VOLKSWAGEN LEASING

GMBH

ANNUAL REPORT

IFRS

2024

Key Figures

VOLKSWAGEN LEASING GMBH GROUP

€ million	Dec 31, 2024	Dec. 31, 2023
Total assets	60,656	58,525
Loans to and receivables from customers attributable to		
Dealer financing	–	12
Leasing business	22,360	21,137
Lease assets	31,760	27,708
Equity	10,013	9,870

in percent (as of Dec. 31)	2024	2023
Overhead Ratio1	0.9	1.0
Equity ratio[2]	16.5	16.9
Return on equity[3]	3.2	–2.0

in thousand vehicles	Dec 31, 2024	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
New contracts	865	750	637	646	702
Current contracts	2,085	1,978	1,897	1,814	1,721

All figures shown in the report are rounded, so minor discrepancies may arise when amounts are added together. The comparative figures from the previous fiscal year are shown in parentheses directly after the figures for the current fiscal year.

1 General personnel expenses, material overheads and accounting depreciation and amortization minus income from services rendered/average total assets
2 Equity divided by total assets
3 Return on equity before tax, which is calculated by dividing profit before tax by average equity

COMBINED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

COMBINED MANAGEMENT REPORT

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.

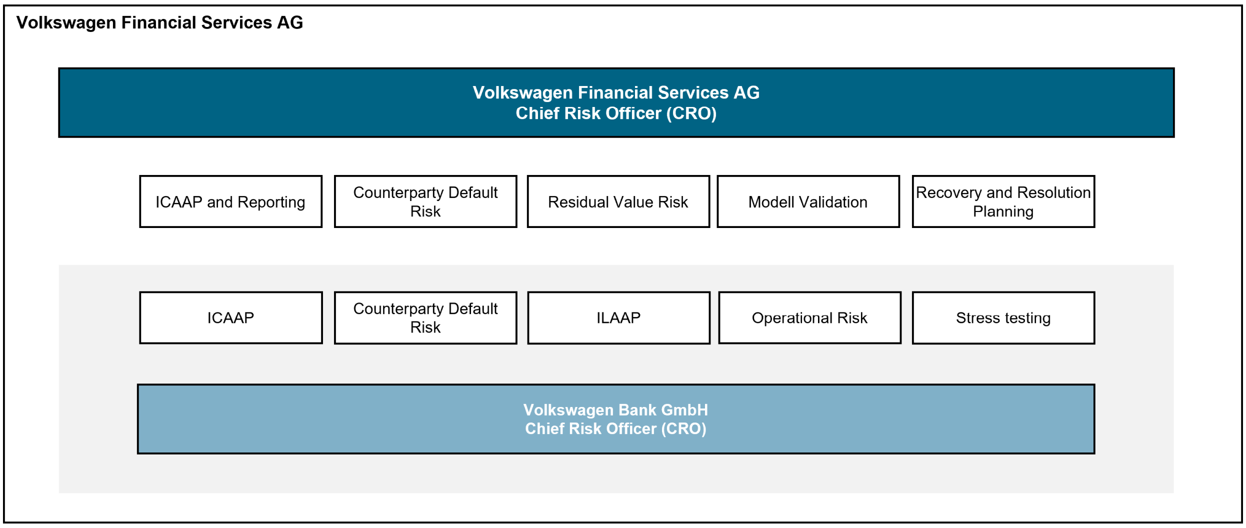
The exemption granted on October 2, 2024 is subject to conditions being met. The report by internal Audit relating to Volkswagen Leasing GmbH has to be submitted once a year, including audit fields and findings. In addition, the quarterly risk management report of VW Bank GmbH has to be provided, including 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.

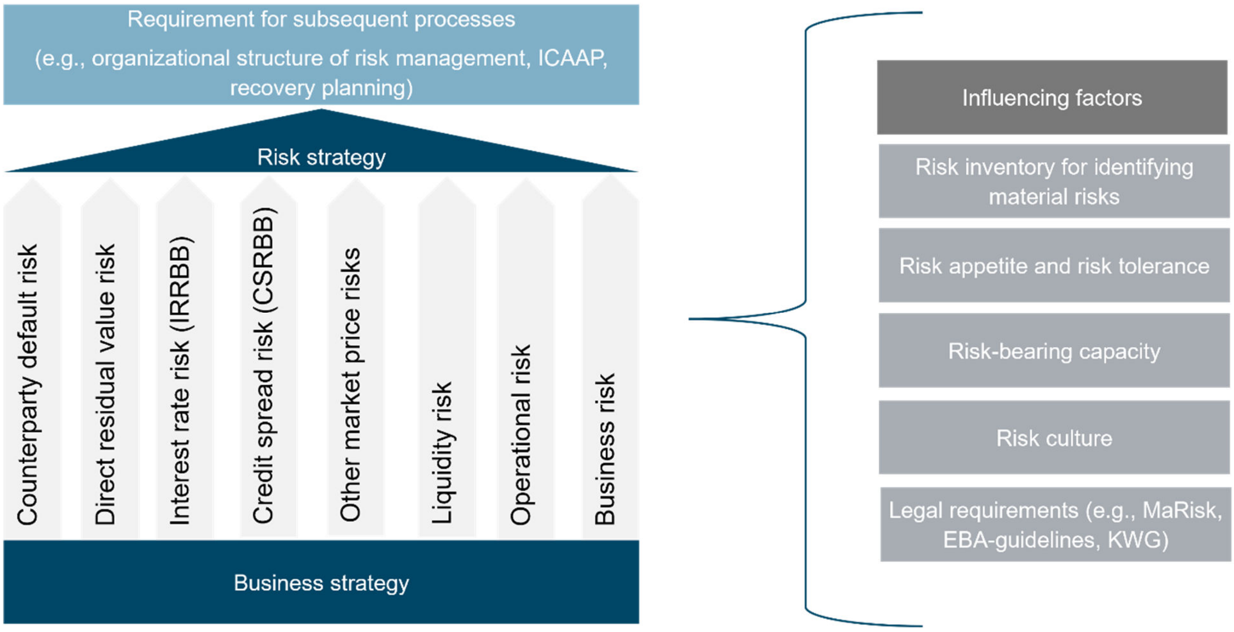
As part of this overall responsibility, the Management Board of Volkswagen Bank GmbH has introduced a MaRisk-compliant strategy process and implemented a business and risk strategy.

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.

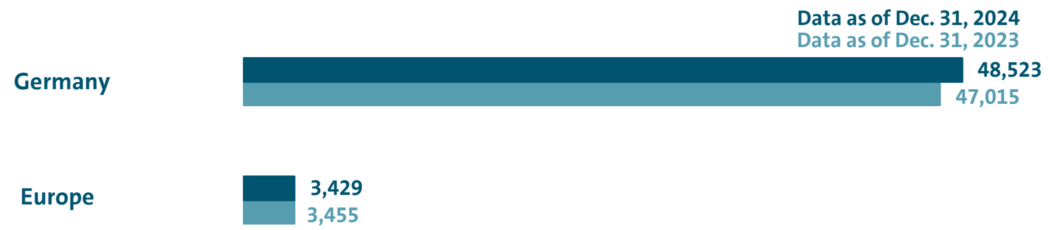
Corporate portfolio

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[1]

€ 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 Developments

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

CONSOLIDATED FINANCIAL STATEMENTS

Further Information

Income Statement

of the Volkswagen Leasing GmbH Group

€ million	Note	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023	Change in percent
Interest income from cash and loans	4, 6, 45	206	170	21.0
Income from leasing transactions		15,787	14,632	7.9
Depreciation, impairment losses and other expenses from leasing transactions		–13,308	–12,519	6.3
Net income from leasing transactions	4, 6, 7, 9, 14, 56	2,479	2,113	17.3
Interest expense	4, 6, 15, 45	–1,899	–1,578	20.3
Income from service contracts		1,929	1,822	5.9
Expenses from service contracts		–1,764	–1,676	5.2
Net income from service contracts	4, 16	165	145	13.3
Provision for credit risks	6, 17, 51	–122	–55	X
Fee and commission income		54	18	X
Fee and commission expenses		–56	–128	–56.3
Net fee and commission result	4, 18	–2	–110	–97.9
Net gain or loss on hedges	6, 19	–15	–36	–58.9
Net gain/loss on financial instruments measured at fair value	6, 20, 45	–127	–287	–55.9
General and administrative expenses	4, 8 - 10, 12, 21	–585	–616	–5.1
Other operating income		712	153	X
Other operating expenses		–494	–61	X
Net other operating income/expenses	4, 22	217	93	X
Operating result		**318**	**–162**	**X**
Other financial gains or losses		–2	–1	X
Profit before tax		**316**	**–162**	**X**
Income tax expense	5, 23	–205	46	X
Profit after tax		**111**	**–117**	**X**
Profit after tax attributable to Volkswagen Bank GmbH (previous year: Volkswagen Financial Services AG)		111	–117	X

Statement of Comprehensive Income

of the Volkswagen Leasing GmbH Group

€ million	Note	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
Profit after tax		**111**	**–117**
Pension plan remeasurements recognized in other comprehensive income	11, 37		–
Pension plan remeasurements recognized in other comprehensive income, before tax		–9	–0
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	5, 23	3	0
Pension plan remeasurements recognized in other comprehensive income, net of tax		–6	–0
Items that will not be reclassified to profit or loss		**–6**	**–0**
Hedging transactions	6		–
Fair value changes recognized in other comprehensive income (OCI I)		–1	0
Cash flow hedges (OCI I), before tax		–1	0
Deferred taxes relating to cash flow hedges (OCI I)	5, 23	0	–0
Cash flow hedges (OCI I), net of tax		–1	0
Fair value valuation of debt instruments that may be reclassified to profit or loss	6		–
Fair value changes recognized in other comprehensive income		–0	2
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax		–0	2
Deferred taxes relating to fair value valuation of debt instruments that may be reclassified to profit and loss	5, 23	0	–1
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax		–	2
Items that may be reclassified to profit or loss		**–1**	**2**
Other comprehensive income, before tax		–10	3
Deferred taxes relating to other comprehensive income	5, 23	3	–1
Other comprehensive income, net of tax		**–7**	**2**
Total comprehensive income		**104**	**–115**
Profit after tax attributable to Volkswagen Bank GmbH (previous year: Volkswagen Financial Services AG)		104	–115

Balance Sheet

of the Volkswagen Leasing GmbH Group

€ million	Note	Dec. 31, 2024	Dec. 31, 2023	Change in percent
Assets				
Loans to and receivables from banks	6, 25, 45- 53	2,548	802	X
Loans to and receivables from customers attributable to				
Dealer financing		0	12	–100.0
Leasing business		22,360	21,137	5.8
Other loans and receivables		1,232	5,997	–79.5
Total loans to and receivables from customers	6, 9, 26, 45 - 53	23,592	27,146	– 13.1
Change in fair value from portfolio fair value hedges	7, 27	67	74	–9.6
Derivative financial instruments	6, 28, 45 - 49, 53 - 54	154	482	–68.0
Marketable securities	6, 29	147	105	40.0
Property and equipment	8 - 9	3	4	–20.5
Lease assets	9, 56	31,760	27,708	14.6
Investment property	10, 30, 56	17	23	–27.9
Deferred tax assets	5, 31	314	113	X
Current tax assets	5, 45 - 49	29	93	–68.9
Other assets	9, 31, 45 - 49	2,024	1,973	2.6
Total		**60,656**	**58,525**	**3.6**

€ million	Note	Dec. 31, 2024	Dec. 31, 2023	Change in percent
Equity and Liabilities				
Liabilities to banks	6, 34, 45 - 49, 52 - 53	7,242	0	X
Liabilities to customers	6, 34, 45 - 49, 52 - 53	13,795	17,730	–22.2
Notes, commercial paper issued	6, 35, 45 - 50, 52 - 53	26,433	27,629	–4.3
Derivative financial instruments	6, 36, 45 - 49, 53 - 54	368	702	–47.5
Provisions for pensions and other post-employment benefits	11, 37	52	1	X
Other provisions	12, 38	114	189	–39.5
Deferred tax liabilities	5, 39	1,017	751	35.5
Current tax liabilities	5, 45 - 49	136	34	X
Other liabilities	40, 45 - 49, 52	1,306	1,407	–7.2
Subordinated capital	6, 41, 45 - 50, 52 - 53	180	212	–15.2
Equity	43	10,013	9,870	1.5
Subscribed capital		76	76	–
Capital reserves		3,361	3,361	–
Retained earnings		6,575	6,431	2.2
Other reserves		1	2	–55.1
Total		**60,656**	**58,525**	**3.6**

Statement of Changes in Equity

of the Volkswagen Leasing GmbH Group

€ million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedges (OCI I)	Debt instruments	Total equity
As of Jan. 1, 2023	**76**	**361**	**6,069**	**–**	**–**	**6,506**
Profit after tax	–	–	–117	–	–	–117
Other comprehensive income, net of tax	–	–	–0	0	2	2
Total comprehensive income	**–**	**–**	**–117**	**0**	**2**	**–115**
Capital increases	–	3,000	–	–	–	3,000
Loss assumed by Volkswagen Financial Services AG	–	–	479	–	–	479
As of Dec. 31, 2023	**76**	**3,361**	**6,431**	**0**	**2**	**9,870**
As of Jan. 1, 2024	**76**	**3,361**	**6,431**	**0**	**2**	**9,870**
Profit after tax	–	–	111	–	–	**111**
Other comprehensive income, net of tax	–	–	–6	–1	–0	**–7**
Total comprehensive income	**–**	**–**	**105**	**–1**	**–0**	**104**
Capital increase by way of a contribution in kind by the higher-level shareholder Volkswagen Financial Services AG[2]	–	–	74	–	–	**74**
Capital increase by way of a non-cash capital contribution by the shareholder Volkswagen Bank GmbH[2]	–	–	1	–	–	**1**
Profit transfer to Volkswagen Bank GmbH[1]	–	–	–19	–	–	**–19**
Other changes[1]	–	–	–17	–0	0	**–17**
As of Dec. 31, 2024	**76**	**3,361**	**6,575**	**–0**	**1**	**10,013**

1 The figures represent the HGB loss adjustment by Volkswagen Financial Services Overseas AG (2023) or the HGB profit transfer to Volkswagen Bank GmbH (2024).

2 Explanations of “Change resulting from a non-cash capital contribution by the shareholder Volkswagen Bank GmbH” can be found in note (11) Provisions for pensions and other postemployment benefits.

3 Other changes result from the difference of net assets and the purchase price concerning the acquisition of Volkswagen Mobility Services S.p.A.

Cash Flow Statement

of the Volkswagen Leasing GmbH Group

€ million	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
Profit before tax	**316**	**–162**
Depreciation, amortization, impairment losses and reversals of impairment losses	4,651	4,272
Change in provisions	–85	–74
Change in other noncash items	–17	117
Loss on disposal of financial assets and items of property and equipment	–0	–0
Net interest expense and dividend income	314	125
Change in loans to and receivables from banks	26	147
Change in loans to and receivables from customers	3,019	–1,980
Change in lease assets	–8,608	–6,182
Change in other assets related to operating activities	–39	–977
Change in liabilities to banks	7,241	–0
Change in liabilities to customers	–4,036	–1,229
Change in notes, commercial paper issued	–1,221	2,508
Change in other liabilities related to operating activities	–165	–68
Interest received	1,585	1,454
Interest paid	–1,899	–1,578
Income taxes paid	30	17
Cash flows from operating activities	**1,111**	**–3,611**
Proceeds from disposal of investment property	6	–
Acquisition of subsidiaries and joint ventures[2]	96	–
Proceeds from disposal of other assets	0	0
Acquisition of other assets	–0	–0
Change in investments in marketable securities	–41	–102
Cash flows from investing activities	**61**	**–102**
Proceeds from changes in capital	155	3,000
Loss assumed by Volkswagen Financial Services AG	479	1,016
Change in cash funds attributable to subordinated capital	–32	29
Repayment of liabilities arising from leases	–3	–2
Cash flows from financing activities	**599**	**4,043**
Cash and cash equivalents at end of prior period[1]	**777**	**447**
Cash flows from operating activities	1,111	–3,611
Cash flows from investing activities	61	–102
Cash flows from financing activities	599	4,043
Cash and cash equivalents at end of period[1]	**2,548**	**777**

[1]The definition of cash and cash equivalents has been amended as explained in note (57) Cash flow statement. Prior-year figures have been adjusted accordingly.
[2]Cash outflows for the acquisition of VWMS SpA are offset in accordance with IFRS 7.43 against the cash and cash equivalents acquired.
Further information on the cash flow statement is presented in note (57).

Notes to the Consolidated Financial Statements

of the Volkswagen Leasing GmbH Group as of December 31, 2024

General Information

Volkswagen Leasing GmbH (VW Leasing GmbH) is a limited liability company (Gesellschaft mit beschränkter Haftung, GmbH) under German law. Its registered office is located in Gifhorner Strasse, Braunschweig, Germany, and the company is registered in the Braunschweig commercial register (HRB 1858).

The object of the Company is to develop, sell and process financial services with a focus on the leasing business with retail and business customers as well as on the fleet management/services business in Germany and Italy.

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 VW Leasing GmbH until June 30, 2024. On July 1, 2024, Volkswagen Financial Services Overseas AG transferred all shares in VW Leasing GmbH to Volkswagen Bank GmbH. Since July 1, 2024, Volkswagen Bank GmbH, Braunschweig, has been the sole shareholder of VW Leasing GmbH. 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 VW Leasing GmbH is Volkswagen AG, Wolfsburg.

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

Until June 30, 2024, the annual financial statements of the companies in the VW Leasing GmbH Group were included in the consolidated financial statements of Volkswagen Financial Services Overseas AG, Braunschweig. As from July 1, 2024, the annual financial statements of the companies in the VW Leasing GmbH Group are included in the consolidated financial statements of Volkswagen Bank GmbH, Braunschweig, and Volkswagen Financial Services AG, Braunschweig. The inclusion of the annual financial statements of the companies of the VW Leasing GmbH Group in the consolidated financial statements of Volkswagen AG, Wolfsburg, has not changed. The consolidated financial statements mentioned are published in the Company Register.

Restructuring of the Volkswagen Financial Services Overseas AG and Volkswagen Bank GmbH subgroups

In 2023, a comprehensive restructuring program (“restructuring”) was initiated within the Volkswagen Group for the previous subgroups Volkswagen Financial Services Overseas AG, which operated as Volkswagen Financial Services AG until June 30, 2024, and Volkswagen Bank GmbH. The restructuring was aimed at consolidating the German and European companies of the subgroups, including the relevant subsidiaries and equity investments, under a financial holding company supervised by the European Central Bank (ECB). On July 1, 2024, all the steps required for the reorganization under company law were completed by way of notarization and entry in the commercial register.

Among other things, as of July 1, 2024, all shares in VW Leasing GmbH were transferred by Volkswagen Financial Services Overseas AG by way of a spin-off for absorption and contributed with a non-cash contribution by Volkswagen AG to Volkswagen Bank GmbH. After that, as of July 1, 2024, the shares in Volkswagen Bank GmbH were contributed by Volkswagen AG to Volkswagen Financial Services Europe AG. The newly established European financial holding company, which had been operating under the name of Volkswagen Financial Services Europe AG until June 30, 2024, was renamed Volkswagen Financial Services AG on July 1, 2024.

In addition, as a result of the restructuring, there were various personnel transfers between Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Leasing GmbH, a subsidiary of Volkswagen Bank GmbH, as of July 1, 2024. Note (11) Provisions for pensions and other postemployment benefits explains the effects of the personnel transfers.

Basis of Presentation

Volkswagen Leasing GmbH has prepared its consolidated financial statements 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). All IFRSs issued by the International Accounting Standards Board (IASB) up to December 31, 2024 for which mandatory application was required in fiscal year 2024 in the EU have been taken into account in these consolidated financial statements.

In addition to the income statement, the statement of comprehensive income and the balance sheet, the consolidated financial statements include the statement of changes in equity, the cash flow statement and notes. The separate report on the risks associated with future development (risk report in accordance with section 315(1) of the HGB) can be found in the combined management report. This includes the qualitative disclosures on the nature and scope of risk from financial instruments required under IFRS 7.

All the estimates and assumptions necessary as part of recognition and measurement in accordance with IFRS comply with the relevant standard, are continuously updated and are based on past experience and other factors, including expectations regarding future events that appear to be reasonable in the given circumstances. The assumptions made by the Company are explained in detail in the disclosures on management’s material estimates and assumptions.

The Management Board completed the preparation of the consolidated financial statements on February 24, 2025 and released them for forwarding to the Audit Committee for information, for subsequent adoption by the Annual General Meeting and finally for publication. This date marked the end of the period in which adjusting events after the reporting period were recognized.

Effects of New and Revised IFRSs

Volkswagen Leasing GmbH has applied all financial reporting standards adopted by the EU and subject to mandatory application from fiscal year 2024.

Amendments to IAS 1 clarifying the classification of liabilities as current or noncurrent are effective as of January 1, 2024. They affect in particular liabilities whose maturity is linked to covenants. It is critical for the classification whether there is a contractual option as of the reporting date to defer settlement by at least 12 months.

Also applicable since January 1, 2024 are amendments to IAS 7/IFRS 7, which result in additional notes disclosures on supply chain financing, in particular reverse factoring arrangements. The aim is to make their effects on liabilities, cash flows and liquidity risk more transparent.

There have also been amendments made to IFRS 16 that had to be applied from January 1, 2024. The aim of these amendments is essentially to ensure that variable lease payments in a sale and leaseback transaction that are not based on an index or interest rate are recognized as lease liabilities.

The amended provisions referred to above do not materially affect the Volkswagen Leasing GmbH Group's financial position and financial performance.

New and Revised IFRSs Not Applied

Volkswagen Leasing GmbH has not applied in its 2024 consolidated financial statements the following financial reporting standards, which had already been issued by the IASB but were not yet subject to mandatory application in the year under review.

Standard/ Interpretation		Published by the IASB	Application requirement[1]	Adopted by EU	Expected impact
IFRS 9 / IFRS 7	Classification and measurement of financial instruments	May 30, 2024	January 1, 2026	No	No material impact
IFRS 9 / IFRS 7	Contracts referencing nature-dependent electricity	December 18, 2024	January 1, 2026	No	No material impact
IFRS 18	Presentation and information in the financial statements	April 9, 2024	January 1, 2027	No	Case-by-case changes to the presentation of income and expenses in the income statement; additional disclosures in the notes
IFRS 19	Subsidiaries without Public Accountability: Disclosures	May 9, 2024	January 1, 2027	No	No impact
IAS 21	Lack of Exchangeability	August 15, 2023	January 1, 2025	Yes	No material impact
	Annual Improvements to International Financial Reporting Standards – Volume 11[2]	July 28, 2024	January 1, 2026	No	No material impact

1 Requirement for initial application from Volkswagen Bank GmbH's perspective
2 Minor amendments to a range of IFRSs (IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)

Accounting Policies

1. Basic principles

All entities included in the basis of consolidation have prepared their annual financial statements as of the reporting date of December 31, 2024.

Financial reporting in the Volkswagen Leasing GmbH Group complies with IFRS 10 and is carried out upon the basis of standard Group-wide accounting policies.

Unless otherwise stated, amounts are shown in millions of euros (€ million). All amounts shown are rounded, so minor discrepancies may arise when amounts are added together. Amounts smaller than €0.5 million are rounded to 0, whereas "–" is used if there is no applicable figure. Relative changes greater than 100% are marked with an "X".

Assets and liabilities are presented in descending order of liquidity in accordance with IAS 1.60.

2. Basis of Consolidation

In addition to Volkswagen Leasing GmbH, the consolidated financial statements cover all international subsidiaries taking the form of structured entities that are controlled by Volkswagen Leasing GmbH. This is the case if Volkswagen Leasing GmbH has power over the entity, is exposed to or has rights to positive or negative variable returns from its involvement with the entity, and has the ability to use its power to influence those returns. In the case of the structured entities consolidated in the Volkswagen Leasing GmbH Group, Volkswagen Leasing GmbH holds no equity investment but nevertheless determines the main relevant activities remaining after the structure is created and thereby influences its own variable returns. The purpose of the structured entities is to facilitate asset-backed-securities transactions to fund the financial services business. The Volkswagen Leasing GmbH Group does not have any business relationships with unconsolidated structured entities.

Subsidiaries are included in the consolidation from the date on which control comes into existence; they cease to be consolidated when control no longer exists.

COMPOSITION OF THE VOLKSWAGEN LEASING GMBH GROUP

The composition of the Volkswagen Leasing GmbH Group is as follows:

> Volkswagen Leasing GmbH, Braunschweig
> VCL Multi-Compartment S.A., Luxembourg
> VCL Master S.A., Luxembourg
> VCL Master Residual Value S.A., Luxembourg
> Trucknology S.A., Luxembourg

CHANGES TO THE BASIS OF CONSOLIDATION

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 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. Cash and cash equivalents of €116 million were acquired.

Since the acquisition was a transaction under common control by Volkswagen Financial Services AG and Volkswagen AG, the assets and liabilities acquired were recognized in the Volkswagen Leasing GmbH Group at their consolidated carrying amounts at the date of acquisition (predecessor accounting). The difference between the assets and liabilities acquired and the purchase price was €17 million; it was recognized under retained earnings directly within equity.

The carrying amounts of the assets and liabilities acquired as of the acquisition date were as follows:

€ million	IFRS CONSOLIDATED CARRYING AMOUNTS AT THE DATE OF ACQUISITION, October 1, 2024
Loans to and receivables from banks	116
Loans to and receivables from customers attributable to	–
Other loans and receivables	25
Total loans to and receivables from customers	25
Property and equipment	1
Other assets	20
Total	**162**
Liabilities to banks	0
Liabilities to customers	116
Provisions for pensions and other post-employment benefits	1
Underwriting provisions and other provisions	1
Other liabilities	35
Total	**153**
Net assets	**9**

After the acquisition, the company was merged upward within the Volkswagen Leasing GmbH Group into Volkswagen Leasing GmbH as of November 1, 2024.

3. Consolidation methods

The assets and liabilities of the domestic and international entities included in the consolidated financial statements are reported in accordance with the accounting policies applicable as standard throughout the Volkswagen Leasing GmbH Group.

The acquisition method described above is not applied when new structured entities are established; no goodwill or negative goodwill can therefore arise when newly established structured entities are included in the consolidation. The assets and liabilities of these companies are recognized at their values on the date of initial consolidation.

If subsidiaries consolidated for the first time result from a business combination under common control by a higher-level parent company, such as Volkswagen AG, the acquisition method of IFRS 3 is not applied. Instead, the Group uses predecessor accounting to recognize assets and liabilities. The inclusion of these subsidiaries in the consolidated financial statements can therefore not give rise to any goodwill or negative goodwill.

Intragroup transactions are conducted on an arm's-length basis. Any resulting intercompany profits or losses are eliminated.

4. Revenue and expense recognition

Revenue and expenses are recognized in accordance with the accrual basis of accounting and are reported in profit or loss in the period in which the substance of the related transaction occurs.

Interest income is recognized in the income statement using the effective interest method. Income from financing activities is included in the interest income from bank balances and loans; leasing income is reported in the income statement under income from leasing transactions. The leasing revenue from operating lease contracts is recognized on a straight-line basis over the lease term.

Expenses relating to the funding of financing and leasing transactions are reported in interest expenses.

Gains from the sale of used ex-lease vehicles are recognized when the buyer has acquired the title to the vehicle concerned. The gains are reported under income from leasing transactions. The expenses that are incurred in connection with the disposal of used ex-lease vehicles are recognized under depreciation, impairment losses and other expenses from leasing transactions.

In the case of service contracts, such as maintenance or inspection agreements, revenue is recognized on either a percentage-of-completion or straight-line basis, depending on the type of service performed. Percentage of completion is normally calculated by considering the services provided up to the reporting date as a proportion of the total anticipated services (output-based). If the customer pays for services in advance, the Group recognizes a corresponding contractual liability until the relevant service is performed.

A trade receivable is recognized for the period between revenue recognition and receipt of payment. Any financing component included in the transaction is not recognized because the period between the transfer of the goods and the payment of consideration is generally less than a year.

In the Volkswagen Leasing GmbH Group, contract origination costs are capitalized and amortized on a straight-line basis over the term of the contract only if the underlying contract has a term of at least one year and these costs would not have been incurred if the contract concerned had not materialized.

Fee and commission expenses arising from financing-business sales commission that are not included through the effective interest rate for the underlying financial assets are expensed in full on the date of performance.

5. Income taxes

Current income tax assets and liabilities are measured using the tax rates expected to apply in respect of the refund from or payment to the tax authorities concerned. Current income taxes are generally reported on an unnetted basis. Liabilities are recognized for potential tax risks using best estimates.

The introduction of global minimum taxation (Pillar 2) does not lead to any additional tax expense in the VW Leasing GmbH Group. This means that there is no current tax expense in connection with Pillar 2 income taxes. The VW Leasing GmbH Group applied the exemption from the recognition and disclosure of deferred tax in connection with Pillar 2 income taxes.

Deferred tax assets are recognized if it is probable that in the future sufficient taxable profits will be generated in the same tax unit against which the deferred tax assets can be utilized. No deferred tax assets that are not expected to be recovered within a reasonable period are recognized in the year in which they arise. If it is no longer likely that it will be possible to recover deferred tax assets recognized in the previous year within a reasonable period, valuation allowances are applied.

Deferred tax assets and liabilities with the same maturities and relating to the same tax authorities are netted.

6. Financial Instruments

In the case of regular way purchases or sales, financial instruments are normally recognized on the settlement date, i.e. the date on which the asset is delivered. An exception to this rule arises in connection with the accounting treatment of derivatives, which are always recognized on the trade date.

Financial assets are classified and measured on the basis of the business model operated by an entity and the structure of its cash flows.

In the Volkswagen Leasing GmbH Group, financial assets are classified into the following categories in accordance with IFRS 9:

> Financial assets measured at fair value through profit or loss
> Financial assets measured at fair value through other comprehensive income (debt instruments)
> Financial assets measured at amortized cost

Financial liabilities are classified using the following categories:
> Financial liabilities measured at fair value through profit or loss, and
> Financial liabilities measured at amortized cost.

In the Volkswagen Leasing GmbH Group, the categories shown above are allocated to the classes “financial assets and financial liabilities measured at amortized cost” and “financial assets and financial liabilities measured at fair value”.

The fair value option for financial assets and financial liabilities is not applied in the Volkswagen Leasing GmbH Group.

Financial assets and financial liabilities are generally reported with their unnetted gross values. Offsetting is only applied if, at the present time, the offsetting of the amounts is legally enforceable by the Volkswagen Leasing GmbH Group and there is an intention to settle on a net basis in practice.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

Financial assets held within a business model the objective of which is to collect contractual cash flows (“hold to collect” business model) are allocated to the measurement category of financial assets measured at amortized cost. The contractual cash flows of these financial assets consist solely of payments of principal and interest on the principal amount outstanding, such that the cash flow criterion is satisfied.

Financial liabilities are allocated to the measurement category of financial liabilities measured at amortized cost, unless they are derivatives.

Gains and losses arising from the changes in amortized cost are recognized in profit or loss, including the effects from changes in exchange rates.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (DEBT INSTRUMENTS)

Financial assets held within a business model the objective of which is to collect contractual cash flows and sell financial assets (“hold to collect and sell” business model) are classified in the financial assets measured at fair value through other comprehensive income (debt instruments) measurement category. The contractual cash flows of these financial assets consist solely of payments of principal and interest on the principal amount outstanding.

Changes in fair value that extend beyond the changes in the amortized cost of these financial assets are recognized in other comprehensive income (taking into account deferred taxes) until the financial asset concerned is derecognized. Only then are the accumulated gains or losses reclassified to profit or loss. Certain changes in fair value, such as impairment losses or interest determined in accordance with the effective interest method, are immediately recognized in profit or loss.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets measured at fair value through profit or loss measurement category comprises financial assets (debt instruments) for which the cash flow criterion is not satisfied, or that are managed within a business model that aims to sell these assets in order to realize cashflows. In addition, derivatives are allocated to the financial assets measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss.

In the case of these financial assets and liabilities, any changes in fair value are recognized in profit or loss.

LOANS AND RECEIVABLES

Loans to and receivables from banks, and loans to and receivables from customers, originated by the VW FS AG Group are recognized at amortized cost using the effective interest method. Gains or losses arising from the changes in amortized cost are recognized in profit or loss, including the effects from changes in exchange rates.

For reasons of materiality, non-interest-bearing current loans and receivables (due within one year) are not discounted and therefore no unwinding of discount is recognized.

Loans and receivables are generally derecognized when they are repaid or settled. There are no indications of derecognition for loans/receivables from ABS transactions carried out by the Group.

The accounting policies relating to receivables from customers attributable to the leasing business in the Volkswagen Leasing GmbH Group are described in note (9) Leases.

MARKETABLE SECURITIES

The “Marketable securities” balance sheet item largely comprises investments of resources in the form of fixed-income securities from public-sector issuers.

The fixed-income securities are allocated to the measurement category of financial assets measured at fair value through other comprehensive income (debt instruments). Valuation allowances for fixed-income securities are recognized in profit or loss under the “Provision for credit risks” line item. Interest determined in accordance with the effective interest method are also recognized in profit or loss. In addition, the differences between the amortized cost and fair value arising from the remeasurement of fixed-income securities are recognized in other comprehensive income, taking into account deferred taxes.

DERIVATIVES AND HEDGE ACCOUNTING

Derivative financial instruments comprise derivatives designated as hedges to which hedge accounting is applied and derivatives to which hedge accounting is not applied. All derivatives are measured at fair value and are presented separately in notes (27) and (36).

The fair value is determined with the help of measurement software in IT systems using the discounted cash flow method and taking into account credit value adjustments and debt value adjustments.

In the Volkswagen Leasing GmbH Group, entities enter into derivative transactions solely for hedging purposes as part of the management of interest rate risk.

Derivatives are used as hedging instruments to hedge fair values or future cash flows (referred to as hedged items). Hedge accounting in accordance with IFRS 9 is only applied in the case of hedges that can be demonstrated to be effective, both on designation and continuously thereafter. The Volkswagen Leasing GmbH Group documents all relationships between hedging instruments and hedged items.

When fair value hedges are applied, changes in the fair value of the derivative designated as the instrument used to hedge the fair value of a recognized asset or liability (hedged item) are recognized in profit or loss under net gain or loss on hedges. Changes in the fair value of the hedged item in connection with which the risk is being minimized are also reported in profit or loss under the same item. Gains or losses arising from the ineffectiveness of fair value hedges are also recognized in gain or loss on hedges.

Portfolio fair value hedge accounting reports transactions to hedge the risk of changes in the interest rates of hedged items (finance leases) on a portfolio basis. The hedged interest rate risk for the hedged items is based on the 3-month EURIBOR. The VW Leasing GmbH Group exercises the option afforded in the provisions of IAS 39 regarding hedge accounting in its portfolio fair value hedge accounting treatment. As part of the accounting treatment of hedges in portfolio fair value hedge accounting, the hedged fair value changes for hedged items are recognized in a separate asset item in the balance sheet ("Value adjustment on portfolio fair value hedges").

In the case of derivatives that are designated as hedges of future cash flows in cash flow hedges and that satisfy the relevant criteria, the changes in the fair value of the derivative are recognized in separate items of other comprehensive income. The designated effective portion is recognized within other comprehensive income in OCI I. Effects on profit or loss under net gain or loss on hedges arise from the ineffective portion of the change in fair value as well as from the reclassification (on recognition of the hedged item) of changes in fair value previously recognized in other comprehensive income. The measurement of the hedged items remains unchanged.

Changes in the fair values of derivatives that do not satisfy the IFRS 9 or IAS 39 criteria for hedge accounting and are therefore accounted for in the category of financial assets and financial liabilities measured at fair value through profit or loss are recognized in profit or loss under net gain or loss on financial instruments measured at fair value.

Interest income or interest expense related to derivatives designated as hedging instruments is reported in the income statement item in which the interest income or interest expense related to the hedged item is presented. Interest income or interest expense related to derivatives in economic hedging relationships that do not meet the requirements of designation as hedging instruments is also reported in the income statement item in which the interest income or interest expense related to the financial assets and liabilities or the hedged item is presented.

PROVISION FOR CREDIT RISKS

The provision for credit risks, which is recognized in accordance with the expected credit loss model specified by IFRS 9 and in accordance with uniform standards applied throughout the Group, encompasses all financial assets measured at amortized cost, financial assets in the form of debt instruments measured at fair value through other comprehensive income, finance lease receivables and receivables related to payments due under operating leases that fall within the scope of IFRS 16. The provision for credit risks is generally determined on the basis of parameters, taking into account the exposure at default, the probability of default and the loss given default.

Financial assets are subject to credit risks, which are taken into account by recognizing valuation allowances in the amount of the expected loss; such valuation allowances are recognized for both financial assets with objective evidence of impairment and non-impaired financial assets. These allowances are posted to separate valuation allowance accounts.

The general approach is used for financial assets measured at amortized cost (with the exception of trade receivables) and financial assets (debt instruments) whose changes in fair value are recognized in other comprehensive income unless there is already objective evidence of impairment on initial recognition. Financial assets are broken down into three stages in the general approach. Stage 1 consists of financial assets that are being recognized for the first time or that have not demonstrated any significant increase in default risk since initial recognition. Stage 2 consists of financial assets for which the risk of default has increased significantly since initial recognition. Financial assets demonstrating objective indications of impairment are allocated to Stage 3.

In the case of financial assets already impaired on initial recognition (POCI) and classified as Stage 4 for the purposes of the disclosures, the provision for credit risks is recognized in subsequent measurement on the basis of the cumulative changes in the expected credit loss for the entire life of the asset concerned.

The provision for credit risks is calculated on the basis of the individual financial asset. The parameters required for this calculation are established by assessing portfolios in which individual financial assets of a similar type are brought together. Such homogeneous portfolios are created, for example, on the basis of customer group (e.g. dealer), product, or type of collateral (e.g. vehicle). In the case of significant financial assets with objective evidence of impairment, the measurement parameters are determined on the basis of the individual contract.

In the Volkswagen Leasing GmbH Group, the provision for credit risks relating to trade receivables and to operating and finance lease receivables accounted for in accordance with IFRS 16 is uniformly determined using the simplified approach. The valuation allowance for trade receivables is calculated according to the extent to which the receivable is past due using a valuation allowance table (provision matrix).

Both historical information, such as average historical default probabilities for each portfolio, and forward-looking information, such as macroeconomic factors and trends (e.g. the rate of change for gross domestic product, the rate of change for industrial production, the unemployment rate, inflation, (long-term and short-term) interest rates), linked to expected credit losses, is used to determine the measurement parameters for calculating the provision for credit risks.

To model the measurement parameters, calculations are carried out for various probability-weighted scenarios using macroeconomic factors. The scenarios assume different economic trends and reflect their impact on credit risk and the provision for credit risks. In this regard, Volkswagen Leasing GmbH analyzes macroeconomic factors that are also used in internal management. These factors include, for example, the rate of change for gross domestic product, the rate of change for industrial production, the unemployment rate, inflation and (long-term and short-term) interest rates. If statistical methods demonstrate that macroeconomic factors have an impact on credit risk, then the relevant forecast macroeconomic factors and their effects on credit risk are taken into account in the scenarios.

The Volkswagen Leasing GmbH Group normally analyzes three scenarios: a baseline scenario, a positive scenario and a negative scenario. The baseline scenario uses validated risk parameters as also used in the internal risk calculations. The positive scenario assumes a more positive trend in probabilities of default and loss given default ratios for the next 12 months compared with the baseline scenario, whereas the negative scenario assumes a rise in default probabilities and lower loss given default ratios. Based on the baseline scenario, the average probability of default (PD) adjustment is –12.2% in the positive scenario and +39.1% in the negative scenario, while the average loss given default adjustment is –3.8% in the positive scenario and +6.3% in the negative scenario.

The calculation to determine whether the credit risk for assets subject to the general approach has increased significantly at the reporting date generally takes into account the maturity of the agreement. The credit risk expected for the reporting date on the date of initial recognition is compared against the actual credit risk on the reporting date on the basis of the 12-month probability of default (PD). For the purposes of the comparison, the expected PD for the reporting date is determined by taking into account the maturity. Depending on the internal risk management models applied, threshold values are specified for expected credit risk using statistical methods and expert assessments, taking into account transaction-specific variables (such as maturity, payment record and credit process). A credit risk higher than the threshold value indicates a significant increase in credit risk. If necessary, qualitative factors may also be used to determine a significant increase in credit risk. Assets accounted for under the general approach relate in particular to receivables from VW Group companies where the expected loss is estimated on the basis of a loss rate approach. Internal and external rating information is used in the measurement of credit risk. Moreover, credit risk can always be assumed to have increased significantly if payments past due by more than 30 days have been identified.

Objective evidence of impairment is identified in the Volkswagen Leasing GmbH Group using the definition of default specified in Article 178 of the CRR. The existence of a variety of factors could be decisive in determining whether a default has occurred. Examples of such factors include payment more than 90 days past due, the initiation of enforcement measures, the threat of insolvency or overindebtedness, application for or the initiation of insolvency proceedings, or the failure of restructuring measures. The Volkswagen Leasing GmbH Group uses the EBA's amended guidelines on the application of the definition of default under Article 178 of the CRR. If the reason for the recognition of a default (e.g. disruption to payments) has been eliminated, this must then be followed immediately by a cure period of several months before the financial instrument can no longer be considered in default.

Reviews are regularly carried out to ensure the valuation allowances are appropriate.

Uncollectible loans or receivables that are already subject to a remediation for which all collateral has been recovered and all further options for recovering the loan or receivable have been exhausted are written off directly. Any valuation allowances previously recognized are utilized. Income subsequently collected in connection with loans or receivables already written off is recognized in profit and loss.

Loans and receivables are reported in the balance sheet at the net carrying amount.

Disclosures relating to the provision for credit risks are presented separately in notes (17) and (51).

MODIFICATIONS

Modifications falling within the scope of IFRS 9 are adjustments of an individual financial instrument or finance lease in which the provisions of IFRS 9 must be applied in accordance with IFRS 16.80(b) and in which the nature, amount and/or timing of the contractual cash flows from the contract are modified. They can be caused by credit rating or market factors. If modified cash flows arise in connection with financial assets or financial liabilities, an assessment must be carried out to establish whether the modification is significant or not. The significance of a modification is assessed from both a qualitative perspective (e.g., change in cash flow currency, adjustment in subordination, switch from fixed to variable interest rate) and a quantitative perspective. As a quantitative guideline, the Volkswagen Leasing GmbH Group deems any variation in the discounted cash flows for a financial asset or a financial liability of more than 10% to be significant.

If a modification is significant, the financial asset or financial liability concerned must be derecognized and the modified contract recognized as a new financial asset or financial liability at fair value, taking into account a new effective interest rate. In the case of financial assets that are credit-impaired when purchased or originated and thereby allocated to Stage 4, a credit-adjusted effective interest rate is applied. Financial assets that are not posted as credit-impaired as part of a significant modification and are subject to the general approach are allocated to Stage 1; in subsequent measurement, they are allocated to Stage 2 if a significant increase in credit risk is determined in connection with the modification.

If a modification is not significant, the gross carrying amount of the financial asset or financial liability must be adjusted such that the gross carrying amount after modification reflects the modified cash flows discounted with the original effective interest rate, including all the costs incurred as a result of the modification of the agreement. The old financial asset or financial liability is therefore not derecognized and there is no recognition of a new asset or liability. The difference between the gross carrying amount before and after modification is the modification gain or loss. If a significant increase in credit risk is determined as part of a non-significant modification of a financial asset subject to the general approach, the asset is allocated to Stage 2.

LIABILITIES

Liabilities to banks and customers (note 33), notes and commercial paper issued (note 34), and subordinated capital liabilities (note 40) are recognized at amortized cost using the effective interest method. Gains or losses arising from the changes in amortized cost are recognized in profit or loss.

For reasons of materiality, discounting or unwinding of discounting is not applied to non-interest-bearing current liabilities (due within one year). They are therefore recognized at their repayment or settlement value.

7. Value adjustments on portfolio fair value hedges

This assets-side line item on the balance sheet recognizes changes in the hedged fair value in relation to the hedged interest rate risk for the hedged items covered by portfolio fair value hedge accounting. The effects arising from the amortization of fair value adjustments recognized for hedged items (changes in hedged fair value) in portfolio fair value hedges are reported in the interest income from hedged financial assets.

8. Property and equipment

Property and equipment – land and buildings as well as operating and office equipment – is accounted for under the cost model. Depreciation is applied on a straight-line basis over the estimated useful life.

Depreciation is based mainly on the following useful lives:

Property and equipment	Useful lives
Buildings and property facilities	10 to 50 years
Operating and office equipment	3 to 15 years

At every reporting date, property and equipment is tested to establish whether there are any indications of impairment arising from, for example, relevant events or changes in circumstances. In these cases, the carrying amount is compared to the recoverable amount. Impairment losses are recognized in accordance with IAS 36 where the recoverable amount of the asset concerned has fallen below the carrying amount.

Depreciation expense and impairment losses are reported within general and administrative expenses. Income from the reversal of impairment losses is recognized in net other operating income/expenses.

The “Property and equipment” line item on the balance sheet also includes right-of-use assets in connection with leases in which the Volkswagen Leasing GmbH Group is the lessee. The accounting policies for these right-of-use assets are set out in note (9) Leases within the subsection covering the Group as lessee.

9. Leases

GROUP AS A LESSOR

The Volkswagen Leasing GmbH Group conducts both finance lease and operating lease business. The leases are mainly vehicle leases, but to a lesser extent also involve land, buildings and dealer equipment.

Lease income and lease expenses that the Group generates or incurs as a lessor are recognized under income from leasing transactions and depreciation, impairment losses and other expenses from leasing transactions in the income statement and are explained in note (14) Net Income from Leasing Transactions. Net income from leasing transactions largely consists of the following components: revenue from operating leases, interest income from finance leases, gains and expenses from the disposal of used ex-lease vehicles, net interest income/expense from derivatives used for hedging of finance leases, and depreciation and impairment losses in respect of lease assets. Interest income from finance leases includes the effects arising from the amortization of fair value adjustments recognized for hedged items (changes in hedged fair value) resulting from finance lease receivables in portfolio fair value hedge accounting.

A finance lease is a lease that transfers substantial risks and rewards to the lessee. Where residual value guarantees are agreed, residual value risks are passed to the residual value guarantor. In the consolidated balance sheet, receivables from finance leases are reported within loans to and receivables from customers and the net investment in the lease generally equates to the cost of the lease asset. Interest income from these transactions is reported under leasing income in the income statement. The interest paid by the customer is allocated so as to produce a constant periodic rate of interest on the remaining balance of the lease receivable. The net interest income or expense from derivatives held for interest rate hedging in connection with some of the finance lease receivables is recognized under income from leasing transactions. This net interest income or expense from derivatives is reported within the income from leasing transactions in order to present hedged interest income from finance leases, including the net interest income or expense from derivatives held for interest rate hedging, as it accrues to the Volkswagen Leasing GmbH Group.

In the case of operating leases, the substantial risks and rewards related to the leased asset remain with the lessor. In this case, the assets involved are reported in a separate “Lease assets” item in the balance sheet, measured at cost and reduced by straight-line depreciation over the lease term to the calculated residual carrying amount. Any impairment identified as a result of an impairment test in accordance with IAS 36 in which the recoverable amount (normally the value in use) is found to have fallen below the carrying amount is taken into account by recognizing an impairment loss. Generally, future depreciation rates are adjusted as a consequence of impairment. Depreciation and impairment losses are reported under depreciation, impairment losses and other expenses from leasing transactions. Reversals of impairment losses that are recognized because the reasons for impairment losses recognized in prior years no longer apply are included in income from leasing transactions. Leasing revenue is recognized on a straight-line basis over the lease term and is reported in income from leasing transactions.

Where the Volkswagen Leasing GmbH Group is a lessor, one of the ways in which it counters the risks arising in connection with the underlying leased assets (mainly vehicles) is to take into account residual value guarantees received for parts of the lease portfolio and to include residual value forecasts on the basis of internal and external information within residual value management. Residual value forecasts are regularly verified by a process of backtesting.

The Volkswagen Leasing GmbH Group takes full account of the credit risk arising in connection with lease receivables by recognizing loss allowances in accordance with the provisions specified in IFRS 9. The accounting policies covering loss allowances for the credit risk on lease receivables are included in note (6) Financial Instruments in the subsection addressing the provision for credit risks.

GROUP AS A LESSEE

During the lease term, right-of-use assets for leases in which the VW Leasing GmbH Group is the lessee are depreciated on a straight-line basis over the term of the lease. The depreciation expense is reported under general and administrative expenses. The allocation of the depreciation amounts for right-of-use assets to the categories "Right of use on land, land rights and buildings incl. buildings on third party land" and "Right of use on other equipment, operating and office equipment" is shown in note (55) Leases. In the subsequent measurement of the lease liability, the carrying amount is updated using the effective interest method and taking into account the lease payments made. The interest expenses arising from the application of the effective interest method are reported under interest expenses in the income statement.

The right-of-use assets for leases recognized in the balance sheet are reported under those line items in which the lease's underlying assets would have been reported if these assets had been in the beneficial ownership of the Volkswagen Leasing GmbH Group. The right-of-use assets are therefore reported under property and equipment as of the reporting date.

Lease liabilities are carried at the present value of the lease payments.

Exemptions are provided for short-term leases and leases in which the underlying asset is of low value. The Volkswagen Leasing GmbH Group has elected to apply these exemptions and therefore does not recognize any right-of-use asset or lease liability for such leases. The associated lease payments are recognized as an expense under general and administrative expenses in the income statement. A lease is treated as a lease in which the underlying asset is of low value if the value of the underlying asset when new is no more than €5,000. The accounting requirements specified in IFRS 16 are not applied to leases for intangible assets either.

Leases of the VW Leasing GmbH Group may have extension or termination options, which are taken into account when determining the lease terms.

BUYBACK TRANSACTIONS

The Volkswagen Leasing GmbH Group enters into vehicle purchase contracts in which there is a fixed buyback agreement with the vehicle sellers, who are entities in the Volkswagen Group. Ultimately, these contracts entitle the Group solely to use the vehicles during an agreed timeframe, the contracts being accounted for as leases. The Group is the lessee in the primary lease and uses the vehicles made available under the lease to conduct leasing business with customers. The leases with customers are treated as subleases linked to the right of use received for the period of use and are classified as finance leases or operating leases according to the classification criteria. The vast majority of buyback transactions are classified as finance leases and the values arising from the transfer of the right of use are consequently presented as receivables from finance leases in the balance sheet. To a lesser extent, some transactions are classified as operating leases and the values arising from the transfer of the right of use are thus in this case accounted for as lease assets.

In connection with buyback transactions, buyback receivables are also recognized under loans to and receivables from customers within other loans and receivables in the amount of the buyback values agreed at the inception of the lease. In the case of noncurrent leases (maturity of more than one year), the agreed buyback value is discounted at the inception of the lease. The unwinding of the discount during the term of the lease is recognized in interest income.

10. Investment property

Land and buildings held to earn rentals are reported under the "Investment property" item in the balance sheet and measured under the cost model. The fair values additionally disclosed in the notes are determined by discounting the estimated future cash flows using the relevant long-term market discount rate. Depreciation is applied on a straight-line basis over useful lives of nine to 33 years. Any impairment identified as a result of an impairment test in accordance with IAS 36 is taken into account by recognizing an impairment loss.

11. Provisions for pensions and other post-employment benefits

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

The Volkswagen Leasing GmbH Group provides occupational pensions in the form of both defined contribution and defined benefit plans. In the case of defined contribution plans, the Bank 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, the Volkswagen Leasing GmbH Group has no further obligations. In 2024, the total contributions made by the Volkswagen Leasing GmbH Group came to €7 million (previous year: €0 million). This amount included contributions to the compulsory state pension system in Germany in an amount of €7 million (previous year: €0 million). 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 in which there is a distinction between pensions funded by provisions (without plan assets) and externally funded plans (with plan assets). Externally funded pension schemes are the result of the personnel transfer in the reporting year.

The pension provisions for defined benefit commitments are measured by independent actuaries using the internationally accepted projected unit credit method in accordance with IAS 19. This means that the future obligations are measured on the basis of the proportionate benefit entitlements earned as of the reporting date. The measurement of pension provisions takes into account actuarial assumptions regarding discount rates, salary and pension trends, life expectancy and employee turnover rates, which are determined for each Group company depending on the economic environment.

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 this process, provisions for employee entitlements, e.g. from pension obligations, were transferred from the transferring entities to the receiving entities. To offset the provisions transferred in each case, compensation payments were calculated on the basis of the amount of the provisions under commercial law. Positive differences arising from transfers where the compensation payments received exceed the provisions transferred under IFRSs are recognized as transactions by the owners through other comprehensive income and presented as contributions in kind.

Volkswagen Financial Services AG made the following transfers to Volkswagen Leasing GmbH. The differences are shown as contributions in kind by the higher-level shareholder, Volkswagen Financial Services AG.

€ million	Present value of transferred obligations	Fair value of transferred plan assets	Provisions recog-nized in the balance sheet	Compensation payments	Difference
Pensions	125	85	40	109	69
Anniversary payments	17	–	17	20	3
Semiretirement	18	–	18	19	1
Time Assets	45	38	7	8	0
Other	0	–	0	0	0
Total	**205**	**123**	**82**	**156**	**74**

The transfers below took place from Volkswagen Bank GmbH to Volkswagen Leasing GmbH. The differences are shown as contributions in kind by the shareholder, Volkswagen Bank GmbH.

€ million	Present value of transferred obligations	Fair value of transferred plan assets	Provisions recog-nized in the balance sheet	Compensation payments	Difference
Pensions	1	1	0	1	1
Anniversary payments	0	–	0	0	0
Semiretirement	0	–	0	0	0
Time Assets	1	1	0	0	0
Other	0	–	0	0	0
Total	**2**	**2**	**0**	**1**	**1**

Detailed disclosures on provisions for pensions and other post-employment benefits are set out in note (37).

12. Other provisions

Under IAS 37, provisions are recognized if a present legal or constructive obligation to a third party has arisen as a result of a past event, it is probable that settlement in the future will result in an outflow of resources embodying economic benefits and the amount of the obligation can be estimated reliably. If an outflow of resources is neither probable nor improbable, the amount concerned is deemed to be a contingent liability. In accordance with IAS 37, this contingent liability is not recognized but disclosed.

Provisions for litigation and legal risks are recognized and measured using assumptions about the probability of an unfavorable outcome and the amount of possible utilization.

Income from the reversal of other provisions is generally recognized in the income statement item or net income item in which the associated expense was recognized in previous fiscal years.

Provisions not related to an outflow of resources likely to take place within one year are recognized at their settlement amount discounted to the reporting date using market discount rates. Discounting is based on market interest rates. An average discount rate of 2.61% (previous year: 2.87%) has been used in the reporting period. The settlement amount also includes expected cost increases.

13. Estimates and assumptions by management

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the recognition and measurement of assets, liabilities, income and expenses, and disclosures relating to contingent assets and liabilities for the reporting period.

Assumptions and estimates are based on the latest available information. The circumstances prevailing at the time the consolidated financial statements are prepared and future trends in the global and sector environment considered to be realistic are taken into account in the projected future performance of the business. The estimates and assumptions used by management have been made, in particular, on the basis of assumptions relating to macroeconomic trends as well as trends in automotive markets, financial markets and the legal framework.

The assumption in respect of macroeconomic development is that global economic output will grow overall in 2025 but at a slightly weaker pace when compared with 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, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with the Russia-Ukraine conflict, fighting in the Middle East and uncertainties in connection with the political orientation of the USA a particular source of risk. It is assumed that both the advanced economies and the emerging markets will show a somewhat weaker momentum on average compared with the reporting year. There is also a general expectation that the global economy will continue growing at stable rates of change in the period to 2029.

These assumptions suggest that automotive financial services – in conjunction with the development of the vehicle markets – will prove highly important to global vehicle sales in 2025. 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, demand is expected to increase for new forms of mobility, such as rental and car subscription (Auto-Abo) services, and for integrated mobility services including 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 assume that this trend will also persist in the years 2026 to 2029.

The trend in the automotive industry closely follows global economic developments. It is anticipated 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. Trends in the markets for passenger cars in 2025 are expected to be positive overall, but with some variation from region to region. Overall, the global volume of new car sales is expected to be slightly higher than in the previous year. Growing demand for passenger cars is forecast worldwide in the period from 2026 to 2029. The markets for light commercial vehicles are also expected to perform differently in the individual regions. On the whole, we expect the sales volume for 2025 to be on the same level as in the previous year; for the years 2026 to 2029, we expect demand for light commercial vehicles to increase globally.

New registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes are expected to decrease noticeably year-on-year in 2025 in the markets of relevance for the Volkswagen Group, with some regions experiencing a bigger change than others.

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.

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 Leasing GmbH 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.

These and other assumptions and judgements are explained in detail in the report on expected developments, which is part of the management report.

As future business performance is subject to unknown factors that, in part, lie outside the control of the Group, assumptions and estimates continue to be subject to considerable uncertainty. If changes in parameters are different from the assumptions and beyond any influence that can be exercised by management, the amounts actually arising could differ from the estimated values originally forecast. If actual performance varies with the forecasts, the assumptions and, where necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly.

The assumptions and estimates largely relate to the items set out below.

RECOVERABLE AMOUNT OF LEASE ASSETS

The recoverable amount of leased assets in the Group mainly depends on the residual value of the leased vehicles when the leases expire because this value represents a considerable proportion of the expected cash inflows. Continuously updated internal and external information on trends in residual values – based on particular local circumstances and empirical values from the marketing of used vehicles – is factored into the forecasts of residual values for leased vehicles. These forecasts require the Group to make assumptions, primarily in relation to future supply and demand for vehicles and in relation to trends in vehicle prices. These assumptions are based on either professional estimates or information published by third-party experts. The professional estimates are based on external data (where available), taking into account any additional information available internally, such as values from past experience and current sales data. Forecasts and assumptions are regularly verified by a process of backtesting.

The mix of drive types in the VW Leasing GmbH Group's portfolio is constantly changing as the transition to zero-emissions mobility progresses. The effects of this transformation on the residual values of the portfolio will be continuously monitored with appropriate procedures for the analysis and assessment of sustainability-related (ESG) factors, such as technological and regulatory changes or CO_2 transition costs. The defined residual values of vehicles of different drive types are updated in line with the results of this monitoring at regular intervals for the purposes of both new business and residual value forecasting. In addition to the above-mentioned aspects, this will also be determined by important factors such as market structure and customer behavior. Up to now, there has been no sign of additional estimation uncertainty arising from ESG/sustainability considerations that would materially affect existing estimates, for example of the recoverable amount of leased assets, in the consolidated financial statements. Possible future effects of ESG/sustainability factors on existing estimates are considered continuously.

FINANCIAL INSTRUMENTS

The procedure for determining the recoverability of financial assets requires estimates about the extent and probability of occurrence of future events. When possible, these estimates take into account the latest market data as well as rating classes and scoring information derived from empirical values and combined with forward-looking parameters. Further information on determining valuation allowances can be found in the disclosures on the provision for credit risks in notes (6) and (50). The section entitled “Provision for credit risks” in note (6) Financial instruments sets out that three scenarios of risk parameters are used to determine the provision for credit risks and that objective evidence of impairment is determined in accordance with the definition of default under Article 178 of the CRR. These measurement methods had not been in use in the previous year; they had to be applied for the first time for the consolidated financial statements in the reporting year by making changes in accounting estimates following the absorption of Volkswagen Leasing GmbH by the parent company Volkswagen Bank GmbH. The use of three scenarios of risk parameters to determine the provision for credit risks resulted in the reversal of a provision for credit risks in the amount of €19 million.

Management estimates are necessary to determine the fair value of financial instruments. This relates to both fair value as a measurement standard in the balance sheet and fair value in the context of disclosures in the notes. Fair value measurements are categorized into a three-level hierarchy depending on the type of inputs used in the valuation technique and each level requires different management estimates. Fair values in Level 1 are based on prices quoted in active markets. Management assessments in this case relate to determining the primary or most advantageous market. Level 2 fair values are measured on the basis of observable market data using market-based valuation techniques. Management decisions for this level relate to selecting generally accepted, standard industry models and specifying the market in which the relevant input factors are observable. Level 3 fair values are determined using recognized valuation techniques and relying on some inputs that cannot be observed in an active market. Management judgment is required in this case when selecting the valuation techniques and determining the inputs to be used. These inputs are developed using the best available information. If the Company uses its own data, it applies appropriate adjustments to best reflect market conditions. This is done with regard to fair value disclosures for loans to customers in the notes, as these are measured at amortized cost and not at fair value.

INCOME FROM SERVICE CONTRACTS

The calculation of contractual service rates in service contracts is subject to assumptions about expenses during the term of contracts; these assumptions are based on past empirical data. The parameters used in the calculation of contractual service rates are regularly reviewed. During the term of contracts, income from service contracts is recognized on the basis of expenses incurred, plus a margin derived from the contractual service rates.

PROVISIONS

The recognition and measurement of provisions is also based on assumptions about the probability that future events will occur and the amounts involved, together with an estimation of the discount rate. Again, experience or reports from external experts are used whenever possible.

The measurement of pension provisions is based on actuarial assumptions regarding discount rates, salary and pension trends, and employee turnover rates, which are determined depending on the economic environment. Further information about the assumptions applied in relation to provisions for pensions and other post-employment benefits can be found in notes (11) and (36).

In the case of other provisions, expected values are used as the basis for measurement, which means that changes are made on a regular basis, involving either additions to the provisions or the reversal of unused provisions. Changes in the estimates of the amounts for other provisions are always recognized in profit or loss. The recognition and measurement of provisions for litigation and legal risks included within other provisions requires making predictions with regard to court decisions and the outcome of legal proceedings. Each case is individually assessed on its merits based on developments in the proceedings, the company's past experience in comparable situations and evaluations made by experts and lawyers. Further information about the assumptions applied in relation to other provisions can be found in note (12).

DEFERRED TAX ASSETS AND UNCERTAIN INCOME TAX ITEMS

When determining deferred tax assets, there is a need to make assumptions about future taxable income and the timings for any recovery of the deferred tax assets. The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income within a planning horizon of five fiscal years. In the recognition of uncertain income tax items, the expected tax payment is used as the basis for the best estimate.

Tax liabilities are recognized for potential retrospective tax payments in the future; other liabilities are recognized for any additional tax costs incurred in this regard.

The entities in the Volkswagen Leasing GmbH Group operate in Germany and abroad and are audited on an ongoing basis by the local tax authorities. Changes to tax legislation, decisions by the courts and their interpretation by the tax authorities in the countries concerned could give rise to tax payments that are different from the estimates made in the financial statements.

The assessment of uncertain tax exposures is based on the most likely figure if the risk were to materialize. The Volkswagen Leasing GmbH Group makes a decision on a case-by-case basis as to whether to account for several tax uncertainties individually or in groups, depending on which approach better serves to predict whether the tax risk will materialize.

The pricing of individual services is particularly complex in contracts for cross-border intragroup services because, in many cases, there are no observable market prices or the application of market prices for similar services is subject to some uncertainty because the services are not comparable. In such cases – and for tax purposes – the pricing is determined using uniform measurement methods applied in generally accepted business practice.

Actual figures may differ from the original estimates if the circumstances differ from the assumptions made in the estimates.

Income Statement Disclosures

14. Net income from leasing business

The breakdown of net income from leasing transactions is as follows:

€ million	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
Leasing income from operating leases	5,695	5,168
Interest income from finance leases	1,159	906
Gains from the disposal of used ex-lease vehicles	8,188	7,702
Net interest income/expense from finance lease hedging derivatives	220	377
Miscellaneous income from leasing transactions	526	479
Income from leasing transactions	**15,787**	**14,632**
Lease assets depreciation and impairment losses	–4,588	–4,259
Expenses from the disposal of used ex-lease vehicles	–8,274	–7,607
Miscellaneous expenses from leasing transactions	–446	–652
Depreciation, impairment losses and other expenses from leasing transactions	**–13,308**	**–12,519**
Total	**2,479**	**2,113**

15. Interest expense

Interest expenses largely consist of funding expenses for Group leasing transactions.

Interest income and expenses on derivatives not designated as hedging instruments for hedging financial liabilities amount to €–4 million (previous year: €6 million). Interest income and expenses on derivatives designated as hedging instruments for hedging financial liabilities amount to €0 million (previous year: €0 million).

16. Net income from service contracts

Of the total income recognized for service contracts in the reporting year, an amount of €1,468 million (previous year: €1,431 million) related to service contracts, requiring the recognition of income at a specific time, and €460 million (previous year: €391 million) related to service contracts requiring the recognition of income over a period of time.

Of the income from service contracts recognized in the reporting year, income of €640 million had been included in the contractual liabilities for service contracts within liabilities to customers as of January 1, 2024. Of the income recognized in the prior year, income of €616 million had been included in the contractual liabilities for service contracts as of January 1, 2023.

17. Provision for credit risks

The provision for credit risks relates to the following balance sheet items: “Loans to and receivables from banks”, “Loans to and receivables from customers”, “Marketable securities” and “Other assets”.

The breakdown of the amount recognized in the consolidated income statement is as follows:

€ million	2024	2023
Additions to provision for credit risks	–312	–249
Reversals of provision for credit risks	213	211
Direct write-offs	–37	–31
Income from loans and receivables previously written off	14	14
Net gain or loss from significant modifications	–0	0
Total	**–122**	**–55**

18. Net fee and commission result

Net fee and commission result largely comprises income and expenses from financing-business sales commissions and breaks down as follows:

€ million	2024	2023
Fee and commission income	54	18
Fee and commission expenses	–56	–128
Total	**–2**	**–110**

19. Net gain or loss on hedges

The “Net gain or loss on hedges” item comprises gains and losses arising from the fair value measurement of hedging instruments and hedged items.

The details of the gains and losses are as follows:

€ million	2024	2023
Fair value hedges		
Gains/losses from micro fair value hedges		
Gains/losses on hedging instruments	205	366
Gains/losses on hedged items	–207	–361
Gains/losses from micro fair value hedges	–2	5
Gains/losses from the ineffective portion of micro fair value hedges	–2	5
Gains/losses from portfolio fair value hedges	–	–
Gains/losses on hedging instruments	**–27**	–174
Gains/losses on hedged items	**13**	133
Gains/losses from the ineffective portion of portfolio fair value hedges	–13	–41
Gains/losses from the ineffective portion of portfolio fair value hedges	**–13**	**–41**
Cash flow hedges		–
Gains/losses from the reclassification of reserves	–	–
Gains/losses from translation of foreign currency loans/receivables and liabilities	–	–
Gains/losses from the ineffective portion of hedging instruments	–	–
Total	**–15**	**–36**

20. Net gain/loss on financial instruments measured at fair value

Net losses on derivatives not designated as hedging instruments amounting to €127 million (previous year: net losses of €287 million) are reported under this item, along with net gains or losses on derecognition of marketable securities measured at fair value through other comprehensive income. Gains and losses arising from changes in the fair value of derivatives that do not satisfy the requirements of IFRS 9 for micro hedge accounting or those of IAS 39 for portfolio hedging are recognized under gains and losses on derivatives not designated as hedging instruments.

21. General and administrative expenses

The breakdown of general and administrative expenses is shown in the following table:

€ million	2024	2023
Personnel expenses	–128	–6
Non-staff operating expenses	–466	–601
Advertising, public relations and sales promotion expenses	–6	–7
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	–1	–1
Other taxes	–1	–0
Income from the reversal of provisions and accrued liabilities	16	0
Total	**–585**	**–616**

The significant increase in personnel expenses in the reporting year is attributable to the transfer of personnel to the VW Leasing GmbH Group.

Non-staff operating expenses largely consist of expenses for services allocated by companies of the Volkswagen Group in the amount of €404 million (previous year: €599 million).

The breakdown and explanation of personnel expenses can be found separately in note (60) Personnel expenses.

22. Net other operating income/expenses

The breakdown of the net other operating income/expenses is as follows:

€ million	2024	2023
Income from cost allocations to other entities in the Volkswagen Group	56	33
Income from the reversal of provisions and accrued liabilities	27	39
Income from claims for damages	32	29
Income from the disposal of vehicles under loan agreements and finance leases	464	20
Income from non-significant modifications	3	4
Miscellaneous operating income	130	28
Losses on the measurement of non-hedge foreign currency loans/receivables and liabilities	–0	–0
Litigation and legal risk expenses	–0	–1
Expenses from the disposal of vehicles under loan agreements and finance leases	–449	–18
Expenses from non-significant modifications	–1	–1
Miscellaneous operating expenses	–44	–41
Total	**217**	**93**

Other operating income includes the purchase price payment of around €94 million by TRATON SE for the acquisition of the new business of the MAN Financial Services branch of Volkswagen Leasing GmbH.

23. Income tax expense

Income tax expense includes the taxes charged on the basis of the Volkswagen Financial Services AG tax group, as well as taxes for which Volkswagen Leasing GmbH and its consolidated subsidiaries and branches are the taxpayers, and deferred taxes. The components of the income tax expense are as follows:

€ million	2024	2023
Current tax income/expense, Germany	121	–46
Current tax income/expense, foreign	15	28
Current income tax expense	**136**	**–18**
of which income (+)/expense (–) related to prior periods	–0	–2
Deferred tax income (+)/expense (–), Germany	16	–25
Deferred tax income (+)/expense (–), foreign	53	–3
Deferred tax income (+)/expense (–)	**69**	**–28**
Income tax expense	**205**	**–46**

The reported tax expense in 2024 of €205 million (previous year: €–46 million) is €109 million higher (previous year: €3 million higher) than the expected tax expense of €95 million (previous year: €–49 million) calculated by applying the tax rate of 30.0% (previous year: 30.0%) to the consolidated profit before tax.

The following reconciliation shows the relationship between the income tax expense and the profit before tax for the reporting period:

€ million	2024	2023
Profit before tax	316	–162
multiplied by the domestic income tax rate of 30.0 % (previous year: 30.0 %)		
= Imputed income tax expense in the reporting period at the domestic income tax rate	**–95**	**49**
+ Effects from different foreign tax rates	–9	–3
+ Effects from tax-exempt income	5	1
+ Effects from non-deductible operating expenses	–2	–5
+ Effects from permanent differences	1	0
+ Taxes attributable to prior periods	–	6
+ Other variances	–105	–2
= Current income tax expense	**–205**	**46**
Effective tax rate in %	64.89	28.4

The statutory corporate tax rate in Germany for the 2024 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 29.99%.

In the German tax group, a tax rate of 30.0% (previous year: 30.0%) was used to measure deferred taxes.

The Group has recognized deferred tax assets of €0 million (previous year: €0 million) against which there are no deferred tax liabilities in an equivalent amount.

Of the deferred taxes recognized in the balance sheet, an amount of €3 million (previous year: €–1 million) relates to transactions reported in other comprehensive income. A breakdown of the changes in deferred taxes is presented in the statement of comprehensive income.

24. Further Income Statement disclosures

In fiscal years 2023 and 2024, there were no fee and commission income or expenses that result from assets and liabilities measured at fair value through other comprehensive income and are not recognized using the effective interest method.

Balance Sheet Disclosures

25. Loans to and receivables from banks

Loans to and receivables from banks include bank balances in the amount of €2,548 million (previous year: €777 million).

26. Loans to and receivables from customers

The "Loans to and receivables from customers" item includes deductions arising from the provision for credit risks recognized to cover the expected credit risk. The provision for credit risks is presented in notes (6) and (51).

Receivables from leasing transactions include receivables from finance leases and receivables due in connection with lease assets. The other loans and receivables largely consist of loans and receivables from entities within the Volkswagen Group and receivables from leasing transactions with a buyback agreement.

Receivables from leasing transactions include due receivables amounting to €470 million (previous year: €368 million). Of this amount, €166 million (previous year: €123 million) is attributable to finance leases and €304 million (previous year: €245 million) to operating leases. The due lease receivables are payable within one year.

27. Value adjustments on portfolio fair value hedges

This assets-side line item on the balance sheet recognizes changes in the hedged fair value in relation to the hedged interest rate risk for the hedged items covered by portfolio fair value hedge accounting in the amount of €67 million (previous year: €74 million).

28. Derivative financial instruments

This balance sheet item comprises the positive fair values from derivatives designated as hedging instruments and from derivatives not designated as hedging instruments.

€ million	Dec. 31, 2024	Dec. 31, 2023
Transactions to hedge against		–
interest-rate risk using fair value hedges	80	189
of which hedges against interest-rate risk using portfolio fair value hedges	10	112
interest-rate risk using cash flow hedges	1	1
Hedging transactions	**81**	**190**
Assets arising from derivatives not designated as hedges	73	292
Total	**154**	**482**

29. Marketable securities

Marketable securities include fixed-income commercial paper and notes from public-sector issuers.

30. Investment property

€ million	2024	2023
Cost **as of Jan. 1,**	**41**	**41**
Changes in basis of consolidation	0	0
Additions	0	0
Reclassifications	0	0
Disposals	11	0
Balance as of Dec. 31	**30**	**41**
Depreciation and impairment losses **as of Jan. 1**	17	**16**
Additions to cumulative depreciation	1	1
Additions to cumulative impairment losses	0	0
Reclassifications	0	0
Disposals	5	0
Balance as of Dec. 31	13	**17**
Net carrying amount as of Dec. 31	17	**23**
Net carrying amount as of Jan. 1	23	**25**

The fair value of investment property amounts to €18 million (previous year: €23 million). The fair value is determined using an income approach based on internal calculations (Level 3 of the fair value hierarchy). The main inputs for the calculation are future rental income and the cost of capital. Operating expenses of €0 million (previous year: €1 million) were incurred in the reporting period for the maintenance of investment property.

Rental income from investment property of €1 million (previous year: €1 million) is included in the "Income from leasing transactions" line item in the income statement.

31. Deferred tax assets

The breakdown of the deferred tax assets is as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023
Deferred tax assets	7,001	6,632
Tax loss carry-forward after value adjustments	–	–
Amount before offset	7,001	6,632
of which noncurrent assets and liabilities	4,132	4,325
Offset (with deferred tax liabilities)	–6,688	–6,519
Total	**314**	**113**

Deferred tax assets are recognized in connection with the following balance sheet items:

€ million	Dec. 31, 2024	Dec. 31, 2023
Loans, receivables and other assets	99	98
Marketable securities and cash	0	0
Intangible assets/property and equipment	383	363
Lease assets	6,166	5,762
Liabilities and provisions	396	428
Valuation allowances for deferred assets on temporary differences	–44	–18
Total	**7,001**	**6,632**

32. Other assets

The details of other assets are as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023
Vehicles returned for disposal	877	803
Restricted cash	445	452
Prepaid expenses and accrued income	97	78
Other tax assets	353	239
Miscellaneous	253	402
Total	**2,024**	**1,973**

Restricted cash essentially consists of cash collateral of consolidated ABS special purpose entities furnished in the context of ABS transactions.

33. Noncurrent assets

€ million	Dec. 31, 2024	of which noncurrent	Dec. 31, 2023	of which noncurrent
Loans to and receivables from banks	2,548	–	802	–
Loans to and receivables from customers	23,592	14,287	27,146	14,137
Value adjustment on portfolio fair value hedges	67	25	74	42
Derivative financial instruments	154	118	482	285
Shares	147	–	105	–
Property and equipment	3	3	4	4
Lease assets	31,760	28,957	27,708	25,818
Investment property	17	17	23	23
Current tax assets	29	–	93	–
Other assets	2,024	–	1,973	241
Total	**60,343**	**43,406**	**58,412**	**40,552**

1 Prior-year figure restated due to addition of the “Marketable securities” balance sheet item.

34. Liabilities to banks and customers

To cover its capital requirements, the Volkswagen Leasing GmbH Group uses, among other instruments, loans made available by the Volkswagen Group, which are included in liabilities to banks and customers. The corresponding relationships are explained in note (62) Related party disclosures.

The liabilities to customers also included contractual liabilities from service contracts and other contracts amounting to €1,725 million (previous year: €1,309 million), of which income of €796 million (previous year: €725 million) was expected to be recognized in the next fiscal year, followed by income of €929 million (previous year: €584 million) in subsequent years.

The following table shows the changes in the contractual liabilities from service contracts and other contracts that are included in the liabilities to customers:

€ million	2024	2023
Contractual liabilities at Jan. 1	1,309	1,029
Additions and disposals	305	280
Changes in consolidated Group	111	–
Contractual liabilities at Dec. 31	**1,725**	**1,309**

35. Notes, commercial paper issued

This item comprises bonds and commercial papers.

€ million	Dec. 31, 2024	Dec. 31, 2023
Bonds issued	26,433	26,731
Commercial paper issued	–	898
Total	**26,433**	**27,629**

36. Derivative financial instruments

This balance sheet item comprises the negative fair values from derivatives designated as hedging instruments and from derivatives not designated as hedging instruments.

€ million	Dec. 31 2024	Dec. 31 2023
Transactions to hedge against		
interest-rate risk using fair value hedges	314	520
of which hedges against interest-rate risk using portfolio fair value hedges	71	55
interest-rate risk using cash flow hedges	2	–
Hedging transactions	**315**	**520**
Liabilities arising from derivatives not designated as hedges	53	181
Total	**368**	**702**

37. Provisions for pensions and other post-employment benefits

The explanations of pensions and other postemployment benefits are made for the reporting period for the first time. As part of the restructuring, personnel was transferred to the employer Volkswagen Leasing GmbH as of July 1, 2024, and this also included the transfer of corresponding employee entitlements.

The following amounts have been recognized in the balance sheet for benefit commitments:

€ million	Dec. 31 2024
Present value of funded obligations	144
Fair value of plan assets	92
Funded status (net)	**17**
Present value of unfunded obligations	35
Amount not recognized as an asset because of the ceiling in IAS 19	–
Net liability recognized in the balance sheet	**52**
of which provisions for pensions	52
of which other assets	–

Key pension arrangements in the Volkswagen Leasing GmbH Group

For the period after the active working life of employees, Volkswagen Leasing GmbH offers its employees benefits under an occupational pension arrangement. Most of the arrangements in the Volkswagen Leasing GmbH Group are pension plans for employees classified as defined benefit plans under IAS 19. Some of these obligations are funded by provisions recognized in the balance sheet. These plans are now closed for new members. To reduce the risks associated with defined benefit plans, in particular longevity, salary increases and inflation, the Volkswagen Leasing GmbH Group has additional defined benefit plans the benefits of which are funded by appropriate external plan assets. The risks referred to above have been significantly reduced in these pension plans. The main pension commitments are described below.

German pension plans funded solely by recognized provisions

The pension plans funded solely by recognized provisions comprise both defined contribution plans with guarantees and final salary plans. For defined contribution plans, an annual pension expense dependent on income and status is converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlements). The annuity factors include a guaranteed rate of interest. The modular pension entitlements earned annually are added together at retirement. For final salary plans, the underlying salary is multiplied upon retirement by a percentage that is based on the years of service up to the retirement date. The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk. The pension system provides for lifelong pension payments. This means that Volkswagen Leasing GmbH bears the longevity risk. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the “Heubeck 2018 G” mortality tables – which already reflect future increases in life expectancy. To reduce the inflation risk by adjusting the regular pension payments in line with the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension commitments where this is permitted by law.

German pension plans funded by external plan assets

The pension plans funded by external plan assets are defined contribution plans with guarantees. In this case, an annual pension expense dependent on income and status is either converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlement) or paid out in a single lump sum or in installments. In some cases, employees also have the opportunity to provide for their own retirement through deferred compensation. The annuity factors include a guaranteed rate of interest. The modular pension entitlements earned annually are added together at retirement. The pension expense is contributed on an ongoing basis to a separate pool of assets that is administered independently of the Bank in trust and invested in the capital markets. If the plan assets exceed the present value of the obligations calculated using the guaranteed rate of interest, surpluses are allocated (modular pension bonuses). As the assets administered in the trust meet the IAS 19 criteria for classification as plan assets, they are offset against the obligations.

The amount of the plan assets is exposed to general market risk. The investment strategy and its implementation are therefore continuously monitored by the trusts' governing bodies, in which the companies are also represented. For example, investment policies are stipulated in investment guidelines with the aim of limiting market risk and its impact on plan assets. In addition, asset-liability management analyses are conducted at regular intervals so as to ensure that investments are in line with the obligations that need to be covered. The pension assets are currently invested primarily in fixed-income or equity funds. Interest rates and equity prices therefore present the main risks. To mitigate market risk, the pension system also provides for funds to be set aside in an equalization reserve before any surplus is allocated.

The present value of the obligation is reported as the maximum of the present value of the guaranteed obligation and of the plan assets. If the value of the plan assets falls below the present value of the guaranteed obligation, a provision must be recognized for the difference. The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

In the case of lifelong pension payments, the Volkswagen Leasing GmbH Group bears the longevity risk. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the "Heubeck 2018 G" mortality tables – which already reflect future increases in life expectancy. In addition, the independent actuaries carry out annual risk monitoring as part of the asset in the trusts.

To reduce the inflation risk by adjusting the regular pension payments in line with the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension commitments where this is permitted by law.

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	3.40
Pay trend	2.15
Pension trend	2.00
Staff turnover rate	1.21

These assumptions are averages that were weighted using the present value of the defined benefit obligation.

Life expectancies are based on the "2018 G" mortality tables developed by Professor Dr. Klaus Heubeck. The discount rates are generally determined to reflect the yields on prime-rated corporate bonds with matching maturities and currencies. The iBoxx AA 10+ Corporates index was taken as the basis for the obligations.

The pay trends cover expected wage and salary trends, which also include increases attributable to career development. The pension trends either reflect the contractually guaranteed pension adjustments or are based on the rules on pension adjustments in force in each country. The employee turnover rates are based on past experience and future expectations.

The following table shows changes in the net defined benefit liability recognized in the balance sheet:

€ million	2024
Net liability recognized in the balance sheet as of January 1	**1**
Changes due to personnel transfer as of July 1, 2024	**40**
Current service cost	4
Net interest expense	1
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	–0
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–6
Actuarial gains (–)/losses (+) arising from experience adjustments	15
Income/expenses from plan assets not included in interest income	1
Change in amount not recognized as an asset because of the ceiling in IAS 19	–
Employer contributions to plan assets	3
Employee contributions to plan assets	–
Pension payments from company assets	0
Past service cost (including plan curtailments)	–
Gains (–) or losses (+) arising from plan settlements	–
Changes in basis of consolidation	–
Other changes	0
Foreign exchange differences from foreign plans	–
Net liability recognized in the balance sheet as of December 31	**52**

The change in the amount not recognized as an asset due to the ceiling stipulated in IAS 19 includes an interest component, some of which is recognized in profit or loss under general and administrative expenses and some of which is recognized in other comprehensive income.

The change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2024
Present value of obligations as of January 1	**1**
Changes due to personnel transfer as of July 1, 2024	**126**
Current service cost	4
Interest cost (unwinding of discount on obligations)	2
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	–0
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–6
Actuarial gains (–)/losses (+) arising from experience adjustments	15
Employee contributions to plan assets	–
Pension payments from company assets	0
Pension payments from plan assets	0
Past service cost (including plan curtailments)	–
Gains (–) or losses (+) arising from plan settlements	–
Changes in basis of consolidation	–
Other changes	0
Foreign exchange differences from foreign plans	–
Present value of obligations as of December 31	**144**

Changes in the relevant actuarial assumptions would have had the following effects on the defined benefit obligation:

Present value of defined benefit obligation if		DEC. 31, 2024 € million	DEC. 31, 2024 Change in percent
Discount rate	is 0.5 percentage points higher	128	–12.50
	is 0.5 percentage points lower	162	11.11
Pension trend	is 0.5 percentage points higher	148	2.70
	is 0.5 percentage points lower	140	-2.86
Pay trend	is 0.5 percentage points higher	144	-
	is 0.5 percentage points lower	143	-0.70
Longevity	increases by one year	147	2.04

The sensitivity analysis shown above considers the change in one assumption at a time, leaving the other assumptions unchanged from the original calculation. In other words, any correlation effects between the individual assumptions are ignored.

To examine the sensitivity of the present value of the defined benefit obligation to a change in assumed longevity, the estimates of mortality were reduced as part of a comparative calculation by a measure that was roughly equivalent to an increase in life expectancy of one year.

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation (Macaulay duration) is 25 years.

The following table shows a breakdown of the present value of the defined benefit obligation by category of plan member:

€ million	2024
Active members with pension entitlements	143
Members with vested entitlements who have left the Company	0
Retirees	–
Total	**144**

The maturity profile of payments attributable to the defined benefit obligation is presented in the following table, which classifies the present value of the obligation by the maturity of the underlying payments:

€ million	2024
Payments due within the next fiscal year	0
Payments due between two and five years	4
Payments due in more than five years	139
Total	**144**

Changes in plan assets are shown in the following table:

€ million	2024
Fair value of plan assets as of January 1	**–**
Changes due to personnel transfer as of July 1, 2024	**86**
Interest income on plan assets determined using the discount rate	1
Income/expenses from plan assets not included in interest income	1
Employer contributions to plan assets	3
Employee contributions to plan assets	–
Pension payments from plan assets	0
Gains (+) or losses (–) arising from plan settlements	–
Changes in basis of consolidation	–
Other changes	0
Foreign exchange differences from foreign plans	–
Fair value of plan assets as of December 31	**92**

The investment of the plan assets to cover future pension obligations produced a net result of €2 million. Employer contributions to plan assets are expected to amount to €6 million in the next fiscal year.

Plan assets are invested in the following asset classes:

€ million	DEC. 31, 2024 Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	3	–	**3**
Equity instruments	–	–	**–**
Debt instruments	–	–	**–**
Direct investments in real estate	–	–	**–**
Derivatives	–0	–0	**–1**
Equity funds	38	–	**38**
Bond funds	42	–	**42**
Real estate funds	2	–	**2**
Other funds	7	–	**7**
Asset-backed securities	–	–	**–**
Structured debt	–	–	**–**
Other	–	–	**–**

Of the total plan assets, 49% are invested in German assets, 10% in other European assets and 41% in assets in other regions. Investments of plan assets in debt instruments issued by the Volkswagen Group are of minor significance.

The following amounts have been recognized in the income statement:

€ million	2024
Current service cost	4
Net interest on the net defined benefit liability	1
Past service cost (including plan curtailments)	–
Gains (–) or losses (+) arising from plan settlements	–
Net income (–) and expenses (+) recognized in profit or loss	**5**

38. Other provisions

In the reporting period, other provisions were broken down into provisions for employee expenses, provisions for litigation and legal risks, and miscellaneous provisions.

The following table shows the changes in other provisions, including maturities:

€ million	Employee expenses	Litigation and legal risks	Miscellaneous provisions	Total
Balance as of Jan. 1, 2023	**2**	**106**	**155**	**262**
Utilization	1	12	86	99
Additions/new provisions	2	1	59	62
Unwinding of discount/effect of change in discount rate	–	1	–	1
Reversals	–	29	7	37
Balance as of Dec. 31, 2023	**3**	**66**	**120**	**189**
of which current	2	9	110	121
of which noncurrent	1	57	10	68
Balance as of Jan. 1, 2024	**3**	**66**	**120**	**189**
Change due to personnel transfer as of July 1, 2024	38	–	–	38
Utilization	6	11	43	60
Additions/new provisions	6	2	37	45
Unwinding of discount/effect of change in discount rate	1	–	–	1
Reversals	15	17	66	98
Balance as of Dec. 31, 2024	**26**	**39**	**49**	**114**
of which current	9	3	42	54
of which noncurrent	17	36	7	60

Other provisions for employee expenses are recognized primarily for annually recurring bonuses such as long-term-service awards and other employee expenses. The significant increase in other provisions for personnel expenses in the reporting year is attributable to the transfer of personnel to the VW Leasing GmbH Group.

The provisions for litigation and legal risks reflect the risks identified as of the reporting date in relation to utilization and legal expenses arising from the latest decisions by the courts and from ongoing civil proceedings involving dealers and other customers. Based on analysis of the individual matters covered by the provisions, the VW FS AG Group believes that the disclosure of further detailed information on individual proceedings, legal disputes or legal risks could seriously prejudice the course or initiation of proceedings. The Group therefore invokes the safeguard clause within the meaning of IAS 37.92 and opts not to disclose in detail any amounts, descriptions, or probability assumptions.

The timing of the cash outflows in connection with other provisions is expected to be as follows: 47% in the next year, 50% in the years 2026 to 2029 and 3% thereafter.

39. Deferred tax liabilities

The breakdown of the deferred tax liabilities is as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023
Deferred tax liabilities	7,705	7,270
of which noncurrent	5,144	5,014
Offset (with deferred tax assets)	–6,688	–6,519
Total	**1,017**	**751**

Deferred tax liabilities have been recognized in connection with the following balance sheet items:

€ million	Dec. 31, 2024	Dec. 31, 2023
Loans, receivables and other assets	5,727	5,699
Cash	1	1
Intangible assets/property and equipment	0	1
Lease assets	723	447
Liabilities and provisions	1,254	1,122
Total	**7,705**	**7,270**

40. Other liabilities

The details of other liabilities are as follows:

€ million	Dec.31, 2024	Dec. 31, 2023
Prepaid expenses and accrued income	1,214	1,384
Other tax liabilities	30	4
Social security and payroll liabilities	52	0
Miscellaneous	9	19
Total	**1,306**	**1,407**

41. Subordinated capital

The subordinated capital of €180 million (previous year: €212 million) was provided by the higher-level parent company Volkswagen Financial Services AG.

42. Noncurrent liabilities

€ million	Dec. 31, 2024	of which noncurrent	Dec. 31, 2023	of which noncurrent
Liabilities to banks	7,242	3,886	0	–
Liabilities to customers	13,795	7,386	17,730	9,666
Notes, commercial paper issued	26,433	20,126	27,629	19,213
Derivative financial instruments	368	244	702	612
Provisions for pensions and other post-employment benefits	52	52	1	1
Other provisions	114	60	189	68
Current tax liabilities	136	–	34	–
Other liabilities	1,306	760	1,407	890
Subordinated capital	180	102	212	121
Total	**49,626**	**32,615**	**47,904**	**30,571**

43. Equity

Volkswagen Leasing GmbH’s subscribed capital amounted to €76,004,000.00 and was fully paid up. Until June 30, 2024, the sole shareholder was Volkswagen Financial Services AG, Braunschweig. Due to the transfer of the shares in Volkswagen Leasing GmbH to Volkswagen Bank GmbH as part of the restructuring, Volkswagen Bank GmbH, Braunschweig, is the sole shareholder as from July 1, 2024. There are no preferential rights or restrictions in connection with the subscribed capital.

The capital contributions made by the sole shareholder, are reported under the capital reserves of Volkswagen Leasing GmbH. In the reporting year, material changes in retained earnings from non-cash contributions of €73 million by the higher-level shareholder, Volkswagen Financial Services AG, as well as of €1 million by the shareholder, Volkswagen Bank GmbH, resulted from positive differences from the transfer of employee entitlements (see note (11) Provisions for pensions and other postemployment benefits). The sole shareholder, Volkswagen Financial Services AG had paid a total of €3,000 million into capital reserves in the previous year.

The retained earnings comprise the profits from previous fiscal years that have not been distributed.

Under the current control and profit-and-loss transfer agreement with Volkswagen Bank GmbH as the sole shareholder, the Volkswagen Leasing GmbH profit of €19 million recognized in accordance with the German GAAP was reported as a decrease in equity. In the previous year, the control and profit and loss transfer agreement had been in place with the previous shareholder, Volkswagen Financial Services AG. The German-GAAP loss of €479 million incurred in the previous year was reported as an increase in equity.

44. Capital management

In this context, capital is generally defined as equity in accordance with the IFRSs. The aims of capital management in the Volkswagen Leasing GmbH Group are to support the Company's credit rating by ensuring that the Group has adequate capital backing and is able to obtain capital for the planned growth over the next few years. Generally speaking, corporate action implemented by the parent company of Volkswagen Leasing GmbH has an impact on Volkswagen Leasing GmbH's equity in accordance with the IFRSs.

As of December 31, 2024, the equity ratio was 16.5% (previous year: 16.9%).

Financial Instrument Disclosures

45. Carrying amounts, gains or losses and income or expenses in respect of financial instruments, by measurement category

The carrying amounts of financial instruments (excluding derivatives designated as hedging instruments) broken down by measurement category, as specified in IFRS 9, are shown in the following table:

€ million	Dec. 31, 2024	Dec. 31, 2023
Financial assets measured at amortized cost	4,284	7,425
Financial assets measured at fair value through profit or loss	73	292
Financial assets measured at fair value through other comprehensive income (debt instruments)	147	105
Financial liabilities measured at amortized cost	46,047	44,061
Financial liabilities measured at fair value through profit or loss	53	181

Receivables from leasing transactions of €22,360 million (previous year: €21,137 million) and the associated adjustments from portfolio fair value hedges for receivables from finance leases amounting to €67 million (previous year: €74 million) as well as lease liabilities (as a lessee) are not allocated to any IFRS 9 measurement category.

The net gains or losses and income or expenses in respect of financial instruments (excluding derivatives designated as hedging instruments) broken down by IFRS 9 measurement category are shown in the following table:

€ million	2024	2023
Financial assets measured at amortized cost	257	171
Financial instruments measured at fair value through profit or loss	−35	−97
Financial liabilities measured at amortized cost	−1,653	−1,293
Financial assets measured at fair value through other comprehensive income (debt instruments)	3	0

The net gains/losses and income/expenses are determined as follows:

Measurement category	Measurement method
Financial assets measured at amortized cost	Interest income using the effective interest method and expenses/income from the recognition of valuation allowances in accordance with IFRS 9 and effects from currency translation
Financial instruments measured at fair value through profit or loss	Fair value in accordance with IFRS 9 in conjunction with IFRS 13, including interest and effects from currency translation
Financial liabilities measured at amortized cost	Interest expense using the effective interest method in accordance with IFRS 9 and effects from currency translation
Financial assets measured at fair value through other comprehensive income (debt instruments)	Fair value valuation in accordance with IFRS 9 in conjunction with IFRS 13, interest income using the effective interest method and expenses/income from the recognition of valuation allowances in accordance with IFRS 9 and effects from currency translation

The interest income from financial assets measured at amortized cost or at fair value through other comprehensive income included in interest income from bank balances and loans is calculated using the effective interest method and amounted to €206 million (previous year: €170 million).

The interest expenses in an amount of €1,899 million (previous year: €1,578 million) related to financial instruments not measured at fair value through profit or loss.

Expenses that arise from the direct write-off of uncollectible financial assets previously measured at amortized cost are reported and explained as a component of the provision for the credit risks line item in the income statement. Income recovered in respect of financial assets already written off is also reported and explained as a component of the provision for the credit risks line item in the income statement. After recognizing the income and expenses referred to above, the Volkswagen Leasing GmbH Group did not for the most part generate or incur any gains, losses, income or expenses from the derecognition of financial assets measured at amortized cost that resulted from the elimination of a contractual right to cash flows or from a transfer subject to the fulfillment of the derecognition conditions.

Furthermore, the Group did not generate or incur any material gains, losses, income or expenses from the derecognition of financial assets measured at amortized cost as a consequence of substantial contractual modifications (see disclosures on the provision for the credit risks line item in the income statement).

46. Classes of Financial Instruments

Financial instruments are divided into the following classes in the Volkswagen Leasing GmbH Group:
- Measured at fair value
- Measured at amortized cost
- Derivative financial instruments designated as hedges
- Not allocated to any measurement category

The table below shows a reconciliation between the balance sheet items in which financial instruments are reported and the classes of financial instruments listed above. This includes financial instruments that are assigned to the IFRS 9 measurement categories and financial instruments that are not assigned to any IFRS 9 measurement category at all (such as finance lease receivables) and are therefore reported under the “Not allocated to any measurement category” class. The assets and liabilities not constituting financial instruments that are contained in the balance sheet items are included in the “Not allocated to any class of financial instruments” column so that the reconciliation is complete.

Loans to and receivables from customers in the “Total loans to and receivables from customers” balance sheet item are reconciled to the “Measured at fair value”, “Measured at amortized cost” and “Not allocated to any measurement category” classes. The “Not allocated to any measurement category” class consists of the receivables from customers attributable to the leasing business.

Loans/receivables and liabilities designated as hedges with derivative financial instruments are included in the class “Measured at amortized cost”.

The “Current tax assets” and “Current tax liabilities” balance sheet line items contain assets and liabilities arising from taxes under civil law due to or from entities in the Volkswagen Group. These receivables from and liabilities to Volkswagen Group companies are classified as financial instruments in the class “Measured at amortized cost”. “Current tax assets” and “Current tax liabilities” mainly relate to the tax authorities and do not constitute financial instruments; as a result, their allocation has been changed and they are now included in “Not allocated to any class of financial instruments”.

Liabilities to customers are reported in the “Measures at amortized cost” class. The “Not allocated to any class of financial instruments” column consists largely of advance payments from service contracts.

The following table shows a reconciliation of the relevant balance sheet items to the classes of financial instruments:

€ million	BALANCE SHEET ITEM		MEASURED AT AMORTIZED COST1		MEASURED AT FAIR VALUE		DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES		NOT ALLOCATED TO ANY MEASUREMENT CATEGORY		NOT ALLOCATED TO ANY CATEGORY OF FINANCIAL INSTRUMENTS	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Assets												
Cash reserve	–	–	–	–	–	–	–	–	–	–	–	–
Loans to and receivables from banks	2,548	802	2,548	802	–	–	–	–	–	–	–	–
Loans to and receivables from customers	23,592	27,146	1,232	6,009	–	–	–	–	22,360	21,137	–	–
Value adjustment on portfolio fair value hedges	67	74	–	–	–	–	–	–	67	74	–	–
Derivative financial instruments	154	482	–	–	73	292	81	190	–	–	–	–
Marketable securities	147	105	–	–	147	105	–	–	–	–	–	–
Current tax assets	29	93	–	59	–	–	–	–	–	–	29	34
Other assets	2,024	1,973	504	555	–	–	–	–	–	–	1,520	1,418
Total	**28,562**	**30,676**	**4,284**	**7,425**	**220**	**397**	**81**	**190**	**22,428**	**21,212**	**1,549**	**1,452**
Equity and liabilities												
Liabilities to banks	7,242	0	7,242	0	–	–	–	–	–	–	–	–
Liabilities to customers	13,795	17,730	12,063	16,193	–	–	–	–	8	11	1,725	1,526
Notes, commercial paper issued	26,433	27,629	26,433	27,629	–	–	–	–	–	–	–	–
Derivative financial instruments	368	702	–	–	53	181	315	520	–	–	–	–
Current tax liabilities	136	34	121	5	–	–	–	–	–	–	15	29
Other liabilities	1,306	1,407	9	22	–	–	–	–	–	–	1,298	1,385
Subordinated capital	180	212	180	212	–	–	–	–	–	–	–	–
Total	**49,460**	**47,714**	**46,047**	**44,061**	**53**	**181**	**315**	**520**	**8**	**11**	**3,037**	**2,941**

1 Loans to and receivables from customers and liabilities to customers contain underlying transactions of fair value hedges.

47. Fair values of financial assets and liabilities

The following table shows the fair values of financial instruments in the classes "Measured at amortized cost", "Measured at fair value" and "Derivative financial instruments designated as hedges", together with the fair values of receivables from customers relating to the leasing business classified as "Not allocated to any measurement category". The fair value is the amount at which financial assets or liabilities could be sold on fair terms as of the reporting date. Where available, Volkswagen Leasing GmbH used market prices (e.g., for marketable securities) without modification for measuring fair value. If no market prices were available, the fair values for loans/receivables and liabilities were calculated by discounting, using a maturity-matched discount rate appropriate to the risk. The discount rate was determined by adjusting risk-free yield curves, where appropriate, for relevant risk factors, account capital and administrative costs. For reasons of materiality, the fair values of loans/receivables and liabilities due within one year were deemed to be the same as the carrying amount.

€ million	Fair value Dec. 31, 2024	Fair value Dec. 31, 2023	Carrying amount Dec. 31, 2024	Carrying amount Dec. 31, 2023	Difference Dec. 31, 2024	Difference Dec. 31, 2023
Assets						
Measured at fair value						
Derivative financial instruments	73	292	73	292	–	–
Marketable securities	147	105	147	105	–	–
Measured at amortized cost		–				
Loans to and receivables from banks	2,548	802	2,548	802	–	–
Loans to and receivables from customers	1,232	6,057	1,232	6,009	–0	48
Current tax assets	–	59	–	59	–	–
Other assets	504	555	504	555	–	–
Derivative financial instruments designated as hedges	81	190	81	190	–	–
Not allocated to any measurement category						
Loans to and receivables from customers	22,428	20,842	22,360	21,137	67	–295
Value adjustment on portfolio fair value hedges	–	–	67	74	–67	–74
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	53	181	53	181	–	–
Measured at amortized cost						
Liabilities to banks	7,306	0	7,242	0	64	–
Liabilities to customers	12,220	16,418	12,063	16,193	158	225
Notes, commercial paper issued	26,775	27,973	26,433	27,629	342	345
Current tax liabilities	121	5	121	5	–	–
Other liabilities	9	22	9	22	–0	–0
Subordinated capital	182	215	180	212	3	3
Derivative financial instruments designated as hedges	315	520	315	520	–	–

The fair values of financial instruments were determined on the basis of the following risk-free yield curve for EUR, which is derived from, among other inputs, overnight index swaps on €STER:

%	31.12.2024	31.12.2023
Interest rate for six months	2.384	3.904
Interest rate for one year	2.123	3.572
Interest rate for five years	2.062	2.429
Interest rate for ten years	2.227	2.477

48. Measurement levels of financial assets and liabilities

For the purposes of fair value measurement and the associated disclosures, fair values are classified using a three-level measurement hierarchy. This classification is carried out in the following table for financial instruments in the classes "Measured at amortized cost", "Measured at fair value" and "Derivative financial instruments designated as hedges". The assignment of the financial instruments to the individual levels is dictated by the extent to which the main inputs used in determining the fair value are or are not observable in the market.

Level 1 is used to report the fair value of financial instruments such as marketable securities or notes and commercial paper issued for which a quoted price is directly observable in an active market.

Level 2 fair values are measured on the basis of inputs observable in the markets, such as yield curves, using market-based valuation techniques. Fair values measured in this way include those for derivatives and liabilities to customers.

Level 3 fair values are measured using valuation techniques incorporating at least one input that is not directly observable in an active market. The fair values of loans to and receivables from customers measured at amortized cost are largely allocated to Level 3 because these fair values are measured using inputs that are not observable in active markets (see note 46).

As in the previous year, there was no need to reclassify instruments to different hierarchical levels in the reporting period.

The following table shows the allocation of financial instruments to the three-level fair value hierarchy by class:

€ million	LEVEL 1		LEVEL 2		LEVEL 3	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Assets						
Measured at fair value						
Derivative financial instruments	–	–	73	292	–	–
Marketable securities	147	105	–	–	–	–
Measured at amortized cost						
Loans to and receivables from banks	7	29	2,541	773	–	–
Loans to and receivables from customers	398	–	466	491	369	5,566
Current tax assets	–	–	–	59	–	–
Other assets	445	–	59	555	–	–
Derivative financial instruments designated as hedges	–	–	81	190	–	–
Total	**998**	**134**	**3,220**	**2,361**	**369**	**5,566**
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	–	–	53	181	–	–
Measured at amortized cost						
Liabilities to banks	–	–	7,306	0	–	–
Liabilities to customers	–	–	12,222	16,418	–	–
Notes, commercial paper issued	25,729	25,701	1,046	2,273	–	–
Current tax liabilities	–	–	121	5	–	–
Other liabilities	–	–	9	22	–	–
Subordinated capital	–	–	182	215	–	–
Derivative financial instruments designated as hedges	–	–	315	520	–	–
Total	**25,729**	**25,701**	**21,254**	**19,635**	**–**	**–**

49. Offsetting of financial assets and liabilities

The table below contains information about the effects of offsetting in the consolidated balance sheet and the financial effects of offsetting in the case of instruments that are subject to a legally enforceable master netting agreement or a similar arrangement.

The "Financial instruments" column shows the amounts that are subject to a master netting agreement but have not been netted because the relevant criteria have not been satisfied. Most of the amounts involved are positive and negative fair values of derivatives entered into with the same counterparty.

The "Collateral received/pledged" column shows the cash collateral amounts and collateral in the form of financial instruments received or pledged in connection with the total sum of assets and liabilities. It includes such collateral relating to assets and liabilities that have not been offset against each other. These items primarily consist of collateral received from customers in the form of cash deposits, together with collateral pledged in the form of cash collateral from ABS transactions.

€ million	Gross amount of recognized financial assets/liabilities		Gross amount of recognized financial assets/liabilities offset in the balance sheet		Net amount of financial assets/liabilities reported in the balance sheet		AMOUNTS NOT OFFSET IN THE BALANCE SHEET				Net amount	
							Financial Instruments		Collateral received/pledged			
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Assets					–	–	–	–				
Loans to and receivables from banks	2,548	802	–	–	2,548	802	–	–	–	–	2,548	802
Loans to and receivables from customers	23,592	27,146	–	–	23,592	27,146	–	–	–	–	23,592	27,146
Value adjustment on portfolio fair value hedges	67	74	–	–	67	74	–	–	–	–	67	74
Derivative financial instruments	154	482	–	–	154	482	–139	–404	–	–	15	78
Marketable securities	147	105	–	–	147	105	–	–	–	–	147	105
Income tax assets	–	59	–	–	–	59	–	–	–	–	–	59
Other assets	504	555	–	–	504	555	–	–	–	–	504	555
Total	**27,014**	**29,224**	**–**	**–**	**27,014**	**29,224**	**–139**	**–404**	**0**	**–**	**26,874**	**28,820**
Equity and liabilities			–				–					
Liabilities to banks	7,242	0	–	–	7,242	0	–	–	–	–	7,242	0
Liabilities to customers	12,071	16,204	–	–	12,071	16,204	–	–	–	–	12,071	16,204
Notes, commercial paper issued	26,433	27,629	–	–	26,433	27,629	–	–	–445	–452	25,988	27,177
Derivative financial instruments	368	702	–	–	368	702	–139	–404	–	–	229	298
Income tax liabilities	121	5	–	–	121	5	–	–	–	–	121	5
Other liabilities	12	22	–	–	12	22	–	–	–	–	12	22
Subordinated capital	180	212	–	–	180	212	–	–	–	–	180	212
Total	**46,426**	**44,774**	**–**	**–**	**46,426**	**44,774**	**–139**	**–404**	**–445**	**–452**	**45,842**	**43,919**

50. ABS transactions

The Volkswagen Leasing GmbH Group uses ABS transactions for funding purposes. The ABS transactions exist in the structured companies headquartered in Luxembourg, which are listed under note (2) Basis of Consolidation as the composition of the Volkswagen Leasing GmbH Group.

Liabilities from ABS transactions are recognized in the following amounts and reported in the balance sheet as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023
Bonds issued	16,126	15,907
Subordinated liabilities	180	212
Total	**16,306**	**16,119**

Of the total amount of liabilities arising in connection with ABS transactions, an amount of €7,079 million (previous year: €7,803 million) is accounted for by ABS transactions with financial assets. The corresponding carrying amount of the receivables from leasing transactions is €9,360 million (previous year: €9,687 million). As of December 31, 2024, the fair value of the liabilities amounted to €7,176 million (previous year: €7,370 million). The fair value of the assigned loans/receivables that continued to be recognized amounted to €9,158 million as of December 31, 2024 (previous year: €9,420 million).

Collateral totaling €22,108 million (previous year: €22,151 million) has been pledged in connection with ABS transactions, of which €9,539 million (previous year: €9,870 million) is attributable to collateral in the form of financial assets. In these arrangements, the expected payments are assigned to special purpose entities and the ownership of the collateral in the form of financed vehicles is transferred. The assigned loans/receivables cannot be assigned again to anyone else or used in any other way as collateral. The rights of the bond holders are limited to the assigned loans/receivables, and the payment receipts arising from these loans/receivables are used to repay the corresponding liability.

These asset-backed security transactions did not lead to a derecognition of the loans or receivables from the financial services business because the credit risk and timing risk were retained in the Group. The difference between the assigned loans and receivables and the associated liabilities results from the different terms and conditions and from the proportion of the ABSs held by the Volkswagen Leasing GmbH Group itself.

Most of the ABS transactions of the Volkswagen Leasing GmbH Group can be repaid early (with a clean-up call) when less than 10% of the original transaction volume remains outstanding.

51. Default risk

The default risk arising from financial assets is essentially the risk that a counterparty will default. The maximum amount of the risk is therefore the amount of the claims against the counterparty concerned arising from recognized carrying amounts.

The maximum default risk is reduced by collateral and other credit enhancements. The collateral held relates to receivables from customers in the classes “Measured at amortized cost”, “Measured at fair value” and “Not allocated to any measurement category”. The types of collateral held include vehicles and cash collateral.

In the case of financial assets with an objective indication of impairment as of the reporting date, the collateral reduced the risk by €315 million (previous year: €171 million).

As a consequence of the wide distribution of business activities and the resulting diversification, there are no material concentrations of default risk in individual counterparties.

For financial assets on which impairment losses were recognized during the fiscal year and that are subject to enforcement measures, the contractually outstanding amounts total €31 million (previous year: €39 million).

As derivatives are only entered into with counterparties demonstrating strong credit ratings, and limits are set for each counterparty as part of the risk management system, the actual default risk arising from derivative transactions is deemed to be low.

For qualitative information, please refer to the disclosures on counterparty default risk in the “Credit risk” section of the report on opportunities and risks, which is part of the management report.

PROVISION FOR CREDIT RISKS

Please refer to the provision for credit risks section in note (6) for disclosures on the accounting policies relating to the provision for credit risks.

The following tables show a reconciliation of the provision for credit risks relating to financial assets measured at amortized cost:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2024	**5**	**2**	**–**	**17**	**–**	24
Newly extended/purchased financial assets (additions)	1	–	–	3	–	4
Other changes within a stage	–	0	–	–	–	0
Transfers to						
Stage 1	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Financial instruments derecognized during the period (derecognitions)	–4	–	–	–10	–	–14
Utilizations	–	–	–	–	–	–
Model or risk parameter changes	–	–	–	–	–	–
Balance of Dec. 31, 2024	**2**	**2**	**–**	**10**	**–**	**14**

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2023	**12**	**2**	**–**	**14**	**–**	**29**
Newly extended/purchased financial assets (additions)	3	–	–	5	–	8
Other changes within a stage	–	0	–	–	–	0
Transfers to						–
Stage 1	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Financial instruments derecognized during the period (derecognitions)	–10	–	–	–3	–	–13
Utilizations	–	–	–	–	–	–
Model or risk parameter changes	–	–	–	–	–	–
Balance of Dec. 31, 2023	**5**	**2**	**–**	**17**	**–**	**24**

The following tables show a reconciliation of the gross carrying amounts of financial assets measured at amortized cost:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2024	**6,460**	**460**	**–**	**529**	**–**	**7,449**
Newly extended/purchased financial assets (additions)	1	–	–	3	–	4
Other changes within a stage	–3,013	–78	–	–60	–	**–3,151**
Modifications	–	–	–	–	–	**–**
Transfers to						
Stage 1	–	–	–	–	–	**–**
Stage 2	–	–	–	–	–	**–**
Stage 3	–	–	–	–	–	**–**
Financial instruments derecognized during the period (derecognitions)	–4	–	–	–10	–	–14
Balance of Dec. 31, 2024	**3,447**	**382**	**–**	**469**	**–**	4,298

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2023	**6,767**	**452**	**–**	**740**	**–**	**7,959**
Other changes within a stage	–307	8	–	–211	–	**–510**
Modifications	0	–	–	–	–	**0**
Transfers to						**–**
Stage 1	–	–	–	–	–	**–**
Stage 2	–	–	–	–	–	**–**
Stage 3	–	–	–	–	–	**–**
Balance of Dec. 31, 2023	**6,460**	**460**	**–**	**529**	**–**	**7,449**

The “Changes” line relates to changes in gross carrying amounts that are not allocated to the other lines in the reconciliation of the gross carrying amounts from the beginning to the end of the reporting period concerned. These changes include the addition and derecognition of financial assets during the reporting period.

The provision for credit risks in respect of financial assets measured at fair value through other comprehensive income is allocated to Stage 1 and was subject to change in the reporting period and in the previous year only as part of other changes within Stage 1. The amount of the provision for these financial assets both in terms of the balance as of the reporting date and in terms of the changes during the reporting year is not material and is therefore not presented in a separate table.

The following table shows a reconciliation for the provision for credit risks relating to lease receivables in the class “Not allocated to any measurement category”:

	SIMPLIFIED APPROACH	
€ million	2024	2023
Balance as of Jan. 1	**365**	**332**
Newly extended/purchased financial assets (additions)	280	245
Other changes	–	–
Financial instruments derecognized during the period (derecognitions)	–138	–155
Utilizations	–14	–10
Model or risk parameter changes	–33	–47
Balance as of Dec. 31	**460**	**365**

The following tables show a reconciliation of the gross carrying amounts of lease receivables in the class “Not allocated to any measurement category”:

	SIMPLIFIED APPROACH	
€ million	2024	2023
Balance as of Jan. 1	**21,577**	**19,141**
Other changes	1,309	2,433
Modifications	3	3
Balance as of Dec. 31	**22,888**	**21,577**

The “Changes” line relates to the addition and derecognition of lease receivables during the reporting period.

MODIFICATIONS

During the reporting period and the prior-year period, there were contractual modifications of financial assets that did not lead to a derecognition of the asset concerned. These modifications were caused by either changes in credit ratings or adjustments agreed retrospectively that did not stem from customer credit quality (market-induced adjustments).

In the case of financial assets for which the provision for credit risks was measured in the amount of the lifetime expected credit losses, the amortized cost before contractual modifications amounted to €3 million (previous year: €5 million). In the reporting period, the contractual modifications of these financial assets gave rise to an overall net gain of €0 million (previous year: €3 million). In the case of trade receivables and lease receivables, which are all included in the simplified approach, the only modifications that are taken into account are those in which the underlying receivables are more than 30 days past due.

At the reporting date, the gross carrying amount of financial assets that had been modified since initial recognition and that, in the reporting period, had also been transferred from Stage 2 or Stage 3 to Stage 1 amounted to €0 million (previous year: €0 million). As a consequence, the measurement of the provision for credit risks for these financial assets was switched from the lifetime expected credit loss to a twelve-month expected credit loss.

MAXIMUM CREDIT RISK

The following table shows the maximum credit risk, broken down by class, to which the Volkswagen Leasing GmbH Group was exposed as of the reporting date and to which the impairment model was applied.

€ million	Dec. 31, 2024	Dec. 31, 2023
Financial assets measured at fair value	147	105
Financial assets measured at amortized cost	4,284	7,425
Not allocated to any measurement category	22,428	21,212
Total	**26,859**	**28,742**

The assets disclosed as belonging to the class “Financial assets measured at fair value” are allocated to the measurement category “Financial assets measured at fair value through other comprehensive income (debt instruments)”.

The VW FS AG Group intends to recover the following collateral accepted in the reporting period for financial assets:

€ million	Dec. 31, 2024	Dec. 31, 2023
Vehicles	31	23
Total	**31**	**23**

The vehicles are remarketed to Volkswagen Group dealers through direct sales and auctions.

DEFAULT RISK RATING CLASSES

The Volkswagen Leasing GmbH Group uses internal risk management and control systems to evaluate the credit quality of the borrower before entering into any lease. In the retail business, this evaluation is carried out by using scoring systems, whereas rating systems are used for fleet customers. The results of the evaluation are allocated to a master scale based on the probability of default as the relevant criterion. The 16 risk classes in the master scale represent the default risk rating classes and are each defined according to the probabilities of default shown below.

In addition, the gross carrying amounts of the financial assets are broken down into three default risk categories so that default risk exposures can be presented on a uniform basis throughout the Group. Loans and receivables for which the credit quality is classified as “good” are allocated to default risk category 1. Loans to and receivables from customers whose credit quality has not been classified as “good” but who have not yet defaulted are included under default risk category 2. Accordingly, all loans and receivables in default are allocated to default risk category 3.

The following tables show the gross carrying amounts of financial assets by default risk rating class and by default risk category: The presentation of default risk rating classes has been standardized as a result of the absorption of Volkswagen Leasing GmbH by Volkswagen Bank GmbH as part of the restructuring.

FISCAL YEAR 2024

€ million	Default risk rating classes	Probability of default (>=)	Probability of default (<)	Stage 1	Stage 2	**Stage 3**	**Simplified approach**	**Stage 4**
Default risk category 1 (loans/receivables not at risk of default – normal loans)	1	0.00%	0.06%	2,908	–	–	412	–
	2	0.06%	0.09%	–	–	–	181	–
	3	0.09%	0.15%	199	21	–	359	–
	4	0.15%	0.23%	101	–	–	396	–
	5	0.23%	0.36%	209	0	–	450	–
	6	0.36%	0.56%	41	358	–	1,225	–
	7	0.56%	0.88%	–	–	–	3,079	–
	8	0.88%	1.37%	–	–	–	4,103	–
	9	1.37%	2.14%	–	–	–	4,548	–
	10	2.14%	3.35%	–	1	–	3,056	–
	11	3.35%	5.23%	135	–	–	2,355	–
	12	5.23%	8.18%	–	1	–	942	–
Default risk category 2 (loans/receivables at risk of default – loans with intensified loan management)	13	8.18%	12.79%	–	–	–	1,014	–
	14	12.79%	20.00%	–	–	–	290	–
	15	20.00%	100.00%	–	–	–	298	–
Default risk category 3 (loans/receivables in default – nonperforming loans)	D	100.00%	100.00%	–	–	–	649	–
Total				**3,594**	**382**	**–**	**23,357**	**–**

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€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Default risk rating class 1	6,565	437	–	21,508	–
Default risk rating class 2	–	23	–	311	–
Default risk rating class 3	–	–	–	286	–
Total	**6,565**	**460**	**–**	**22,106**	**–**

52. Liquidity risk

Liquidity risk is defined primarily as the risk of not being able to meet payment obligations in full or when due. The Volkswagen Leasing GmbH Group is funded primarily through capital market and ABS (asset-backed securities) programs, as well as credit and loans that were made available to the companies of the Volkswagen Group. In addition, a rolling liquidity planning system and a liquidity reserve in the form of bank balances, marketable securities and confirmed lines of credit that can be accessed at any time at short notice ensure that the Volkswagen Leasing GmbH Group remains solvent and has an adequate supply of liquidity.

Further details on the funding and hedging strategy can be found in the management report in the sections Liquidity Analysis and Funding and in the risk report within the disclosures on interest rate risk and liquidity risk.

The maturity profile of assets held to manage liquidity risk is as follows:

	ASSETS		REPAYABLE ON DEMAND		UP TO 3 MONTHS		3 MONTHS TO 1 YEAR		1 TO 5 YEARS		MORE THAN 5 YEARS	
€ million	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Cash reserve	0	–	0	–	–	–	–	–	–	–	–	–
Loans to and receivables from banks	2,548	802	2,469	740	79	63	–	–	–	–	–	–
Marketable securities	147	105	–	–	147	105	–	–	–	–	–	–
Total	**2,695**	**907**	**2,469**	**740**	**226**	**168**	**–**	**–**	**–**	**–**	**–**	**–**

The following table shows the maturity profile of undiscounted cash outflows from financial liabilities:

			REMAINING CONTRACTUAL MATURITIES							
	Cash outflows		up to 3 months		3 months to 1 year		1 to 5 years		more than 5 years	
€ million	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Liabilities to banks	7,532	0	569	0	2,906	–	4,057	–	–	–
Liabilities to customers	14,451	17,276	2,401	2,227	4,270	5,315	7,312	9,154	469	579
Notes, commercial paper issued	28,140	29,854	2,044	2,995	4,393	6,355	19,591	17,684	1,604	2,820
Derivative financial instruments	863	858	77	101	299	259	487	466	–	32
Other liabilities	9	22	6	14	1	5	2	3	–	–
Subordinated capital	190	228	26	23	59	78	105	127	0	0
Total	**51,185**	**48,238**	**5,122**	**5,361**	**11,928**	**12,012**	**31,555**	**27,434**	**2,073**	**3,431**

The derivatives include cash outflows of derivative financial instruments with negative fair values.

53. Market risk

For qualitative information, please refer to the disclosures on interest rate risk in the management report risk report.

For quantitative risk measurement as part of monthly operational control, interest rate risk had been measured by means of a value-at-risk (VaR) model in the previous year. The value-at-risk calculation indicated the size of the maximum potential loss on the portfolio as a whole within a time horizon of 60 days, measured at a confidence level of 99%. The model was based on a historical simulation and calculates potential profits and losses taking into account 1,460 historical market fluctuations (volatilities).

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). For further information, please refer to the “Restructuring of the Volkswagen Financial Services Overseas AG and Volkswagen Bank GmbH subgroups” section in the “Fundamental Information about the Group” chapter as well as the “Basic risk management principles” section of the report on opportunities and risks, which is part of the management report.

As a result, the Volkswagen Leasing GmbH Group was no longer required to determine market risk separately in the fiscal year under review.

This approach has produced the following values:

€ million	Dec. 31, 2024	Dec. 31, 2023
Interest rate risk	–	260
Total market risk	**–**	**260**

54. Hedging policy disclosures

HEDGING POLICY AND FINANCIAL DERIVATIVES

Given its activities on the financial market, the Volkswagen Leasing GmbH Group is exposed to fluctuations in interest rates on money and capital markets. The general rules governing the Group-wide interest rate hedging policy are specified in internal Group guidelines. The partners used by the Group when entering into appropriate financial transactions are national banks with strong credit ratings whose credit quality is continuously monitored by leading rating agencies. The Group enters into suitable hedging transactions to limit interest rate risks. Regular derivative financial instruments are used for this purpose.

MARKET RISK

Market risk arises when changes in prices on financial markets (interest rates) have a positive or negative effect on the value of traded products. The fair values listed in the tables in the notes were determined using the market information available on the reporting date and represent the fair values of the financial derivatives. They were determined on the basis of standardized techniques using generally applicable market risk variables, such as yield curves.

Interest rate risk

Changes in the level of interest rates in the money and capital markets represent an interest rate risk if the funding is not maturity-matched. Interest rate risk is managed based on an overall interest rate risk limit set for the entire Group. Interest rate risk is quantified using interest rate gap analyses to which various scenarios involving changes in interest rates are applied. The calculations take into account uniform risk ceilings applicable throughout the Group.

The hedging contracts entered into by the Group mainly comprise interest rate swaps. Interest rate risk is hedged using fair value hedges and cash flow hedges at micro level, and fair value hedges at portfolio level (portfolio fair value hedges). Fixed-income liabilities included in micro fair value hedges are recognized with the addition of a hedge adjustment based on the hedged fair value of the hedged item rather than at amortized cost, the method used in their original subsequent measurement. The resulting effects in the income statement are generally offset by the opposite effects from the corresponding gains and losses on the interest rate hedging instruments (swaps).

DESCRIPTION OF HEDGES AND METHODOLOGIES FOR MONITORING HEDGE EFFECTIVENESS

If possible, the hedge strategy aims to recognize hedges for suitable underlying transactions (hedged items) on an individual or portfolio basis. The vast majority of hedged items are assets or liabilities on the balance sheet.

In the Volkswagen Leasing GmbH Group, hedges to which micro-hedge accounting is applied are normally held to maturity. Hedge effectiveness in the Volkswagen Leasing GmbH Group is measured prospectively using the critical terms match method. Hedge effectiveness is analyzed retrospectively by testing for ineffectiveness using the dollar offset method. The dollar offset method compares the changes in the value of the hedged item expressed in monetary units with the changes in the value of the hedging instrument expressed in monetary units. The volume represented by the hedging instruments is generally the same as the volume represented by the designated hedged items. Hedge ineffectiveness in micro-hedge accounting largely results from differences between the mark-to-market (fair value) measurement of hedged items and that of hedging instruments. Individual yield curves are used when determining forward interest rates and also when discounting future cash flows for hedged items and hedging instruments in order to obtain a measurement in line with the market. Other factors (e.g., in relation to counterparty risk) are only of minor significance as regards hedge ineffectiveness.

In portfolio hedge accounting, derivatives for interest rate hedging are designated in a quarterly cycle. Effectiveness is checked by maturity band as part of this process. The designation proportions for the derivatives are determined on the basis of the volumes of the hedged item portfolios in the maturity bands. Derivatives are only considered for a hedging period in portfolio hedge accounting if a high prospective and retrospective effectiveness level is determined using regression tests. Ineffectiveness in portfolio hedge accounting is usually the result of changes in the fair values of hedging instruments and the hedged fair values of hedged items that do not fully offset each other.

DISCLOSURES ON GAINS AND LOSSES FROM FAIR VALUE HEDGES

In fair value hedges, the transactions hedge the risk of changes in the fair value of financial assets and financial liabilities. Changes in fair value that arise from the recognition of hedging instruments at fair value and those from the recognition of the associated hedged items at the hedged fair value generally have an offsetting effect and are reported under the net gain or loss on hedges.

The following table shows the degree of hedge ineffectiveness from fair value hedges broken down by type of risk, equating to the differences between the gains or losses on hedging instruments and those on hedged items:

€ million	2024	2023
Interest rate risk hedging	–15	–36

DISCLOSURES ON GAINS AND LOSSES FROM CASH FLOW HEDGES

Cash flow hedges are recognized with the aim of hedging risks arising from changes in future cash flows. These cash flows can arise from a recognized asset or a recognized liability.

The following table covering gains and losses from cash flow hedges shows the gains and losses on hedges recognized in other comprehensive income, the hedge ineffectiveness recognized under net gain or loss on hedges, and the gains or losses arising from the reclassification of cash flow hedge reserves recognized under net gain or loss on hedges:

€ million	2024	2023
Hedging interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	–1	–0
Recognized in profit or loss	–	–

In the table, effects recognized directly in equity are presented net of deferred taxes.

The gain or loss from changes in the fair value of hedges within hedge accounting equates to the basis for determining hedge ineffectiveness. Those gains or losses on changes in the fair value of hedging instruments that exceed the changes in the fair value of the hedged items constitute the ineffective portion of cash flow hedges. This ineffectiveness within a hedge arises as a result of differences in the parameters applicable to the hedging instrument and the hedged item. These gains or losses are recognized immediately in the income statement under the net gain or loss on hedges.

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

The following tables present a maturity analysis of the notional amounts of hedging instruments reported under the hedge accounting rules and those of derivatives to which hedge accounting is not applied:

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	RESIDUAL MATURITY			TOTAL NOTIONAL AMOUNT
€ million	Up to 1 year	1 – 5 years	More than 5 years	Dec. 31, 2024
Notional amounts of hedging instruments in hedge accounting				
Interest rate risk hedging				
Interest rate swaps	2,926	9,889	700	13,515
Notional amounts of other derivatives				
Interest rate risk hedging				
Interest rate swaps	12,437	24,119	–	36,556

FISCAL YEAR 2023

	RESIDUAL MATURITY			TOTAL NOTIONAL AMOUNT
€ million	Up to 1 year	1 – 5 years	More than 5 years	Dec. 31, 2023
Notional amounts of hedging instruments in hedge accounting				
Interest rate risk hedging				
Interest rate swaps	5,484	10,823	2,450	18,757
Notional amounts of other derivatives				
Interest rate risk hedging				
Interest rate swaps	14,632	25,809	250	40,691

The timings of the future payments for the hedged items in the cash flow hedges match the maturities of the hedging instruments.

As of the reporting date and the prior-year reporting date, none of the cash flow hedges recognized involved a hedged item whose underlying transaction was no longer expected to occur in the future.

DISCLOSURES ON HEDGING INSTRUMENTS USED IN HEDGE ACCOUNTING

The Volkswagen Leasing GmbH Group regularly uses hedging instruments to hedge changes in the fair value of financial assets and financial liabilities.

The following overviews show the notional amounts, fair values and changes in fair value used to determine ineffectiveness in hedging instruments used in fair value hedges to hedge the risk arising from changes in fair value:

FISCAL YEAR 2024

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	13,515	80	314	–414

FISCAL YEAR 2023

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	18,757	189	520	–568

The Volkswagen Bank GmbH Group also uses hedging instruments to hedge the risk arising from changes in future cash flows.

The following table sets out the notional amounts, fair values and changes in fair value to determine ineffectiveness in hedging instruments used in cash flow hedges:

FISCAL YEAR 2024

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	1,033	1	2	–1

FISCAL YEAR 2023

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	817	1	–	0

DISCLOSURES ON HEDGED ITEMS TO WHICH HEDGE ACCOUNTING IS APPLIED

Disclosures on hedged items, broken down by risk category and type of designation, are required in addition to the disclosures on hedging instruments.

The tables below show the hedged items hedged in fair value hedges:

FISCAL YEAR 2024

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/fiscal year	Cumulative hedge adjustments from terminated hedges
Interest rate risk hedging				
Loans to and receivables from customers	8,477	67	–7	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	6,417	–183	207	–

FISCAL YEAR 2023

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/fiscal year	Cumulative hedge adjustments from terminated hedges
Interest rate risk hedging				
Loans to and receivables from customers	7,774	74	197	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	9,710	–390	351	–

The following tables present the hedged items hedged in cash flow hedges:

FISCAL YEAR 2024

		RESERVE FOR	
€ million	Fair value change to determine ineffectiveness	Existing cash flow hedges	Terminated cash flow hedges
Interest rate risk hedging			
Designated components	–1	–1	–
Deferred taxes	–	0	–
Total interest rate risk	–1	–0	–

FISCAL YEAR 2023

€ million	Fair value change to determine ineffectiveness	RESERVE FOR Existing cash flow hedges	RESERVE FOR Terminated cash flow hedges
Interest rate risk hedging			
Designated components	0	0	–
Deferred taxes	–	–0	–
Total interest rate risk	0	0	–

CHANGES IN THE CASH FLOW HEDGE RESERVE

In the accounting treatment of cash flow hedges, the designated effective portion of a hedge is reported in other comprehensive income (in OCI I). All changes in the fair value of hedging instruments in excess of the effective portion are reported in profit or loss as hedge ineffectiveness.

The following tables show a reconciliation for the cash flow hedge reserve (OCI I):

€ million	Interest rate risk	Total
Balance as of Jan. 1, 2024	**0**	**0**
Gains or losses from effective hedging relationships	–1	–1
Reclassifications due to realization of the hedged item	–	–
Balance as of Dec. 31, 2024	**–0**	**–0**

€ million	Interest rate risk	Total
Balance as of Jan. 1, 2023	**–**	**–**
Gains or losses from effective hedging relationships	–	–
Reclassifications due to realization of the hedged item	–	–
Balance as of Dec. 31, 2023	**–**	**–**

In the above tables, the effects on equity from the cash flow hedge reserve (OCI I) are reduced by deferred taxes. In the cash flow hedge reserve (OCI I), the deferred taxes on gains or losses from effective hedges amounted to an income of €0 million (previous year: expense of €0 million) and the deferred taxes on reclassifications resulting from the recovery of the hedged item came to an income of €0 million (previous year: expense of €0 million).

Segment Reporting

55. Breakdown by customer category

The presentation of reportable segments follows that used for internal management and reporting purposes in the Volkswagen Leasing GmbH Group. As the primary key performance indicator, the operating result is reported to the chief operating decision-makers. The information made available to management for management purposes is based on the same accounting policies as those used for external financial reporting.

Internal management and reporting are based on customer groups that are separated into individual customers and fleet customers.

Individual customers include retail customers and individual business customers. Individual business customers are business operators who have not concluded a delivery agreement with the Volkswagen Group for the purchase of new vehicles. Retail customers are customers who have a right to withdraw from a contract.

Within the fleet customer group, a distinction is made between corporate fleet customers and special buyers. Corporate fleet customers are companies that purchase at least five Group vehicles per year via a delivery agreement and have at least 15 corresponding vehicles in their contract portfolio. Special buyers include, for example, churches, care services and people with a disability.

In accordance with IFRS 8, noncurrent assets are reported exclusive of financial instruments and deferred tax assets.

The "Reconciliation" column includes expenses and income not directly attributable to the individual customer and fleet customer segments.

FISCAL YEAR 2024

€ million	Retail	Fleet	Other	Reconciliation	Group
Interest income from cash and loans	–	5	5	202	206
Income from leasing transactions	7,801	7,767	15,569	219	15,787
	1	30	31	0	31
Depreciation, impairment losses and other expenses from leasing transactions	–6,647	–6,800	–13,447	139	–13,308
	–256	–147	–404	5	–554
Net income from leasing transactions	1,155	967	2.121	358	2,479
Interest expense	–755	–923	–1.678	–221	–1,899
Income from service contracts	418	1,511	1.929	–	1,929
	382	1,086	1.468	–	1,468
	36	424	460	–	460
Expenses from service contracts	–369	–1,395	–1.764	–0	–1,764
Net income from service contracts	49	116	165	–0	165
Provision for credit risks	–53	–79	–132	11	–122
Fee and commission income	52	2	54	0	54
Fee and commission expenses	–35	–13	–48	–8	–56
Net fee and commission income	17	–11	6	–8	–2
Net gain or loss on hedges	–	–	–	–15	–15
Net gain/loss on financial instruments measured at fair value	–	–	–	–127	–127
General and administrative expenses	–191	–250	–441	–144	–585
Other operating income	44	499	543	169	712
Other operating expenses	–19	–450	–469	–26	–494
Net other operating income/expenses	25	49	74	144	217
Operating result	**247**	**–128**	**119**	**199**	318

FISCAL YEAR 2023

€ million	Retail	Fleet	Other	Reconciliation	Group
Interest income from cash and loans	–	4	4	166	170
Income from leasing transactions	7,211	6,919	14,130	502	14,632
	–	21	–	21	21
Depreciation, impairment losses and other expenses from leasing transactions	–6,442	–6,074	–12,516	–3	–12,519
	–305	–511	–816	0	–816
Net income from leasing transactions	768	845	1,614	500	2,113
Interest expense	–419	–572	–991	–587	–1,578
Income from service contracts	419	1,402	1,821	0	1,822
	383	1,047	1,430	0	1,431
	36	355	391	0	391
Expenses from service contracts	–379	–1,298	–1,676	–0	–1,676
Net income from service contracts	41	104	145	0	145
Provision for credit risks	–32	–28	–60	4	–55
Fee and commission income	16	2	18	0	18
Fee and commission expenses	–123	–6	–128	–	–128
Net fee and commission income	–106	–4	–110	0	–110
Net gain or loss on hedges	–	–	–	–36	–36
Net gain/loss on financial instruments measured at fair value	–	–	–	–287	–287
General and administrative expenses	–318	–315	–634	17	–616
Other operating income	38	47	85	68	153
Other operating expenses	–14	–20	–35	–26	–61
Net other operating income/expenses	23	27	50	42	93
Operating result	**–43**	**62**	**19**	**–181**	–162

The reported impairment losses and reversals of impairment losses in accordance with IAS 36 related to lease assets.

The breakdown of “Income from service contracts with third parties” into “of which over-time income” and “of which at a point in time income” in note 16 “Net income from service contracts” has been carried over to and continued in the table above.

Information on the main products (leasing and service contracts) can be taken directly from the income statement.

The breakdown of noncurrent assets in accordance with IFRS 8 and of the additions to noncurrent lease assets by customer category is shown in the following tables:

	JAN. 1 – DEC. 31, 2024	
€ million	Retail	Fleet
Noncurrent Assets	13,808	15,195
Additions to lease assets classified as noncurrent assets	6,832	7,034

	JAN. 1 – DEC. 31, 31.12.2023	
€ million	Retail	Fleet
Noncurrent Assets	11,727	14,159
Additions to lease assets classified as noncurrent assets	5,502	6,540

Investment recognized under other assets was of minor significance.

Other Disclosures

56. Leases

LESSOR ACCOUNTING FOR FINANCE LEASES

In the reporting year, interest income from the net investment in the lease amounting to €1,159 million (previous year: €906 million) was generated from finance leases. There was no income from variable lease payments that was not taken into account in the measurement of the net investment in the lease where finance leases were concerned.

The following table shows a reconciliation of the undiscounted lease payments under finance leases to the net investment in the leases.

€ million	Dec. 31, 2024	Dec. 31, 2023
Non-discounted lease payments	23,962	22,267
Unearned interest income	–1,511	–970
Loss allowance on lease receivables	–395	–330
Net investment	**22,056**	**20,967**

In the Volkswagen Leasing GmbH Group, net investment equates to the net receivables from finance leases.

As of the reporting date, the following payments are anticipated over the next few years from expected, outstanding, undiscounted lease payments under finance leases.

€ million	2025	2026	2027	2028	2029	From 2030	Total
Finance lease payments	8,910	7,239	5,426	2,142	203	42	23,962

In the previous year, the following payments were anticipated over the subsequent years from expected, outstanding, undiscounted lease payments under finance leases.

€ million	2024	2025	2026	2027	2028	From 2029	Total
Finance lease payments	8,463	5,911	5,328	2,307	206	51	22,267

LESSOR ACCOUNTING FOR OPERATING LEASES

Income generated from operating leases is included in the income from leasing transactions and other operating income line items in the income statement.

€ million	2024	2023
Lease income	5,696	5,169
Total	**5,696**	**5,169**

The impairment losses recognized as a result of the impairment test on lease assets amount to €554 million (previous year: €602 million) and are included in the depreciation, impairment losses and other expenses from leasing transactions. Impairment losses are based on continuously updated internal and external information, which is then fed into the forecasts of residual values for vehicles.

Income from reversals of impairment losses on lease assets applied in prior years amounts to €31 million (previous year: €21 million) and is included in income from leasing transactions.

The following table shows the changes in the reporting year for assets leased out under operating leases:

€ million	Movable lease assets
Cost as of Jan. 1, 2024	**35,983**
Additions	17,063
Reclassifications	–
Disposals	12,416
Balance as of Dec. 31, 2024	**40,630**
Depreciation and impairment losses as of Jan. 1, 2024	**8,275**
Additions to cumulative depreciation	4,033
Additions to cumulative impairment losses	554
Reclassifications	–
Disposals	3,961
Reversal of impairment losses	31
Balance as of Dec. 31, 2024	**8,870**
Net carrying amount as of Dec. 31, 2024	**31,760**
Net carrying amount as of Jan. 1, 2024	**27,708**

As of the reporting date, the outstanding, undiscounted lease payments from operating leases expected for subsequent years were as follows:

€ million	2025	2026	2027	2028	2029	From 2030	Total
Lease payments	4,161	2,526	1,098	312	117	64	8,278

The following table shows the changes in the prior year for assets leased out under operating leases:

€ million	Movable lease assets
Cost as of Jan. 1, 2023	**33,213**
Additions	14,110
Reclassifications	–
Disposals	11,341
Balance as of Dec. 31, 2023	**35,983**
Depreciation and impairment losses as of Jan. 1, 2023	**7,450**
Additions to cumulative depreciation	3,657
Additions to cumulative impairment losses	602
Reclassifications	–
Disposals	3,412
Reversal of impairment losses	21
Balance as of Dec. 31, 2023	**8,275**
Net carrying amount as of Dec. 31, 2023	**27,708**
Net carrying amount as of Jan. 1, 2023	**25,764**

In the case of subleases that are classified as operating leases, right-of-use assets recognized in connection with buyback transactions are reported, from the perspective of the Volkswagen Leasing GmbH Group as lessor, under lease assets in the balance sheet and in the reconciliation showing the changes in movable lease assets.

In the previous year, the outstanding, undiscounted lease payments from operating leases expected for subsequent years were as follows:

€ million	2024	2025	2026	2027	2028	From 2029	Total
Lease payments	3,566	2,241	962	191	5	0	6,966

LESSEE ACCOUNTING

The Volkswagen Leasing GmbH Group is a party to leases as a lessee in various aspects of the business. These leases mainly involve the leasing of land and buildings and operating and office equipment. The accounting treatment of buyback transactions as leases also means that the Volkswagen Leasing GmbH Group is the lessee in the primary leases with the vehicle sellers, who are entities in the Volkswagen Group.

In the reporting year, interest expenses of €0 million (previous year: €0 million) were recognized under the interest expenses line item in the income statement in respect of lease liabilities of €2 million (previous year: €2 million) reported under liabilities to customers on the balance sheet.

In the reporting year, subleases mainly in connection with buyback transactions gave rise to income of €91 million (previous year adjusted: €45 million); this income was derived from both finance leases and operating leases.

No right-of-use assets are recognized for short-term leases or leases in which the underlying asset is of low value. In the reporting year, expenses for leases in which the underlying assets are of low value amounted to €1 million (previous year: €0 million). Expenses for short-term leases were €0 million (previous year: €0 million). There were no variable lease expenses in the reporting year or in the previous year that were not taken into account in the measurement of the lease liabilities.

Right-of-use assets derived from leases are reported in the balance sheet of the Volkswagen Leasing GmbH Group within property and equipment under the following items:

€ million	Land and buildings	Operating and office equipment	Total
Gross carrying amount (or cost) as of Jan. 1, 2024	**5**	**0**	**5**
Additions	–	–	–
Disposals	–	–	–
Balance as of Dec. 31, 2024	**5**	**0**	**5**
Depreciation and impairment losses as of Jan. 1, 2024	**2**	**0**	3
Additions to cumulative depreciation	0	–	0
Additions to cumulative impairment losses	–	–	–
Disposals	–	–	–
Balance as of Dec. 31, 2024	**3**	**0**	**3**
Net carrying amount as of Dec. 31, 2024	**2**	**–**	**2**
Net carrying amount as of Jan. 1, 2024	**2**	**–**	**2**

€ million	Land and buildings	Operating and office equipment	Total
Gross carrying amount (or cost) as of Jan. 1, 2023	**4**	**0**	**5**
Additions	0	–	0
Disposals	0	–	0
Balance as of Dec. 31, 2023	**5**	**0**	**5**
Depreciation and impairment losses as of Jan. 1, 2023	**2**	**0**	**2**
Additions to cumulative depreciation	0	0	0
Additions to cumulative impairment losses	–	–	–
Disposals	–	–	–
Balance as of Dec. 31, 2023	**2**	**0**	**3**
Net carrying amount as of Dec. 31, 2023	**2**	**–**	**2**
Net carrying amount as of Jan. 1, 2023	**2**	**0**	**2**

Depending on the classification of the subleases, the right-of-use assets recognized from primary leases as part of buyback transactions are reported either as finance leases and therefore as receivables from finance leases or as operating leases and therefore as lease assets. Disclosures on buyback transactions are thus not included in the above disclosures on right-of-use assets recognized by the Group as a lessee.

When assessing the lease term underlying a lease liability, the Volkswagen Leasing GmbH Group makes a best estimate as to whether an extension option or a termination option will be exercised. In the event of a material change in the general parameters used for this estimate or a modification of the lease, this estimate is updated.

In the balance sheet, lease liabilities are reported under liabilities to customers. The following table shows a breakdown of the undiscounted contractual maturities of lease liabilities:

	REMAINING CONTRACTUAL MATURITIES			
€ million	Up to 1 year	1 – 5 years	more than 5 years	Total
Lease liabilities as of Dec. 31, 2024	2	7	2	12
Lease liabilities as of Dec. 31, 2023	2	7	2	12

Overall, leases in which the VW FS AG Group is a lessee gave rise to total cash outflows of €2 million (previous year: €2 million) in the reporting year. In the case of assets leased as part of buyback transactions, the total cash outflows were reported in an amount equal to the value of the right of use recognized in the reporting year. Overall, this gave rise to total cash outflows of €3 million (previous year: €5 million) in the reporting year.

57. Cash Flow Statement

The Volkswagen Leasing GmbH Group's cash flow statement documents changes in cash and cash equivalents attributable to cash flows from operating, investing and financing activities. Cash flows from investing activities comprise purchase payments and disposal proceeds relating to other assets. Cash flows from financing activities reflect all cash flows arising from transactions involving equity, subordinated capital and other financing activities. All other cash flows are classified as cash flows from operating activities in accordance with standard international practice for financial services companies.

The definition of cash and cash equivalents of the Volkswagen Leasing GmbH Group was changed in the reporting year. Due to the first-time inclusion of Volkswagen Leasing GmbH in the higher-level groups of Volkswagen Bank GmbH and Volkswagen Financial Services AG as a result of the restructuring, the previous narrow definition of cash and cash equivalents to include only the cash reserve was abandoned and aligned with the definition of the higher-level groups. Cash and cash equivalents now comprises cash and cash equivalents in the "Loans to and receivables from banks" balance sheet item. For the cash flow statement of the Volkswagen Leasing GmbH Group, this also provides a more informative presentation of cash and cash equivalents, as there is no cash reserve as of the reporting date and no balances will be expected in the cash reserve in future either.

The redefined cash and cash equivalents comprises cash and cash equivalents in the "Loans to and receivables from banks" balance sheet item. Below is a transition of the "Loans to and receivables from banks" balance sheet item to cash and cash equivalents, in which loans to and receivables from banks are adjusted for those items that are not cash and cash equivalents:

Mio. €	31.12.2024	31.12.2023	01.01.2023
Cash reserve	0	–	–
Receivables from banks	2,548	802	621
Total cash reserve and receivables from banks	**2,548**	**802**	**621**
Receivables from loans and notes in loans to and receivables from banks	–	–	–
Receivables from time deposits in loans to and receivables from banks	–	–	–
Trade receivables in loans to and receivables from banks	–	0	–
Other receivables in loans to and receivables from banks	–0	–25	–174
Cash and cash equivalents	**2,548**	**777**	**447**

The following tables show the breakdown of the changes in subordinated capital (as part of financing activities) into cash and noncash transactions for the reporting year and the prior year.

			NONCASH TRANSACTIONS			
€ million	Balance as of Jan. 1, 2024	Cash changes	Exchange rate changes	Changes in basis of consolidation	Measurement changes	Balance as of Dec. 31,2024
Subordinated capital	212	−32	–	–	–	180

			NONCASH TRANSACTIONS			
€ million	Balance as of Jan. 1, 2023	Cash changes	Exchange rate changes	Changes in basis of consolidation	Measurement changes	Balance as of Dec. 31,2023
Subordinated capital	183	29	–	–	–	212

58. Total fees charged by the auditor of the consolidated financial statements

The table below shows the total fees charged in the reporting year by the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, in accordance with the requirements specified in section 314(1) no. 9 of the HGB.

€ million	2024	2023
Financial statement audit services	2	1
Other attestation services	0	0
Tax consulting services	–	–
Other services	0	–
Total	**2**	**1**

The fees paid to the auditor for audit services in the year under review were mostly attributable to the audit of the annual and consolidated financial statements of VW Leasing GmbH.

59. Share-based payment

The remuneration system for the members of the Management Board consists of fixed and variable components. The variable remuneration consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI). The LTI is a backward-looking long-term bonus with a three-year assessment basis and a maximum payout amount of 250%. The payout amount for the long-term bonus is determined by multiplying the target amount with the degree of target achievement for the annual result for each Volkswagen preferred stock, and the ratio between the closing reference price at the end of the term plus a dividend equivalent and the initial reference price. The variable remuneration of all other members of management and of selected participants below management level is composed of a performance-related annual bonus with a one-year assessment period and a backward-looking long-term bonus with a three-year assessment period. This long-term bonus functions in the same way as that granted to members of the Management Board.

In the reporting year, all other beneficiaries were granted a target amount, based on target attainment of 100%, of €2 million (previous year: €0 million). As of December 31, 2024, the total carrying amount of the obligation, which equated to the intrinsic value of the liabilities, amounted to €3 million (previous year restated: €0 million). A total expense of €2 million (previous year: €0 million) was recognized in the reporting period for this commitment.

60. Personnel expenses

Personnel expenses of the Volkswagen Leasing GmbH Group are reported under general and administrative expenses and explained below.

€ million	2024	2023
Salaries	106	5
Social security contributions	17	1
Post-employment and other employee benefit costs	4	0
Total	**128**	**6**

The significant increase in personnel expenses in the reporting year is attributable to the transfer of personnel to the VW Leasing GmbH Group.

61. Off-Balance-Sheet Liabilities

OTHER FINANCIAL OBLIGATIONS

€ million	DUE 2025	DUE 2026- 2029	DUE ab 2030	TOTAL 31.12.2024
Obligations from				
Long-term leasing and rental contracts	1	–	–	1
Miscellaneous financial obligations	75	32	–	107

€ million	DUE 2024	DUE 2025- 2028	DUE From 2029	TOTAL Dec. 31, 2023
Obligations from				
Long-term leasing and rental contracts	–	–	–	–
Miscellaneous financial obligations	63	74	–	137

62. Average number of employees during the reporting period

Until June 30, 2024, Volkswagen Leasing GmbH did not use its own personnel for its operating activities in Germany. The employees were deployed at Volkswagen Leasing GmbH as part of staff leasing arrangements. In addition, the Company had an annual average of 70 (64) salaried employees at its branches in Milan and Verona.

As of July 1, 2024, personnel was transferred to Volkswagen Leasing GmbH as part of the restructuring, so that Volkswagen Leasing GmbH has since then used its own personnel for its operating activities.

The average number of employees during the reporting period can be found in the table below.

	2024	2023
Salaried employees	1,041	64
of which senior managers	11	1
of which part-time	296	3
Vocational trainees	0	0

63. Related Party Disclosures

Related parties as defined by IAS 24 are natural persons and entities that Volkswagen Leasing GmbH has control over or over which it has significant influence, or natural persons and entities that have control over or can exercise significant influence over Volkswagen Leasing GmbH, or natural persons and entities who are controlled by or under the influence of another related party of Volkswagen Leasing GmbH.

Volkswagen Financial Services Overseas AG, Braunschweig, which operated under the name of Volkswagen Financial Services AG until June 30, was the sole shareholder of Volkswagen Leasing GmbH until June 30, 2024. Following the conclusion of the restructuring as of July 1, 2024, Volkswagen Bank GmbH, Braunschweig, is the sole shareholder of Volkswagen Leasing GmbH. Volkswagen Financial Services AG, which operated under the name of Volkswagen Financial Services AG until June 30, has been the sole parent company of Volkswagen Bank GmbH since July 1, 2024. Porsche Automobil Holding SE, Stuttgart, held the majority of the voting rights in Volkswagen AG, Wolfsburg, which is the sole shareholder of Volkswagen Financial Services AG, Braunschweig, as of the reporting date. The Extraordinary General Meeting of Volkswagen AG held on December 3, 2009 approved the creation of rights of appointment for the State of Lower Saxony. As a result, Porsche SE cannot elect, via the Annual General Meeting, all the shareholder representatives on Volkswagen AG’s Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG’s ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore deemed to be a related party as defined by IAS 24. According to a notification dated January 2, 2025, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hannover, held 20.00% of the voting rights in Volkswagen AG on December 31, 2024 and therefore indirectly had significant influence over the Volkswagen Leasing GmbH Group. As mentioned above, the General Meeting of Volkswagen AG on December 3, 2009 also resolved that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment). The control and profit-and-loss transfer agreement between the previous shareholder, Volkswagen Financial Services Overseas AG, and Volkswagen Leasing GmbH was assigned to Volkswagen Bank GmbH following the spin-off for absorption as of July 1, 2024 so that, from that date, Volkswagen Bank GmbH took the place of Volkswagen Financial Services Overseas AG with regard to the rights and obligations of the contract.

Volkswagen Bank GmbH and other related parties in Volkswagen AG’s group of consolidated entities provide the Volkswagen Leasing GmbH Group with funding on an arm’s-length basis. As part of funding transactions, Volkswagen AG and other related parties in Volkswagen AG’s group of consolidated entities sold vehicles to Volkswagen Leasing GmbH on an arm’s-length basis. These transactions are presented in the “Goods and services received” column.

The “Goods and services provided” column primarily contains income from the marketing of ex-lease vehicles via companies of the Volkswagen Group.

The two tables below show the transactions with related parties.

FISCAL YEAR 2024

Mio. €	Supervisory Board	Board of Management	Volkswagen Bank GmbH	Volkswagen Financial Services AG	Volkswagen AG	Porsche SE	Other related parties in the consolidated entities
Loans and Receivables	–	–	2,478	7	388	–	1,536
Valuation allowances on impaired loans and receivables	–	–	–	–	–	–	–
of which additions in current year	–	–	–	–	–	–	–
Obligations	–	–	7,884	6,473	483	–	4,021
Interest income	–	–	84	–	49	–	51
Interest expense	–	–	–101	–181	–20	–	–363
Goods and services provided	–	–	53	6	241	–	7,311
Goods and services received	–	–	262	151	11,712	–	4,216

FISCAL YEAR 2023

€ million	Audit Committee	Board of Management	Volkswagen Financial Services AG	Volkswagen AG	Porsche SE	Other related parties in the consolidated entities
Loans and receivables	–	–	1,329	3,360	0	3,190
Valuation allowances on impaired loans and receivables	–	–	–	–	–	–
of which additions in current year	–	–	–	–	–	–
Obligations	–	–	5,482	2,279	–	8,566
Interest income	–	–	35	81	–	36
Interest expense	–	–	–215	–36	–	–319
Goods and services provided	–	–	11	1,017	0	7,761
Goods and services received	–	–	227	12,513	–	3,526

The “Other related parties in the group of consolidated entities” column includes sister entities that are related parties in Volkswagen AG’s group of consolidated entities but do not directly belong to Volkswagen Leasing GmbH. The relationships with the Supervisory Board and the Management Board comprise the relevant groups of people at Volkswagen Leasing GmbH, Volkswagen Bank GmbH, Volkswagen Financial Services AG and, for the previous year, the previous parent company, Volkswagen Financial Services Overseas AG.

For key figures calculated over time in the reporting year, the Board of Management and Supervisory Board of the previous parent company, Volkswagen Financial Services Overseas AG, was taken into account within the Management Board/Board of Management and within the Supervisory Board.

Members of the Management Board of Volkswagen Leasing GmbH are also members of governing bodies of other entities in the Volkswagen Group with which Volkswagen Leasing GmbH sometimes conducts transactions in the normal course of business. All transactions with these related parties are conducted on an arm's-length basis.

Volkswagen Leasing GmbH received contributions in kind by way of positive differences between compensation payments received and personnel provisions acquired from the higher-level shareholder, Volkswagen Financial Services AG, and from the shareholder, Volkswagen Bank GmbH (see note (11)).

MANAGEMENT BOARD REMUNERATION IN ACCORDANCE WITH IAS 24

The following table shows the remuneration of the Management Board in accordance with IAS 24.17.

€ million	2024	2023
Short-term benefits	1	–
Termination benefits	0	–
Post-employment benefits	0	–
Total	**2**	**–**

MANAGEMENT BOARD REMUNERATION

In the current fiscal year, the total payments made to members of the Management Board according to section 314(1) no. 6 of the HGB amounted to €1 million (previous year: €1 million).

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

AUDIT COMMITTEE REMUNERATION

In accordance with a resolution passed by the Annual General Meeting, the members of the Audit Committee are entitled to an annual allowance. This allowance is independent of the performance of the Company. As a result, a total amount of less than €0.03 million (previous year: €0.01 million) was paid out to the members of the Audit Committee in the reporting period.

64. Governing bodies of Volkswagen Leasing GmbH

Management Board

ARMIN VILLINGER (UNTIL JUNE 30, 2024)
Chief Executive Officer
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

65. Companies included in the consolidated financial statements

Name and registered office of the company	Currency	VW LEASING GMBH'S INTEREST IN CAPITAL IN % Direct	Indirect	Total	EQUITY IN THOUSANDS local currency	PROFIT/LOSS IN THOUSANDS local currency	Footnote	Year
I. PARENT COMPANY								
VOLKSWAGEN LEASING GMBH, Braunschweig								
II. SUBSIDIARIES								
A. Consolidated companies								
1. International								
Trucknology S.A., Luxemburg	EUR	–	–	–	–	–	1)	2023
VCL Master Residual Value S.A., Luxemburg	EUR	–	–	–	–	–	1)	2023
VCL Master S.A., Luxemburg	EUR	–	–	–	–	–	1)	2023
VCL Multi-Compartment S.A., Luxemburg	EUR	–	–	–	–	–	1)	2023

1) Structured company in accordance with IFRS 10 and IFRS 12

66. Events After the Reporting Date

Subsequent to the conclusion of the Volkswagen AG collective bargaining process, 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 process with the IG Metall union; this process was concluded on January 31, 2025. The collective bargaining outcome of Volkswagen AG also applies to these companies, based on the follow-on collective agreement. The above companies made some amendments or additions to some points of the collective bargaining outcome of Volkswagen AG. No material impacts on the consolidated 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.

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 consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

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 CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

OPINIONS

We have audited the consolidated financial statements of Volkswagen Leasing GmbH, Braunschweig, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2024 to 31 December 2024, and the consolidated balance sheet as at 31 December 2024, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January 2024 to 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Volkswagen Leasing GmbH, Braunschweig, which is combined with the Company's management report, for the fiscal year from 1 January 2024 to 31 December 2024.

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

> the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) and adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2024 and of its financial performance for the fiscal year from 1 January 2024 to 31 December 2024, and
> the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated 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, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group 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 consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Determination of the expected residual values of assets leased under operating leases during impairment testing

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

The lease assets balance sheet item comprises vehicles under operating 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 assets leased under operating leases during impairment testing was a key audit matter.

Auditor's response

During our audit, we analyzed the process implemented by the executive directors of 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 assets leased under operating leases during impairment testing.

Reference to related disclosures

The Company's disclosures on the accounting policies applied for lease assets are contained in note "9. Leases" and note "56. Leases" and the disclosures on the determination of the expected residual values of lease assets in note "13. Estimates and assumptions by management" of the notes to the consolidated financial statements.

Macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the model-based determination of the provisions for non-defaulted loans to and receivables from customers attributable to the leasing business

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

The valuation of loans to and receivables from customers attributable to the leasing business and the related determination of the provisions for credit risks are significant areas in which the executive directors exercise judgment. As of the reporting date, the model-based determination of provisions uses three macroeconomic scenarios to meet the requirements for an unbiased and probability-weighted estimate. The three scenarios (base, positive, negative) differ in terms of the assumptions and estimates of future macroeconomic developments and are reflected in the different specific credit risk parameters underlying the calculation of the provisions (loss given default, probability of default and credit conversion factor).

In light of the significant volume of non-defaulted loans to and receivables from customers attributable to the leasing business underlying the model-based determination of the provisions as well as the increased uncertainty and judgment involved in the macroeconomic scenarios as a consequence of the ongoing geopolitical tensions, conflicts and protectionist tendencies, potential shortages in global supply chains as well as the resulting risk of negative effects on the German economy and thus on the credit risk parameters, we consider the macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the determination of the provisions for non-defaulted loans to and receivables from customers attributable to the leasing business to be a key audit matter.

Auditor's response

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

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

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

We reperformed the calculations of the model-based provisions determined on the basis of the different scenarios and the different specific credit risk parameters and checked whether the Company correctly included the scenarios in its calculation. In this context, we checked that the specific credit risk parameters relate to the entire term for the relevant derived scenario if there has been a significant increase in the credit risk of the loans to and receivables from customers since initial recognition (Stage 2 of the impairment model).

Our audit procedures did not give rise to any reservations with regard to the macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the model-based determination of the provisions for non-defaulted loans to and receivables from customers attributable to the leasing business.

Reference to related disclosures

The Company's disclosures on the accounting policies applied for the model-based determination of the provisions for non-defaulted loans to and receivables from customers attributable to the leasing business are contained in the notes to the consolidated financial statements in note "6 Financial instruments" and note "13. Estimates and assumptions by management" and in the group management report in the Report on Opportunities and Risks under the heading "Credit risk" in the passages addressing "Collateral" and "Provisions."

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board, 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 consolidated financial statements, not the group 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 consolidated financial statements and on the group 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 consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated 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 consolidated financial statements, the executive directors are responsible for assessing the Group’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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

The Audit Committee is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures relevant to the audit of the group 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 Group'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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.
> Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
> Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group to express opinions on the consolidated financial statements and on the group 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 group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
> Perform audit procedures on the prospective information presented by the executive directors in the group 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 consolidated 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 consolidated financial statements and the group 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 consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in "Volkswagen Leasing_GmbH_KA+KLB_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 consolidated financial statements and the group 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 consolidated financial statements and the group 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 consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2024 to 31 December 2024 contained in the "Report on the audit of the consolidated financial statements and of the group 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 consolidated financial statements and the group 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 "Group 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 consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 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.

Group 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 consolidated financial statements and to the audited group management report.
> Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

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 to Group entities the following services that are not disclosed in the consolidated financial statements or in the group 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 consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group 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 consolidated financial statements and the audited group 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

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, the Company had established an Audit Committee 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 the 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

Werner Flügge
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

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PUBLISHED BY
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