management report, in the Report on Opportunities and Risks under the heading "Credit risk" in the passages addressing "Collateral" and "Provisions."

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the corporate governance declaration referred to above (disclosures on the quota for women on executive boards). The other information also comprises additional parts of the annual report, of which we obtained a copy prior to issuing this auditor's report, such as the Human Resources Report, the Report of the Supervisory Board and the Responsibility Statement, but not the annual financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENTS REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
> Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control and of such arrangements and measures.
> Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
> Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
> Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
> Plan and perform the audit as we would a group audit as defined in ISA [DE] 600 (Revised) to obtain sufficient appropriate audit evidence regarding the financial information of the dependent branches within the Group as defined in ISA [DE] 600 (Revised) as a basis for forming opinions on the annual financial statements and on the management report. We are responsible for the direction, supervision and review of the work performed for the group audit. We remain solely responsible for our audit opinions.
> Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the assurance on the electronic rendering of the annual financial statements and the management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the file "Volkswagen Bank_GmbH_JA+LB_ESEF-2024-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the fiscal year from 1 January 2024 to 31 December 2024 contained in the "Report on the audit of the annual financial statements and of the management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022)). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

> Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

> Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

> Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

> Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the Annual General Meeting on 1 March 2024. We were engaged by the Supervisory Board on 10 July 2024, with an amendment on 2 December 2024. We have been the auditor of Volkswagen Bank GmbH without interruption since fiscal year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided the following services that are not disclosed in the annual financial statements or in the management report:

> Limited assurance engagement on the group sustainability reporting within the meaning of Directive (EU) 2022/2464 ("CSRD") for the period from 1 January 2024 to 31 December 2024.

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Laura Gundelach.

Hanover, 25 February 2025

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Gundelach	Ottner
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Human Resources Report

**Realignment of HR:
business driven – people focused.**

EMPLOYEES

Volkswagen Bank GmbH employed 1,369 people in Germany as of December 31, 2024 (December 31, 2023: 1,102).

A total of 1,258 people (previous year: 432) were employed at the international branches of Volkswagen Bank GmbH.

Following the extensive restructurings of the Volkswagen Financial Services Group, the following companies have been part of the Volkswagen Bank Group since July 1, 2024: Volkswagen Leasing GmbH in Germany had 1,926 employees as of December 31, 2024. The Italian Volkswagen Leasing GmbH branches reported 87 employees as of December 31, 2024.

HUMAN RESOURCES STRATEGY

The MOBILITY2030 corporate strategy reinforces the objective of leveraging a mobility platform to play a central role in the Volkswagen Group as a provider of a wide range of mobility services. MOBILITY2030 sets out to realize this vision by focusing on the strategic dimensions of customer loyalty, vehicles, performance, data and technology, and sustainability.

The future success of Volkswagen Bank GmbH is founded on all employees who together make up a global team. This critical role of people working together is underpinned by the “Our team, our values” dimension, which captures the importance of employees for every single strategic dimension. The values referred to – courage, trust and customer focus – are intended to guide employees of Volkswagen Bank GmbH in their everyday activities and help motivate them to do their best.

The HR unit intends to do its utmost, through a range of different strategic initiatives, to help the Bank implement MOBILITY2030 and thereby contribute, with its own targeted actions, to the establishment of an effective high-performance organization. Closely aligned with the principle “business driven – people focused”, the HR strategy focuses on precisely this objective. Human resources operations were significantly affected over the course of the reporting year by a wide range of factors including the ongoing advance of digitalization, sustained competition for the best people in the labor market and changing expectations of companies among younger generations.

The HR strategy aims to master these challenges by focusing in particular on targeted actions to provide support through the transformation and help to achieve the corporate objectives. Human Resources considers itself a strategic partner of the business divisions in this context and regards the new HR strategy and its focus on key HR activities such as talent acquisition, personnel development, future working culture and modes of working, HR planning and analysis, and HR digitalization as part of its contribution to implementing the higher-level MOBILITY2030 strategy. The 17 specific initiatives set out in the strategy are to be pursued in combination with the overarching priorities of diversity, integrity, compliance and international mindset.

Skilled, committed employees are the cornerstone of success and Volkswagen Bank GmbH accordingly enables its employees to develop their skills continuously. Knowledge and experience are becoming more critical all the time, especially in the field of digitalization.

One of the initiatives within the HR strategy covers the design and implementation of a strategic HR planning system that responds to changes in requirements for employees and enables the Bank to complete detailed analyses based on job profiles, skills and qualifications – looking at both present and future needs – to predict newly emerging roles and skills requirements in addition to the usual quantitative HR planning activities.

Line managers have a particular responsibility in this regard to enable and encourage the employees under them to contribute their ideas and expertise in a modern, diverse and flexible working environment. The targeted activities that Volkswagen Bank GmbH provides in the area of leadership ensure high quality standards of management conduct and know-how, as well as a shared understanding of the leadership culture. The leadership policy, which embodies the organization's corporate values and serves as a compass of values and North star for day-to-day leadership and management, was revised during the reporting year.

REGULATORY REQUIREMENTS RELATING TO REMUNERATION SYSTEMS

In the reporting year, Volkswagen Bank GmbH was subject to direct supervision by the ECB and implemented, throughout the Group, the *Institutsvergütungsverordnung* (IVV – German Regulation Governing Remuneration at Institutions) of September 20, 2021, last amended by Article 2 of the Regulation of November 10, 2022. The special regulatory requirements relating to remuneration systems applied in addition to the general requirements. Strategies and instruments already introduced, such as the Works Council agreement on variable remuneration, the variable remuneration ceiling, national and international risk-taker identification and the reporting system using a remuneration report, continued to be applied, adapted in line with the new version of the IVV where necessary and enhanced in fiscal year 2024. Furthermore, special governance functions (Remuneration Committee and Remuneration Officer) were used to ensure that the adequacy of the remuneration systems was continuously monitored. The remuneration strategy – and hence the remuneration systems – of Volkswagen Bank GmbH are informed by and help to implement the institution's business and risk strategy and are geared toward ensuring sustainability and constancy. This fosters a responsible and risk-conscious approach among staff and contributes materially to the lasting success of its business.

DIVERSITY

In addition to the advancement of women, the concept of diversity has been an integral component of the corporate culture at Volkswagen Financial Services AG since 2002. The Bank sent a clear signal with its Diversity Charter corporate initiative, which was signed in 2007. Under this initiative, Volkswagen Bank GmbH has pledged to respect and value diversity, and to promote employees according to their skills and ability. In 2018, Volkswagen Bank GmbH adopted a Diversity Policy to reinforce this approach and enshrined the policy in its organizational manual. The Diversity Policy ensures that diversity is recognized as the norm rather than an exception. Diversity becomes a strength through the conscious appreciation of the workforce. The Bank operates at an international level and thus workforce diversity is a substantial factor in the successful performance of the business.

The various actions the Bank takes in connection with its participation in the annual Diversity Day organized by German diversity non-profit *Charta der Vielfalt* also help to raise the profile of diversity matters.

Report of the Supervisory Board

and Volkswagen Bank GmbH

During the reporting period, the Supervisory Board has regularly concerned itself closely with the situation and development of the Bank. The Management Board regularly provided the Supervisory Board with timely and comprehensive information, both written and oral, on the key aspects of planning, on the situation of the Bank, including the risk position and risk management, and on business development. There are regular exchanges between the Chair of the Supervisory Board and the Management Board even outside of meetings. On the basis of the reports by the Management Board, the Supervisory Board continually monitored the conduct of the Bank's business and was thus able to perform the functions entrusted to it by law and under the articles of association without any restrictions. All decisions of fundamental importance to the Bank and other transactions requiring the approval of the Supervisory Board in accordance with the rules of procedure were reviewed and discussed with the Management Board before a resolution was adopted.

The Supervisory Board had eleven members through June 30, 2024 and ten members from July 1, 2024 onward. The Supervisory Board held five meetings in the reporting year. The Remuneration Committee met five times, the Audit Committee, the Risk and the Nomination Committee each met four times. The Credit Committee and the newly established Special Credit Committee adopted their resolutions outside of the meetings by circulation of written resolutions or using electronic credit applications. The average attendance rate was approximately 92%. Four meetings were held in person and one via video conference. Only one member participated via video conference.in the meeting on September 13, 2024 There were also four resolutions adopted by circulation of written resolutions and no decision was made by the Chair of the Supervisory Board via the expedited procedure.

The main issues discussed at the meetings of the Supervisory Board and its committees are presented below.

MATTERS DISCUSSED BY THE SUPERVISORY BOARD

At its meeting on February 29, 2024, following a detailed examination of its own and acting on the recommendation of the Audit Committee, the Supervisory Board recommended to the Annual General Meeting to adopt the annual financial statements of Volkswagen Bank GmbH prepared by the Management Board for 2023. It also submitted a recommendation regarding the election of the auditor and commented on the consolidated financial statements. The Supervisory Board discussed the audit findings with the auditor in this connection. The Supervisory Board additionally discussed the financial performance and approved the planning round 72 of the Volkswagen Bank Group. It also received a report on the status of the reporting system, data governance and data quality, the NeCst volume ramp-up and implementation of Release II, the IT strategy and the IT status of Volkswagen Bank GmbH, the status of a legal dispute with an IT service provider and the status of the “Koralle” project. It also adopted resolutions regarding various remuneration matters, the granting of a special license for investments in securities and on the authority in the lending decision process as of July 1, 2024.

At its meeting on April 17, 2024, the Supervisory Board adopted resolutions on the fixed and variable remuneration of the Management Board.

At its meeting on June 14, 2024, it decided on changes to the rules of procedure for the Supervisory Board and the Credit Committee to implement the lending decision process for the largest borrower of executive body loans, the composition of the Supervisory Board and its committees as of July 1, 2024, the adjustment of the remuneration of one member of the Management Board and the restructuring of the funding framework; it also confirmed the suitability of the Management Board members in the wake of performing additional secondary activities. It also discussed the financial performance of the Volkswagen Bank GmbH Group, cyber attacks and fraud cases, the status of customer service in Germany, the status of reporting and the status of the "Koralle" program. It received and discussed an update on ESG, the results of the ECB's on-site inspection "Interest rate risk in the banking sector (IRRB)" and the status of a borrower of executive body loans. In addition, it decided the transfer of shares in Volkswagen Finančné služby Slovensko, s.r.o., Bratislava, Slovakia, to joint venture partner Porsche Bank AG.

At its meeting on September 13, 2024, the Supervisory Board approved the granting of a power of attorney for the head of the Taxes Department and decided to establish a Special Credit Committee for the approval of loans of the largest borrower of executive body loans and a quota for women on the Management Board and Supervisory Board. It also adopted resolutions on remuneration issues and received information on the financial performance of the Volkswagen Bank GmbH Group and the results of the cyber resilience stress test 2024. Furthermore, it discussed a review of Koralle Day 1 and the topic of culture and change.

At its meeting on November 8, 2024, the Supervisory Board reviewed the handling of the key issues in 2024 and looked ahead to the key issues for 2025. It discussed the analysis of the annual assessment of the Management Board and Supervisory Board and confirmed the suitability of both. Moreover, it adopted resolutions on the structure of the new remuneration system for the Management Board. It additionally looked at process optimizations in customer service and the expansion of the deposit business; it also held an in-depth discussion on the topic of data quality, the status of the safeguarding and process optimization of supervisory reporting. It also deliberated the status of selected supervisory topics, the financial performance of the Volkswagen Bank Group and a large exposure matter; furthermore, it approved the cross-border merger of Volkswagen Financial Services S.p.A., Milan/Italy, with Volkswagen Bank GmbH.

The chairs of the respective committees reported in detail on the content of their committee meetings in the Supervisory Board meetings.

COMMITTEE ACTIVITIES

The Supervisory Board has formed six committees from among its members to enable it to fulfill its responsibilities. Four of these committees are committees as described in section 25d of the KWG. The duties and responsibilities of the various committees are regulated in the respective committee rules of procedure.

Audit Committee

The Audit Committee held four regular meetings in the reporting period. A decision was made by circulation of written resolutions for approval on the adjustment of service agreements with a controlled company. The Committee has four members, who participated in all meetings during the reporting period.

At the meeting held on February 29, 2024, the Committee concerned itself with the annual financial statements and the management report, the consolidated financial statements and the group management report of Volkswagen Bank GmbH for the year ended December 31, 2023. As part of this review, the Audit Committee discussed with the auditor the reports on the audit of the annual financial statements, the management report, the consolidated financial statements and the group management report of

Volkswagen Bank GmbH as well as material transactions and issues related to financial reporting. Following a detailed consultation, the Audit Committee requested the Supervisory Board submit a recommendation to the sole shareholder regarding the adoption of the annual financial statements and the election of the auditor and to draw up the resolution covering the issue of the audit engagement in preparation for the Annual General Meeting. The Head of Internal Audit also provided further information relating to the unit's 2023 Annual Report for the Volkswagen Bank Group for the benefit of the Audit Committee.

The Audit Committee received a presentation on the compliance report and discussed its content on June 14, 2024. The Committee additionally considered pending supervisory audits and the adjustment of a transaction with a controlled company.

At its meeting on September 13, 2024, the Committee addressed the subject of audit planning and key audit matters together with representatives of the auditor. It also received a report on the 2024 half-yearly financial statements and the quality of the audit of the financial statements. Moreover, it addressed the change of compliance officer and the processing of audit findings in the Compliance unit.

On November 8, 2024, the Committee deliberated the services provided by auditors, the report on audit planning and processing and the CSRD reporting. The Committee also addressed the report of the Internal Audit unit and discussed the result of this year's deposit protection audit.

Risk Committee

The Risk Committee held four meetings in the reporting year. 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, who all participated in the four meetings.

At its meeting on February 29, 2024, the Risk Committee addressed the findings of the auditor with regard to risk management from the 2023 audit of the annual financial statements. The Committee then addressed the retrospective analysis of the 2023 risk strategy and the risk strategy and risk limits for 2024 and the lessons learned report on the early risk detection system in the retail business. Following an appropriate review, the Risk Committee confirmed that the incentives set by the Bank's remuneration system do factor in its risk, capital and liquidity structure and the probability and timing of income.

At its meeting on June 14, 2024, the Risk Committee discussed the registration of the documentation for the SREP on March 31, 2024. Furthermore, it considered the risk management report as of March 31, 2024, especially the special explanations on the ESG pages and the risk management organization as of July 1, 2024.

At its meeting on September 13, 2024, the Risk Committee deliberated the current capital ratios following implementation of the "Koralle" program and the results of the ad hoc risk inventory and discussed the business and risk strategy. Under a further agenda item, the Committee received an explanation of and discussed the current status of the large exposure and the management of residual values and residual value risks.

On November 8, 2024, the Risk Committee addressed the first risk management report in the new structure and its material changes. Moreover, the Committee discussed the status of the interest rate risk in the banking book and preparations for the EBA/ECB stress test 2025.

Remuneration Committee

The Remuneration Committee held five meetings in the reporting year. The committee had three members through June 30, 2024 and four members from July 1, 2024 onward. The attendance rate was 94%. There was one resolution adopted by circulation of a written resolution on one instance of a loan to managers in the reporting period.

At its meeting on February 28, 2024, the Remuneration Committee decided on recommendations for the determination of fulfillment regarding the constraints for granting variable remuneration, the determination of the bonus pool available for the members of the Management Board, changes in the sustainability component relevant to remuneration, and the evaluation of the impact of the remuneration systems on the risk, capital and liquidity situations. No facts were identified that are relevant to malus provisions within the meaning of section 18 of the *Institutsvergütungsverordnung* (IVV – German Regulation Governing Remuneration at Institutions) were identified. The Committee also discussed the recommendation to adjust the remuneration system starting on January 1, 2024, regarding the bonus KPIs 2023/2024 and an adjustment of the Management Board's fixed remuneration.

At its meeting on April 10, 2024, it issued recommendations on determining the variable remuneration of the members of the Management Board.

At its meeting on June 14, 2024, the Committee discussed the recommendation to adjust the fixed remuneration of one Management Board member.

At its meeting on September 13, 2024, the Remuneration Committee considered the remuneration report of Volkswagen Bank GmbH for fiscal year 2024, the review of the remuneration for the monitoring units and the gender pay gap. It decided on recommendations to adjust the rules on fuel cards for the Management Board and on the bonus KPIs 2024.

On November 8, 2024, the Remuneration Officer presented the remuneration control report 2023/2024 and a report on the appropriateness of employee remuneration. The Committee deliberated the appropriateness of Management Board remuneration and recommended that the Supervisory Board confirm the appropriateness of Management Board remuneration with regard to the regulatory requirements. Moreover, the Committee addressed the risk-taker analysis 2024 and 2025 and decided on recommendations for the Supervisory Board to adjust the criteria for the annual bonus and regarding the framework for termination payments for the Management Board.

Nomination Committee

The Nomination Committee held four meetings in the reporting year, each of which was attended by all three members of the Committee. Two decisions were made by circulation of written resolutions for approval in the reporting period.

The Committee addressed the future composition of the Supervisory Board and its committees due to the announced resignation of members in the decisions it made by circulation of written resolutions for approval.

At its meeting on May 22, 2024, the Nomination Committee deliberated the confirmation of resolutions reached in the prior year regarding changes to the composition of the Supervisory Board and its committees in connection with the “Koralle” project, the composition of the Credit Committee and the suitability of individual members of the Management Board following the acceptance of additional secondary activities and of the Supervisory Board following the acceptance of the mandate with other companies.

At its meeting on September 13, 2024, the Committee addressed the establishment of a Special Credit Committee, the suitability of individual members of the Supervisory Board and the determination of a quota for women for the Management Board and the Supervisory Board.

On October 2, 2024, the Committee addressed a personnel matter.

At its meeting on November 8, 2024, the Committee discussed the process for achieving the statutory quota for women when appointing members of the Management Board and the analysis of the annual assessment of the Management Board and Supervisory Board and confirmed the suitability of the Management Board and the Supervisory Board. The members of the Supervisory Board had for this purpose completed questionnaires ahead of the meeting ready for analysis and discussion. The Committee also addressed the matter of the suitability of one member of the Supervisory Board.

Credit Committee

The Credit Committee is responsible for approving issues that the Supervisory Board has to deal with by law and under the rules of procedure relating to loan commitments, the assumption of sureties, guarantees and similar liabilities, bank borrowings, the purchasing of receivables and for master agreements governing the assumption of receivables. The Credit Committee is composed of three members of the Supervisory Board and makes its decisions by circulation of written resolutions or on the basis of electronic credit applications.

Special Credit Committee

Effective September 13, 2024, a Special Credit Committee was established consisting of three members that are not subject to any conflicts of interest pursuant to section 15 of the KWG. The Special Credit Committee decides on lending to Volkswagen Bank GmbH’s largest borrower of executive body loans on the basis of an electronic credit application.

The members of the committees also consulted each other on several occasions and were in constant contact with the Management Board.

EDUCATION AND TRAINING

On September 12, 2024, the members of the Supervisory Board received training on the topic of “Risks of information and communication technologies (ICT)” and a company presentation by the new subsidiary Volkswagen Leasing GmbH, in particular with regard to the business model and the financial performance. The members of the Supervisory Board also independently completed the education and training necessary to perform their tasks.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hanover, was appointed to audit both the consolidated financial statements of the Volkswagen Bank GmbH Group in accordance with the IFRSs and the annual financial statements of Volkswagen Bank GmbH in accordance with the HGB for the year ended December 31, 2024, including the bookkeeping system and management reports.

The consolidated financial statements of the Volkswagen Bank GmbH Group in accordance with the IFRSs and the annual financial statements of Volkswagen Bank GmbH in accordance with the HGB for the year ended December 31, 2024, together with the management reports, were submitted to the Audit Committee and the Supervisory Board. The auditor, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hanover, audited these financial statements, including the bookkeeping system and the management reports, and issued an unqualified auditor’s opinion in each case.

The reviews of the consolidated financial statements and the annual financial statements, including the management reports, by the Audit Committee and the Supervisory Board did not result in any reservations. The auditors were present when this agenda item was addressed at the meeting of the Audit Committee and the Supervisory Board, reported on the main findings of their audit and made themselves available to take questions.

At their meetings on February 26, 2025, the Audit Committee and the Supervisory Board commented on the consolidated financial statements and annual financial statements of Volkswagen Bank GmbH prepared by the Management Board, and the Supervisory Board, following a detailed examination, recommended to the Annual General Meeting to adopt the annual financial statements for 2024 and to approve the consolidated financial statements.

In accordance with the profit-and-loss transfer agreement that existed up to and including December 31, 2024, the profits of Volkswagen Bank GmbH in fiscal year 2024 determined in accordance with the HGB have been transferred to Volkswagen AG.

The Supervisory Board would like to take this opportunity to express its gratitude and appreciation for the work of the members of the Management Board, the members of the Works Council, the managerial staff and all employees of Volkswagen Bank GmbH and its affiliated companies. The high level of commitment from all of them has helped to sustain the ongoing growth of Volkswagen Bank GmbH.

Braunschweig, February 26, 2025

Frank Fiedler
Chair of the Supervisory Board

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