VOLKSWAGEN LEASING

GMBH

ANNUAL REPORT
German GAAP

2024

Fundamental Information about the Group

The companies of the Volkswagen Leasing GmbH Group provide a wide range of automotive financial services for retail and business customers.

BUSINESS MODEL

The companies of the Volkswagen Leasing 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 in the Volkswagen Group.

The key objectives are:

> To promote sales of Group products for the benefit of the Volkswagen Group brands and their distribution partners
> To strengthen customer loyalty to Volkswagen Leasing GmbH and the Group brands along the automotive industry value chain, including through the targeted use of digital products and mobility solutions
> To create synergies for the Group by combining Group and brand requirements in the finance and mobility services areas
> To generate and sustain a high level of return on equity for the Group

The individual activities include those described below:

Leasing

This business area includes the finance lease business and operating lease business for retail and business customers as well as fleet management. In addition, the services offered include, for example, vehicle damage management services; another area covers service agreements, e.g., for replacement tires, maintenance and servicing.

MOBILITY2030 STRATEGY

Building on the MOBILITY2030 strategy introduced by Volkswagen Financial Services AG in 2022, we are working constantly to expand on the Volkswagen Group's mobility service provider mission and to be as well prepared as possible for changes in customer requirements as a result of digitalization.

The core mission of the Volkswagen Leasing GmbH Group companies is to develop and make available a broad range of mobility services together with the Volkswagen Group brands. This allows customers to gain rapid, digital and flexible access to mobility.

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 transition to zero-emissions mobility in accordance with the Volkswagen Group’s ESG principles.”

The Volkswagen Leasing GmbH Group companies and its products and services will contribute to the implementation of the MOBILITY2030 strategy.

ORGANIZATION OF VOLKSWAGEN LEASING GMBH

Generally speaking, the aim of all structural measures implemented by Volkswagen Leasing GmbH is to improve the quality offered to both customers and dealerships, make processes more efficient and leverage synergies. Employee motivation and satisfaction are key factors that enable the Bank to defend its position as a leading employer of choice.

The responsibilities of the Management Board of Volkswagen Leasing GmbH are subdivided into three areas (Board departments).

Manuela Voigt is responsible for the German Market Board department as well as being Chair of the Management Board (as of July 1, 2024). Sales management, digital sales applications, marketing, product and brand management, operations, requirements management, process and quality management and the operational management department are located in this Board department.

Until June 30, 2024, Armin Villinger was Chair of the Management Board with responsibility for the Corporate Management and Front Office Board departments, which existed up to that point.

The Board department of Back Office is the responsibility of Hendrik Eggers. This Board department covers the areas of controlling and outsourcing management as well as data management and projects.

The Sales, German Market Board department has, since July 1, 2024, been headed by Verena Roth; it is divided into retail sales, fleet customer sales and special target group sales.

SECTOR-SPECIFIC ENVIRONMENT

In the reporting year, the sector-specific environment for the European financial market was characterized by the turnaround in interest rates that was decided 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.

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

Starting in 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, which was completed 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 change was designed to ensure 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 through notarization of the spin-off and hive-down agreements and entry in the commercial register as of July 1, 2024. This means that the following processes under company law were completed with legal effect by 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 in 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.

Moreover, by way of the entry in the commercial register, Volkswagen Financial Services AG was renamed Volkswagen Financial Services Overseas AG and the entity still named 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 associated 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. A number of the employment relationships transferred to Volkswagen Financial Services AG were in turn transferred to Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Volkswagen Versicherung AG, Volkswagen Insurance Brokers GmbH or Vehicle Trading International GmbH as soon as the spin-off took effect, based on transition agreements or the transfers of part of a business pursuant to section 613a of the 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 reflects both the expected growth in business and the increasing preference among customers to lease vehicles rather than seek finance. The reorganization will bring to an end the limits on the extension of funds by Volkswagen Bank GmbH 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 publicly traded pursuant to section 264d of the HGB for the first time. The bonds are used to fund its subsidiaries.

Because of their size, Volkswagen Bank GmbH and Volkswagen Leasing GmbH dominate the business orientation of the subgroup. They are regulated companies and must therefore comply with the relevant supervisory requirements. Volkswagen Financial Services AG as the overarching company together with its subordinated companies constitutes a financial holding group pursuant to section 10a of the *Kreditwesengesetz* (KWG – German Banking Act). Volkswagen Financial Services AG in its role as a financial holding company is regulated accordingly.

As a holding company, Volkswagen Financial Services Overseas AG controls the non-European subsidiaries. A wholly owned subsidiary of Volkswagen AG, this company will remain an integral part of the Volkswagen Group, but with a focus on the international markets outside Europe.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF A COMBINED MANAGEMENT REPORT

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as in accordance with the additional disclosures required by German commercial law under section 315e(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code).

On the basis of the legal provisions, the Volkswagen Leasing GmbH Group makes use of the option of preparing a combined management report.

SIGNIFICANT CHANGES IN THE VOLKSWAGEN LEASING GMBH GROUP

Effective October 1, 2024, Volkswagen Leasing GmbH acquired from Volkswagen Finance Europe B.V., Amsterdam, Netherlands, likewise a wholly owned subsidiary of Volkswagen Financial Services AG, namely 100% of the shares in VW Mobility Services SpA, Milan, Italy. The acquired company operated a financial services business in the Italian market, involving activities such as the sale and processing of service contracts, e.g., for maintenance and wear and tear.

VW Mobility Services SpA was merged into VW Leasing GmbH effective November 1, 2024.

SALE OF THE NEW BUSINESS OF THE MAN FINANCIAL SERVICES BRANCH OF VOLKSWAGEN LEASING GMBH

TRATON SE, Munich, Germany, TRATON Financial Services AB, Södertälje, Sweden, Volkswagen Financial Services AG and Volkswagen Bank GmbH signed a framework agreement concerning the acquisition of substantial parts of the worldwide financial services business of MAN and Volkswagen Truck & Bus (VWTB) on July 12, 2023. The transaction includes the sale and transfer of rights to provide financing solutions to customers of MAN and VWTB. The Volkswagen Leasing GmbH Group will be affected by this in that new business of the MAN Financial Services branch of Volkswagen Leasing GmbH is to be operated by a subsidiary of TRATON Financial Services AB, Södertälje, Sweden, from the fourth quarter of 2024 onward. Existing business will remain with Volkswagen Leasing GmbH.

INTERNAL MANAGEMENT

The Company's key performance indicators are determined on the basis of IFRSs and are presented as part of the internal reporting system. The most important nonfinancial performance indicators are penetration, number of current contracts and new contracts concluded. There are no other nonfinancial performance indicators. The financial key performance indicators are the interest-bearing assets, operating result, return on equity and the overhead ratio.

KEY PERFORMANCE INDICATORS

	Definition
Nonfinancial performance indicators	
Penetration	Ratio of new contracts for new Group vehicles under leasing business to deliveries of Group vehicles in markets Germany
Current contracts	Contracts recognized as of the reporting date
New contracts	Contracts recognized for the first time in the reporting period
Financial performance indicators	
Interest-bearing assets	Loans to and receivables from customers arising from leasing business and lease assets.
Operating result	Interest income from cash and loans, net income from leasing transactions, interest expense, net income from service contracts, provision for credit risks, net fee and commission result, net gain or loss on hedges, net gain or loss on financial instruments measured at fair value, general and administrative expenses and net other operating income/expenses
Return on equity	Return on equity before tax, which is calculated by dividing profit before tax by average equity.
Overhead ratio	General personnel expenses, material overheads and accounting depreciation and amortization minus income from services rendered/average total assets

CONSOLIDATED NONFINANCIAL STATEMENT

Pursuant to section 315b(2) of the HGB, Volkswagen Leasing GmbH is exercising the option not to issue a consolidated nonfinancial statement. Please refer to the separate combined nonfinancial statement of the Volkswagen Group and Volkswagen AG for fiscal year 2024, which will be part of the Group Management Report in the 2024 Annual Report of the Volkswagen Group, and will be available on this website https://www.volkswagen-group.com/r/geschaeftsbericht-2024 as of 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

Overall, the global economy recorded positive growth in fiscal year 2024. In spite of these circumstances, Volkswagen Leasing GmbH managed to grow its current contracts and expand its lease assets. Volkswagen Leasing GmbH's operating result in accordance with the IFRSs is substantially higher than the level of the previous year.

OVERALL ASSESSMENT OF THE COURSE OF BUSINESS AND THE GROUP'S ECONOMIC POSITION

The operating result, which amounted to €318 million in fiscal year 2024 was substantially up on the previous year (loss of €162 million). The high interest expense and provision for credit risks was offset by a significant rise in net income from leasing transactions as well as substantially improved net other operating income. Moreover, the decline in negative fair value changes of the derivatives used had a beneficial effect on earnings performance.

Deliveries to customers were down slightly in fiscal year 2024, dropping below the prior-year level. The new leasing business continued its encouraging trend, driven predominantly by the increasing switch from financing to leasing, especially in the retail business. Despite the challenging economic environment (due to factors such as poor economic performance and geopolitical uncertainties), the volume of loans and receivables in the Volkswagen Leasing Group grew significantly. Especially the established sales promotion programs were a key growth driver. In the reporting year, the number of new contracts rose significantly, and the volume of current contracts also went up slightly.

In the reporting year, the share of leased vehicles in the Volkswagen Group's deliveries (penetration) for Volkswagen Leasing GmbH in the Germany market was 61.6% and thus slightly above the prior-year level (58.0%).

Volkswagen Leasing GmbH became a direct subsidiary of Volkswagen Bank GmbH in the middle of 2024. In this context, Volkswagen Leasing GmbH adopted the processes, methods and procedures for identifying and assessing credit risk from Volkswagen Bank GmbH. Continuing strong demand for our leasing products led to continuous growth in the portfolio of Volkswagen Leasing GmbH in the second half of 2024, and the volume of loans and receivables subject to credit risk expanded further. The quality of the lending portfolio remained at a stable level.

Despite strained markets, Volkswagen Leasing GmbH's residual value portfolio experienced continuous growth in 2024. Changes in residual value risk continue to be closely monitored on an ongoing basis, leading to corresponding measures where required.

Due to higher interest-bearing assets, funding costs amounting to €1,899 million were substantially higher than the prior-year level of €1,578 million.

At the level of Volkswagen Leasing GmbH, liquidity risk remained stable in the reporting period. Funding risk always remained within the specified limits. The existing sources of funding were adequate to enable the growth achieved in the fiscal year.

As a result, the funding structure remained well diversified in terms of the instruments used. The Group's main sources of funding, comprising capital markets, ABSs and intragroup refinancing, remained available and were utilized on a needs-oriented basis. With the implementation of reorganization, Volkswagen Leasing GmbH will not place any further bonds in the capital market. The company is instead funded by using the funding opportunities of Volkswagen Bank GmbH, such as customer deposits or capital market transactions, as well as the continued issuance of ABSs.

Various activities associated with the Operational Excellence (OPEX) efficiency program were implemented in the respective divisions of Volkswagen Leasing GmbH. In addition, new OPEX activities are continually being developed and their progress is actively tracked, because they are an important part of corporate culture.
The Management Board of Volkswagen Leasing GmbH considers the course of business in the year 2024 to have been positive.

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

	Actual 2023	Forecast for 2024		Actual 2024
Nonfinancial performance indicators				
Penetration (percent)	58.0	>58.0	Slightly higher than the prior-year level	61.6
Current contracts (thousands)	1,978	>1,978	Moderately higher than the prior-year level	2,085
New contracts (thousands)	750	>750	Noticeably higher than the prior-year level	865
Financial performance indicators				
Interest-bearing assets (€ million)	45,285	>45,285	Moderately higher than the prior-year level	49,661
Operating result (€ million)	–162	>–162	Substantially higher than the prior-year level	318
Return on equity (percent)	–2.0	>–2.0	Substantially higher than the prior-year level	3.0
Overhead ratio in %	1.0	=1.0	On prior-year level	0.9

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

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.

Germany

German gross domestic product decreased somewhat in 2024, showing a similar trend to the previous year. Compared with 2023, 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 exceeding 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.

Europe

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.

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.

FINANCIAL PERFORMANCE

The IFRS operating result increased to €318 (–162) million, significantly up on the corresponding prior-year figure. This rise is above all attributable to a significant increase in net income from leasing transactions and considerably higher net other operating income. This was set against a considerable rise in interest expense and in the provision for credit risks.

Profit before tax came to €317 (–162) million, which was substantially higher than in the prior year.

Return on equity amounted to 3.2 (–2.0)%.

Interest income from bank balances and loans amounted to €206 million, which was substantially higher than the prior-year figure of €170 million.

Net income from leasing transactions amounted to €2,479 (2,113) million and was therefore significantly higher than in the previous year. The rise was to a significant extent due to interest income from finance leases, which contributed €1,159 (906) million. The impairment losses on lease assets of €523 (581) million included in net income from leasing transactions were attributable to current market fluctuations and expectations.

Interest expense was €1,899 million, a substantial increase from the prior-year level (€1,578 million).

Net income from service contracts amounted to €165 (145) million and was significantly above the prior-year figure.

The provision for credit risks of €122 (55) million was substantially higher year-on-year.

Net fee and commission income amounted to €–2 (–110) million, substantially above the prior-year level.

General and administrative expenses were noticeably down on the previous year at €585 (616) million. This figure also includes costs associated with services for other entities in the Volkswagen Group. Accordingly, costs of €56 (33) million were recharged to other entities in the Volkswagen Group and reported under net other operating income/expenses. At 0.9 (1.3)%, the overhead ratio was substantially lower than in the previous year.

Net other operating income/expenses was substantially above the prior-year level at €218 (93) million. An amount of €0 (1) million was added to the provisions for legal risks and recognized through profit or loss in net other operating income/expenses.

In total, the Volkswagen Leasing GmbH Group generated a profit after tax amounting to €112 (–117) million.

Under Volkswagen Leasing GmbH's current control and profit-and-loss transfer agreement, profit of €19 million reported by Volkswagen Leasing GmbH in its single-entity financial statements prepared in accordance with the HGB was transferred to the shareholder, Volkswagen Bank GmbH.

NET ASSETS AND FINANCIAL POSITION

Lending business

At €55.4 billion in total, loans to and receivables from customers and lease assets – which make up the core business of the Volkswagen Leasing GmbH Group – accounted for approximately 91% of the Group's total assets.

The number of new retail financing contracts came to 865 thousand, which was significantly above the prior-year level (750 thousand). The number of current contracts stood at 2,085 thousand at the end of the year, noticeably up on the previous year (1,978 contracts).

Overall, receivables from leasing transactions were noticeably above the previous year's level at €22.4 billion (+5.8%).

Lease assets recorded significant growth of €4.1 billion to €31.8 billion (+14.6%).

Total assets of the Volkswagen Leasing GmbH Group rose to €60.7 billion year-on-year (+3.6%). This growth resulted primarily from the increase in loans to and receivables from customers and in lease assets and hence reflects business expansion over the fiscal year ended.

There were 3,392 thousand service contracts in the portfolio as of the end of the year. The new business volume of 1,270 thousand contracts was significantly up on the prior-year level (1,150 thousand).

Deposit business and borrowings

In terms of capital structure, the main liability items are the liabilities to customers of €13.8 billion (–22.2%) and the notes and commercial paper issued amounting to €26.4 billion (–4.3%). Further details on the funding and hedging strategy can be found in the sections Liquidity Analysis and Funding and in the risk report within the disclosures on interest-rate risk and liquidity risk.

Equity

The subscribed capital of Volkswagen Leasing GmbH remained unchanged at €76 million in fiscal year 2024. Equity in accordance with the IFRSs was €10.0 (9.9) billion. This resulted in an equity ratio (equity divided by total assets) of 16.5% based on total assets of €60.7 billion.

KEY FIGURES BY SEGMENT FOR FISCAL YEAR 2024

in thousands	Retail	Fleet	Segments total	Reconciliation	Group
Current contracts	**2,280**	**3,197**	**5,478**	**–**	**5,478**
Leasing business	993	1,093	2,085	–	2,085
Service	1,287	2,105	3,392	–	3,392
New contracts	**865**	**1,201**	**2,066**	**–**	**2,066**
Leasing business	392	404	795	–	795
Service	473	797	1,270	–	1,270
€ million					
Loans to and receivables from customers attributable to					
Dealer financing	–	–	–	–	–
Leasing business	10,646	11,714	22,360	–	22,360
Lease assets	15,121	16,639	31,760	–	31,760
Investment[1]	6,832	7,034	13,866	–	13,866
Operating result	247	–128	119	199	318

1 Corresponds to additions to lease assets classified as noncurrent assets.

KEY FIGURES BY SEGMENT FOR FISCAL YEAR 2023

in thousands	Retail	Fleet	Segments total	Reconciliation	Group
Current contracts	**2,117**	**3,259**	**5,376**	**–**	**5,376**
Leasing business	896	1,082	1,978	–	1,978
Service	1,221	2,177	3,398	–	3,398
New contracts	**749**	**1,151**	**1,900**	**–**	**1,900**
Leasing business	343	407	750	–	750
Service	406	744	1,150	–	1,150
€ million					
Loans to and receivables from customers attributable to					
Dealer financing	–	12	12	–	12
Leasing business	9,576	11,561	21,137	–	21,137
Lease assets	12,553	15,155	27,708	–	27,708
Investment[1]	5,501	6,540	12,041	–	12,041
Operating result	–43	62	19	–181	–162

1 Corresponds to additions to lease assets classified as noncurrent assets.

Liquidity analysis

The companies of the Volkswagen Leasing GmbH Group are funded primarily through ABS (asset-backed securities) programs and, for the first time in the fiscal year under review, through intercompany loans from VW Bank GmbH.

VW Leasing GmbH is an integral part of the VW Bank Group, and VW Leasing GmbH's liquidity is therefore managed at the level of the VW Bank Group.

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 the short-term liquidity of the Volkswagen Bank 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 Group at the time; from June to December in the year under review, following the restructuring of the Volkswagen Bank 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 issuing 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* (mortgage bonds). Up to the restructuring of Volkswagen Financial Services AG on July 1, 2024, there was no obligation on Volkswagen Leasing GmbH to manage liquidity in accordance with ILAAP metrics.

Volkswagen Leasing GmbH must satisfy the minimum requirements for risk management (MaRisk). Compliance with these requirements is determined and continuously monitored by the liquidity risk management department. Additionally, the cash flows for the coming 12 months are projected and compared against the potential funding available in each maturity bucket.

There is a strict regulatory requirement that any liquidity requirements identified in institution-specific stress scenarios must be covered with an adequate liquidity buffer over a time horizon of seven and

30 days. From a regulatory perspective, there was no immediate need to take action for Volkswagen Leasing GmbH in the reporting year.

FUNDING

Strategic principles

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 reflects both the expected growth in business and the increasing preference among customers to lease vehicles rather than seek finance. The reorganization will bring to an end the limits on the extension of funds by Volkswagen Bank GmbH 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.

Following the implementation of the reorganization as of July 1, 2024, Volkswagen Leasing GmbH has ceased to place bonds in the capital market.

Implementation

Volkswagen Leasing GmbH placed the first three green bonds with a total volume of €2.75 billion on the capital markets in January 2024. The guarantees provided for the bonds issued by Volkswagen Leasing GmbH were spun off from Volkswagen Financial Services Overseas AG to Volkswagen Financial Services AG following the reorganization on July 1, 2024.

In addition, Volkswagen Leasing GmbH was active in the German market with its ABS program. German lease receivables were securitized in March, June and October in the form of Volkswagen Car Lease (VCL) transactions, which had a total volume of €2.75 billion.

The following tables show the transaction details:

CAPITAL MARKET

Issuer	Month	Volume and currency	Maturity
Volkswagen Leasing GmbH, Braunschweig	January	EUR 850 million	2.75 years
Volkswagen Leasing GmbH, Braunschweig	January	EUR 1.150 million	4.75 years
Volkswagen Leasing GmbH, Braunschweig	January	EUR 750 million	7.25 years

ABS

Originator	Transaction name	Month	Country	Volume and currency
Volkswagen Leasing GmbH, Braunschweig	VCL 41	February	Germany	EUR 1.0 billion
Volkswagen Leasing GmbH, Braunschweig	VCL 42	June	Germany	EUR 1.0 billion
Volkswagen Leasing GmbH, Braunschweig	VCL 43	October	Germany	EUR 750 million

INTEREST RATE TRENDS

Interest rates declined slightly in Europe and across much of the rest of the world, responding to an easing in inflation in fiscal year 2024. A few central banks have already made cuts in interest rates, and the trend of interest rate reductions is expected to continue in 2025.

Volkswagen Leasing GmbH

(Condensed, in accordance with the HGB)

BUSINESS PERFORMANCE 2024

Volkswagen Leasing GmbH reported a result from ordinary activities after tax amounting to a profit of €19 million for fiscal year 2024.

Lease income of €28,351 (26,213) million was offset by lease expenses of €14,663 (13,349) million.

Net fee and commission income of €–1,020 (–1,179) million is mainly comprised of closing commissions arising from lease business.

Other operating income came to €462 (289) million, with other operating expenses amounting to €40 (22) million. Other operating income included income from service fees from ABS transactions amounting to €202 million.

The general and administrative expenses included expenses from cost allocations to Group companies and the expenses related to personnel and administrative costs.

Risk costs totaling €479 (579) million primarily included expenses arising from additions to provisions.

The profit after tax of €19 million will be transferred to Volkswagen Bank GmbH pursuant to the existing control and profit-and-loss transfer agreement.

Receivables from banks rose by €1,745 million (217%). The rise is primarily due to credit balances at Volkswagen Bank GmbH.

Receivables from customers fell by €3,531 million (41%). The drop is mainly the result of the decline in loans to affiliated companies.

Lease assets increased by 9.0% to €49,094 million. The change results from an increased vehicle inventory.

Liabilities to customers decreased by €4,802 million (17%) to €23,637 million, mainly because of lower liabilities to affiliated companies.

Commercial paper issued decreased by €1,619 million compared to the previous year (13%) to €10,526 million.

The decrease in provisions of €483 million (29%) arose mainly from lower provisions for expected losses.

The equity ratio is now 5.5 (5.6)%. Total assets at the end of the reporting period amounted to €59,618 million.

NUMBER OF EMPLOYEES

Volkswagen Leasing GmbH has the following employees:

	Dec. 31, 2024	Dec. 31, 2023
Salaried employees	**1,041**	**64**
of which senior managers	11	1
of which part-time	296	2
Vocational trainees	–	–

MANAGEMENT, AND OPPORTUNITIES AND RISKS RELATING TO THE BUSINESS PERFORMANCE OF VOLKSWAGEN LEASING GMBH

Volkswagen Leasing GmbH is integrated into the internal management concept of the Volkswagen Leasing GmbH Group. It is thus subject to the same key performance indicators and the same opportunities and risks as the Volkswagen Leasing GmbH Group. The legal requirements governing the management of Volkswagen Leasing GmbH as a legal entity are observed using key performance indicators such as penetration, operating result and return on equity. This internal management concept and these opportunities and risks are described in the section on the fundamental information about the Volkswagen Leasing GmbH Group as well as in the report on opportunities and risks of this annual report.

INCOME STATEMENT OF VOLKSWAGEN LEASING GMBH, BRAUNSCHWEIG, FOR FISCAL YEAR 2024

€ thousand	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
1. Lease income	28,351,180	26,213,082
2. Leasing expenses	14,663,204	13,349,344
	13,687,976	**12,863,738**
3. Interest income		
b) From other activities		
aa) Lending and money market transactions	546,635	419,759
4. Interest expense		
b) From other activities	1,604,612	1,317,311
thereof: unwinding of discount on provisions	2,365	1,430
	–1,057,977	–897,552
5. Fee and commission income		
a) From payment services and the issuance of e-money	34	48
b) From other activities	55,960	23,727
6. Fee and commission expenses		
b) From other activities	1,075,659	1,202,984
	–1,019,665	–1,179,209
7. Other operating income		
b) From other activities	462,482	288,687
8. Income from the reversal of special tax-allowable reserve	59	59
9. General and administrative expenses		
a) From payment services and the issuance of e-money		
bb) Other administrative expenses	87	125
b) From other activities		
aa) Personnel expenses		
aaa) Wages and salaries	104,984	4,768
bbb) Social security, post-employment and other employee benefit costs of which: for post-employment benefits €129 thousand	36,410	1,395
	141,394	6,163
bb) Other administrative expenses	479,609	614,844
	621,090	621,132

€ thousand	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
10. Depreciation, amortization and write-downs		
a) Depreciation and write-downs of lease assets		
ab) From other activities	11,386,464	10,945,616
b) Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of property and equipment		
bb) From other activities	64,693	60,267
	11,451,157	11,005,883
11. Other operating expenses		
b) From other activities	39,988	21,788
12. Write-downs of and valuation allowances on receivables and additions to provisions in the leasing business		
b) From other activities	478,542	579,013
13. Income from the reversal of write-downs of and valuation allowances on receivables and from the reversal of provisions in the leasing business		
b) From other activities	672,776	655,447
14. Result from ordinary business activities	**154,874**	**–496,646**
a) From payment services and the issuance of e-money	–53	–77
b) From other activities	154,927	–496,569
15. Income tax expense	135,971	–18,080
a) From payment services and the issuance of e-money	–47	–3
b) From other activities	136,018	–18,077
16. Income from the absorption of losses	–	478,566
a) From payment services and the issuance of e-money	–	80
b) From other activities	–	478,486
17. Profits transferred under a profit-and-loss transfer agreement	18,903	–
a) From payment services and the issuance of e-money	–100	–
b) From other activities	19,003	–
18. Net income for the year	**–**	**–**
19. Retained profits brought forward	649	649
20. Net retained profits	**649**	**649**

BALANCE SHEET OF VOLKSWAGEN LEASING GMBH, BRAUNSCHWEIG, AS OF DECEMBER 31, 2024

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Assets		
1. Cash reserve		
b) From other activities	4	–
2. Loans to and receivables from banks		
b) From other activities		
aa) Repayable on demand	2,547,941	802,639
3. Loans to and receivables from customers		
a) From payment services	175	192
aa) From fees and commissions	175	192
b) From other activities	5,083,524	8,614,960
	5,083,699	8,615,152
4. Notes and other fixed-income securities		
b) Commercial paper and notes		
ba) From public-sector issuers	143,907	102,519
5. Lease assets		
aa) From other activities	49,094,343	45,029,628
6. Intangible fixed assets		
a) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	102,773	94,065
	102,773	94,065
7. Property and equipment		
a) Land and buildings		
ab) From other activities	17,864	24,577
b) Operating and office equipment		
ab) From other activities	567	689
	18,431	25,266
8. Other assets		
b) From other activities	1,567,666	1,976,324
9. Prepaid expenses and accrued income		
b) From other activities	1,059,072	1,341,162
Total assets	**59,617,836**	**57,986,755**

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Equity and liabilities		
1. Liabilities to banks		
b) From other activities		
aa) Repayable on demand	175,127	–
bb) With agreed maturity or notice period	7,741,866	–
	7,916,993	–
2. Liabilities to customers	–	–
b) From other activities	23,636,699	28,438,604
3. Notes, commercial paper issued	–	–
a) Bonds issued	10,525,518	11,246,340
b) Commercial paper	–	897,981
	10,525,518	12,144,321
4. Other liabilities		
b) From other activities	1,837,707	1,460,781
5. Prepaid expenses and accrued income		
b) From other activities	11,241,777	11,000,505
6. Provisions	–	–
a) Provisions for pensions and other post-employment benefits	–	–
bb) From other activities	117,337	1,243
b) Provisions for taxes		
bb) From other activities	14,718	29,435
c) Other provisions		
bb) From other activities	1,050,469	1,635,189
	1,182,524	1,665,867
7. Special tax-allowable reserve	706	765
8. Fund for general banking risks	6,000	6,000
9. Equity		
a) Subscribed capital	76,004	76,004
b) Capital reserves	3,193,259	3,193,259
c) Net retained profits	649	649
	3,269,912	3,269,912
Total equity and liabilities	**59,617,836**	**57,986,755**
1. Contingent liabilities		
Liability arising from the provision of collateral for third-party liabilities	73,375	84,375
2. Other obligations		
Irrevocable leasing commitments	5,362,820	6,896,733

Report on Opportunities and Risks

In challenging times, the sustainable business performance of Volkswagen Leasing GmbH is marked by the balanced, active management of opportunities and risks.

OPPORTUNITIES AND RISKS

In this section, the risks and opportunities that arise in connection with business activities are presented. The risks and opportunities are grouped into various categories. Unless specifically stated, there were no material year-on-year changes to the individual risks or opportunities.

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

Macroeconomic opportunities and risks

From the current perspective, economic development will depend in particular on future inflation and interest rate trends. The relatively high overall level of inflation, which is projected to taper off as the year goes on, and comparatively high interest rates pose a major challenge. It is expected in this context that key interest rates have peaked and that the European Central Bank (ECB) will start to make interest rate cuts already in 2024.

Global economic growth could also be further dampened by geopolitical tensions, should these give rise to shortages in global supply chains, for example, or contribute to a renewed upward trend in inflation. This, in turn, could also impact negatively on both consumption and the investment climate.

In the event that actual inflation and interest rate trends are more positive than expected or geopolitical tensions decrease, this could result in opportunities for Volkswagen Leasing GmbH. However, it is not possible to make a reliable assessment of the further development of individual economies and of the economy as a whole. The Management Board of Volkswagen Leasing GmbH expects that deliveries to customers from the Volkswagen Group in Germany will exceed the reporting year's level, based on the assumption that bottlenecks affecting intermediate products, commodities and logistics improve.Volkswagen Leasing GmbH supports this trend by providing financial services products designed to promote sales.

Strategic opportunities and risks

Volkswagen Leasing GmbH is continuing with its strategic drive to digitalize and optimize all processes, systems and products. In doing so, it is leveraging the opportunity offered by changing customer requirements, an ever greater awareness of sustainability, increasingly tighter regulation and new technologies. The focus here is on the innovation of new sustainable mobility and service products as well as on an enhanced customer experience. Other growth opportunities arise from offering suitable products and services throughout the entire vehicle and customer lifecycle – especially in the area of electromobility.

Opportunities from credit risk

Opportunities may arise in connection with credit risks if the losses actually incurred on lease transactions turn out to be lower than the prior calculations of expected loss and the associated provisions recognized on the basis thereof. A situation in which the incurred losses are lower than the expected losses can occur particularly in individual countries in which economic uncertainty resulted in the need for a higher provision for credit risks but in which the economic circumstances then stabilize, resulting in an improvement in the credit quality of the borrowers concerned.

Opportunities from residual value risk

When vehicles are remarketed, Volkswagen Leasing GmbH may be presented with the opportunity to obtain a price that is higher than the contractual residual value if actual market 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) that is relevant to the accounting system and used for the consolidated and annual financial statements is the sum of all principles, procedures and activities aimed at ensuring the effectiveness and propriety of the financial reporting and 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 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 processes of Volkswagen Leasing GmbH.

> The Management Board of Volkswagen Leasing GmbH is the governing body with responsibility for the executive management of the business. In this role, the Board has set up Accounting, Treasury, Compliance, Risk Management and Controlling units, each with clearly separate functions and clearly assigned areas of responsibility and authority, to ensure that accounting and financial reporting processes are carried out properly. The tasks of the treasury unit are performed by Volkswagen Bank GmbH on the basis of an outsourcing agreement. The compliance function has also been outsourced to Volkswagen Bank GmbH, although its services are supplemented by a compliance officer at Volkswagen Leasing GmbH. The accounting function is also carried out by Volkswagen Financial Services AG under an outsourcing agreement.

> Group-wide rules and accounting and measurement requirements have been put in place to ensure a standardized, proper and continuous financial reporting process in accordance with the International Financial Reporting Standards as well as the accounting provisions pursuant to the HGB in conjunction with the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Bank Accounting Regulation).

- The clear definition of areas of responsibility accompanied by various monitoring and review mechanisms ensures that all transactions are accurately recognized in the accounts, processed and evaluated, and then properly reported.
- These monitoring and review mechanisms are designed with both integrated and independent process components. For example, 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. These controls are supplemented with specific Group-level functions at Volkswagen AG.
- Internal Audit of Volkswagen Financial Services AG is a key component of Volkswagen Leasing GmbH's monitoring and control system. As an outsourcee, supplemented by an audit officer at Volkswagen Leasing GmbH, it carries out regular audits of accounting-related processes as part of its risk-oriented auditing activities and reports on these audits directly to the Management Board of Volkswagen Leasing GmbH and the Board of Management of Volkswagen Financial Services AG.

In summary, the existing internal monitoring and control system of the Volkswagen Leasing GmbH Group is intended to ensure that the financial position of the individual entities and of the Volkswagen Leasing GmbH Group as of the reporting date December 31, 2024 has been based on information that is reliable and has been properly recognized. No material changes were made to the internal monitoring and control system of Volkswagen Leasing GmbH after the reporting date.

BASIC RISK MANAGEMENT PRINCIPLES

Since July 1, 2024, Volkswagen Leasing GmbH has had an authorization to provide payment services, which comprises the acquisition and settlement of payment transactions pursuant to section 1(1) sentence 2 no. 5 2nd alternative of the *Zahlungsdiensteaufsichtsgesetz* (ZAG – Payment Services Supervision Act) and the money remittance business pursuant to section 1(1) sentence 2 no. 6 of the ZAG. Volkswagen Leasing GmbH has since then therefore also been subject to the provisions of the ZAG as a payment institution pursuant to section 1(1) sentence 1 no. 1 of the ZAG. It should be noted in this context that the focus is on the leasing business and the proportion of payment services is of minor importance for Volkswagen Leasing GmbH.

Since July 1, 2024, Volkswagen Leasing GmbH has been a direct subsidiary of Volkswagen Bank GmbH and an indirect subsidiary of the financial holding company Volkswagen Financial Services AG. This means that it belongs firstly to the regulatory basis of consolidation of the financial holding group of Volkswagen Financial Services AG and secondly to the Volkswagen Bank Group on the level of the prudential scope of sub-consolidation pursuant to Article 11(6) of the CRR. Volkswagen Leasing GmbH therefore has to meet the Group-related coordinated requirements of Volkswagen Financial Services AG and Volkswagen Bank GmbH, which also include the Group-related regulatory requirements of the European Banking Authority (EBA).

As of October 9, 2024 Volkswagen Leasing GmbH has met the condition and requirements for approval of a waiver applied for pursuant to section 2a(2) of the KWG with regard to the provisions of section 25a of the KWG. Following the acceptance of an unrestricted letter of comfort by Volkswagen Bank GmbH to the creditors of Volkswagen Leasing GmbH, this means that it does not have to have its own business and risk strategy, determine its own risk-bearing capacity and its own processes for identifying, assessing, managing, monitoring and communicating the risks and does not have to have its own risk control function, with the exception of liquidity risk for the single entity Volkswagen Leasing GmbH. Instead, Volkswagen Bank GmbH now prepares a business and risk strategy for the Volkswagen Bank

Group, including Volkswagen Leasing GmbH, which it coordinates with the Group, and ensures the risk-bearing capacity at Volkswagen Bank Group level.
Based on the approval of the waiver pursuant to section 2a(2) of the KWG, Volkswagen Bank GmbH and Volkswagen Leasing GmbH have implemented the organizational structure previously resolved for risk management. Since November 1, 2024 there has only been one risk control function responsible for the Volkswagen Bank Group. It is located at Volkswagen Bank GmbH and, with the exception of liquidity risk controlling, performs the risk control function for Volkswagen Bank GmbH and Volkswagen Leasing GmbH. Volkswagen Leasing GmbH has outsourced most liquidity risk management and liquidity risk controlling tasks to Volkswagen Bank GmbH, although responsibility for ensuring and controlling liquidity remains with the Management Board of Volkswagen Leasing GmbH. As a result of the approval of the waiver pursuant to section 2a(2) of the KWG, most of the MaRisk requirements now have to be met by Volkswagen Bank GmbH for the Volkswagen Bank Group, including Volkswagen Leasing GmbH. Responsibility for the remaining MaRisk requirements not covered by the waiver approval pursuant to section 2a(2) of the KWG remains with the Management Board of Volkswagen Leasing GmbH, which has outsourced most of the processes to the financial holding company Volkswagen Financial Services AG and to Volkswagen Bank GmbH. An outsourcing officer, who monitors service provision by Volkswagen Financial Services AG and Volkswagen Bank GmbH, ensures compliance with regulatory requirements.

ORGANIZATIONAL STRUCTURE OF THE RISK MANAGEMENT SYSTEM

At Volkswagen Leasing GmbH, risk is defined as the danger of loss or damage that could occur if an expected future development turns out to be less favorable than planned. Volkswagen Leasing GmbH is exposed to a large number of risks typical for the financial services sector as part of its primary operating activities. It accepts these risks so that it can exploit any resulting market opportunities.

In the reporting year, a waiver arrangement for Volkswagen Leasing GmbH as part of the Volkswagen Bank GmbH Group was requested from and approved by the German banking supervisory authority. Pursuant to section 2a(2) sentence 1 of the *Kreditwesengesetz* (KWG – German Banking Act) in conjunction with Article 7(1) of the Capital Requirements Regulation (CRR), entities of a group of institutions may be exempted from operational risk management (with the exception of liquidity risk in relation to section 25a(1) sentence 3 nos. 1, 2 and 3 letters b and c of the KWG). In this case, the operating activities are performed by the integrated risk management function of the overarching group.

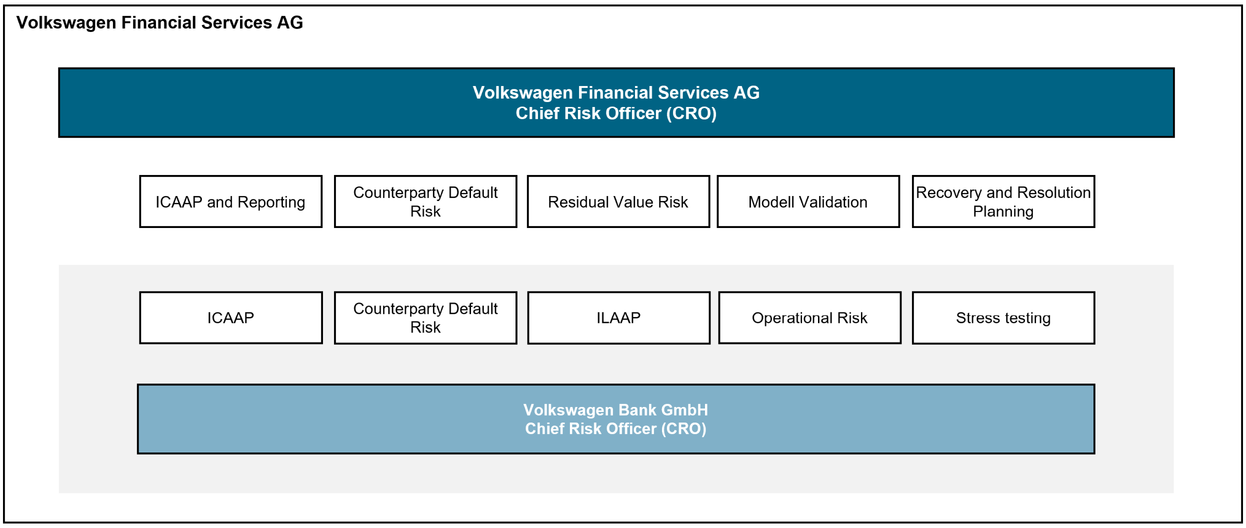
The exemption granted on October 2, 2024 is subject to conditions being met. The report by internal Audit relating to Volkswagen Leasing GmbH has to be submitted once a year, including audit fields and findings. In addition, the quarterly risk management report of VW Bank GmbH has to be provided, including risks material to Volkswagen Leasing GmbH, in particular residual value risk and counterparty default risk from customer financing. In this process, the Management Board member responsible for Back Office receives a copy of the risk management report as proof that the requirement has been met.

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

By making use of the waiver arrangements presented earlier, the Management Board of Volkswagen Bank GmbH is generally responsible for the risk management of Volkswagen Leasing GmbH, although the Management Board of VW Leasing GmbH retains responsibility for liquidity risks. VW Leasing GmbH thus uses the functions of a number of risk management units that were set up to fulfill the operational risk controlling functions at the parent companies. In this way, Volkswagen Financial Services AG as well as Volkswagen Bank GmbH and Volkswagen Leasing GmbH perform the risk management using an integrated approach and pooling key risk management skills in Volkswagen Financial Services AG and Volkswagen Bank GmbH.

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

In this context, the risk management function of Volkswagen Leasing GmbH – using the waiver arrangement – is exempt from performing all the elements of the internal capital adequacy assessment process (ICAAP). Exceptions relate to arrangements linked to the operational and organizational structure and liquidity risk management.



To ensure the adequacy of the risk management system, Volkswagen Leasing GmbH (as part of the VW Bank GmbH Group and the Volkswagen Financial Services AG Group) has implemented appropriate procedures. The Internal Audit department monitors the individual elements in the system regularly on a risk-oriented basis.

To ensure that the integrated risk management system is fully functioning at all times and regardless of the personnel involved, there is a clear, unequivocal separation of tasks and areas of responsibility, both organizationally and in terms of personnel.

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 monitoring international framework standards for the procedures to be used European-wide.

In particular, these activities involve providing models for carrying out credit assessments, quantifying the different categories of risk, determining risk-bearing capacity and evaluating collateral; they also involve standardized processes for identifying, analyzing and assessing the 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 as well as for using standardized processes for identifying, analyzing and assessing the direct and indirect residual value risks.

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 risks faced by Volkswagen Leasing 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 the Volkswagen Bank GmbH Group, which also includes Volkswagen Leasing GmbH.

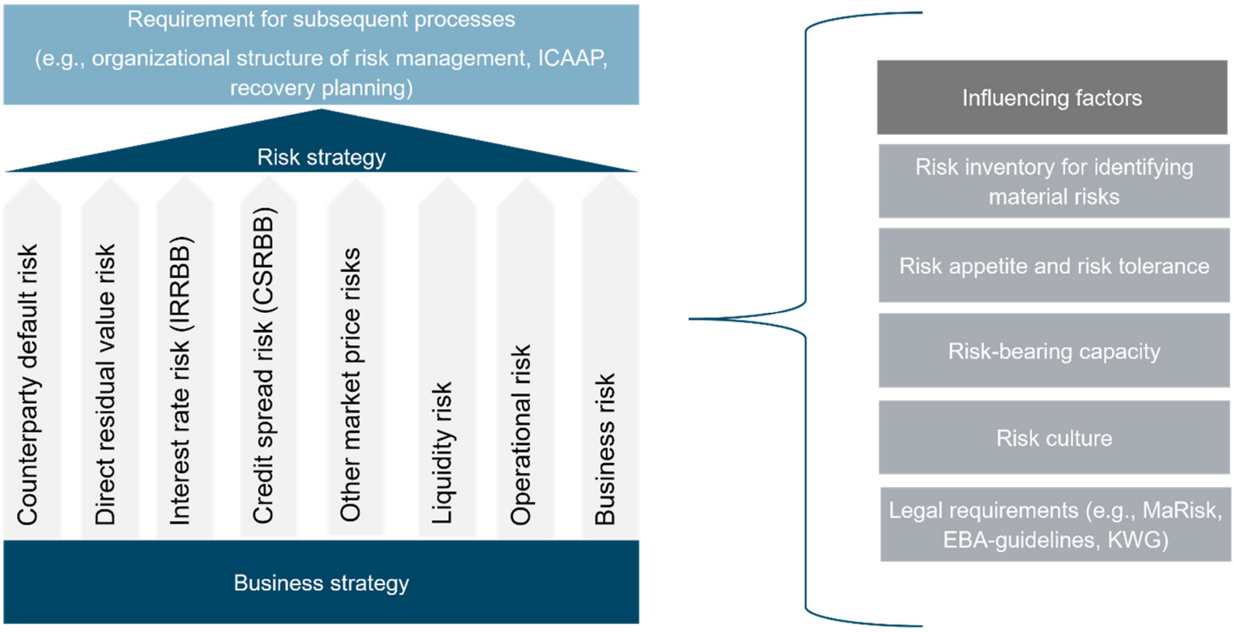
As part of this overall responsibility, the Management Board of Volkswagen Bank GmbH has introduced a MaRisk-compliant strategy process and implemented a business and risk strategy.

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 of VW Bank GmbH 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. Further details and specifics for the individual risk categories are set out in risk sub-strategies and included in operational requirements during the process of business and risk planning.

Risk strategy process



RISK INVENTORY

The objective of the risk inventory, which has to be carried out at least annually, is to identify the main categories of risk. To this end, all known categories of risk are investigated to establish whether they are relevant for Volkswagen Bank GmbH. The results of the risk inventory also cover VW Leasing GmbH.

In the risk inventory, the relevant categories of risk are examined in greater detail, quantified or, if they cannot be quantified, subjected to a qualitative assessment by experts, and then evaluated to determine whether they are material for the Volkswagen Bank GmbH Group. The main categories of risk are then assessed as part of portfolio analyses regarding their influence on drivers of sustainability risk.

The VW Bank GmbH Group's risk inventory for 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. Indirect residual value risk and pension risk were still classified as immaterial because they accounted for a low proportion of the overall risk. Other existing subcategories of risk are taken into account within the categories specified above.

In addition, on the basis of the new structure of the VW Bank GmbH Group, a risk inventory was also carried out between reporting dates to ensure all the risks as of July 1, 2024 were included. In the process, the above-mentioned risks (see RISK STRATEGY AND RISK MANAGEMENT) were identified. The materiality of the risks as disclosed above was confirmed.

RISK-BEARING CAPACITY, RISK LIMITS AND STRESS TESTING

Fundamental decisions relating to risk-bearing capacity, risk limits and stress testing are the responsibility of the Management Board of the Volkswagen Bank GmbH Group; they include risk-bearing capacity, risk limits and stress testing for Volkswagen Leasing GmbH, which are performed as part of Group governance. The overarching Group management of the Volkswagen Bank GmbH Group is structured as follows.

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 ensures 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 an 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 the Bank'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. As part of this process, a company limit is assigned to VW Leasing GmbH for each category. Interest rate risk in the banking book is managed at Group level. No limit is set for business risk, which consists of earnings risk, reputational risk and strategic risk, including ESG premium and business model risk; it is instead treated as a deduction from the risk-taking potential.

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

STRESS TEST

Scenarios that can show the potential impact from exceptional but plausible events on the risk-bearing capacity and earnings performance of Volkswagen Leasing GmbH are analyzed in detail as part of the Group-wide stress tests of the VW 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.

RISK CONCENTRATIONS

Volkswagen Leasing GmbH is a captive financial services provider 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)
- Residual values subject to risk are limited to a small number of vehicle segments or models (residual value concentrations), or
- Volkswagen Leasing GmbH’s income is generated from just a few sources (income concentrations)

Possible concentrations are countered through diversification, for example regarding the dimensions brand, model and country.

Counterparty concentrations from customer business are only of minor significance in Volkswagen Leasing GmbH because of the large proportion of business accounted for by retail leases. From a regional perspective, Volkswagen Leasing GmbH is concentrated on the German market, but is focusing on broad diversification across regions. The fact that customers come from different sectors enhances diversification.

The following table presents the collateral structure of Volkswagen Leasing GmbH:

Collateral structure in %	Dec. 31, 2024	Dec. 31, 2023
Off-road vehicles and SUV’s	43	39
Compact class	21	19
Medium class and upper mid-size	21	21
Commercial/recreational vehicles	8	9
Small cars	5	4
Large-capacity vans	1	4
Other	1	4
Total	**100**	**100**

As the vehicle is the predominant collateral asset by virtue of the business model of a captive provider, concentrations of collateral are consciously accepted. Risks can arise from concentrations of collateral if downward pricing trends in used vehicle markets or segments lead to lower proceeds from the recovery of assets and, as a consequence, there is a fall in the value of the collateral. Nevertheless, in terms of the vehicles used as collateral, Volkswagen Leasing GmbH enjoys a broad diversification across all vehicle segments (see collateral structure diagram) based on a large range of vehicles from the different brands in the Volkswagen Group.

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.

As for liquidity risk, Volkswagen Leasing GmbH has a high concentration of its funding sources in bonds and ABSs via its consolidated subsidiaries. This concentration is not considered to be critical due to the ability to increase the existing potential funding of internal VW Group sources or CP at all times.

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 risks are 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, Volkswagen Leasing GmbH, the largest subsidiary of the Volkswagen Bank GmbH Group, in its role as a provider of financial products across Europe serving the automotive markets, sees sustainability as a business responsibility and critical strategic success factor. ESG risks are identified, managed, quantified and monitored by the Volkswagen Bank GmbH Group as part of Group governance.

Based on the objectives of the sustainability dimension, which is part of the corporate MOBILITY2030 strategy developed for Volkswagen Financial Services AG and VW Leasing GmbH, the fundamental understanding for dealing with ESG risks is specified in the risk strategy, and risk strategy guidelines are set out for the operational framework used to address them.

Volkswagen Leasing GmbH attaches high importance to the treatment of sustainability risks that could have negative consequences for the financial position, financial performance and reputation of the Company 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.

To accommodate the changing expectations of stakeholders with regard to sustainability at Volkswagen Leasing GmbH, the Volkswagen Bank GmbH Group and Volkswagen Leasing GmbH as a single entity have in recent years gradually integrated ESG risks in extensive sustainability risk projects as an integral part of the risk management framework. ESG risks do not represent a separate risk category but are risk drivers of existing risk categories. In particular climate and environment-specific risks drivers are highly significant to VW Leasing GmbH as part of the VW Bank GmbH Group, but social and governance risks are also considered when identifying, assessing and managing ESG risks.

To ensure that ESG risks are adequately identified, quantified, managed and monitored, a qualitative and quantitative assessment of the materiality of ESG risk drivers is carried out within the existing risk categories as part of a general annual materiality assessment. Based on the results of the materiality assessment, appropriate scenarios are developed and quantified Group-wide during an annual climate stress test. The definition of ESG key risk indicators within the VW Bank GmbH Group ensures that these scenarios are incorporated into the risk strategy so that they can be managed. ESG risks are integrated into the quarterly Group-wide risk management report to ensure that they are adequately monitored.

To counter the material ESG risks, Volkswagen Leasing GmbH, the largest subsidiary of the Volkswagen Bank GmbH Group, has established tools for including ESG aspects in the credit and residual value processes. As a captive provider, Volkswagen Leasing GmbH focuses on leasing passenger cars and light commercial vehicles as well as trucks and buses for retail and corporate customers. A material risk for Volkswagen Leasing GmbH therefore arises from the transformation of the automotive sector and its effects on residual vehicle values. As part of the credit approval process Volkswagen Leasing GmbH assesses ESG risks on the basis of the comprehensive expertise of the front and back office. Following the reorganization of the Volkswagen Financial Services AG Group, VW Leasing will in future be funded mainly via Volkswagen Bank GmbH. As a subsidiary of Volkswagen Bank GmbH, the sustainability concept of Volkswagen Leasing GmbH is based on that of Volkswagen Bank GmbH. Volkswagen Bank GmbH is making various efforts to ensure that its own business operations are climate-neutral on balance and prevent the danger of serious environmental damage. For example, high priority is given to pursuing reductions in CO_2 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.

Volkswagen Leasing GmbH 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 comprehensive risk management report, which also covers Volkswagen Leasing GmbH, is submitted to the Management Board of Volkswagen Bank GmbH and to the supervisory body 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 mean of a process of constant refinement and ongoing adjustment in line with current circumstances.

RECOVERY AND RESOLUTION PLANNING

Volkswagen Leasing GmbH is included in the Group recovery plan of Volkswagen Financial Services AG. The plan is scheduled to enter 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 Leasing 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.

CURRENT REGULATORY FACTORS

As a financial services institution pursuant to section 1(1a) of the KWG with authorization to conduct finance leasing and factoring activities, Volkswagen Leasing GmbH is subject to the provisions of the *Kreditwesengesetz* (KWG – German Banking Act) and the *Mindestanforderungen an das Risikomanagement* (MaRisk – German Minimum Requirements for Risk Management), which set out details of the requirements of section 25a of the KWG for proper organization and appropriate and effective risk management, and on the basis of which BaFin and Deutsche Bundesbank assess the propriety of the organization, capital adequacy to cover the risks in the context of determining risk-bearing capacity and the appropriateness and effectiveness of risk management.

BaFin published the 7th MaRisk amendment on June 29, 2023, which specifies the implementation of the requirements for the treatment of ESG risks in two phases. While the qualitative requirements, ESG risks and their impacts had to be taken into account for all risk categories in risk management and in all risk management processes in 2023, the requirements for quantifying the ESG risks have, according to BaFin's letter, applied since January 1, 2024. Other key points related to the implementation of the EBA Guidelines on loan origination and monitoring and the requirements for the use of models in the context of risk parameterization and measurement. The requirements of the 7th MaRisk amendment have been implemented.

On May 29, 2024, BaFin published the 8th MaRisk amendment, which serves to implement the EBA guidelines on interest rate risk and credit spread risk in the non-trading book (EBA/GL/2022/14), which significant institutions such as Volkswagen Bank GmbH had to implement by December 31, 2023; this was done as part of the "Koralle" integration project.

As a consequence of receiving the ZAG license on July 01, 2024, Volkswagen Leasing GmbH now also has to implement ZAG MaRisk. Since Volkswagen Leasing GmbH is also subject to MaRisk, and ZAG MaRisk (MaRisk for companies subject to the *Zahlungsdiensteaufsichtsgesetz* (ZAG – Payment Services Supervision Act)) contains only a small number of additional ZAG-specific requirements that have already been implemented, ZAG MaRisk is therefore also complied with.

Seeing that Volkswagen Leasing GmbH is a large-scale originator of public securitizations, the provisions of the Securitization Regulation and compliance with the requirements for STS securitizations are highly relevant.

A regulatory effect is, moreover, assumed from the following provisions:

CRD VI, which entered into force on July 9, 2024, will in future focus on the subject of sustainability risks. Its intention is that institutions should in future be required to create transition plans for their transition to sustainable operation. As soon as a draft bill implementing CRD VI is available in 2025, this will be analyzed and assessed and the necessary implementation measures will be formulated.

In addition, the Digital Operational Resilience Act, also referred to as DORA, will be highly relevant in future and to a significant extent determine the requirements for IT, as well as relations with ICT service providers. As a payment institution, Volkswagen Leasing GmbH is directly subject to the provisions of DORA, even if Volkswagen Leasing GmbH has outsourced its IT to Volkswagen Financial Services AG.

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. Some of the requirements are familiar 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. DORA has been in effect since January 17, 2025. BaFin has exempted financial undertakings that are directly subject to DORA from the scope of BAIT in order to avoid duplicate requirements. As a result, BAIT no longer addresses Volkswagen Leasing GmbH directly.

DORA contains a number of mandates, for which initial delegated regulations were published in the Official Journal of the European Union in 2024; they will require implementation by the date of initial application. In addition, in July, the European supervisory authorities published a number of final drafts of regulatory technical standards (RTSs) and implementing technical standards (ISTs).

A project has been set up to implement the requirements of DORA and the associated delegated regulations. It is aimed firstly at implementing the regulatory requirements under DORA and secondly at strengthening the resilience of Volkswagen Leasing GmbH to cyber risks.

In the context of DORA, BaFin published supervisory guidance on outsourcing to cloud service providers in February 2024, which it updated in July. In its guidance, it has included contents on the governance of cloud outsourcing, introduction processes and contractual minimum standards, taking account DORA requirements. In addition, BaFin has added two new sections. They give supervised entities advice on development, operation and cyber security in the cloud and on specific monitoring and control of the performance and security of the cloud service provider.

Factoring in climate and environmental risks, including transition risk, in risk management will continue to be important in light of the stricter regulatory requirements anticipated. This continues to require an intensive review of these risks, which could be drivers of existing categories of risk and have to be considered in the identification, assessment, monitoring and management of the categories of risk. While a lot of data for identifying and assessing potential climate and environmental risks is already being collected, either for internal risk management or for disclosure purposes, the issue of the relevance and quality of this data for management in accordance with transition plans will gain in importance.

Of particular importance will be the ECB's Guide on climate-related and environmental risks, whose requirements are to be implemented according to a plan coordinated with the ECB after the formation of the financial holding group. This plan also includes the new Volkswagen Bank Group, with Volkswagen Leasing GmbH as a subsidiary of Volkswagen Bank GmbH. The requirements of this Guide, building on the methodology developed for the Volkswagen Bank Group in its composition up to June 30, 2024, will be implemented for the financial holding group, including Volkswagen Leasing GmbH, by the end of September 2025; the materiality of the risks is due to be assessed by June 30, 2025.

In 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force; it still needs to be implemented in national law. As a result of the collapse of Germany's three-party coalition, this is now not to be expected until sometime in 2025. Being a large subsidiary with activities in the capital markets, Volkswagen Leasing GmbH will in future have to disclose extensive sustainability-related information in its subgroup 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. This will have implications for the Volkswagen Bank GmbH Group, including Volkswagen Leasing GmbH, and its risk management as well as for the transition risk of the Volkswagen Bank Group. The details have been set out in a delegated act, which has since entered into force. The initial disclosure is expected to have to be made as of December 31, 2025.

It is likely that the number of taxonomy-aligned leases will increase over the next few years as the proportion of leased battery-powered vehicles rises. At the same time, emissions intensity is expected to decline; with an increase in the proportion of battery-powered vehicles leased, CO_2 emissions are likely to fall relative to the lease portfolio over the next few years. Vehicles with combustion engines will still be leased in the future, so there are plans to offset these emissions as part of the sustainability strategy. As part of the Volkswagen Financial Services Group, Volkswagen Leasing GmbH aims to achieve CO_2 neutrality on balance for the direct emissions of leased vehicles in the portfolio by 2030. The corresponding unavoidable CO_2 emissions are to be offset by investing in climate protection projects.

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. While a sizable portion of the requirements for the management of ESG risks is known from the ECB Guide on climate-related and environmental risks and the MaRisk published at the end of June 2023, this Guide is characterized by the fact that it sets out quite binding yardsticks for measuring and checking whether the relevant requirement for the management of ESG risks is fulfilled even though the EBA has expanded the scope for appropriate, proportionate implementation in some places when compared with the consultation paper. While it is often sufficient today to take account of ESG risks in the various risk management processes for all categories of risk, the EBA guidelines set out requirements that are as specific as possible; they have to be satisfied so that the stipulation concerned can be considered met and it can be assumed that it has been taken into account adequately. Another new aspect arising from the requirements of CRD VI is the resulting specifics, which relate in particular to the transition plan that has to be prepared. Accordingly, the management body will in future, after national implementation, be responsible for the development of specific plans with quantifiable targets in order to monitor and handle physical and transition risks that arise in the short, medium and long term from the non-conformance of the business model and strategy of the institution and group with relevant political objectives of the Union or more general transition trends toward a sustainable economy in relation to environmental, social and governance factors. The long-term horizon is expected to be at least 10 years. Moreover, an interim target has to be set for 2030 to demonstrate to the supervisory authorities how the plan enables the institutions and the Group to identify and measure ESG risks that are linked to the EU's target of reducing greenhouse gas emissions by 55% compared to 1990 levels. The transition plans must ultimately be consistent with the business strategy, risk appetite, ICAAP and the other risk management processes. These requirements will also have to be implemented for Volkswagen Leasing GmbH as part of the Volkswagen Bank Group and the financial holding group Volkswagen Financial Services AG.

NEW PRODUCTS AND NEW MARKETS PROCESS

Before launching new products or commencing activities in new markets, the Volkswagen Bank GmbH Group first runs through its new products and new markets process. All the units involved (such as Risk Management, Controlling, Accounting, Reporting, Legal Affairs, Compliance, Antitrust Law, Treasury, Payments, IT) are to be integrated into the process. The process for every new activity requires the preparation of a written concept, which includes an analysis of the risks associated with the new product or market and a description of the possible implications for management posed by the risks. Responsibility for approval or rejection lies with the Board of Management of Volkswagen Financial Services AG and the relevant members of the Management Board of Volkswagen Leasing 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 submit 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 (CSRBB)	
Other market risk (currency and fund price risk)	
Funding risk	
Business risk (incl. earnings, reputational and strategic risk)	

Unless specifically stated, there were no material year-on-year changes to the individual risks or 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 Volkswagen Bank GmbH, counterparty default risk encompasses the following risk categories: credit risk, counterparty risk, issuer risk and country 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 lessee. Loans to and receivables from Volkswagen Group companies are also included in the analysis. Default occurs when the lessee is unable or unwilling to make the payments due. This includes a situation in which the counterparty does not make interest payments or repayments of principal on time or does not pay the full amounts.

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 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 net assets, financial position and results of operations. If, for example, an economic downturn leads to a higher number of insolvencies or greater unwillingness of 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

Decisions at Volkswagen Leasing GmbH are made primarily on the basis of the lessee 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 lease.

A procedural instruction outlines the requirements for developing and maintaining the rating systems. The Company also has a rating manual which specifies how the rating systems are to be applied as part of the leasing-approval process. Similarly, other written procedures specify the parameters for developing, using and validating the scoring systems in the retail business.

To quantify counterparty default 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 in the corporate business

Volkswagen Leasing GmbH 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 credit worthiness. 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 lease approval and for evaluating the existing portfolio. These scoring systems provide an objective basis for accepting the business. 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 supervised retail models and systems for credit assessment, Risk Management reviews the quality of these models and systems on the basis of the centrally 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.

Collateral

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

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

Risk Management also carries out regular quality assurance tests on local collateral policies. 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 Volkswagen Leasing GmbH are also used to manage credit risk. These limits are specified separately for each individual branch.

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 as of July 1, 2024.

The volume of loans and receivables subject to credit risk at Volkswagen Leasing GmbH expanded further in the second half of 2024 (+€1.5 billion in December 2024 compared with July 2024); this is attributable to developments in the retail portfolio.

Overall, credit risk was observed to remain stable at a moderate level. The persistent rise in the default rate is attributable to the German market and a continuing slight deterioration in the risk situation, particularly because of the macroeconomic conditions. Moreover, the implementation of the regulatory requirements on the definition of default according to the CRR (Capital Requirements Regulation) in the companies of VW Leasing GmbH led to an increase in the number of defaults.

Retail portfolio

The sustained strong demand for our retail products led to a further increase in the volume of loans and receivables subject to credit risk in the second half of 2024 (+€1.4 billion in December 2024 compared with July 2024). Credit risk at Volkswagen Leasing GmbH's retail portfolio changed to a moderate degree in the prevailing macroeconomic circumstances. The default rate rose in the second half of fiscal year 2024, from 1.9% in July 2024 to 2.5% in December 2024 due, on the one hand, to a slight deterioration in the risk situation and, on the other, to implementation of the regulatory requirements for the definition of default in accordance with the CRR and the associated implementation of a probationary period. The percentage provision for credit risks increased slightly from 1.1% as of July 2024 to 1.2% as of December 2024.

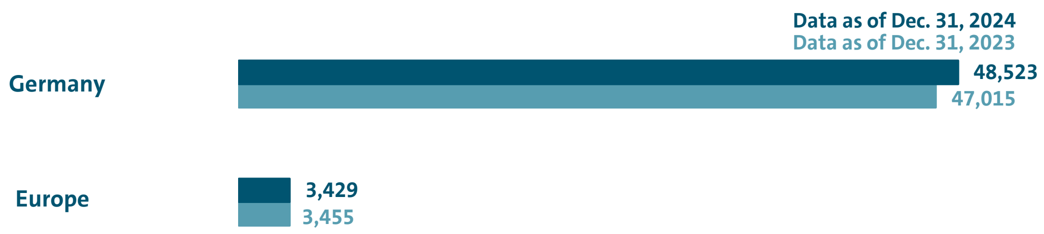
Corporate portfolio

In Volkswagen Leasing GmbH's corporate portfolio, a marginal increase in the volume of loans and receivables was recorded in the second half of 2024 (+€70 million as of December 2024 compared with July 2024), driven primarily by the German market.

Risk in the corporate portfolio was shaped by a rise in the default rate (from 4.0% as of July 2024 to 4.7% as of December 2024) and a slight increase in the percentage provision for credit risks (from 1.1% as of July 2024 to 1.2% as of December 2024).

BREAKDOWN OF LENDING VOLUME BY REGION

€ million



Europe excluding Germany

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

€ million

PD band	Retail	Corporate	Total
< = 1 %	14,637	11,553	26,190
	25.8%	20.4%	46.2%
> 1 % < 100 %	20,266	8,607	28,873
	35.8%	15.2%	51.0%
100 %	1,020	559	1,579
	1.8%	1.0%	2.8%
Total	**35,923**	**20,719**	**56,642**
	63.4%	36.6%	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 determined by estimating the portfolio loss distribution using a Monte Carlo simulation, and quantified in terms of the
value at risk or unexpected loss calculated in this way.

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 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 Leasing GmbH has to take into account country risk particularly in connection with funding and the lending business. Given the focus of business activities in Volkswagen Leasing GmbH, only limited country risks could arise as the Group is not usually involved in cross-border leasing business. Cross-border activities account for less than 1% of leasing business at Volkswagen Leasing GmbH. For this reason, 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.

Residual value risk

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

Referring to the bearer of residual value risk, a distinction is made between direct and indirect residual value risks. Direct residual value risk refers to residual value risk borne directly by Volkswagen Leasing GmbH. 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, Volkswagen Leasing GmbH’s indirect residual value risk becomes relevant in that the indirect residual value risk passes back to Volkswagen Leasing GmbH and becomes a direct residual value risk. In other words, Volkswagen Leasing GmbH re-assumes responsibility for remarketing the vehicles.

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

Risk identification and assessment

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

To determine the UL, the Company measures the difference between the actual selling price achieved (adjusted for damage and mileage variances) for the vehicle sold and the contractual residual value. Based on the history of these differences, a markdown is calculated.

UL is calculated by multiplying the contractual residual value by the markdown for the vehicles leased and not yet sold. This value is calculated at individual lease level for each vehicle in the portfolio. As in the calculation of the EL, the UL portfolio is determined by aggregating the ULs for all the vehicles. This figure is generated quarterly. The results from the calculation of the EL and UL are fed in to the assessment of the risk situation, e.g. they are one of the factors used in assessing the adequacy of the provisions for risks and are included in the calculation of risk-bearing capacity.

In the case of indirect residual value risk, the risk arising in connection with determining residual value is generally quantified using a methodology similar to that applied for direct residual value risk, but the methodology also takes into account further risk parameters (dealer default and other factors specific to this risk category).

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

Risk monitoring and control

The Risk Management unit monitors residual value risk within Volkswagen Leasing GmbH.

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 analysis based on individual leases does not always fully cover the assumed risks as a result of the distribution of the risks (because of the difference between the residual value curve (degressive) and the incoming repayments curve (progressive) during the term of the lease). For risks already identified, the risk amounts allocated to the residual maturity must still be earned in the future and added to write-downs.

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. Residual value recommendations for new lease origination must take into account prevailing market circumstances and future influences. There are also a number of stress tests for direct residual value risks for creating a comprehensive picture of the risk sensitivity of the residual value business. These stress tests are carried out by experts with the involvement of risk specialists at head office and in the local units.

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. Based on the potential indirect residual value risk determined in these activities, various measures are initiated in close collaboration with the brands and the dealer organization to limit the risk.

Trends

CHANGES IN DIRECT RESIDUAL VALUE RISK

Direct residual value risk[1]	Dec. 31, 2024	Dec. 31, 2023
Number of contracts	1,172,985	1,115,323
Guaranteed residual values (€ million)	23,908	22,157
Risk exposure in %	7.8	7.3

For 2024, the portfolio of Volkswagen Leasing GmbH recorded an increase in the volume of contracts. 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.

As part of the management of residual value risk, Volkswagen Leasing GmbH has firstly specified rules for managing residual value. The processes for this include the calculation of the risk exposures of forward-looking residual value forecasts. Secondly, it has established uniform requirements for the Group, which reflect the accounting standards governing the recognition of provisions for credit risks. On the basis of this mandatory outer framework, the divisions/markets monitor and control their business policy activities, planning and decisions in compliance with their assigned authority. Residual value risk is monitored at portfolio level by means of regular reporting and the annual planning process.

Interest rate risk in the banking book (IRRBB)

Interest rate risk refers to potential present-value and periodic losses that could arise as a result of changes in market interest rates. It occurs because of interest rate mismatches between asset and liability items. Changes in interest rates that cause interest rate risk to materialize can have a negative impact on financial performance.

Risk identification and assessment

Operating and strategic interest rate risks for Volkswagen Leasing GmbH, as part of the Volkswagen Bank 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 profits and losses taking into account 3650 historical market fluctuations. VaR is calculated for management purposes to estimate potential losses under historical market conditions. At Group level, 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 of the simulations are analyzed to assess whether any of the situations could represent a serious potential risk. This process also includes the monthly quantification and monitoring of the changes in present value resulting from the interest rate shock scenarios of +200 basis points and –200 basis points as specified by the 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.

In addition to the present value perspective, interest rate risk is also measured from an income-oriented or periodic perspective pursuant to the provisions of MaRisk at Group level. The income-oriented perspective relates to the periodic gains and losses and therefore represents a direct correlation to the income statement.

The overall focus of interest rate risk management is on the present value perspective. The periodic perspective supplements the present value perspective and is monitored via the threshold value.

The calculation of interest rate risk uses notional maturities to take into account early contract settlements.

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 at the level of the Volkswagen Bank GmbH Group. 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 (including Volkswagen Leasing GmbH) each month.

Trends

Interest rate risk in the banking book of Volkswagen Leasing GmbH as part of the Volkswagen Bank GmbH Group remained at an elevated level due to high interest rate volatility in the period under review. The defined operating limits were complied with during 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). As part of the Volkswagen Bank GmbH Group, CSRBB is regularly determined for the securities portfolios, if any, of Volkswagen Leasing GmbH.

The 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. Volkswagen Leasing GmbH is not exposed to currency risks.

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. Volkswagen Leasing GmbH 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; it 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 at Volkswagen Bank GmbH Group level. For Volkswagen Leasing GmbH, which is covered by the risk management activities at the level of the Volkswagen Bank GmbH Group, currency risk and fund price risk, if any, 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 at Volkswagen Leasing GmbH is to safeguard the ability of the Company to meet its payment obligations at all times.

If liquidity risk were to materialize, funding risk would result in higher costs and market liquidity risk would result in lower selling prices for assets, both of which would have a negative impact on results of operations. The most serious consequence associated with the risk of insolvency is insolvency caused by illiquidity. Liquidity risk management ensures that this situation does not arise.

Risk identification and assessment

The expected cash flows at Volkswagen Leasing GmbH are brought together and evaluated by the Treasury unit at Volkswagen Bank GmbH on the basis of an outsourcing agreement.

The Risk Management of Volkswagen Bank GmbH is responsible for identifying and recording liquidity risk, also on the basis of an outsourcing agreement. Stress tests are applied to funding matrices using a scenario approach with scenario triggers from the Company itself or the market, or a combination of the two. 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.

Risk monitoring and control
The operational liquidity management of Volkswagen Leasing GmbH has been outsourced to Treasury at Volkswagen Bank GmbH. For managing liquidity, the Group prepares funding matrices, carries out cash flow forecasts and uses this information to determine the relevant range of liquidity coverage. The results of the analyses, the current liquidity position and possible funding measures are presented and discussed in the Operational Liquidity Committee (OLC) at fixed two-week intervals.

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

Under an outsourcing agreement, the Risk Management unit at Volkswagen Bank GmbH communicates key management information and relevant early warning indicators relating to risk of insolvency and funding risk to the Management Board of Volkswagen Leasing GmbH. As far as risk of insolvency 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. The Management Board of Volkswagen Leasing GmbH is given an up-to-date report on the liquidity position on a monthly basis.

Trends
At the level of Volkswagen Leasing GmbH, liquidity risk remained stable in the reporting period. In the reporting period, funding risk always remained within the specified limits.

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 the Corporate Communications unit include avoiding negative reports in the press or similar announcements that could inflict damage on the reputation of the Company. If this is unsuccessful, the unit is then responsible for assessing the situation and initiating appropriate communications aimed at specific target groups to limit the reputational damage as far as possible. The strategic objective is therefore to prevent or reduce any negative variance between actual reputation and the level of reputation the Company expects. A loss of reputation or damage to the Company's image could have a direct impact on financial performance.

Reputational risk is recognized quantitatively in the context of the risk-taking potential of the Volkswagen Bank GmbH Group 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 the Management in relation to the positioning of the Company 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 Company as a going concern.

Strategic risk is included in the calculation of risk-bearing capacity as part of business risk; it additionally includes a qualitative premium for climate and sustainability risk drivers.

Business model risk

Business model risk arises as a result of the economic dependency of an entity on its group parent. The value for business model risk is derived using a scenario-based approach. The underlying scenario assumes that 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).

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 risks.

Other categories of risk, such as reputational or strategic risk, do not fall within the scope of operational risk because they are analyzed separately.

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 with the resulting loss of a business asset, which has a negative impact on financial position and financial performance.

The operational risk strategy specifies the focus for the management of operational risk; work instructions such as the operational risk manual set out the associated implementation process and allocate responsibilities.

The risk strategy objectives are implemented on the basis of the three lines of defense model. The local OpR units in Germany and abroad are responsible for local OpR management as the first line of defense.

In this process, Risk Management's central requirements with regard to methods and procedures (central OpR unit) and those of the special OpR units (governance functions with expert knowledge, referred to as risk owners for specific risk drivers) must be taken into account 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 first line of defense working in pairs (assessor and approver) with the help of two operational risk 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.

A central loss database is used to ensure 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.

Based on the figures from the risk self-assessment and the historical losses, Risk Management carried out quarterly calculations to determine the expected loss, unexpected loss and then the overall value-at-risk (VaR) up to June 30, 2024.

Since July 1, 2024, the value at risk for operational risk is calculated quarterly by the central OpR unit using a loss distribution approach (LDA) that incorporates the results of the risk self-assessment and any losses incurred.

Risk monitoring and control

Operational risk is managed by the OpR units (first line of defense) on the basis of the rules in force and the requirements laid down by the special OpR 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).

On the basis of random samples, the central OpR unit checks the plausibility of the information provided in the risk self-assessments, reviews the operational risk system to ensure it is fully functioning and instigates appropriate modifications as required. 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.

Risks are also managed on the basis of the specified limit and quarterly monitoring of the limit utilization in the risk-bearing capacity assessment. Operational risks and losses are communicated on a quarterly basis as part of the risk management reports. The quarterly details are supplemented by an annual operational risk report in which the main events of the year are presented and assessed again in a coherent manner. Ad hoc reports are issued in addition to the regular reports, provided that the relevant specified criteria are satisfied.

Risk communication

Operational risks are communicated on a quarterly basis as part of the risk management reports of the VW Bank GmbH Group. The quarterly details are supplemented by an annual operational risk report for the VW Bank GmbH Group 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. Legal risk continued to account for the largest share of the overall operational risk exposure (in the category of litigation risk). This exposure is followed by the category of external risk – external services and outsourced tasks. In addition, the area of technological risk – information technology (especially due to the general rise in the number of cyber attacks and increasing process digitalization) continues to entail a high risk potential.

These three key risk drivers are described in detail below.

Litigation risk – law infringements
To counter the risk of law infringements (compliance risk), a compliance and integrity function has been established in the Volkswagen Bank GmbH Group whose task 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 FS values, thereby presenting an obstacle to the sustained success of the business. This is not to be confused with 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.

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In addition, integrity risk encompasses all risks that arise from a failure of employees to conduct themselves in an ethically acceptable manner or to act in accordance with the Group's principles or the FS values, thereby presenting an obstacle to the sustained success of the business.
The Volkswagen Bank GmbH Group addresses the three categories of risk by means of a local compliance and integrity function whose task is to specify and implement risk-mitigating measures in the role of a governance function.

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

As part of the compliance unit, the role of the compliance officer is to work toward implementing effective procedures to ensure compliance with legal rules and regulations that are central for and core to 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, classroom training, e-learning programs and other media-based activities), implementing communication initiatives, including distributing guidelines and other information media, and participating in compliance and integrity programs.

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

Using the control plans and records as a basis, the compliance unit checks whether the implemented controls are appropriate. In addition, 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 is responsible for coordinating ongoing legal monitoring, the purpose of which is to ensure that new or amended legal regulations and requirements are identified promptly. All relevant departments and the legal department are actively involved in this process. The compliance theme coordinators in turn must work in collaboration with the legal department and the various other departments to implement measures aimed at identifying at an early stage new or amended regulations and requirements relevant to their areas of responsibility and, if such relevance is established, furnishing an analysis of materiality for the Company. The respective compliance officer is notified of any identified regulations and requirements 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 Company. 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:

> Unexpectedly low fees and commissions (fee and commission risk)
> 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. Deviations from the minimum requirements or guidelines are 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 institution's compliance officer.

As in the case of the compliance function, the central integrity function only specifies the framework for the Group. The internal compliance risk assessment (ICRA), which also covers human rights issues, and the risk-oriented programs of action derived from it 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.

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

In order to meet the legal reporting requirements of the compliance function the Management Board additionally receives an annual compliance report, although this can be updated during the year if required. The annual compliance report contains a presentation of the appropriateness and effectiveness of the compliance requirements implemented to ensure compliance with central and core legal rules and regulations.

The Management Board has entered into a voluntary undertaking regarding compliance and integrity. This is to ensure that aspects of compliance and integrity are also always discussed and taken into consideration for all decisions of the Management Board.

External risk – 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.

As part of the restructuring of the Volkswagen Financial Services AG and Volkswagen Bank GmbH subgroups, Volkswagen Leasing GmbH entered into internal outsourcing agreements with Volkswagen Financial Services AG in the following areas: IT, accounting, controlling, treasury, legal, compliance, corporate security, HR matters, internal audit, marketing, sales, procurement, 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 financing 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 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: outsourcing with medium risk, outsourcing with high risk or critical outsourcing. Depending on the level of risk, the arrangement may be subject to more stringent levels of monitoring and control as well as special and stricter contractual provisions.

Risk monitoring and control
To ensure effective management of outsourcing risk in accordance with the EBA guidelines, the Volkswagen Bank GmbH Group has issued a framework policy specifying the constraints that outsourcing arrangements must observe. Before any activity is outsourced, the circumstances must be examined with a focus on risk to determine the risk in each case. This analysis procedure is one of the components of the constraints and 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 Outsourcing Coordination unit. This coordination unit is therefore informed of all outsourcing activities and the associated risks, and communicates these risks to the Management Board on a regular basis.

Technological risk – information technology

In the category of IT and infrastructure risk the main 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 patterns of these attacks change constantly and they are carried out with increasing professionalism (examples being DDoS, ransomware attacks, supply chain attacks). Due to the resulting potential losses caused by malfunction or disruptions to business operations, precautionary or corrective measures are continuously taken and enhanced to maintain a resilient IT system at VW Leasing GmbH. The main focus here is on safeguarding the confidentiality, integrity, authenticity and availability of data. The precautionary measures are built around the various tools of the three lines of defense to guarantee security, stability and compliance within all business operations that use IT. Any potential weak points identified are systematically subjected to the IT risk process, assessed and managed appropriately according to risk appetite.

SUMMARY

Volkswagen Leasing GmbH 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. Volkswagen Leasing GmbH 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 risk report, there is currently no evidence of any risks that could jeopardize the continued existence of Volkswagen Leasing GmbH as a going concern.

Forecast of material risks

Forecast for credit risk

The volume of loans and receivables subject to credit risk at Volkswagen Leasing GmbH is expected to increase continuously in fiscal year 2025 (by 11% compared with December 2024 based on the 2025 budget). Given the macroeconomic conditions, a stable yet challenging risk situation is anticipated for Volkswagen Leasing GmbH overall. The risk situation of Volkswagen Leasing GmbH will continue to be closely monitored in fiscal year 2025 so that a proactive response can be given if any developments arise.

Forecast for residual value risk

The risk situation will remain challenging given the continued economic risks and global political tensions anticipated for 2025. The specific risk situation of Volkswagen Leasing GmbH's portfolios will depend very much on how inflation and purchasing power develop in the various markets.

The Company permanently monitors the risk situation closely so that it can respond proactively to any potential developments by initiating targeted corrective measures.

The volume of contracts in the residual value portfolio is essentially projected to continue to grow in fiscal year 2025. In this case too, the main drivers will be the growth programs implemented by the Company, further expansion in the fleet business and the ongoing shift from finance to leasing. The residual value risk situation is expected to continue moving back towards a more normal status.

Forecast for liquidity risk

The risk situation is considered to be stable. The established sources of funding remain available despite the prevailing global political uncertainties. Funding diversification continues to be extended and existing sources of funding are being expanded.

It should be noted that the degree of risk for the risk categories forecast has differed from the current risk portfolio while the restructuring program has been implemented. There is no longer any increased risk in this respect following the successful completion of the restructuring.

Forecast for operational risk

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 Develop-ments

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. With our brand diversity, broad product range and services, we believe we are well prepared for the future challenges in the mobility business.

The expected development of the Volkswagen Leasing GmbH Group and the framework conditions of its business activities are described in the following. We set out the risks and opportunities that may lead to a deviation from the projected developments in the report on opportunities and risks.

The 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

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.

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. 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

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. 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.

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, responding to an easing in inflation in fiscal year 2024. A few central banks have already made some cuts in interest rates, and the trend of interest rate reductions is expected to continue in 2025. Interest rate trends are generally factored into pricing.

MOBILITY CONCEPTS

Social and political factors have an increasing impact on many people's individual mobility behavior. Among the general public, environmental and climate protection has grown immensely in importance over the last few years and is attracting increasing attention from lawmakers. Especially in large metropolitan areas, new challenges are appearing in connection with the design of an intelligent mobility mix consisting of public transport combined with motorized and non-motorized private transport. In addition, new mobility solutions will change the traditional perception of owning a vehicle. As a result, mobility is being redefined in many respects.

Volkswagen Financial Services AG closely monitors developments in the mobility market and is working on new models to support alternative marketing approaches and establish new mobility concepts with the goal of securing and expanding its business model. Simple, convenient, transparent, safe, reliable, flexible – these are the standards that the Company has set for itself.

In collaboration with the automotive brands of the Volkswagen Group, Volkswagen Financial Services AG is aiming to take a leading position in the development of new mobility concepts, as has been the case in the conventional automotive business for many years.

From traditional financing and leasing to long- and short-term rental business and car subscription services, Volkswagen Financial Services AG is already able to meet a large proportion of customer mobility needs through its subsidiaries and the partnership with the Europcar Mobility Group, a majority holding of Volkswagen AG.

Under the VW FS | Auto Abo product name, Volkswagen Financial Services AG offers customers a flexible car subscription through its investment in Euromobil GmbH (a joint venture with the Europcar Mobility Group) as an alternative to leasing and credit financing. It covers several brands of the Volkswagen Group and enables customers to use a vehicle without any long-term commitment. The VW FS | Auto Abo allows customers to gather initial experience in the use of an electric vehicle as a way of overcoming assumed entry barriers.

Likewise, Euromobil GmbH (a joint venture between the Europcar Mobility Group and Volkswagen Financial Services AG) offers "Auto-Abo" car subscription services for the German market from other group brands, such as Volkswagen, Audi and Škoda, as well as for Volkswagen in France – in partnership with Europcar – thereby also promoting the Volkswagen Group's electrification strategy.

Volkswagen Financial Services AG partners with the Volkswagen Group brands in the marketing of vehicles with internal combustion engines as well as of electric vehicles. Attractive leasing offers in particular play an important role in the marketing of the Volkswagen Group's e-vehicles. These are supplemented by maintenance and wear-and-tear packages.

In this context, Volkswagen Financial Services AG continues to serve as a one-stop shop for its customers, remaining true to the essence of its company slogan "The Key to Mobility" in future, too.

SUMMARY OF EXPECTED DEVELOPMENTS

Volkswagen Leasing GmbH expects its business growth in fiscal year 2025 to be linked to the growth in unit sales of Volkswagen Group vehicles.

Sales activities related to the Volkswagen Group brands will be further intensified, particularly through joint strategic projects. Furthermore, Volkswagen Leasing GmbH intends to maintain the measures it has introduced to leverage greater potential along the automotive value chain.

Together with the Group brands, Volkswagen Leasing GmbH aims to provide optimum solutions to satisfy the wishes and needs of its customers. Its end customers are looking in particular for sustainable individual mobility with predictable fixed costs. The Company is also looking to digitalization to drive further expansion of the business.

The product packages and mobility solutions successfully launched in the last few years will be refined strictly in line with customer needs (e.g. electromobility). In addition to optimizing existing products, the focus is on discontinuing outdated products and introducing innovative sustainable products and services.

OUTLOOK FOR 2025

The Management Board of Volkswagen Leasing GmbH expects that Germany's economic growth will recover in 2025 and the economy will perform positively but at a slow pace. The primary source of risk is inflation, the future course of which will determine the development of interest rates to a very significant extent. At present, the Management Board projects a slight decline in the inflation rate in Germany. In addition, growth prospects will be affected by geopolitical tensions and conflicts.

In view of the underlying conditions described here and the trends evident in the market, the overall picture is as follows: expectations assume there will be greater levels of cooperation with the individual Group brands, increased investment in digitalization for the future, potential effects of geopolitical upheaval, and continued uncertainty about macroeconomic conditions in the real economy.

For fiscal year 2025, the Management Board expects a considerable improvement in the operating result compared to the previous year. This forecast is based on the assumption of increased cooperation with the Group brands and extensive cost optimizations through our efficiency program. In addition, the anticipated path of risk costs and the fair values of derivatives used for hedging purposes are having a significant impact on earnings performance.

Based on forecast deliveries of new vehicles of the Volkswagen Group, the number of new contracts is expected to rise moderately, despite a slight decline in the penetration rates of Volkswagen Leasing GmbH in the German market. The number of existing leases will also go up moderately. Even though the challenging market environment persists, the respective prior-year figures are expected to be exceeded.

Return on equity is expected to be up considerably year-on-year in 2025 as a result of the forecast earnings performance and stable capital adequacy situation. We expect the overhead ratio to perform at the previous year's level.

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

	Actual 2024	Forecast for 2025	
Nonfinancial performance indicators			
Penetration (percent)	61.6	<61.6	Slightly below previous year
Current contracts (thousands)	2,085	> 2,085	Moderately up on previous year
New contracts (thousands)	865	> 865	Moderately up on previous year
Financial performance indicators			
Volume of business (€ million)	49,661	>49,661	Noticeably up on previous year
Operating result (€ million)	318.0	>318.0	Substantially up on previous year
Return on equity (percent)	3.2	>3.2	Substantially up on previous year
Overhead ratio (percent)	0.9	0.9	On previous year level

Braunschweig, February 24, 2025
The Management Board

Manuela Voigt

Hendrik Eggers

Verena Roth

This Annual Report contains forward-looking statements on the future business development of Volkswagen Financial Services AG 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 Financial Services Overseas AG 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 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. Forward-looking statements are not updated and no obligation is assumed to update any forward-looking statements made in this Annual Report, except as required by law..

Balance Sheet

of Volkswagen Leasing GmbH, Braunschweig, as of December 31, 2024

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Assets		
1. Cash reserve		
b) From other activities	4	–
2. Loans to and receivables from banks		
b) From other activities		
aa) Repayable on demand	2,547,941	802,639
3. Loans to and receivables from customers		
a) From payment services	175	192
aa) From fees and commissions	175	192
b) From other activities	5,083,524	8,614,960
	5,083,699	8,615,152
4. Notes and other fixed-income securities		
b) Commercial paper and notes		
ba) From public-sector issuers	143,907	102,519
5. Lease assets		
aa) From other activities	49,094,343	45,029,628
6. Intangible fixed assets		
a) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	102,773	94,065
	102,773	94,065
7. Property and equipment		
a) Land and buildings		
ab) From other activities	17,864	24,577
b) Operating and office equipment		
ab) From other activities	567	689
	18,431	25,266
8. Other assets		
b) From other activities	1,567,666	1,976,324
9. Prepaid expenses and accrued income		
b) From other activities	1,059,072	1,341,162
Total assets	**59,617,836**	**57,986,755**

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Equity and liabilities		
1. Liabilities to banks		
b) From other activities		
aa) Repayable on demand	175,127	–
bb) With agreed maturity or notice period	7,741,866	–
	7,916,993	–
2. Liabilities to customers	–	–
b) From other activities	23,636,699	28,438,604
3. Notes, commercial paper issued	–	–
a) Bonds issued	10,525,518	11,246,340
b) Commercial paper	–	897,981
	10,525,518	12,144,321
4. Other liabilities		
b) From other activities	1,837,707	1,460,781
5. Prepaid expenses and accrued income		
b) From other activities	11,241,777	11,000,505
6. Provisions	–	–
a) Provisions for pensions and other post-employment benefits	–	–
bb) From other activities	117,337	1,243
b) Provisions for taxes		
bb) From other activities	14,718	29,435
c) Other provisions		
bb) From other activities	1,050,469	1,635,189
	1,182,524	1,665,867
7. Special tax-allowable reserve	706	765
8. Fund for general banking risks	6,000	6,000
9. Equity		
a) Subscribed capital	76,004	76,004
b) Capital reserves	3,193,259	3,193,259
c) Net retained profits	649	649
	3,269,912	3,269,912
Total equity and liabilities	**59,617,836**	**57,986,755**
1. Contingent liabilities		
Liability arising from the provision of collateral for third-party liabilities	73,375	84,375
2. Other obligations		
Irrevocable leasing commitments	5,362,820	6,896,733

Income Statement

of Volkswagen Leasing GmbH, Braunschweig, for the period from January 1 through December 31, 2024

€ thousand	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
1. Lease income	28,351,180	26,213,082
2. Leasing expenses	14,663,204	13,349,344
	13,687,976	**12,863,738**
3. Interest income		
b) From other activities		
aa) Lending and money market transactions	546,635	419,759
4. Interest expense		
b) From other activities	1,604,612	1,317,311
thereof: unwinding of discount on provisions	2,365	1,430
	–1,057,977	–897,552
5. Fee and commission income		
a) From payment services and the issuance of e-money	34	48
b) From other activities	55,960	23,727
6. Fee and commission expenses		
b) From other activities	1,075,659	1,202,984
	–1,019,665	–1,179,209
7. Other operating income		
b) From other activities	462,482	288,687
8. Income from the reversal of special tax-allowable reserve	59	59
9. General and administrative expenses		
a) From payment services and the issuance of e-money		
bb) Other administrative expenses	87	125
b) From other activities		
aa) Personnel expenses		
aaa) Wages and salaries	104,984	4,768
bbb) Social security, post-employment and other employee benefit costs of which: for post-employment benefits €18,066 thousand	36,410	1,395
	141,394	6,163
bb) Other administrative expenses	479,609	614,844
	621,090	621,132

€ thousand	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
10. Depreciation, amortization and write-downs		
a) Depreciation and write-downs of lease assets		
ab) From other activities	11,386,464	10,945,616
b) Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of property and equipment		
bb) From other activities	64,693	60,267
	11,451,157	11,005,883
11. Other operating expenses		
b) From other activities	39,988	21,788
12. Write-downs of and valuation allowances on receivables and additions to provisions in the leasing business		
b) From other activities	478,542	579,013
13. Income from the reversal of write-downs of and valuation allowances on receivables and from the reversal of provisions in the leasing business		
b) From other activities	672,776	655,447
14. Result from ordinary business activities	**154,874**	**–496,646**
a) From payment services and the issuance of e-money	–53	–77
b) From other activities	154,927	–496,569
15. Income tax expense	135,971	–18,080
a) From payment services and the issuance of e-money	–47	–3
b) From other activities	136,018	–18,077
16. Income from the absorption of losses	–	478,566
a) From payment services and the issuance of e-money	–	80
b) From other activities	–	478,486
17. Profits transferred under a profit-and-loss transfer agreement	18,903	–
a) From payment services and the issuance of e-money	–100	–
b) From other activities	19,003	–
18. Net income for the year	**–**	**–**
19. Retained profits brought forward	649	649
20. Net retained profits	**649**	**649**

Notes to the Annual Financial Statements

of Volkswagen Leasing GmbH, Braunschweig, as of December 31, 2024

1. General Information

The annual financial statements of Volkswagen Leasing GmbH have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Verordnung über die Rechnungslegung der Kreditinstitute* (RechKredV – German Bank Accounting Regulation) as well as the additional disclosures required under the *Verordnung über die Rechnungslegung der Zahlungsinstitute und E-Geld-Institute* (RechZahlV – German Regulation on the Accounting of Payment Institutions and E-Money Institutions).

TRATON SE, Munich, Germany, TRATON Financial Services AB, Södertälje, Sweden, Volkswagen Financial Services AG and Volkswagen Bank GmbH signed a framework agreement concerning the acquisition of substantial parts of the worldwide financial services business of MAN and Volkswagen Truck & Bus (VWTB) on July 12, 2023. The transaction includes the sale and transfer of rights to provide financing solutions to customers of MAN and VWTB. The Volkswagen Leasing GmbH Group is affected by this in that new business of the MAN Financial Services branch of Volkswagen Leasing GmbH has been operated by a subsidiary of TRATON Financial Services AB, Södertälje, Sweden, since the fourth quarter of 2024. Existing business will remain with Volkswagen Leasing GmbH.

Volkswagen Financial Services Overseas AG, Braunschweig, which operated under the name of Volkswagen Financial Services AG until June 30, 2024, was the sole shareholder of Volkswagen Leasing GmbH until June 30, 2024. On July 1, 2024, Volkswagen Financial Services Overseas AG transferred all shares in Volkswagen Leasing GmbH to Volkswagen Bank GmbH within the scope of a spin-off. Volkswagen Bank GmbH, Braunschweig, has been the sole shareholder of Volkswagen Leasing GmbH since July 1, 2024. Following the contribution of the shares in Volkswagen Bank GmbH to Volkswagen Financial Services AG as of July 1, 2024, which had operated as Volkswagen Financial Services Europe AG until June 30, 2024, Volkswagen Financial Services AG, Braunschweig, is the parent company of the shareholder, Volkswagen Bank GmbH . The ultimate parent company of Volkswagen Leasing GmbH is Volkswagen AG, Wolfsburg.

The spin-off also entailed the assignment of all rights and obligations under the control and profit-and-loss transfer agreement between Volkswagen Financial Services Overseas AG and Volkswagen Leasing GmbH. Upon assignment of these rights and obligations, Volkswagen Bank GmbH took the place of Volkswagen Financial Services Overseas AG, meaning that as of the date of completion, July 1, 2024, the control and profit-and-loss agreement exists between Volkswagen Leasing GmbH as the dependent company obliged to make profit and loss transfers and Volkswagen Bank GmbH as the other contracting party.

As of October 1, 2024, Volkswagen Leasing GmbH acquired the shares in Volkswagen Mobility Services S.p.A., Milan, from Volkswagen Finance Europe B.V., Amsterdam, at a purchase price of €25.6 million. The purchase price was paid in cash. The acquired company operated financial services business in the Italian market, involving activities such as the sale and processing of service contracts, e.g., for maintenance and wear and tear.

Following the acquisition, the company was merged into Volkswagen Leasing GmbH on November 1, 2024 with retrospective effect as of January 1, 2024.

Volkswagen Leasing GmbH provides internal services for companies in the Volkswagen Financial Services AG Group. An internal cost allocation system is used to charge these services to the German group companies according to the costs-by-cause principle. The income derived from the allocation of these costs is reported under other operating income.

2. Accounting Policies

The accounting policies applied in the previous year have been retained.

Intangible fixed assets, property and equipment, and lease assets are carried at cost less depreciation and less impairment losses, if the impairment is expected to be permanent, taking existing collateral into account. In this process, the non-amortizable intangible fixed assets are measured at fair value. Since a hedge relationship exists between the residual value under the lease and the put option, the option to apply hedge accounting allowed by section 254 of the HGB has been applied.

The office buildings are depreciated on a straight-line basis (useful life of 50 years for old buildings and 25 years for new buildings). Operating and office equipment is depreciated on a straight-line basis over its typical useful life of three to seven years. Lease assets are depreciated on a straight-line basis over their typical useful life. The useful life of a passenger car is six years, of trucks and buses between five and nine years, and of other leased items, which mainly comprise movable lease assets at dealerships (workshop equipment), three to 13 years. Amortizable intangible fixed assets are amortized on a straight-line basis over three years. Non-amortizable intangible assets are written down for any impairment expected to be permanent.

Receivables and other assets are recognized at their principal amounts. Appropriate valuation allowances are recognized to take into account any default risk. Lease purchase agreements that specify the transfer of ownership of the vehicle from Volkswagen Leasing GmbH (formerly MAN Financial Services branch) to the customer on payment of the last installment are recognized under receivables from customers at the present value of receivables outstanding less any valuation allowances.

Notes and other fixed-income securities are measured at cost or at the lower fair value.

Prepaid expenses are expenses incurred before the reporting date but attributable to a period or periods after this date; the item is reversed and taken to the income statement on a straight-line basis over the relevant period of time.

Liabilities are recognized at the settlement amount.

Deferred income comprises income before the reporting date, representing income or other operating income from the leasing business that is attributable to future periods.

Provisions for pensions are recognized for commitments in the form of retirement, invalidity and surviving dependents’ benefits payable under pension plans.

Volkswagen Leasing GmbH provides occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, the Company makes contributions to state or private pension schemes based on statutory or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for Volkswagen Leasing GmbH. Current contributions are recognized as pension expenses of the period concerned. In 2024, they amounted to a total of €7,376 thousand. Of this figure, contributions to the compulsory state pension system in Germany amounted to €7,376 thousand. The defined contribution plans result from the transfer of personnel to Volkswagen Leasing GmbH as part of the restructuring. There had been no defined contribution plans in the previous year.

Pension schemes in the Volkswagen Bank GmbH Group are predominantly defined benefit plans, whereby a distinction is made between pension s funded by provisions (without plan assets) and externally funded plans (with plan assets). Externally funded pension schemes have arisen from the personnel transfer in the reporting year. The defined benefit plan is a pension scheme that is funded by provisions (without plan assets).

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.

Other pension obligations (time asset bonds) are also linked to securities funds. Time asset bonds provide an 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.

As a result of the restructuring, there were various personnel transfers between the higher-level parent company Volkswagen Financial Services AG, the parent company Volkswagen Bank GmbH and Volkswagen Leasing GmbH as of July 1, 2024. In the process, provisions for obligations to employees, e.g., from pension obligations, were transferred from the transferring companies to the absorbing companies. The transferred provisions, were compensated for with compensation payments calculated on the basis of the value of the provisions under the HGB.

Discernible risks and uncertain liabilities are accounted for by recognizing adequate provisions in the amount required to settle the liability determined in accordance with prudent business judgment. Provisions with a maturity of more than one year are discounted using the average market discount rate for the previous seven fiscal years. This discount rate is published monthly by Deutsche Bundesbank.

On the basis of an existing profit and loss transfer agreement, deferred taxes are generally recognized by Volkswagen AG, Wolfsburg, the controlling entity in the tax group. Deferred taxes are recognized for all temporary differences between the carrying amounts in accordance with the HGB and those in the tax base using the specific company tax rate of 29.98%. No deferred tax liabilities were recognized separately in fiscal year 2024, as the Company exercised the option to offset deferred tax assets and deferred tax liabilities. The Italy branch, which is taxed separately, mainly recognizes deferred tax assets relating to lease assets and to provisions and liabilities. Beyond this, the Company does not exercise the option to recognize deferred tax assets provided for in section 274 of the HGB.

The model rules on global minimum taxation (Pillar 2) published by the OECD have been enacted or substantively enacted in certain countries where Volkswagen Leasing GmbH operates. For Germany, the legislation enters into force for the fiscal year of Volkswagen Leasing GmbH beginning on January 1, 2024. Volkswagen Leasing 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 company is exposed in relation to the global minimum taxation.

This assessment is based on the latest available information on the financial performance of Volkswagen Leasing GmbH. Based on the assessment made, the effective Pillar Two tax rates are higher than 15% in all jurisdictions in which Volkswagen Leasing GmbH operates. For this reason, Volkswagen Leasing GmbH does not expect any potential risk of additional Pillar Two 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 Leasing GmbH.

Differences between the carrying amounts required by the HGB and those permitted in the tax base continue to be reported under the special tax-allowable reserve in exercise of the grandfather rights provided for in article 67(3) sentence 1 of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Act to the German Commercial Code).

The fund for general banking risks was first established by MAN Financial Services GmbH in accordance with section 340g of the HGB in fiscal year 2012 and has been continued since then.

Equity is recognized at the nominal amount. Irrevocable lease commitments are reported at their present value. Interest rate derivatives entered into by Volkswagen Leasing GmbH are used as part of general economic hedges. The Company does not make use of the option to apply specific hedge accounting arrangements. The interest rate derivatives of Volkswagen Leasing GmbH were reviewed to assess whether there was any need to recognize a provision for expected losses. In addition to positive fair values, there were also negative fair values, and this led to the recognition of a provision for expected losses.

Leasing income is recognized insofar as the goods or services due have been provided and an entitlement to the consideration has been created. Income from goods supplied, principally from the sale of used vehicles (sales revenue), is reported as soon as beneficial ownership has passed to the customer (transfer of possession, of the right to use and sell, of charges and of the risk of loss and accidental loss). The transfer of beneficial ownership is determined in accordance with the agreed terms of delivery and/or general terms and conditions. Income from services is recognized as soon as the service has been rendered. The amount of income reported corresponds to the agreed consideration minus the applicable sales tax and income deductions such as bonuses, discounts and rebates.

3. Balance Sheet Disclosures

RECEIVABLES FROM BANKS AND CUSTOMERS

The breakdown of receivables from banks is as follows:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
1. Loans to and receivables from banks	**2,547,941**	**802,639**
(of which to affiliated companies €2,547,276 thousand; previous year: €802,232 thousand)		
Total	**2,547,941**	**802,639**

The breakdown of receivables from customers is as follows:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
1. Trade receivables	**1,748,738**	**1,641,754**
2. Receivables from affiliated companies	**3,317,759**	**6,956,225**
(of which from the sole shareholder €0 thousand; previous year: €846,127 thousand)		
(of which trade receivables €397,474 thousand; previous year: €395,780 thousand)		
3. Other receivables	**17,202**	**17,173**
Total	**5,083,699**	**8,615,152**

The following table shows the maturity analysis for the receivables:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
1. Loans to and receivables from banks	**2,547,941**	**802,639**
of which due in 0 – 3 months	**2,547,941**	802,639
2. Trade receivables	**1,748,738**	1,641,754
of which due in 0 – 3 months	**471,623**	364,639
of which due in 3 – 12 months	**326,374**	326,374
of which due in 12 – 60 months	**950,741**	950,741
3. Receivables from affiliated companies	**3,317,759**	6,956,225
of which due in 0 – 3 months	**547,810**	3,426,745
of which due in 3 – 12 months	**601,978**	235,514
of which due in 12 – 60 months	**2,167,971**	2,993,966
of which due in > 60 months	**–**	300,000
4. Other receivables	**17,202**	17,173
of which due in 0 – 3 months	**17,202**	17,173
Total	**7,631,640**	**9,417,791**

NOTES AND OTHER FIXED-INCOME SECURITIES

Of the notes and other fixed-income securities, an amount of €143,907 thousand is eligible as collateral with the Deutsche Bundesbank and fully negotiable.

LEASE ASSETS, INTANGIBLE FIXED ASSETS, AND PROPERTY AND EQUIPMENT

The breakdown of the fixed assets aggregated in the balance sheet and the changes in these assets in the reporting period are shown in the statement of changes in fixed assets. Capitalized put options are recognized under intangible assets. Additions in the current fiscal year amounted to €72,081 thousand. Assets under construction amounting to €0 thousand (previous year: €19 thousand) are included in the land and buildings shown under fixed assets.

Statement of changes in fixed assets of Volkswagen Leasing GmbH, Braunschweig, for 2024

€ thousand	Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	Land and buildings	Operating and office equipment	Assets under construction	Vehicles, technical equipment and machinery	Prepayments	Total fixed assets
Gross carrying amount Balance brought forward as of Jan. 1, 2024	**234,796**	**42,908**	**1,406**	**19**	**62,887,738**	**263,523**	**63,430,390**
Additions	72,081	79	81	–	26,704,176	322,599	**27,099,016**
Disposals	71,405	10,951	186	–	21,898,559	–	**21,981,101**
Transfers	–	19	–	–19	263,522	–263,522	**–**
Balance as of Dec. 31, 2024	**235,472**	**32,055**	**1,301**	**–**	**67,956,877**	**322,600**	**68,548,305**
Depreciation, amortization and write-downs brought forward January 1, 2024	**140,731**	**18,350**	**717**	**–**	**18,121,633**	**–**	**18,281,431**
Additions	63,373	1,226	94	–	11,386,464	–	**11,451,157**
Disposals	71,405	5,385	76	–	10,322,963	–	**10,399,829**
Transfers	–	–	–	–	–	–	**–**
Balance as of Dec. 31, 2024	**132,699**	**14,191**	**735**	**–**	**19,185,134**	**–**	**19,332,759**
Net carrying amount as of Dec. 31, 2024	**102,773**	**17,864**	**566**	**–**	**48,771,743**	**322,600**	**49,215,546**
Net carrying amount as of Dec. 31, 2023	**94,065**	**24,558**	**689**	**19**	**44,766,105**	**263,523**	**45,148,959**

OTHER ASSETS AND PREPAID EXPENSES

Other assets relate primarily to available-for-sale lease returns amounting to €823,853 thousand (previous year: €793,538 thousand), receivables from the processing of ABS transactions amounting to €109,484 thousand (previous year: €121,941 thousand), accrued swap interest of €99,713 thousand (previous year: €158,914 thousand) and value added tax receivables of the Italy branch in an amount of €380,919 thousand (previous year: €197,550 thousand).

Prepaid expenses include discounts on purchased bonds and ABS transactions amounting to €931,760 thousand (previous year: €1,226,796 thousand); these discounts are amortized over the relevant maturity. Prepaid vehicle taxes of €9,703 thousand (previous year: €11,032 thousand), insurance payments in connection with service leases in the amount of €53,535 thousand (previous year: €35,891 thousand) and other prepaid expenses are also recognized under this item.

LIABILITIES

The breakdown of liabilities is as follows:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
1. Liabilities to banks	**7,916,993**	**–**
(of which to affiliated companies €7,916,993 thousand; previous year: €0 thousand)		
2. Liabilities to customers	**23,636,699**	**28,438,604**
(of which to affiliated companies €23,188,608 thousand; previous year: €27,911,530 thousand)		
(of which to the sole shareholder €0 thousand; previous year: €5,265,126 thousand)		
(of which trade receivables €597,951 thousand; previous year: €787,430 thousand)		
3. Notes, commercial paper issued	**10,525,518**	**12,144,321**
4. Other liabilities	**1,837,707**	**1,460,781**
Total	**43,916,917**	**42,043,706**

The following table shows the maturity analysis for the liabilities:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
1. Liabilities to banks	**7,916,993**	**–**
of which due in 0 – 3 months	1,586,993	–
of which due in 3 – 12 months	3,010,000	–
of which due in 12 – 60 months	3,320,000	–
2. Liabilities to customers	**23,636,699**	**28,438,604**
of which due in 0 – 3 months	1,470,593	1,384,874
of which due in 3 – 12 months	5,282,183	6,593,605
of which due in 12 – 60 months	16,437,645	19,928,157
of which due in > 60 months	446,278	531,968
3. Notes, commercial paper issued	**10,525,518**	**12,144,321**
of which due in 0 – 3 months	1,125,518	1,975,436
of which due in 3 – 12 months	750,000	2,518,885
of which due in 12 – 60 months	7,200,000	4,950,000
of which due in > 60 months	1,450,000	2,700,000
4. Other liabilities	**1,837,707**	**1,460,781**
of which due in 0 – 3 months	914,392	323,161
of which due in 3 – 12 months	593,216	602,174
of which due in 12 – 60 months	330,099	535,446
Total	**43,916,917**	**42,043,706**

Volkswagen Leasing GmbH has not furnished any collateral in connection with the liabilities.

A total nominal amount of €1,750,000 thousand (previous year: €3,500,000 thousand) of the notes and commercial paper issued is due in the next fiscal year.

Other liabilities include liabilities for outstanding repair invoices under servicing and wear-and-tear agreements amounting to €1,050,581 thousand (previous year: €839,581 thousand) and swap interest liabilities amounting to €74,318 thousand (previous year: €119,040 thousand).

PROVISIONS

Provisions comprise the following items:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Provisions for pensions and other post-employment benefits	**117,337**	**1,243**
Settlement of funded pension obligation included in this amount:		
Funded pension provisions	**162,816**	**–**
Fund assets as plan assets (fair value €91,807 thousand)	**–91,807**	**–**
Provisions for taxes	**14,718**	**29,435**
Other provisions	**1,050,469**	**1,635,189**
Provision for time asset bonds	**43,557**	**–**
Fund assets as plan assets (cost €45,256 thousand)	**–43,557**	**–**
Other provisions	1,050,469	**1,635,189**
Total	**1,182,524**	**1,665,867**

The calculation of the present value of the defined benefit obligations was based on the following actuarial assumptions:

	GERMANY
Percent	Dec. 31, 2024
Discount rate	1.90
Pay trend	2.15
Pension trend	2.00
Staff turnover rate	1.21

The other provisions include provisions for the risks arising in connection with existing leases. The provisions for residual value risks amount to €4,425 thousand (previous year: €981 thousand). Further notable recognized items include expenses from service leases and expenses for outstanding invoices in an amount of €317,754 thousand (previous year: €288,168 thousand). Provisions totaling €126,078 thousand (previous year: €464,120 thousand) have also been recognized for dealer bonuses and other bonus payments. The provision for expected losses from interest rate derivatives amounted to €362,000 thousand (previous year: €588,000 thousand). Expected losses from interest rate derivatives are set against positive fair values, which are not reported due to the prudence principle.

The provision recognized for risks arising from the terms and conditions of leases (previous year: €17,400 thousand) was reversed.

The tax write-downs for the office building in accordance with section 3 of the *Zonenrandförderungsgesetz* (ZRFG – German Border Zone Development Act) are recognized in the special tax-allowable reserve. The reported net income is not materially increased by the reversal of the special tax-allowable reserve and the resulting change in the tax expense. This measurement for tax purposes will not have a significant impact on future net income, either.

Subscribed capital did not change in the year under review.

4. Income Statement Disclosures

LEASING INCOME AND LEASING EXPENSE

Leasing income amounts to €28,351,180 thousand. The leasing expense amounts to €14,663,204 thousand and includes the expenses necessary to generate the income. These expenses largely comprise the net carrying amounts of lease assets for which the leases have expired, and expenses from the services business. Net leasing income is €13,687,976 thousand.

INTEREST INCOME AND INTEREST EXPENSE

The breakdown of net interest income/expense is as follows:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
1. Interest income from lending and money market transactions	**546,635**	**419,759**
(of which from affiliated companies €423,279 thousand; previous year: €357,075 thousand)		
2. Interest expense	**1,604,612**	**1,317,311**
(of which to affiliated companies €1,173,611 thousand; previous year: €1,081,286 thousand)		
Total	**–1,057,977**	**–897,552**

FEE AND COMMISSION INCOME AND FEE AND COMMISSION EXPENSE

Fee and commission income increased because income was received from the commission model with Volkswagen Bank GmbH in the reporting period.

Fee and commission expenses fell to €1,075,659 thousand (previous year: €1,202,984 thousand). In this context, it must be taken into account that fee and commission expenses were reduced by €72,081 thousand (previous year: €72,476 thousand), corresponding to the capitalized amount of put options under contracts dating from 2024. In addition, in the previous year, this item was used to present expenses of €115,318 thousand from additional payments under the commission model with Volkswagen Bank GmbH; in the reporting year such expenses amounted to only €1,461 thousand.

OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Net other operating income is €462,482 thousand, of which €407,567 thousand is attributable to the leasing business and €54,915 thousand to the allocation of overheads to other entities. Other operating income includes income from administration and brokerage services provided for third parties amounting to €201,709 thousand (previous year: €185,888 thousand). The item also includes gains on the payment by TRATON SE of the purchase price to acquire the new business of the MAN Financial Services branch of Volkswagen Leasing GmbH. Income related to prior periods is also included in the amount of €2,122 thousand (previous year: €7,605 thousand).

Other operating expenses amounted to €39,988 thousand in the reporting period. This figure includes issuance and rating expenses of €9,620 thousand (previous year: €7,084 thousand) and expenses related to prior periods of €80 thousand (previous year: €775 thousand).

Income from the reversal of special tax-allowable reserves amounts to €59 thousand.

GENERAL AND ADMINISTRATIVE EXPENSES

Personnel expenses break down as follows:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Salaries	**104,984**	**4,768**
Social security contributions and post-employment and other employee benefit costs	**36,409**	**1,395**
of which for post-employment benefits	**18,066**	**–**
Total	141,393	6,163

Other administrative expenses amount to €479,696 thousand. These relate, in particular, to internal charges from other group companies in connection with workplace costs, staff leasing and IT services, and to charges for services provided by third parties.

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS, AS WELL AS INCOME FROM THE REVERSAL OF WRITE-DOWNS AND OF PROVISIONS

Depreciation and write-downs on lease assets are reported separately, the recognized amount for this item being €11,386,464 thousand. This figure includes write-downs to the lower fair value in the amount of €346,797 thousand (previous year: €743,316 thousand). Lease assets have been written down by an additional amount of €20,387 thousand (previous year: €396 thousand) to account for risks arising from the early remarketing of vehicles following the default of a lessee (latent credit risk). Amortization and write-downs of intangible fixed assets and depreciation and write-downs of property and equipment amounted to €64,693 thousand (previous year: €60,267 thousand), of which €63,290 thousand was attributable to write-downs of put options.

Expenses for write-downs of, and valuation allowances on, receivables and additions to provisions in the leasing business amounting to €478,542 thousand are offset by corresponding income of €672,776 thousand. The income is mainly attributable to income from reversals of the provision for expected losses from interest rate derivatives (€226,000 thousand).

The above figures resulted in a profit before tax for the reporting period of €154,874 thousand (previous year: loss before tax of €496,646 thousand).

Income tax expense includes tax allocations amounting to €118,369 thousand (previous year: €–45,694 thousand).

Under the existing profit-and-loss transfer agreement, the profit after tax of €18,903 thousand is transferred to Volkswagen Bank GmbH.

5. Other Disclosures

BREAKDOWN OF INCOME BY REGION:

T €			31.12.2024	31.12.2023
	Germany	Italy	Total	
1. Lease income				
Lease payments	8,307,914	631,669	8,939,583	8,284,687
Maintenance and service income	1,151,714	426,877	1,578,591	1,461,100
Used vehicle sales	14,458,198	517,472	14,975,670	13,859,644
Miscellaneous	2,792,039	65,297	2,857,336	2,607,651
	26,709,865	**1,641,315**	**28,351,180**	**26,213,082**
				–
3. Interest income from lending and money market transactions	**546,593**	**42**	**546,635**	**419,759**
5. Fee and commission income	**55,994**	**–**	**55,994**	**23,775**
7. Other operating income	**445,428**	**17,054**	**462,482**	**288,687**
8. Income from the reversal of special tax-allowable reserve	**59**	**–**	**59**	**59**
13. Income from the reversal of write-downs of and valuation allowances on receivables and from the reversal of provisions in the leasing business	**570,965**	**101,811**	**672,776**	655,447
Total	**28,328,904**	**1,760,222**	**30,089,126**	**27,600,809**

Interest rate risk has been hedged by interest rate swaps with a total notional value of €34,841,814 thousand. As of the reporting date, the positive fair values were €136,142 thousand and the negative fair values €353,560 thousand. The fair values are determined using the discounted cash flow method with the help of market information as of the reporting date and suitable IT-based valuation methods. In connection with these derivatives, accrued interest of €99,713 thousand is included in other assets and €74,318 thousand in other liabilities.

The put options limit the residual value risk of the vehicles for Volkswagen Leasing GmbH. They give Volkswagen Leasing GmbH the right at the end of the contract term to sell the vehicles to the intermediary dealers at an agreed option price. This option price is therefore the minimum value threshold for Volkswagen Leasing GmbH. In accordance with section 254 of the HGB, the resulting hedge relationship meant that, by applying the net hedge presentation method (*Einfrierungsmethode*), a write-down of the lease assets in the amount of €778,826 thousand, equivalent to the hedged risk, was avoided.

The annual financial statements of the Company are included in the consolidated financial statements of Volkswagen AG, Wolfsburg (largest basis of consolidation), which are prepared in accordance with the International Financial Reporting Standards and published in the German Federal Gazette.

The annual financial statements of the Company are also included in the consolidated financial statements of Volkswagen Leasing GmbH, Braunschweig (smallest basis of consolidation), which are prepared in accordance with the International Financial Reporting Standards and published in the German Federal Gazette.

To fund the lease assets, Volkswagen Leasing GmbH has placed asset-backed securities transactions (ABS transactions) in the market. Three such transactions were carried out in fiscal year 2024. In 2024, Volkswagen Leasing GmbH generated cash inflows totaling €8,017,662 thousand from the sale of future lease receivables and residual values under these leases. Six further transactions are in place, dating back to prior years. Other than the one-time inflows from each of these transactions, there is no other material impact on the present or future liquidity and financial position of Volkswagen Leasing GmbH.

The land and buildings belonging to Volkswagen Leasing GmbH are largely used by the other companies in the FS subgroup based in Braunschweig.

CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The irrevocable leasing commitments relate to confirmed leases for which the vehicle had not yet been delivered on the reporting date and for which the credit limit to which the Company had committed itself had thus not yet been utilized. It is expected that the credit will be drawn down, as the commitments relate to leasing agreements that have been entered into. Other financial obligations relate to purchase commitments in an amount that is not material for assessing the company's financial position.

These contingent liabilities and obligations arise from ABS transactions VCL 36, VCL 37, VCL 38, VCL 39, VCL 40, VCL 41, VCL 42, VCL 43 and VCL Master RV C2. A market risk reserve serving as collateral for certain risks was paid to investors in connection with these transactions. It is expected that this collateral will not be called upon, as it is assumed that the risk will not materialize.

In the year under review, Volkswagen Leasing GmbH executed 18,186 payment transactions with a volume of €647 thousand.

Volkswagen Leasing GmbH does not enter into transactions with related parties that are not on an arm's length basis.

The fees paid to the auditor are disclosed in the notes to the IFRS consolidated financial statements of Volkswagen Leasing GmbH. In 2024, the fees attributable to Volkswagen Leasing GmbH for audit-related services concerned the audit of the annual financial statements and reviews of interim financial statements prepared during the year.

The other services performed by the auditor in the reporting period focused mainly on other assurance services.

Average number of employees during the reporting period

	Dec. 31, 2024	Dec. 31, 2023
Salaried employees	**1,041**	**64**
of which senior managers	11	1
of which part time	296	2
Vocational trainees	–	–

The managing directors do not receive any remuneration from the Company. The expenses borne by the Company for the Management Board amounted to €1,143 thousand.

Provisions of €1,604 thousand were recognized for pensions and similar obligations in favor of former members of the Management Board or their surviving dependents. No payments have been made to this group of persons to date.

The Management Board is not represented on supervisory bodies whose establishment is required by law:

The Management Board of Volkswagen Leasing GmbH proposes that the net retained profits of €648,680.82 be carried forward to the new fiscal year.

6. Report on Post-Balance Sheet Date Events

Subsequent to the conclusion of the collective bargaining process of Volkswagen AG, VW FS AG, VW Bank GmbH, VW Leasing GmbH, VW Insurance Brokers GmbH, VW Versicherung AG and Vehicle Trading GmbH started their own collective bargaining 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 on the basis of the extended 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.

There were no other significant events in the period between December 31, 2024 and February 24, 2025.

7. Company Information

Company: Volkswagen Leasing Gesellschaft mit beschränkter Haftung
Registered office: Braunschweig
Registry court: Amtsgericht Braunschweig, Commercial Register B
Commercial register number: HRB 1858

8. Governing bodies of Volkswagen Leasing GmbH

The composition of the Management Board is as follows:

ARMIN VILLINGER (UNTIL JUNE 30, 2024)
Chair of the Management Board
Corporate Management of Volkswagen Leasing GmbH
Front Office, Volkswagen Leasing GmbH

HENDRIK EGGERS
Back Office, Volkswagen Leasing GmbH

MANUELA VOIGT
Chair of the Management Board (as of July 1, 2024)
Management, German Market (as of July 1, 2024)

VERENA ROTH (AS OF JULY 1, 2024)
Sales, German Market

Supervisory Board:

ANTHONY BANDMANN (CHAIR) (AS OF JULY 1, 2024)
Member of the Board of Management of Volkswagen Financial Services AG
Sales and Marketing
Europe region (incl. Germany)
Member of the Audit Committee of Volkswagen Leasing GmbH

CHRISTIAN LÖBKE (DEPUTY CHAIR) (AS OF JULY 1, 2024)
Member of the Management Board of Volkswagen Bank GmbH
Risk Management
Chair of the Audit Committee of Volkswagen Leasing GmbH

SARAH AMELING ZAFFIRO (AS OF JULY 1, 2024)
Deputy Chair of the Joint Works Council of
Volkswagen Financial Services AG and Volkswagen Bank GmbH

BJÖRN SCHÖNE (AS OF JULY 1, 2024)
Member of the Joint Works Council of
Volkswagen Financial Services AG and Volkswagen Bank GmbH
Member of the Audit Committee of Volkswagen Leasing GmbH

Audit Committee:

CHRISTIAN LÖBKE (CHAIR) (AS OF JULY 1, 2024)

ANTHONY BANDMANN (AS OF JULY 1, 2024)

BJÖRN SCHÖNE (AS OF JULY 1, 2024)

Credit Committee:

ANTHONY BANDMANN (CHAIR) (AS OF JULY 1, 2024)

CHRISTIAN LÖBKE (AS OF JULY 1, 2024)

BJÖRN SCHÖNE (AS OF JULY 1, 2024)

Members of the former Audit Committee until June 30, 2024:

WERNER FLÜGGE (CHAIR)

HELMUT STREIFF (DEPUTY CHAIR)

FRANK FIEDLER

Braunschweig, February 24, 2025

Volkswagen Leasing GmbH
The Management Board

Manuela Voigt

Hendrik Eggers

Verena Roth

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 Leasing GmbH, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the material opportunities and risks associated with the expected development of Volkswagen Leasing GmbH.

Braunschweig, February 24, 2025

Volkswagen Leasing GmbH
The Management Board

Manuela Voigt

Hendrik Eggers

Verena Roth

Independent Auditor’s Report

To Volkswagen Leasing 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 Leasing 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 Leasing GmbH, Braunschweig, which is combined with the group management report, for the fiscal year from 1 January to 31 December 2024.

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.

Pursuant to Sec. 322 (3) Sentence 1 HGB [“Handelsgesetzbuch”: German Commercial Code], 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 matter:

Determination of the expected residual values of lease assets during impairment testing

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

The lease assets balance sheet item comprises vehicles under leases. The recoverability of the lease assets depends in particular on the expected residual value of the leased vehicles after expiration of the contractual term. The expected residual values are reviewed by the Company on a quarterly basis. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used cars. This requires management to make, in particular, assumptions about vehicle supply and demand in the future, as well as about vehicle price trends.

The residual values of vehicles are particularly influenced by the development of purchasing power in the respective markets and thus by demand driven by economic conditions and, in the case of electric vehicles, by a high pace of innovation. Due to the ongoing geopolitical tensions, conflicts and protectionist tendencies as well as the resulting risk of negative effects on the German economy, the estimation uncertainty in relation to the determination of the expected residual values remained heightened in the fiscal year. In this light, the determination of the expected residual values of the lease assets during impairment testing was a key audit matter.

Auditor's response

During our audit, we analyzed the process implemented by the Company for determining and monitoring the residual values to identify any risks of material misstatement and obtained an understanding of the process steps and controls. On this basis, we tested the operating effectiveness of the implemented controls over the determination and monitoring of the expected residual values. To assess the forecasting models used to determine the residual values, we analyzed the validation plans on the basis of the respective model designs to determine whether the validation procedures described in the plans allow an assessment of the models' forecast quality. We investigated whether the validation procedures and the backtesting performed led to any indications of model weaknesses or any need to adjust the models. Furthermore, we assessed whether the assumptions underlying the forecasting model and the inputs used for determining the expected residual values were clearly documented. To this end, we obtained evidence for the main inputs and assumptions used for mileage, age and lifecycle phase of the vehicles to determine the residual values and examined them for currentness and transparency. We assessed whether the marketing assumptions used reflect industry-specific and general market expectations as well as, in particular, current marketing results.

Our audit procedures did not lead to any reservations relating to the determination of the expected residual values of the lease assets during impairment testing.

Reference to related disclosures

The Company's disclosures on the recognition and measurement policies applied for lease assets are contained in section 2 "Accounting Policies" and in section 3 "Balance Sheet Disclosures" and section 4 "Income Statement Disclosures" of the notes to the financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board, while the Audit Committee is responsible for the Report of the Audit Committee. In all other respects, the executive directors are responsible for the other information. The other information comprises the "Responsibility Statement" section to be included in the annual report, of which we obtained a copy prior to issuing this auditor's report, but not the annual financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon. In addition, the other information comprises the Report of the Supervisory Board, which we expect to be provided with after issuing our auditor's report.

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 consolidated financial statements, with the group 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.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE AUDIT COMMITTEE FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT 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 Audit Committee 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 RESPONSIBILITIES 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 "Volkswagen Leasing_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 Audit Committee 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 Audit Committee 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 22 February 2024 and were engaged by the Management Board on 13 September 2024. We have been the auditor of Volkswagen Leasing 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:

> Review of the reporting packages for the reporting dates 31 March, 30 June and 30 September 2024 in accordance with the instructions of the group auditor
> Agreed-upon procedures relating to the investor reports of VCL Master S.A., VCL Master Residual Value S.A., VCL Multi-Compartment S.A. and Trucknology S.A. as of 31 December 2023
> Review of the "Reporting form for the calculation of own funds requirements in accordance with Sec. 15 ZAG ["Zahlungsdiensteaufsichtsgesetz": German Payment Services Oversight Act]" (annex to Sec. 12 (1) ZIEV ["ZAG-Instituts-Eigenmittelverordnung": German Ordinance Governing the Capital Adequacy and Required Security in the Event of Institutions Being Held Liable Under the ZAG]) as of the reporting date 31 December 2023
> 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, and
> Procedures in accordance with the engagement instructions issued by the auditor performing the assurance engagement on the sustainability reporting of Volkswagen AG with respect to the

reporting package of Volkswagen Leasing GmbH 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 Matthias Koch.

Eschborn/Frankfurt am Main, 25 February 2025

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Koch	Hölscher
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report of the Audit Committee

of Volkswagen Leasing GmbH

Volkswagen Leasing GmbH is a publicly traded corporation within the meaning of section 264d of the HGB.
In accordance with the provisions of section 324 of the HGB, an Audit Committee existed until June 30, 2024, which concerned itself in particular with the tasks described in section 107(3) sentence 2 of the *Aktiengesetz* (AktG – German Stock Corporation Act). The Audit Committee had three members. The members of the Audit Committee are listed in the disclosures on governing bodies. Between the beginning of the reporting year and June 30, 2024, the Audit Committee held one regular meeting, which was attended by all members. There were no extraordinary meetings.

At the meeting held on February 21, 2024, the Audit Committee reviewed the annual financial statements and the management report of Volkswagen Leasing GmbH for fiscal year 2023. As part of this review, the Audit Committee discussed with the auditor the reports on the audit of the annual financial statements and the management report of Volkswagen Leasing GmbH, as well as material transactions and issues related to financial reporting. The Audit Committee informed the sole shareholder about the audit.

The Committee also assured itself of the extent to which relationships of a professional, financial or other nature existed between EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft and the Company and/or its governing bodies, the aim being to assess the independence of the future auditor. In this regard, the Audit Committee obtained information on the services that the auditor had provided for the Company in addition to their auditing activities and on whether there were any grounds for disqualification or partiality. The Audit Committee closely examined the independence and continuing suitability of the auditor and prepared the resolution of the Annual General Meeting on the election of the auditor.

Braunschweig, February 19, 2025

Chair of the Audit Committee
(until June 30, 2024)

Report of the Supervisory Board

of Volkswagen Leasing GmbH

The Annual General Meeting of Volkswagen Leasing GmbH resolved the establishment of the Supervisory Board as of July 1, 2024. In accordance with the provisions of section 324 of the HGB, the Company had previously had an Audit Committee, which concerned itself in particular with the tasks described in section 107(3) sentence 2 of the *Aktiengesetz* (AktG – German Stock Corporation Act) (see Report of the Audit Committee above).

Since it was established, the Supervisory Board has regularly concerned itself closely with the situation and development of the company. 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. On the basis of the reports by the Management Board, the Supervisory Board continually monitored the conduct of the 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 comprises four members. Since it was established, the Supervisory Board held one regular meeting in 2024; there were no extraordinary meetings. The average attendance rate was 100%. Two decisions were made by circulation of written resolutions for approval in the reporting period.

The main issues discussed at the meetings of the Supervisory Board and the Audit Committee are presented below.

MATTERS DISCUSSED BY THE SUPERVISORY BOARD

At its meeting on September 23, 2024, our first resolution related to the establishment of a Credit Committee to accelerate the circulation of credit decisions. For the rest of the year, the Credit Committee adopted its resolutions outside of meetings by circulation of written resolutions or using electronic credit applications. Moreover, at the aforementioned meeting, we issued a guideline on how to deal with conflicts of interests in the Supervisory Board and a guideline on how to deal with conflicts of interests in the Management Board. We also discussed practical matters of ensuring compliance in relation to conflicts of interests. Following on from this, the sales report and financial performance were presented. In addition, we discussed the 2024 strategy and spoke about the outlook for strategic targets for the German market for 2025. We also received an update on the bank waiver approvals in favor of VW Leasing GmbH. Finally, we passed a resolution on the quota for women on the Management Board and Supervisory Board.

Work of the Audit Committee

By circulation of a written resolution for approval, the Supervisory Board resolved the establishment of an Audit Committee as of July 1, 2024. It was also resolved to appoint new members from the ranks of the Supervisory Board to the new Audit Committee as of July 1, 2024.

The meeting of the new Audit Committee on November 26, 2024 was attended by all members. The committee mainly discussed audit planning, key areas of emphasis for the audit and the obligations of the auditor to provide certain information. As part of this, the Audit Committee also paid particular attention to the quality of the audit. The Committee also discussed the monitoring of the internal audit systems, the 2025 audit plan and monitoring of the compliance system. Furthermore the Committee received an update on the requested waiver under section 2a of the *Kreditwesengesetz* (KWG – German Banking Act), on credit and residual value risk, on the latest special audit pursuant to section 44 of the KWG and on an audit by the Data Protection Officer of the State of Lower Saxony. Key audit activities and findings were discussed in detail.

Braunschweig, February 19, 2025

Anthony Bandmann
Chair of the Supervisory Board

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