VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

ANNUAL REPORT

German GAAP

2024

Fundamental Information about the Group

The companies of the Volkswagen Financial Services AG Group provide a wide range of automotive financial services for retail and business customers.

BUSINESS MODEL

The companies of the Volkswagen Financial Services AG Group are responsible for the operating activities needed 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 Financial Services AG 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:

Financing

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

Leasing business

In addition to finance and operating leases for retail and business customers, this business area includes a range of different subscription models to meet mobility requirements ranging from several minutes to several years, as well as fleet management.

Direct banking

Volkswagen Bank GmbH focuses on providing investment products such as instant-access accounts, fixed-term deposits and savings certificates for retail and business customers. It also markets current (checking) accounts and a range of payment services. The Group conducts direct banking business in Germany and, to a lesser extent, from the Bank’s branch in Poland.

Insurance and services

This business area includes, for example, fully comprehensive and liability insurance for motor vehicles. It also includes residual debt insurance to protect against financial difficulties, e.g., in the event of unemployment, and insurance brokerage services. Another area is service contracts, e.g., for tire replacement, maintenance and servicing, as well as extended warranties.

ORGANIZATION OF VOLKSWAGEN FINANCIAL SERVICES AG

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

The Board of Management of Volkswagen Financial Services AG comprises six board departments. The Chief Executive Officer is Dr. Christian Dahlheim, who is responsible for Corporate Management, which includes, for example, strategy, internal audit, integrity, compliance and communication. Anthony Bandmann is responsible for sales and marketing as well as for the Europe region, including Germany. Dr. Ingrun-Ulla Bartölke is responsible for Finance and Procurement. Frank Fiedler is Chief Risk Officer, responsible for risk, taxes and legal. Dr. Christian Dahlheim is in charge of Human Resources and Organization, in which Arne Puls has managerial responsibility as Chief Representative. Dr. Alena Kretzberg is responsible for IT and Digital.

MOBILITY2030 STRATEGY

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

As a provider of mobility solutions, Volkswagen Financial Services AG has formulated a clear growth plan in its MOBILITY2030 strategy and intends to extend its relationship with customers and vehicles along 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 develop business potential along the entire vehicle cycle together with the Group brands.”
- **Performance:** “We act in an entrepreneurial manner and strive for the greatest possible success.”
- **Data and technology:** “We use data and technology as the mainstays of our success.”
- **Sustainability:** “We drive the transformation to zero-emissions mobility in accordance with the Volkswagen Group’s ESG principles.”

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

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

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

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

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

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

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

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

In addition, VOLKSWAGEN FINANCIAL SERVICES AG was renamed Volkswagen Financial Services Overseas AG and the company still known as Volkswagen Financial Services Europe AG as of July 1, 2024 was renamed Volkswagen Financial Services AG by way of a corresponding entry in the commercial register.

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. Some of these employment relationships that were transferred to Volkswagen Financial Services AG were transferred to Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Volkswagen Versicherung AG, Volkswagen Insurance Brokers GmbH or Vehicle Trading International (VTI) GmbH immediately after the spin-off took effect on the basis of transfer agreements or through business unit transfers in accordance with section 613a of the *Bürgerliches Gesetzbuch* (German Civil Code – BGB).

As part of the restructuring, organizational units of Volkswagen Bank GmbH were also transferred across company lines to Volkswagen Leasing GmbH and Volkswagen Financial Services AG. This transfer of organizational units resulted in partial business operation transfers in accordance with section 613a of the BGB.

By pooling its activities in a European financial services provider and through the spin-off of Volkswagen Leasing GmbH to Volkswagen Bank GmbH, Volkswagen Bank GmbH can optimally use its funding strength to expand the leasing business in Germany and Europe. The new Group structure takes into account both the expected business growth and the increasing trend away from vehicle financing in favor of leasing. The restructuring means that there are no longer any limitations on Volkswagen Bank GmbH to provide funds to Volkswagen Leasing GmbH. In addition to placing bonds and engaging in ABS transactions, Volkswagen Bank GmbH can now also use the significant increase in customer deposits to fund the planned business growth.

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

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

Volkswagen Financial Services Overseas AG is the holding company responsible for managing the non-European subsidiaries. It remains an integral part of the Volkswagen Group as a wholly owned subsidiary of Volkswagen AG.

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. The financial key performance indicators are the volume of business, 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 retail financing and leasing business to deliveries of Group vehicles, based on Volkswagen Financial Services AG's consolidated entities.
Current contracts	Contracts recognized as of the reporting date
New contracts	Contracts recognized for the first time in the reporting period
Financial performance indicators	
Volume of business	Loans to and receivables from customers arising from retail financing, dealer financing, leasing business and lease assets.
Operating result	Interest income from lending transactions and marketable securities, net income from leasing transactions, interest expense, net income from service contracts, net income from insurance business, provision for credit risks, net fee and commission income, net gain or loss on hedges, net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income, general and administrative expenses and net other operating income/expenses
Return on equity	Return on equity before tax, which is calculated by dividing profit before tax by average equity.
Overhead ratio	General administration expenses less other taxes and income from the release of provisions and accrued liabilities/average total assets

SIGNIFICANT CHANGES IN EQUITY INVESTMENTS

With the new structure, Volkswagen Financial Services AG acquired the following European equity investments (including various subsidiaries of the equity investments) from Volkswagen Financial Services Overseas AG (formerly Volkswagen Financial Services AG) by way of a spin-off on July 1, 2024:

Subsidiaries in Germany:

> 8.7% interest in Allianz für die Region GmbH, Braunschweig
> 26.0% interest in Digital Mobility Leasing GmbH, Kassel
> 100.0% interest in EURO-Leasing GmbH, Sittensen
> 100.0% interest in LOGPAY Financial Services GmbH, Eschborn
> 77.757% interest in Mobility Trader Holding GmbH, Berlin
> 50.0% interest in MyDigitalCar GmbH, Braunschweig
> 100.0% interest in Vehicle Trading International (VTI) GmbH, Braunschweig
> 37.801% interest in Verimi GmbH, Berlin
> 100.0% interest in Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Braunschweig
> 51.0% interest in Volkswagen Autoversicherung Holding GmbH, Braunschweig
> 49.0% interest in Volkswagen Financial Services Digital Solutions GmbH, Braunschweig
> 100.0% interest in Volkswagen Insurance Brokers GmbH, Braunschweig
> 100.0% interest in Volkswagen Versicherung AG, Braunschweig
> 100.0% interest in Volkswagen-Versicherungsdienst GmbH, Braunschweig

Subsidiaries outside Germany:

> 100% interest in VW Finance Europe B.V., Netherlands
> 100% interest in VWFS SPA, Italy
> 100% interest in VW Insurance Company DAC, Ireland
> 100% interest in VW Company DAC, Ireland
> 100% interest in VWFS Hellas, Greece
> 100% interest in MAN Location & Services S.A.S., France
> 60% interest in VW Losch Financial Services, Luxembourg
> 49% interest in Shuttel B.V., Netherlands
> 25.1% interest in J. P. Morgan Mobility Payments Solutions S.A., Luxembourg

Again on July 1, 2024, Volkswagen Financial Services Overseas AG (formerly Volkswagen Financial Services AG) spun off its 100% interest in Volkswagen Leasing GmbH to Volkswagen Bank GmbH.

Subsequently, again on July 1, 2024, Volkswagen AG contributed its 100% interest in Volkswagen Bank GmbH (including its subsidiary Volkswagen Leasing GmbH) to the (new) Volkswagen Financial Services AG through a noncash contribution by way of a premium ("*Sachagio*"), and Volkswagen Financial Services Digital Solutions GmbH was merged into the (new) Volkswagen Financial Services AG after Volkswagen Financial Services AG acquired the remaining 51% interest from VW Bank GmbH.

In addition, the following material changes in equity investments occurred:

Effective July 1, 2024, Volkswagen Finance Europe B.V., Amsterdam, Netherlands, a wholly owned subsidiary of Volkswagen Financial Services Overseas AG,

> sold 100% of the shares in MAN Financial Services GesmbH, Eugendorf, Austria, to Scania Österreich Holding GmbH,

- acquired all 32.5% of the shares of credi2 GmbH, Vienna, Austria, held by Volkswagen Bank GmbH, Braunschweig,
- acquired the 60% interest in DFM N.V., Amersfoort, Netherlands, held by Volkswagen Bank GmbH.

Effective July 2, 2024, VTXRM – Software Factory Lda., Porto Salvo, Portugal, a 90% subsidiary of Softbridge Projectos Technolõgicos SA, Porto Salvo, Portugal, in which Volkswagen Finance Europe B.V. holds a 70% interest, established a new wholly owned subsidiary, VTXRM Software Technology (Chengdu) Co., Ltd. in Chengdu, China. The formation serves to strengthen the IT business and, in particular, the provision of IT services to Volkswagen Financial Services AG subsidiaries in China by the VTXRM Group.
Effective August 1, 2024, Volkswagen Finance Europe B.V., together with its joint venture partner, contributed its 60% interest in DFM N.V. to the 60% subsidiary Volkswagen Pon Financial Services B.V., Amersfoort, Netherlands.

Effective October 1, 2024, Volkswagen Leasing GmbH acquired 100% of the shares of Volkswagen Mobility Services S.p.A, Bolzano, Italy, from Volkswagen Finance Europe B.V. Effective November 1, 2024, Volkswagen Mobility Services S.p.A was merged with VW Leasing GmbH.

Effective November 26, 2024, VOLKSWAGEN COMPANY DAC, Dublin, Ireland, was merged with Volkswagen Financial Services AG.

Effective December 3, 2024, DFM N.V., Amersfoort, Netherlands, acquired 100% of the shares of Fin Quest B.V., Eindhoven, Netherlands.

There were no other significant changes in equity investments.

CORPORATE GOVERNANCE DECLARATION

Increase in the proportion of women

Women accounted for 49.8% of the workforce of Volkswagen Financial Services AG in Germany and 51.1% internationally as of December 31, 2024. Women are still not represented to such a high level in the Company's management structures, however. The Company has formally committed to achieving a permanent increase in the proportion of female managers.

PROPORTION OF WOMEN – TARGET AND ACTUAL VALUES FOR GERMANY

	Target 2026	Actual 2024
Second management level	27.3	25.3
First management level	19.7	17.2

The target figures for female representation across the first and second level of management in Germany that are valid until 2026 were set in the reporting year. The progress made on increasing the proportion of women in management relative to the targets adopted by Volkswagen Financial Services is monitored regularly both in Germany and internationally. The target for women in management at Volkswagen Financial Services AG (Germany and international markets) was 21.9% for the reporting period. A 23% proportion of women in management was achieved at the end of 2024.
The Supervisory Board has set the following targets for the proportion of women to be achieved by the end of 2026: 25.0% for the Supervisory Board and 20.0% for the Board of Management. In the reporting year, the proportion of women on the Supervisory Board was 36.4%; the equivalent figure for the Board of Management was 40.0%.

The Board of Management maintains the necessary transparency by means of regular progress reports. A particular effort is made to ensure that female candidates are considered during succession planning to help establish compliance with the relevant targets. The targets are also discussed regularly, together with pertinent tools and best practices for achieving them, at the meetings of HR managers around the world.

CONSOLIDATED NONFINANCIAL STATEMENT

Pursuant to section 315b(2) of the HGB, Volkswagen Financial Services AG 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. The combined nonfinancial statement will also be available in German on this website https://www.volkswagen-group.com/r/geschaeftsbericht-2024 and in English on this website https://www.volkswagen-group.com/r/financial-report-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

The global economy recorded positive growth in 2024.
Global demand for vehicles increased slightly as compared with the previous year.
The total operating result was €1.2 billion in fiscal year 2024.

OVERALL ASSESSMENT OF THE COURSE OF BUSINESS

Implementation of the restructuring program described above and the resulting first-time preparation of consolidated financial statements have led to significant changes in the key performance indicators and the items of the income statement and balance sheet. This means it is not possible to compare the figures with those of the previous year and therefore to assess the business performance compared with the previous year.

The total operating result was €1.2 billion in fiscal year 2024. In addition to interest income from lending transactions and marketable securities, as well as interest expenses, net income from leasing transactions was a key factor.

New business (new contracts) in Europe amounted to 2.9 million in 2024.

Volkswagen Financial Services AG closed the fiscal year with a business volume of €149.6 billion.

The share of financed and leased vehicles in the Group's worldwide deliveries (penetration) stood at 53.4% at the end of 2024.

The money and capital market rates relevant for funding decreased in the second half of 2024. At the same time, risk premiums (spreads) rose due to the current discussions throughout the automotive sector.

The gross new business margin was 3.48% in the past fiscal year.

Volkswagen Financial Services AG became a financial holding company supervised by the ECB on July 1, 2024 and is therefore subject to the regulatory requirements for significant financial holding companies. Appropriate processes, methodologies and procedures for identifying and assessing material risks (including credit risk, residual value risk, liquidity risk and operational risk) have been rolled out in this context.

The sustained strong demand for our products led to continuous portfolio growth at Volkswagen Financial Services AG in the second half of the 2024 fiscal year, and the volume of loans and receivables in the loan portfolio was further expanded. The quality of the loan portfolio remained at a stable level.

Despite strained markets, the Volkswagen Financial Services AG Group'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.

The liquidity risk for the Volkswagen Financial Services AG Group was stable in fiscal year 2024. The existing sources of funding were adequate to enable the growth achieved in the second half of the fiscal year. A wide range of funding instruments were used in a number of different currency areas, regions and countries.

The funding structure remained broadly diversified in terms of the instruments used. The Group's main sources of funding, comprising money and capital markets, ABSs, and also funding through banks and deposits in individual markets, continued to be readily available at Group level and could still be used as required.

The Board of Management of Volkswagen Financial Services AG considers the course of business in 2024 to have been positive.

DEVELOPMENTS IN THE GLOBAL ECONOMY

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

Europe/Other Markets

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

Germany

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

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

There were high levels of demand for automotive financial services in 2024.

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

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

Sector-specific environment

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

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/Other Markets

In Western Europe, the number of new passenger car registrations in 2024 was on a level with the previous year. The performance of the large individual passenger car markets in this region was mixed. The United Kingdom registered slight growth and Spain noticeable growth, while Germany and Italy were at the prior-year level and the market volume in France decreased slightly.

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

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

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

Germany

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

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

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

In the markets that are relevant for the Volkswagen Group, demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced slightly weaker growth in fiscal year 2024 versus the comparison period. Global truck markets were likewise slightly below the prior-year level.

In the 27 EU states, excluding Malta but including the United Kingdom, Norway and Switzerland (EU27+3), the number of new truck registrations was noticeably down, albeit to differing degrees in the various markets. The significant market recovery seen in 2023 did not continue in the reporting year. New registrations in Germany, the largest market in this region, fell noticeably short of the prior-year level. The United Kingdom saw a slight decline while France remained on a level with the prior-year.

Demand in the bus markets relevant for the Volkswagen Group was on a level with 2023. Demand for buses in the EU27+3 markets was up slightly, with the picture varying from country to country.

GLOBAL DELIVERIES TO CUSTOMERS OF THE VOLKSWAGEN GROUP

	DELIVERIES OF VEHICLES		
	2024	2023	Change in percent
Deliveries of passenger cars worldwide[1]	**8,693,208**	**8,901,350**	**–2.3**
Volkswagen Passenger Cars	4,796,931	4,866,803	–1.4
ŠKODA	926,567	866,820	+6.9
SEAT/CUPRA	558,159	519,176	+7.5
Volkswagen Commercial Vehicles	408,285	409,418	–0.3
Audi	1,671,218	1,895,240	–11.8
Lamborghini	10,687	10,112	+5.7
Bentley	10,643	13,560	–21.5
Porsche	310,718	320,221	–3.0
Deliveries of commercial vehicles worldwide[2]	**334,216**	**338,184**	**–1.2**
Scania	102,120	96,568	+5.7
MAN	95,705	115,653	–17.2
Navistar	90,562	88,890	+1.9
Volkswagen Truck & Bus	45,829	37,073	+23.6

1 The delivery figures of the previous year have been updated following statistical updates. Including Chinese joint ventures.
2 The delivery figures for the prior year have been restated following statistical updates.

FINANCIAL PERFORMANCE

Due to the restructuring implemented in the reporting period and the resulting first-time preparation of consolidated financial statements in accordance with the IFRS accounting standards, it is not possible to provide a meaningful analysis of the differences compared with the prior-year figures. The previous year shows the Group's financial performance excluding the operating business with the parent company, which was not operational in the previous year. Consequently, we are not providing a comparison with the prior-year financial performance, but only explaining financial performance in the reporting period.

In the reporting period, the Group is presented following the absorption of the European operations as part of the spin-off of Volkswagen Financial Services Overseas AG and the noncash contribution of Volkswagen Bank GmbH by Volkswagen AG as of July 1, 2024, and therefore only includes operating business from the second half of the fiscal year.

The operating result for fiscal year 2024 amounted to €1,246 million. Including the share of profits and losses of equity-accounted investments and the net gain or loss on miscellaneous financial assets of other financial investments and the other financial result, consolidated profit before tax amounted to €1,245 million. Return on equity amounted to 7.9%. Income from lending transactions and marketable securities amounted to €2,128 million.

Net income from leasing transactions stood at €3,099 million. The impairment losses on lease assets of €329 million included in net income from leasing transactions were attributable to current market fluctuations and expectations. With interest rates in the European market falling slightly, interest expenses amounted to €3,024 million. Net income from service contracts was €104 million. Net income from insurance business amounted to €40 million. The net addition to the provision for credit risks amounted to €251 million. Net fee and commission income amounted to €183 million. The net loss on financial instruments measured at fair value amounted to €83 million. General and administrative expenses amounted to €1,027 million and largely contain personnel and non-staff operating expenses. The overhead ratio was 1.1%.

The other operating result was €110 million. The share of profits and losses of equity-accounted joint ventures amounted to €36 million. The net gain/loss on miscellaneous financial assets €–14 million in the current fiscal year includes impairment losses of €–14 million for unconsolidated subsidiaries and €–6 million for joint ventures accounted for at cost. On the basis of these figures, together with the other income and expense components, the Volkswagen Financial Services AG Group generated profit after tax of €829 million.

Under Volkswagen Financial Services AG's current control and profit-and-loss transfer agreement, a profit of €317 million reported by Volkswagen Financial Services AG in its single-entity financial statements prepared in accordance with the HGB was transferred to the sole shareholder, Volkswagen AG.

The German companies continued to account for the highest business volumes with 37.2% of all current contracts.

Despite the difficult environment, Volkswagen Leasing GmbH expanded its portfolio of leases moderately compared with the previous year. The operating result was substantially above the prior year.

Volkswagen Autoversicherung AG was able to consolidate and slightly improve its position in a market shaped by premium increases and persistently intense competition. Volkswagen Autoversicherung AG holds a portfolio of 589 thousand vehicle insurance policies, a year-on-year increase of 40 thousand policies.

In 2024, Volkswagen Versicherung AG was operating primary and reinsurance business in 16 international markets, complementing the core business in Germany.

Volkswagen-Versicherungsdienst GmbH, which operates as the sales partner in the German market for both Volkswagen Autoversicherung AG and Volkswagen Versicherung AG, played a part in the successful performance of these companies. Overall, the activities of Volkswagen-Versicherungsdienst GmbH made a steady contribution to the earnings of Volkswagen Financial Services AG.

NET ASSETS AND FINANCIAL POSITION

Lending business

At €167.3 billion in total, loans to and receivables from customers and lease assets – which make up the core business of the Volkswagen Financial Services AG Group – accounted for approximately 87% of the Group's total assets.

The customer financing lending volume amounted to €30.7 billion,

and the number of new contracts in the fiscal year was 401 thousand. The number of current contracts stood at 2,184 thousand at the end of the year.

The overall lending volume in dealer financing – which comprises loans to and receivables from Group dealers in connection with financing for inventory vehicles, as well as working capital and investment loans – stood at €18.9 billion.

Receivables from leasing transactions amounted to €53.7 billion, while lease assets stood at €46.8 billion.

A total of 863 thousand new leases were entered into in the reporting period. There were 4,324 thousand lease vehicles in the contract portfolio as of December 31, 2024. As in the previous year (1,872 thousand), the largest contribution again came from Volkswagen Leasing GmbH, which had a contract portfolio of 1,984 thousand lease vehicles.

The Volkswagen Financial Services AG Group's total assets were €192.3 billion.

There were 11,414 thousand service and insurance contracts at the end of the year. The new business volume comprised 1,605 thousand contracts.

Deposit business and borrowings

In terms of the capital structure, the significant liability items included liabilities to banks in the amount of €5.7 billion, liabilities to customers amounting to €82.7 billion and notes and commercial paper issued in the amount of €61.7 billion. Further details on the funding and hedging strategy can be found in the Liquidity Analysis and Funding sections and in the disclosures on interest-rate risk and liquidity risk in the risk report.

Subordinated capital

Subordinated capital amounted to €2.7 billion.

Equity

Volkswagen Financial Services AG had subscribed capital of €250 million, which was contributed in the amount of €250 million by the shareholder Volkswagen AG in the form of a cash contribution, upon entry in the commercial register on July 1, 2024. The change in the capital reserves of €16.7 billion is primarily attributable to noncash capital increases by the shareholder Volkswagen AG amounting to €16.4 billion. Equity in accordance with the IFRSs was €31.5 billion. This resulted in an equity ratio (equity divided by total assets) of 16.4% based on total assets of €192.3 billion.

Changes in off-balance-sheet liabilities

Off-balance-sheet liabilities amounted to a total of €11.5 billion as of December 31, 2024.
Following the spin-off and absorption of the shares of Volkswagen Leasing GmbH by Volkswagen Bank GmbH, the special liability provision of section 133 of the *Umwandlungsgesetz* (German Transformation

Act – UmwG) means that there is joint and several liability for the legacy liabilities of the former Volkswagen Financial Services AG, now Volkswagen Financial Services Overseas AG, although this liability is limited to the allocated net assets of VW Leasing GmbH. Since the lion's share of the liabilities of former Volkswagen Financial Services AG, now Volkswagen Financial Services Overseas AG, has been transferred to the present-day financial holding company Volkswagen Financial Services AG by way of a spin-off, the joint and several liability essentially extends to the legacy liabilities that were transferred to the financial holding company Volkswagen Financial Services AG. Volkswagen Financial Services AG has placed a cash deposit with Volkswagen Bank GmbH to ensure compliance with the Volkswagen Bank GmbH Group's large exposure provisions.

KEY FIGURES BY SEGMENT AS OF DECEMBER 31, 2024

in thousands	Germany	United Kingdom	France	Sweden	Italy	Spain	Other companies[1]	VW FS AG Group
Current contracts	**6,659,057**	**2,631,627**	**1,535,055**	**594,761**	**1,902,277**	**1,359,214**	**3,239,163**	**17,921,154**
Retail financing	926,893	15,291	130,329	72,479	378,017	317,225	343,657	2,183,891
of which: consolidated	926,893	15,291	130,329	72,479	378,017	317,225	143,637	1,983,871
Leasing business	1,860,932	1,004,417	406,377	110,476	172,343	94,150	674,859	4,323,554
of which: consolidated	1,860,932	1,004,417	406,377	110,476	172,343	94,150	332,137	3,980,832
Service/insurance	3,871,232	1,611,919	998,349	411,806	1,351,917	947,839	2,220,647	11,413,709
of which: consolidated	3,871,232	1,611,919	998,349	257,426	1,351,917	947,839	621,365	9,660,047
New contracts	**1,197,521**	**612,122**	**361,155**	**98,996**	**365,705**	**184,247**	**50,125**	**2,869,871**
Retail financing	143,007	12,489	31,428	16,230	71,765	47,371	79,184	401,474
of which: consolidated	143,007	12,489	31,428	16,230	71,765	47,371	39,037	361,327
Leasing business	368,452	200,832	91,161	18,633	32,006	17,389	134,510	862,983
of which: consolidated	368,452	200,832	91,161	18,633	32,006	17,389	67,812	796,285
Service/insurance	686,062	398,801	238,566	64,133	261,934	119,487	–163,569	1,605,414
of which: consolidated	686,062	398,801	238,566	37,171	261,934	119,487	–170,813	1,571,208
€ million								
Loans to and receivables from customers attributable to								
Retail financing	16,451	237	848	904	6,041	4,438	1,758	30,678
Dealer financing	7,465	2,815	2,399	55	1,613	950	3,615	18,912
Leasing business	22,299	20,213	3,720	1,233	1,364	210	4,236	53,274
Lease assets	28,653	4,351	4,788	1,661	3,092	1,729	2,506	46,779
Investment[2]	6,198	995	1,704	383	902	367	615	11,164
Operating result	736	211	76	58	94	99	–29	1,246
Percent								
Penetration[3]	66.8	46.9	60.7	55.5	62.5	41.3	37.1	53.4
of which: consolidated	66.8	46.9	60.7	55.5	62.5	41.3	40.4	56.1

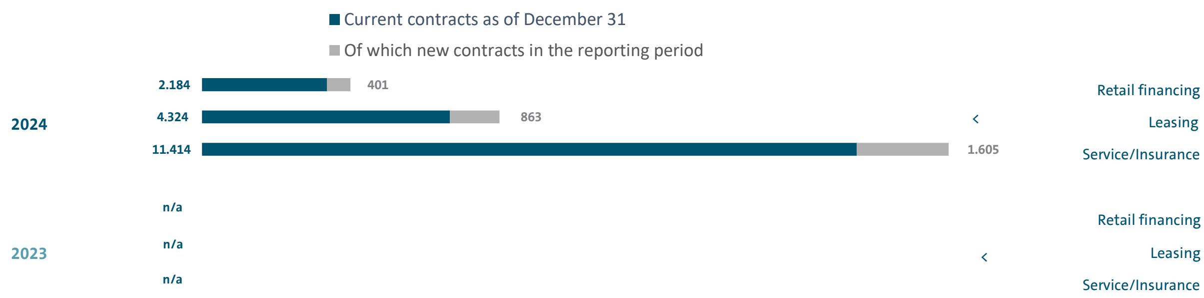
1 The other companies include the markets of Greece, Ireland, Poland, Portugal and the Czech Republic, as well as the markets of Belgium, Denmark, Luxembourg, the Netherlands, Norway and Switzerland in terms of the number of contracts and the penetration rate. They also include the Volkswagen Financial Services AG holding company, the holding and financing companies in Belgium and the Netherlands, Volkswagen Versicherung AG, Vehicle Trading International (VTI) GmbH, Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH and consolidation effects.

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

3 Ratio of new contracts for new Group vehicles under retail financing and leasing business to deliveries of Group vehicles

NEW AND EXISTING CONTRACTS AS OF DECEMBER 31

As of December 31, 2024



REGULATORY OWN FUNDS

Since July 1, 2024, Volkswagen Financial Services AG has been obliged by supervisory law to comply with the requirements of Regulation (EU) No. 575/2013 (CRR) and to meet the minimum capital requirements. In connection with this, Volkswagen Financial Services AG must comply with the minimum capital ratios in accordance with Article 92(1) of the CRR at consolidated level (IFRS). The CRR minimum ratio is 4.5% for Common Equity Tier 1 capital, 6% for Tier 1 capital and 8% for total capital.

In addition, Volkswagen Financial Services AG must meet the combined capital buffer requirement in accordance with section 10i of the *Kreditwesengesetz* (German Banking Act – KWG). as well as the requirements for the capital conservation buffer, the institution-specific countercyclical capital buffer and the systemic risk buffer.

Over and above the statutory minimum ratios and capital buffer requirements, the European Central Bank (ECB), in its capacity as the competent supervisory authority for Volkswagen Financial Services AG, may decide to impose a capital add-on as part of the Supervisory Review and Evaluation Process (SREP). The legal basis for this capital add-on, known as the Pillar 2 Requirement (P2R), is codified in Article 16 of Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. The ECB decision imposes a total SREP capital requirement (TSCR) of at least 10.25% and a Pillar 2 requirement of 2.25% on Volkswagen Financial Services AG at consolidated level. According to the ECB's decision, at least 56.25% of the Pillar 2 requirement must be held in the form of Common Equity Tier 1 capital. The remaining Pillar 2 requirement can be met using Additional Tier 1 capital (AT1) and Tier 2 capital (T2).

Volkswagen Financial Services AG complied with all minimum requirements at consolidated level at all times during the reporting period, which began with the restructuring under company law as of July 1, 2024.

The total capital ratio, defined as the ratio of own funds to the total risk exposure amount, was 18.2% at the end of the reporting period (no prior-year figure available because the ratio has only been applicable since July 1, 2024) and was therefore significantly above the minimum requirements.

The Tier 1 capital ratio and the Common Equity Tier 1 capital ratio at the end of the reporting period were both 16.5% (no prior-year figure available because these ratios have only been applicable since July 1, 2024) and were therefore also well above the regulatory minimums.

Total risk exposure is calculated on the basis of credit risks, market risks, operational risks and risks arising from credit valuation adjustment (CVA charge). Volkswagen Financial Services AG uses the Credit Risk Standardized Approach (CRSA) to quantify credit risk and calculate risk-weighted exposure amounts.

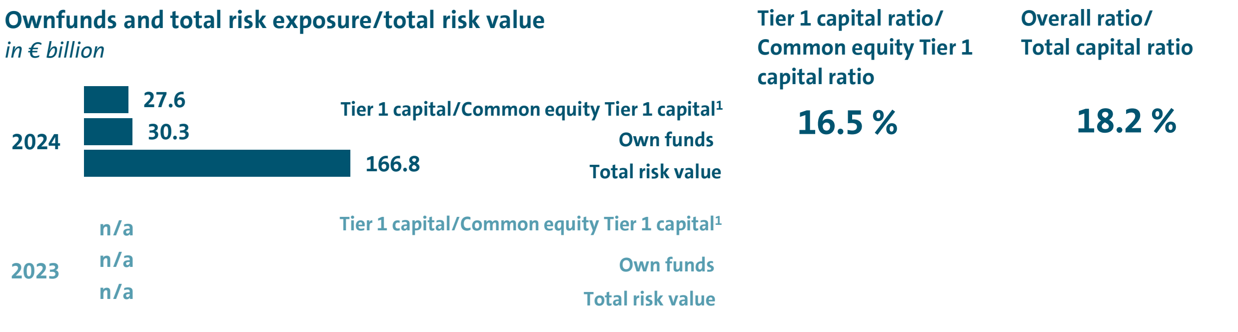
The standardized approach under Article 317 of the CRR is used to calculate the own funds requirements for operational risk, the standardized approach under Article 384 of the CRR is used as the basis for the own funds requirements for CVA risk and the standardized approach under Article 351 of the CRR for foreign exchange risk is used to calculate the own funds requirements for market risk.

The following overview shows details of the composition of the total risk exposure amount and own funds:

	Dec. 31, 2024	Dec. 31, 2023[3]
Total risk exposure[1] (€ million)	166,767	n/a
of which risk-weighted exposure amounts for credit risk	148,886	n/a
of which own funds requirements for market risk * 12.5	5,982	n/a
of which own funds requirements for operational risk * 12.5	9,772	n/a
of which own funds requirements for credit valuation adjustments * 12.5	2,127	n/a
Own funds (€ million)	30,345	n/a
of which Common Equity Tier 1 capital	27,599	n/a
of which Additional Tier 1 capital	–	n/a
of which Tier 2 capital	2,746	n/a
Common Equity Tier 1 capital ratio[2] (percent)	16.5	n/a
Tier 1 capital ratio[2] (percent)	16.5	n/a
Total capital ratio[2] (percent)	18.2	n/a

1 According to Article 92(3) of the CRR
2 According to Article 92(1) of the CRR
3 No prior-year disclosures, as Volkswagen Financial Services AG has only been subject to the scope of Regulation (EU) No. 575/2013 (CRR) since the restructuring under company law as of July 1, 2024.

REGULATORY RATIOS OF THE VOLKSWAGEN FINANCIAL SERVICES AG GROUP AS OF DEC. 31



1 The amount of Tier 1 capital is the same as the amount of Common Equity Tier 1 capital because Volkswagen Financial Services AG has not issued any Additional Tier 1 instruments.

No information can be provided as of December 31, 2024 about changes in the regulatory capital ratios (Common Equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio), the total risk exposure amount and own funds compared with the previous year because Volkswagen Financial Services AG has only been subject to the scope of application of Regulation (EU) No. 575/2013 (CRR) since the reorganization under company law as of July 1, 2024.

TIER 1 CAPITAL RATIO/COMMON EQUITY TIER 1 CAPITAL RATIO
Amounts in

OVERALL RATIO/CRR/SOLVV TOTAL CAPITAL RATIO
in %

Volkswagen Financial Services AG has a capital planning process that is designed to ensure compliance with the regulatory minimum capital ratios including in the event of rising business volumes. In addition to contributions to the capital reserves and the targeted raising of Tier 2 capital in the form of subordinated liabilities, ABS transactions can be used to optimize capital management. This gives Volkswagen Financial Services AG a sound foundation for the further expansion of its financial services business.

LIQUIDITY ANALYSIS

The companies of the Volkswagen Financial Services AG Group are funded primarily through capital market and ABS (asset-backed securities) programs and direct bank deposits. If necessary, funding is supplemented by central bank liquidity through open market transactions by Volkswagen Bank GmbH. Committed and uncommitted credit facilities with external banks and with companies of the Volkswagen AG Group are also available to protect against unexpected fluctuations in the liquidity position. An additional committed credit line with Volkswagen AG serves solely as a liquidity backup; its utilization is not intended in the normal course of business. Volkswagen Financial Services AG Group's liquidity reserves are held in the form of bonds from various governments, federal states, supranational institutions, multilateral development banks and covered bonds amounting to €3.2 billion. In addition, the Volkswagen Financial Services AG Group also holds senior ABS notes issued by special purpose vehicles of Volkswagen Bank GmbH in the amount of €9.8 billion that can be deposited as collateral in the pledge account of Volkswagen Bank GmbH at the Deutsche Bundesbank.

In conjunction with various Internal Liquidity Adequacy Assessment Process (ILAAP) metrics, the normative and economic perspectives of liquidity adequacy are assessed over short-, medium- and long-term time horizons. Measuring and limiting the ILAAP metrics ensures that the liquidity position is adequate at all times. The liquidity coverage ratio (LCR) is a key ILAAP metric used by Treasury to manage the short-term liquidity of the Volkswagen Financial Services AG Group's prudential scope of consolidation. From July to December of the reporting period, it was between 217% and 338% for the Volkswagen Financial Services AG Group and hence above the regulatory lower limit of 100% at all times. Changes in the liquidity ratio are monitored continuously and managed actively by defining an internal steering limit. Central bank balances, government bonds and other securities such as bonds issued by federal states, supranational institutions and covered bonds are recognized as highly liquid assets for the LCR. Until the restructuring of Volkswagen Financial Services AG on July 1, 2024, there was no obligation to manage liquidity using ILAAP metrics.

In addition to the ILAAP metrics at Group level, Volkswagen Bank GmbH and Volkswagen Leasing GmbH must also comply with the Minimum Requirements for Risk Management (MaRisk). The requirement under MaRisk to bridge any liquidity needs over a time horizon of seven and 30 days using a highly liquid liquidity buffer and a corresponding reserve was also met at all times under a range of stress scenarios. Compliance with this requirement is determined and continuously monitored by the liquidity risk management department. To do so, the cash flows for the coming 12 months are projected and compared against the funding potentials in each maturity bucket. The funding potentials were sufficient to cover liquidity needs at all times, both in the baseline scenario and in the stress tests required by MaRisk. The recovery indicator survival period remained within the defined limits through the 2024 reporting year.

FUNDING

Strategic principles

In terms of funding, Volkswagen Financial Services AG pursues a strategy of diversification. This includes the optimization of the available instruments, currencies, maturities and fixed interest rates, considering cost and risk aspects.

By pooling its activities in a European financial services provider and through the spin-off of Volkswagen Leasing GmbH to Volkswagen Bank GmbH, Volkswagen Bank GmbH can optimally use its funding strength to expand the leasing business in Germany and Europe. The new Group structure takes into account both the expected business growth and the increasing trend away from vehicle financing in favor of leasing. The restructuring means that there are no longer any limitations on Volkswagen Bank GmbH to provide funds to Volkswagen Leasing GmbH. In addition to placing bonds and engaging in ABS transactions, Volkswagen Bank GmbH can now also use the significant increase in customer deposits to fund the planned business growth.

Unsecured capital market transactions can be issued under the newly established €50 billion debt issuance program of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Financial Services N.V., which was published on September 25, 2024.

Implementation

Following the implementation of the restructuring program, those bonds and outstanding guarantees that were economically attributable to the European market and issued before July 1, 2024 were transferred from Volkswagen Financial Services Overseas AG to Volkswagen Financial Services AG, making the latter the principal debtor and guarantor for these bonds from July 1, 2024.

Bonds of the European issuers such as Volkswagen Financial Services N.V. and Volkswagen Leasing GmbH will remain with the entities that issued them.

The following bonds were issued in the first half of 2024:

CAPITAL MARKET TRANSACTIONS IN THE FIRST HALF OF 2024

Issuer	Month	Volume and currency	Maturity
Volkswagen Leasing GmbH, Braunschweig (Green)	January	850 million EUR	2.75 years
Volkswagen Leasing GmbH, Braunschweig (Green)	January	1.15 billion EUR	4.75 years
Volkswagen Leasing GmbH, Braunschweig (Green)	January	750 million EUR	7.25 years
Volkswagen Financial Services N.V., Amsterdam (Green)	January	300 million CHF	3 years
Volkswagen Financial Services N.V., Amsterdam (Green)	January	300 million CHF	6 years
Volkswagen Financial Services N.V., Amsterdam (Green)	January	350 million SEK	1.89 years
Volkswagen Financial Services Polska Sp. z o.o., Warsaw	April	200 million PLN	3 years
Volkswagen Financial Services Polska Sp. z o.o., Warsaw	April	1.5 billion PLN	3 years
Volkswagen Financial Services N.V., Amsterdam (Green)	Mai	800 million NOK	3 years
Volkswagen Financial Services Overseas AG, Braunschweig (Green)	June	800 million EUR	2.25 years
Volkswagen Financial Services Overseas AG, Braunschweig (Green)	June	700 million EUR	3 years
Volkswagen Financial Services Overseas AG, Braunschweig (Green)	June	750 million EUR	6.25 years

CAPITAL MARKET TRANSACTIONS OF VOLKSWAGEN FINANCIAL SERVICES AG IN THE SECOND HALF OF 2024:

Issuer	Month	Volume and currency	Maturity
Volkswagen Financial Services AG, Braunschweig (Green)	November	1 billion EUR	2.5 years
Volkswagen Financial Services AG, Braunschweig (Green)	November	1.1 billion EUR	4.5 years
Volkswagen Financial Services AG, Braunschweig (Green)	November	650 million EUR	7 years

Asset-backed securities (ABSs) were issued in euros and sterling.

The following table shows the ABS transaction details:

ABS TRANSACTIONS IN FISCAL YEAR 2024

Originator	Transaction name	Month	Country	Volume and currency
Volkswagen Leasing GmbH, Braunschweig	VCL 41	February	Germany	1.0 billion EUR
Volkswagen Financial Services (UK) Ltd., Milton Keynes	Driver UK 8	March	United Kingdom	625 million GBP
Volkswagen Leasing GmbH, Braunschweig	VCL 42	June	Germany	1.0 billion EUR
Volkswagen Financial Services (UK) Ltd., Milton Keynes	Driver UK 9	October	United Kingdom	500 million GBP
Volkswagen Leasing GmbH, Braunschweig	VCL 43	October	Germany	750 million EUR

The issuance of commercial paper and the use of bank credit lines together with borrower's note loans completed the funding mix.

The company continued to implement its strategy of mainly obtaining maturity-matched funding by borrowing on terms with matching maturities and by using derivatives. A currency-matched funding approach was taken by borrowing liquidity in local currency, and currency risks were largely eliminated by using derivatives.

Ratings

Volkswagen Financial Services AG and Volkswagen Bank GmbH are wholly owned subsidiaries of Volkswagen AG and as such, their ratings with Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings Limited (Fitch) are closely associated with those of the Volkswagen Group. These three rating agencies issued a rating for Volkswagen Financial Services AG for the first time as of July 1, 2024. S&P reiterated its A-2 (short-term) and BBB+ (long-term) ratings for Volkswagen AG and Volkswagen Bank GmbH and issued these ratings for Volkswagen Financial Services AG. The outlook for Volkswagen AG, Volkswagen Bank GmbH and Volkswagen Financial Services AG remains "stable". Moody's also reiterated its P-2 (short-term) and A3 (long-term) ratings for Volkswagen AG and P-1 and A1 for Volkswagen Bank GmbH, and newly issued these ratings for Volkswagen Financial Services AG. On October 10, 2024, the outlook was downgraded from "stable" to "negative", first for Volkswagen AG and subsequently for Volkswagen Financial Services AG and Volkswagen Bank GmbH. Fitch reiterated its F1 (short term) and A– (long term) ratings for Volkswagen AG, and issued these ratings for the first time for Volkswagen Financial Services AG. Fitch issued ratings of F1 (short-term) and A- (long-term) for Volkswagen Bank GmbH for the first time. The outlook for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH is "stable".

Overall, the confirmation of the ratings reflects the stability of the Volkswagen Group in the current transition phase to e-mobility, even though the negative outlook at Moody's reflects the current challenges facing the entire automotive industry.

Volkswagen Financial Services AG

(Condensed, in accordance with the HGB)

BUSINESS PERFORMANCE 2024

Upon entry in the commercial register on July 1, 2024, Volkswagen Financial Services Overseas AG transferred its European holding company and service activities, including the associated assets and liabilities (European operations) to Volkswagen Financial Services AG by way of a spin-off for absorption in accordance with section 123(2) 2 no. 1 of the German Transformation Act with retroactive effect as of January 1, 2024.

The figures are not comparable with the prior-period figures because the Company only started operating in the reporting period.

Volkswagen Financial Services AG reported a result from ordinary activities after tax amounting to €317 million for fiscal year 2024.

Sales revenue amounted to €831 million, with cost of sales coming to €678 million. These items include the income from cost allocations to Group companies and the expenses related to personnel and administrative costs.

Other operating income came to €176 million, with other operating expenses amounting to €35 million. Other operating income includes income from the reversal of provisions amounting to €105 million. Other operating expenses include provisions of €12 million and issue and rating costs of €11 million.

The Company generated net investment income of €519 million. This primarily comprises income of €560 million from profit transfers, offset by expenses of €41 million from loss absorption. Vehicle Trading International GmbH (€335 million), Volkswagen Versicherung AG (€118 million) and Volkswagen Insurance Brokers GmbH (€75 million) accounted for a large proportion of the profit transfers.

The profit after tax of €317 million will be transferred to Volkswagen AG pursuant to the existing control and profit-and-loss transfer agreement.

The purchased intangible assets and property, plant and equipment were transferred to the Company in the course of the merger of Volkswagen Financial Services Digital Solutions GmbH.

The Company's long-term financial assets amount to €22,217 million. These long-term financial assets primarily comprise shares in affiliated companies (€17,109 million) and loans to affiliated companies (€4,187 million).

The shares of the German and European companies, including their subsidiaries and other investees, were transferred by the sole shareholder Volkswagen AG to Volkswagen Financial Services AG in the form of a noncash contribution. These relate both to shares in companies that resulted from the spin-off for the absorption of the European operations by Volkswagen Financial Services Overseas AG (€4,410 million) and to shares in companies through the noncash contribution of Volkswagen Bank GmbH by Volkswagen AG (€12,974 million). The companies were contributed using the predecessor accounting method.

The Company has receivables from affiliated companies amounting to €12,608 million and receivables from other investees and investors amounting to €6,338 million.

The provisions of €533 million consist of provisions for pensions (€332 million) and other provisions (€201 million).

The liabilities of €24,318 million primarily include bond liabilities (€12,400 million) and loan liabilities. Liabilities to affiliated companies amount to €8,893 million and liabilities to associates to €2 million. New bond issues of €5,000 million in the fiscal year were offset by repayments of €1,300 million.

Significant changes in equity in the reporting period resulted from a cash contribution and noncash contributions by the shareholder Volkswagen AG. A cash contribution in the amount of €249,750,000 increased the subscribed capital to €250,000,000 upon entry in the commercial register on July 1, 2024. A further cash contribution in the amount of €277,000,000 was paid into the capital reserves.

In connection with the cash capital increase, Volkswagen AG contributed all shares of Volkswagen Bank GmbH to the Company's capital reserves as a corporate noncash contribution by way of a premium (*Sachagio*). In addition, the transfer of shares and other assets and liabilities resulting from the spin-off of the European operations of Volkswagen Financial Services Overseas AG led to an increase in the Company's capital reserves.

With total assets of the holding company amounting to €41,604 million and equity amounting to €16,753 million, the equity ratio is 40.3%.

MANAGEMENT, AND OPPORTUNITIES AND RISKS RELATING TO THE BUSINESS PERFORMANCE OF VOLKSWAGEN FINANCIAL SERVICES AG

Volkswagen Financial Services AG operates as a holding company and is integrated into the internal management concept of the Volkswagen Financial Services Group. It is thus subject to the same key performance indicators and the same opportunities and risks as the Volkswagen Financial Services Group. The legal requirements governing the management of Volkswagen Financial Services AG as a legal entity are observed using key performance indicators such as net assets, net income and liquidity. This internal management concept and these opportunities and risks are described in the section on the fundamental information about the Volkswagen Financial Services Group as well as in the report on opportunities and risks in this management report.

INCOME STATEMENT OF VOLKSWAGEN FINANCIAL SERVICES AG, BRAUNSCHWEIG, FOR FISCAL YEAR 2024

€ million	2024	2023
Sales	831	–
Cost of sales	–678	–
Gross profit on sales	**153**	**–**
General and administrative expenses	–390	0
Other operating income	176	0
Other operating expenses	–35	0
Net income from long-term equity investments	519	–
of which income under profit and loss transfer agreements	560	–
of which expenses from absorption of losses	–41	–
Financial result	**–47**	0
of which income from affiliated companies	586	–
of which expenses from affiliated companies	–281	–
Income tax expense	–59	0
Profit after tax	**317**	0
Profits transferred under a profit-and-loss transfer agreement	–317	–
Losses absorbed under a profit-and-loss transfer agreement	–	0
Net income	–	–
Profit brought forward	–	–
Net retained profits	**–**	**–**

BALANCE SHEET OF VOLKSWAGEN FINANCIAL SERVICES AG, BRAUNSCHWEIG, AS OF DECEMBER 31, 2024

€ million	31.12.2024	31.12.2023
Assets		
A. Fixed assets		
I. Intangible assets	60	–
II. Property and equipment	24	–
III. Financial assets	22,217	–
	22,301	**–**
B. Current assets		
I. Receivables and other assets	19,174	0
II. Cash-in-hand and bank balances	49	0
	19,223	**0**
C. Prepaid expenses	**80**	**–**
Total assets	**41,604**	**0**
Equity and liabilities		
A. Equity		
I. Subscribed capital	250	0
II. Capital reserves	16,503	–
III. Retained earnings	–	–
IV. Net retained profits	–	–
	16,753	**0**
B. Provisions	**533**	**0**
C. Liabilities	**24,318**	**0**
D. Deferred income	**0**	**–**
Total equity and liabilities	**41,604**	**0**

Report on Opportunities and Risks

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

OPPORTUNITIES AND RISKS

In this section, the opportunities and risks that arise in connection with business activities are presented. The opportunities and risks are grouped into various categories.

Analyses of the competitive and operating environment are used, together with market observations, to identify not only risks but also opportunities, which then have a positive impact on the design of products, 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 also present a detailed description of relevant risks.

Macroeconomic opportunities and risks

In a challenging market environment, the Board of Management of Volkswagen Financial Services AG anticipates that the number of deliveries to customers by the Volkswagen Group in 2025 will be on a level with the previous year. Volkswagen Financial Services AG supports sales of vehicles by supplying financial services products.

Global economic growth will depend to a large extent on how inflation develops in the various currency areas. Although overall inflation fell back as compared with recent years, core inflation remained above the target range defined by the central banks. Key interest rates are believed either to have peaked already or to be close to peaking in most economies, particularly the USA and the eurozone. Were core inflation to remain high, however, this could lead to a further tightening of monetary policy, and economic growth could weaken in some regions as a result.

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

The macroeconomic environment could, however, also create opportunities for Volkswagen Financial Services AG if inflation takes a more positive path than anticipated, for example, or if geopolitical tensions ease and economic growth proves stronger as a result.

The digital transformation of the business is being systematically driven forward. Changing customer needs are thus addressed and the competitive position of Volkswagen Financial Services AG reinforced.

Strategic opportunities and risks

In addition to maintaining its international focus by tapping into new markets, Volkswagen Financial Services AG believes that developing innovative products that are tailored to customers' changing mobility requirements offers additional opportunities. Growth areas such as mobility products and service offerings are being systematically developed and expanded. Further opportunities may be created by launching established products in new markets.

Volkswagen Financial Services AG expects to be presented with opportunities arising from the digitalization of its business. The aim is to make all key products also available online around the world and to expand the Company's role as the Volkswagen Group's central mobility platform provider. This will create opportunities to tap into new customer groups, develop new sales channels and open up new ways to boost efficiency and increase revenue.

The expansion of the digital sales channels promotes direct sales to supplement the dealership business. Changing customer needs are thus addressed and the competitive position of Volkswagen Financial Services AG reinforced.

By pooling its activities in a European financial services provider and by spinning off Volkswagen Leasing GmbH to Volkswagen Bank GmbH, the funding strength of Volkswagen Bank GmbH can be used in the best possible way for the growth of the leasing business in Germany and Europe.

Risks arise for Volkswagen Financial Services AG from the addition of credit default risks in the context of dealer financing and in connection with the increased deposit business (redemption rate)

Opportunities from credit risk

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

Opportunities from residual value risk

When vehicles are remarketed, Volkswagen Financial Services AG may be presented with the opportunity to achieve a price that is higher than the contractual residual value if prices actually achieved from remarketing rise more than anticipated.

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 as well as the management report of Volkswagen Financial Services AG is defined as 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 the company and Group level as well as in external financial reporting. The sections below describe the principal elements of the ICS/IRMS as they relate to the financial reporting process of Volkswagen Financial Services AG.

- The Board of Management of Volkswagen Financial Services AG is the governing body with responsibility for the executive management of the business. In this role, the Board has set up Accounting, Treasury, Risk Management, Controlling, and Integrity and Compliance divisions, each with clearly separated 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 function are performed by Volkswagen Bank GmbH under an outsourcing agreement.
- There are Group-wide requirements and rules that form the basis of a standardized, proper and continuous financial reporting process.
- Among other things, the accounting policies for the domestic and foreign entities included in the consolidated financial statements of Volkswagen Financial Services AG are governed by the accounting and financial reporting requirements of the International Financial Reporting Standards (IFRSs). The accounting policies for the single-entity financial statements of Volkswagen Financial Services AG are governed by the accounting and financial reporting requirements of the HGB (German GAAP).
- The accounting requirements also govern specific formal requirements for the consolidated financial statements. In addition to defining the basis of consolidation, the components of the IFRS reporting packages to be prepared by the Group companies are also defined in detail. The accounting requirements also include specific requirements for the presentation and settlement of intercompany transactions and the related balance reconciliation process.
- At Group level, specific control activities aimed at ensuring that the consolidated financial reporting provides a true and fair view include the analysis and any necessary adjustment of IFRS reporting packages prepared by the consolidated entities, taking into account the reports submitted by the auditor and the related discussions concerning the financial statements.
- These are supplemented by the clear definition of areas of responsibility and various monitoring and review mechanisms.
- These monitoring and review mechanisms are designed with both integrated and independent process components. Automated IT processing controls account for a significant proportion of the integrated process activities alongside manual process controls, such as double-checking by a second person.
- Internal auditing is a key component of the monitoring and control system. It carries out regular audits of accounting-related processes in Germany and abroad as part of its risk-oriented auditing activities and reports on these audits directly to the Board of Management of Volkswagen Financial Services AG.

In summary, the existing ICS and IRMS of the Volkswagen Financial Services AG Group is intended to ensure that the financial position of the individual entities and of the Volkswagen Financial Services AG Group as of the reporting date December 31, 2024 has been based on information that is reliable and has been properly recognized. In addition, the accurate recording, processing and evaluation of all transactions and their inclusion in the accounting system as a whole must be ensured.

No material changes were made to the internal monitoring and control system of Volkswagen Financial Services AG after the reporting date.

ORGANIZATIONAL STRUCTURE OF THE RISK MANAGEMENT SYSTEM

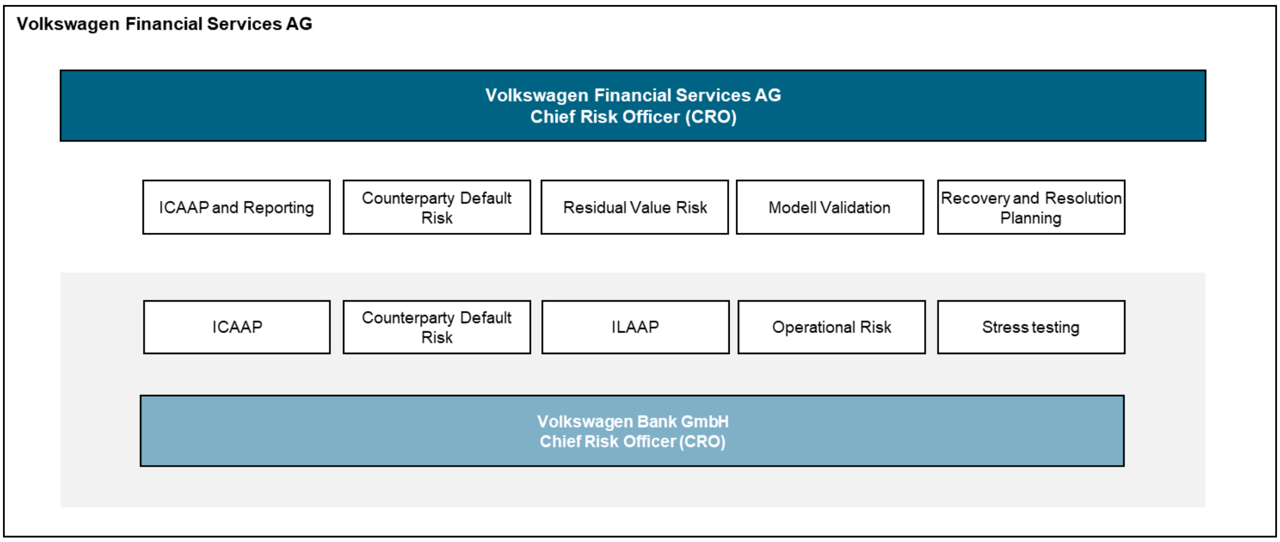
At Volkswagen Financial Services AG, risk is defined as the danger of loss or damage that could occur if an expected future development turns out to be less favorable than planned. Volkswagen Financial Services AG is exposed to a large number of risks typical for the financial services sector within the scope of its primary operating activities, and enters into those risks in the context of its agreed risk strategy to ensure that it can selectively exploit any resulting market opportunities.

Volkswagen Financial Services AG has implemented a risk management system in close cooperation with Volkswagen Bank GmbH to identify, assess, manage, monitor and communicate risks. The risk management system comprises a framework of risk principles, organizational structures and processes for assessing and monitoring risks. The individual elements are tightly focused on the activities of the individual divisions. This structure is to ensure that any trends that could represent a risk to the business as a going concern are identified in good time so that appropriate corrective action can then be initiated at an early stage.

Responsibility for risk management at Volkswagen Financial Services AG lies with the Board of Management as a whole, whereby the Chief Risk Officer (CRO) is responsible for its operational implementation. In this role, the CRO submits regular reports to the Board of Management as a whole and the Supervisory Board on the overall risk position of Volkswagen Financial Services AG.

The Board of Management is supported by several risk management units that were established to perform the operational risk control functions. For example, Volkswagen Financial Services AG and Volkswagen Bank GmbH take an integrated approach to managing risks. In practice, operational implementation for the residual value risk processes, defined model validation activities and recovery and resolution planning lies with Volkswagen Financial Services AG's risk management units. The expertise of the risk management function at Volkswagen Bank GmbH is additionally used for liquidity risk (ILAAP), operational risk and stress testing activities. Risk-bearing capacity is determined and the internal capital adequacy of Volkswagen Financial Services AG and Volkswagen Bank GmbH is assessed (under the internal capital adequacy assessment process – ICAAP) in close collaboration between the two companies; counterparty default risk is managed in the same way.

ORGANIZATIONAL STRUCTURE OF THE RISK MANAGEMENT SYSTEM



Volkswagen Financial Services AG has implemented appropriate procedures to ensure the adequacy of the risk management system. The individual elements of the system are subject to ongoing risk-based monitoring by the internal audit department.

As a consequence of the restructuring of the Volkswagen Financial Services companies under company law in 2024 and the associated qualified holding procedure, the Volkswagen Financial Services AG Group has the same Pillar 2 requirement as Volkswagen Bank GmbH, equal to 2.25%. The Pillar 2 requirement is determined and reviewed annually by the ECB as the banking supervisor. It must be satisfied in addition to the Pillar 1 minimum capital requirements and covers risks that are underestimated in the minimum capital requirements or are not covered by them.

The clear, unequivocal separation of tasks and areas of responsibility, both organizationally and in terms of personnel ensures that the system is fully functioning at all times and regardless of the personnel involved.

The risk management departments are responsible for providing guidelines for the organization of risk management. This function includes drawing up risk policy guidelines, developing and maintaining methodologies and processes relevant to risk management, and also issuing and enforcing international framework requirements for the procedures to be used throughout Europe.

In particular, these include models for conducting credit quality analyses in the lending business, for quantifying the risk categories and the risk-bearing capacity, and for valuing collateral, as well as standardized procedures for identifying, analyzing and measuring direct and indirect residual value risks. Risk management is therefore responsible for identifying potential risks, as well as analyzing, quantifying and measuring risks, and for subsequently deriving risk management measures.

Local risk management is responsible for implementing and complying with Volkswagen Financial Services AG's risk management requirements in each market.

In summary, ongoing risk monitoring, open and direct communication with the Board of Management and integrating the insights gained into operational risk management form the basis for optimal leverage of market potential from the Board of Management's perspective, based on informed and effective management of Volkswagen Financial Services AG's overall risk.

RISK STRATEGY AND RISK MANAGEMENT

Fundamental decisions relating to strategy and the instruments of risk management are the responsibility of the Board of Management of Volkswagen Financial Services AG.

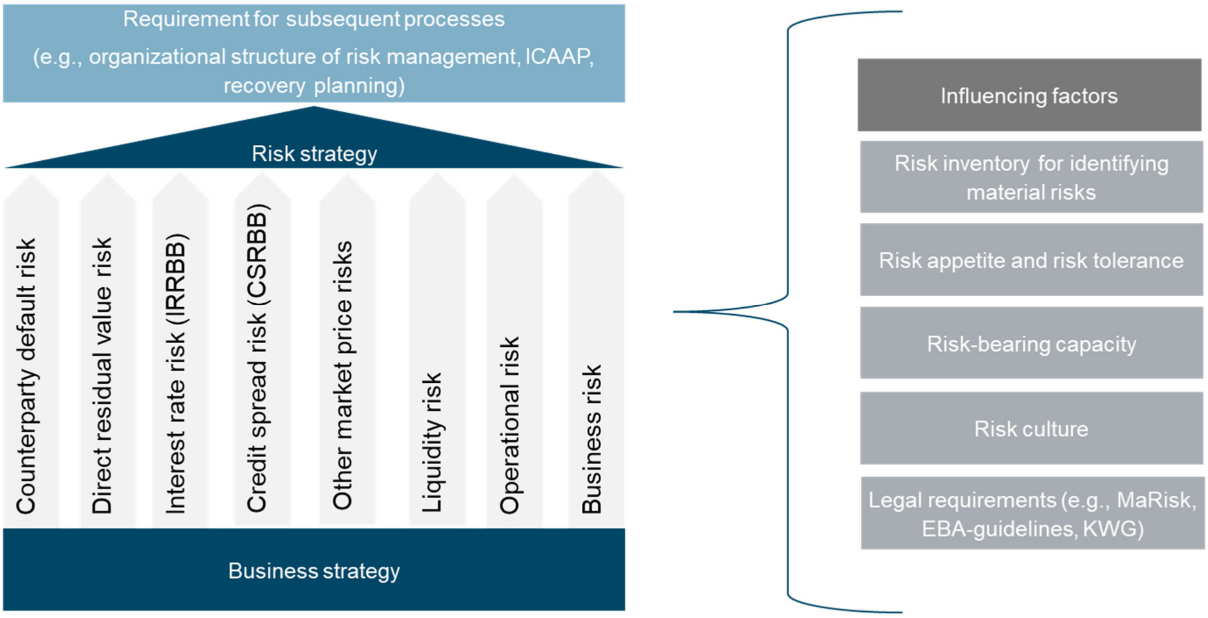
As part of this overall responsibility, the Board of Management has implemented a strategy process and a business and risk strategy. The Group-wide MOBILITY2030 business strategy sets out the fundamental views of the Board of Management of Volkswagen Financial Services AG on key matters relating to business policy. It includes the objectives for each major business activity and the strategic areas for action to achieve the relevant objectives. Moreover, the business strategy serves as the starting point for the preparation and associated development of the risk strategy.

The risk strategy is reviewed annually and on an ad hoc basis, adapted as necessary and discussed with and approved by the Board of Management of Volkswagen Financial Services AG, based on the risk inventory, the risk-bearing capacity and the legal requirements. The risk strategy presents the key objectives of and measures for risk management for each risk category, taking into account the business policy focus, risk tolerance and risk appetite. Achievement of the risk strategy objectives is reviewed annually. The origins of any discrepancies that arise are analyzed and then discussed with Volkswagen Financial Services AG's Board of Management.

The risk strategy contains all material quantifiable and unquantifiable risks. More detailed information and specific examples of the individual risk categories are presented in the form of subrisk strategies and operationalized in the business and risk planning process.

The Board of Management of Volkswagen Financial Services AG is responsible for determining and subsequently implementing the Volkswagen Financial Services AG Group's overall risk strategy.

RISK STRATEGY PROCESS



RISK INVENTORY

The objective of the risk inventory, which has to be performed at least once a year, is to identify the main categories of risk. To do this, all known risk categories are analyzed to determine whether they exist at Volkswagen Financial Services AG and are relevant. The relevant risk categories are analyzed in more detail in the risk inventory and quantified, while non-quantifiable risk categories are assessed by experts, and then evaluated in terms of their materiality for Volkswagen Financial Services AG. In accordance with the requirements set out in the ECB Guide to the internal capital adequacy assessment process (ICAAP) and the ECB Guide to the internal liquidity adequacy assessment process (ILAAP), the risk inventory is carried out using both the economic and normative perspectives and, in addition, a gross approach (i.e. an analysis of the risks that does not take into account specific techniques designed to mitigate the underlying risks). Volkswagen Financial Services AG also has an ILAAP-specific framework for risk identification in place as required by the ILAAP guide.

The risk inventory carried out for 2024 came to the conclusion that the quantifiable risk categories counterparty risk, direct residual value risk, interest rate risk, credit spread risk in the banking book (CSRBB), other market risks, funding risk and operational risk, as well as the non-quantifiable risk category business risk, consisting of earnings risk, reputation risk and strategic risk including the ESG add-on, as well as business model risk, must be classified as material risk categories. Indirect residual value risk and pension risk were classified as immaterial due to their low proportion of overall risk. Existing other risk subcategories are included in the named risk categories.

In addition, a risk inventory was performed during the year based on the restructuring of Volkswagen Financial Services AG to ensure that risks could be assessed as of July 1, 2024. The above-mentioned risks (see “Risk strategy and risk management” chapter) were identified. The materiality of the risks as listed above was confirmed.

RISK-BEARING CAPACITY, RISK LIMITING AND STRESS TESTING

Volkswagen Financial Services AG 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 Board of Management, the system is to ensure that the Group maintains risk-bearing capacity from both economic and normative perspectives.

In the economic risk-bearing capacity analysis, the overall economic risk is compared against the risk-taking potential. An institution has the capacity to bear its risk if, as a minimum, all material risks to which the institution are 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 all relevant regulatory capital ratio requirements are met (in particular, the requirements for the total capital ratio and Common Equity Tier 1 capital ratio) in the planning period. To this end, Volkswagen Financial Services AG 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, Volkswagen Financial Services AG uses a system of limits derived from the economic risk-bearing capacity analysis to specifically manage risk-cover capital in accordance with the level of risk tolerance determined by the Board of Management.

Building on the risk appetite framework of Volkswagen Financial Services AG, the risk limit system that has been put in place limits the risk at different levels, thereby aiming to safeguard the economic risk-bearing capacity of Volkswagen Financial Services AG.

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 credit 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 Financial Services AG.

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

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

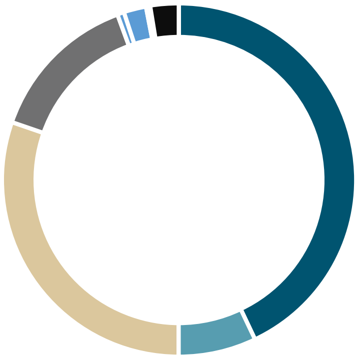
As of December 31, 2024, risk-taking potential amounted to €26.1 billion and comprised CET1 capital (€27.6 billion) plus accumulated earnings after dividend deduction (€0.9 billion) less hidden charges and loss allowance shortfalls (€2.4 billion in total). As of December 31, 2024, 61% of risk-taking potential was utilized by the risks outlined above. In the period July 1, 2024 to December 31, 2024, the maximum utilization of the risk-taking potential in the economic perspective was 61%.

In addition to determining the risk-bearing capacity in a normal scenario, Volkswagen Financial Services AG also conducts stress tests for the supervised Group and reports the results to the Board of Management. Stress tests are used to examine the potential impact from exceptional but plausible events on the risk-bearing capacity and earnings performance of Volkswagen Financial Services AG. The purpose of these scenarios is to facilitate early identification of those risks that would be particularly affected by the trends simulated in the scenarios so that any necessary corrective action can be initiated in good time. The stress tests include both a historical scenario (a repeat of the financial crisis in the years 2008 to 2010) and a hypothetical scenario (a sharp drop in sales in the Volkswagen Group). These scenarios, which cover all categories of risk, are supplemented by sensitivity analyses specific to risk categories. Appended to these analyses are regular stress test analyses with a multi-year time horizon for the normative perspective. In addition, annual reverse stress tests are used to identify what events could represent a threat to the ability of Volkswagen Financial Services AG to continue as a going concern. Stress tests using a multi-year time horizon (for example an economic downturn, ESG scenarios) are also prepared annually.

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

DISTRIBUTION OF RISKS BY RISK CATEGORY

As of December 31, 2023



CHANGES IN RISK CATEGORIES

	€ MILLION		SHARE IN PERCENT	
	Dec. 31, 2024	Sep. 30, 2024	Dec. 31, 2024	Sep. 30, 2024
Risk category				
Credit risk	6,875	6,786	43	43
Shareholder, issuer and counterparty risk	1,140	1,196	7	8
Residual value risk	4,849	4,477	30	29
Interest rate risk in the banking book (IRRBB)	2,245	2,164	14	14
Credit-spread-risk in the banking book (CSRBB)	102	95	1	1
Other market risk (currency and fund price risk)	326	349	2	2
Liquidity risk (funding risk)	62	22	0	0
Operational risk	418	448	3	3
Business risk	0	0	0	0
Total	**16,017**	**15,537**	**100**	**100**

1 The confidence level is 99.9% as standard.

RISK CONCENTRATIONS

Volkswagen Financial Services AG is a captive financial services provider in the automotive sector. The business model, which focuses on promoting vehicle sales for the various Volkswagen Group brands, results in concentrations of risk, which can take a variety of forms.

Concentrations of risk can arise from 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 Financial Services AG's income is generated from just a few sources (income concentrations).

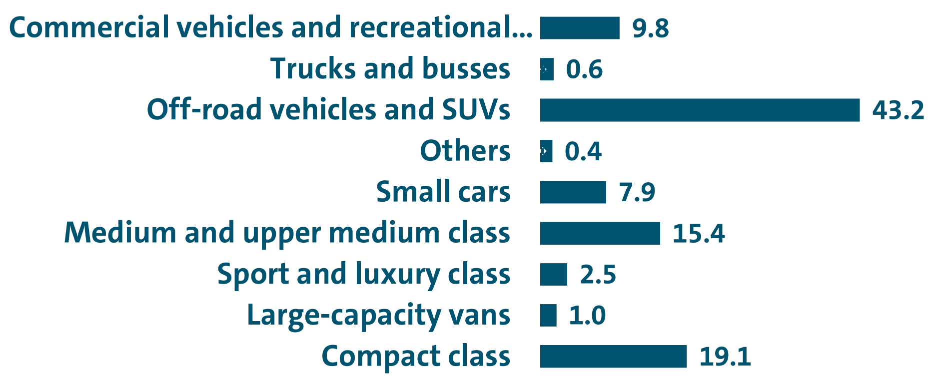
These potential concentrations are mitigated by diversification, for example with regard to the dimensions of brands, models and countries.

Counterparty concentrations from customer financing are only of minor significance because of the large proportion of business accounted for by retail lending. In terms of regional distribution, the Company aims for broadly based diversification of business across regions.

In contrast, sector concentrations in the dealership business are a natural part of the business for a captive and these concentrations are therefore individually analyzed.

Likewise, a captive cannot avoid collateral concentrations because the vehicle is the predominant collateral asset by virtue of the business model. Risks can arise from concentrations of collateral if downward pricing trends in used vehicle markets or segments lead to lower proceeds from the recovery of assets and, as a consequence, there is a fall in the value of the collateral. Nevertheless, in terms of the vehicles used as collateral, Volkswagen Financial Services AG enjoys a broad diversification across all vehicle segments (see following diagram) based on a large range of vehicles from the different brands in the Volkswagen Group.

COLLATERAL STRUCTURE AS OF DECEMBER 31, 2024
In %



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

MODEL RISKS

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

Depending on model complexity, model risk can occur in a number of areas of model development and application.

Potential model risks relating to the risk models used for the risk-bearing capacity analysis are qualitatively assessed both in the original model development process and as part of regular independent model validation. The objective is to examine the need for additional cover in relation to such risks in the form of own funds.

ESG RISKS

The increasing emphasis placed on sustainability and the need to manage ESG (Environmental, Social, Governance) risks are changing the financial system. We intend to be proactively involved in these changes and make the most of the opportunities that arise.

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

Based on the objectives of the sustainability dimension as part of the MOBILITY2030 corporate strategy formulated for Volkswagen Financial Services AG, the risk strategy stipulates the fundamental understanding of how to manage ESG risks and sets out risk strategy guidelines for the operational framework in this area.

Volkswagen Financial Services AG attaches high importance to the treatment of sustainability risks that could have negative consequences for the financial position, financial performance and reputation of a financial services institution 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 reflect the changing stakeholder demands on sustainability at Volkswagen Financial Services AG, Volkswagen Bank GmbH, as the largest subsidiary of Volkswagen Financial Services AG, has gradually integrated ESG risks as an integral element of the risk management framework in recent years in a comprehensive sustainability project.

In the course of the restructuring, a plan was drawn up for Volkswagen Financial Services AG to meet the ECB and BaFin ESG requirements, on whose basis the Volkswagen Bank GmbH Group's ESG instruments will be rolled out in stages to the entire Volkswagen Financial Services AG and its international subsidiaries by 2025.

Volkswagen Financial Services AG does not treat ESG risks as a separate risk category, but rather as a risk driver of existing risk categories. Climate- and environment-specific risk drivers are particularly important for Volkswagen Financial Services AG, but social and governance risks are also taken into account in the identification, assessment and management of ESG risks.

To ensure that ESG risks are appropriately identified, quantified, managed and monitored, a qualitative and quantitative assessment of the ESG risk drivers within the existing risk categories will be carried out for the first time for Volkswagen Financial Services AG in 2025 as part of an annual materiality assessment. Starting from the results of the materiality assessment, scenarios are devised, which are quantified as part of an annual climate stress test. The definition of ESG key risk indicators integrates them into the risk strategy so that they can be managed. These are intended to limit the agreed ESG KPIs on the risk side and cover the most relevant ESG risk drivers. To ensure appropriate monitoring, ESG risks will be integrated into the quarterly risk management report in 2025.

To address material ESG risks, Volkswagen Financial Services AG has already established tools to take ESG aspects into account in the lending processes. In the course of loan origination, ESG risks are assessed at Volkswagen Financial Services AG on the basis of the comprehensive expertise of the front and back offices. There are plans to roll out tools for incorporating ESG aspects into the residual value processes in fiscal year 2025. As a captive, Volkswagen Financial Services AG focuses on financing and leasing passenger cars for retail and corporate customers as well as individual mobility. A material risk for Volkswagen Financial Services AG therefore arises from the transformation of the automotive sector and the impacts on both vehicle dealers and vehicle residual values.

On the funding side, however, the mobility revolution is being supported by the issuance of green bonds, which are backed by a positive ESG rating of Volkswagen Financial Services AG. To issue green bonds, Volkswagen Financial Services AG has established a Green Finance Framework on the basis of the ICMA GBP 2021 and LMA/LSTA/APLMA GLP 2023 standards. In this case, the objective is to base funding overall to a greater extent on sustainability criteria.

Volkswagen Financial Services AG is making a range of efforts to ensure that its business operations to ensure that it becomes net carbon neutral and to prevent the danger of serious environmental damage. For example, cutting carbon emissions is a top priority.

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

Volkswagen Financial Services AG also has a tradition of supporting specific social and environmental protection projects through donations and sponsorship such as wetland restoration projects run by NABU e. V. (Nature And Biodiversity Conservation Union in Germany).

RISK REPORTING

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

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

The following information is also presented to the Board of Management in the quarterly ICAAP report:

- Presentation and evaluation of stress test results in various scenarios (historical and hypothetical)
- 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 Financial Services AG strives to ensure the high quality of the information contained in the risk reports about structures and trends by mean of a process of constant refinement and ongoing adjustment in line with current circumstances.

RECOVERY AND RESOLUTION PLANNING

During the second half of the year, Volkswagen Financial Services AG began preparing the first of its own recovery plans for the newly founded Volkswagen Financial Services AG Group, which is scheduled to take effect and be submitted to the European Central Bank in the first quarter of fiscal year 2025. A draft of the new Group-wide recovery plan was submitted to the European Central Bank, as the competent supervisory authority, in the course of the fiscal year.

The recovery plan covers matters including a system to ensure that adverse developments are identified promptly, and the possible measures that could be used by the Group in different stress scenarios to safeguard or restore a robust financial footing. Specifically, recoverability is analyzed and evaluated on the basis of three different stress scenarios.

The recovery plan also sets out the responsibilities and the processes to be followed in the management of a crisis and specifies a Group-wide set of recovery indicators to support ongoing monitoring. The recovery indicators are spread over different corporate units so that a broad range of indicators is covered. The range includes capital, liquidity, profitability and market-based indicators, all of which are continually monitored. Both the Board of Management and the Supervisory Board are notified on a quarterly basis of the status of the recovery indicators as of the reporting date in question in the risk management report.

Volkswagen Financial Services AG has additionally assisted the competent resolution authorities with the preparation of a Group resolution plan during the current fiscal year. The objective of the resolution plan is to safeguard the resolvability of the Group. This involves Volkswagen Financial Services AG providing the resolution authorities with information and analyses for this purpose in accordance with its supporting duties as defined in section 42 of the Recovery and Resolution Act (SAG). Volkswagen Financial Services AG expects to receive a Group resolution plan, including the determination of the relevant resolution entity, during the course of fiscal year 2025.

CURRENT REGULATORY FACTORS

Following years of tightening of the regulatory framework for institution and financial holding groups as a result of the financial crisis, the banking crisis in the USA and the problems affecting Swiss bank Credit Suisse, the narrative of the upcoming EU legislative period will shift to the topic of competitiveness as the European Union’s ability to compete against China and the USA is declining. At the moment, however, this is not likely to have a positive impact on the regulatory framework requirements, except for selective improvements. Admittedly, no major regulatory initiatives are planned in the near future at Level I legislation, i.e. in terms of new EU regulations and directives. However, the existing comprehensive mandates of numerous European directives and regulations for the EU Commission, in particular the banking package, i.e. CRR III (Capital Requirements Regulation, CRD VI (Capital Requirements Directive) and DORA on the adoption of delegated acts and on MIFIR, etc. suggest a further large number of new, tighter regulatory requirements at Level II, which are essentially drafted by the European Banking Authority (EBA) and also ESMA, and supplemented by guidance at Level III. Experience shows that the draft legislation may contain significant, but as yet unforeseen, tightening that will need to be identified and highlighted by the associations during the expected consultation processes. Volkswagen Financial Services AG, for the financial holding group, and Volkswagen Bank GmbH (group), as part of the Volkswagen Financial Services AG financial holding group, will consider these and implement and incorporate the final drafts. This may also have implications for business and risk strategies.

After more than two years of deliberations, the Council and the European Parliament adopted compromise drafts for CRR III and CRD VI, which the trilogue parties had agreed on in November 2023 and which came into force on July 9, 2024. CRR III is concerned primarily with the implementation of Basel IV (also referred to by the Basel Committee as the completion of Basel III). In addition, the definitions are being extended, which have lead to a widening of the prudential scope of consolidation at the level of the financial holding group. This relates to the definition of ancillary services undertakings, which will result in two additional companies having to be included in the prudential scope of consolidation of the Volkswagen Financial Services AG financial holding group. In addition, the EBA has published a series of draft delegated regulations on CRR III, which will be adopted by the European Commission and the EU Parliament by way of tacit approval following their adoption by the Commission. In addition to the reporting requirements, these also include specific requirements for the individual risk categories that must be backed by capital. Most of the CRR III requirements are applicable as of January 1, 2025, although the CRR III reporting requirements will not have to be implemented until June 30, 2025. The first-time application of the market risk requirements has been postponed by one year. Volkswagen Bank GmbH and Volkswagen Financial Services AG have launched a CRR III implementation project to ensure compliance with the requirements of CRR III and the accompanying delegated regulation.

CRD VI, which also came into force on July 9, 2024, will in future focus on the topic of sustainability risks. Its intention is that institutions should in future be required to create transition plans for their shift to sustainable operation. As soon as a ministerial draft of a CRD VI transposition act is presented in 2025, Volkswagen Financial Services AG and Volkswagen Bank GmbH will analyze and evaluate it, and derive and effect the necessary implementation measures.

As a significant financial holding company and the parent company of the Volkswagen Financial Services AG financial holding group, Volkswagen Financial Services AG has been subject to direct supervision by the ECB since July 1, 2024. This means that it must comply with the EBA guidelines, the requirements of the ECB and the requirements of the German Federal Financial Supervisory Authority (BaFin), including the *Mindestanforderungen an das Risikomanagement* (MaRisk – German Minimum Requirements for Risk Management) insofar as BaFin has not limited the scope of its requirements to less significant institutions. The Volkswagen Financial Services AG (Group) is also subject to the ECB's Supervisory Review and Evaluation Process (SREP) for the Volkswagen Financial Services AG Group. The EBA has published guidelines concerning SREP implementation and assessment and updates them from time to time. The EBA published its most recent set of revised guidelines on SREP and supervisory stress testing on March 18, 2022; they have been in effect since January 1, 2023. The revised SREP guidelines serve largely to implement requirements of CRD V, incorporate the stipulations of various new and revised EBA guidelines, and are intended to help refine supervisory practice. The changes being introduced also include a requirement that ESG risks be incorporated into business model analysis. ESG risks and their consequences are to be assessed in this context with regard to the viability and sustainability of the business model and the long-term resilience of the financial holding group. In future, this assessment will probably have an increased effect on the level of the overall SREP score. Once the SREP has been completed, Volkswagen Financial Services AG (Group) will be notified of any additional capital requirements or expectations under Pillar 2 and any recommendations for implementation that Volkswagen Financial Services AG (Group) must take into account. In light of the fact that subsidiaries of Volkswagen Financial Services AG, in particular Volkswagen Bank GmbH and Volkswagen Leasing GmbH, are large-scale originators of securitizations, the provisions of the German Securitization Regulation and the requirements for STS securitizations are highly relevant for these companies.

The provisions of the Prudential Backstop Regulation for nonperforming loans as described in Article 47a of the CRR, which entered into force on April 26, 2019, also have a regulatory effect on the capital requirement for credit risk. Regulatory minimum capital requirements for risk exposures that have been nonperforming for more than two years have been in force since 2021. Failure to comply in full with the regulatory minimum capital requirement necessitates a deduction from Common Equity Tier 1 capital. There are deductions from equity in light of the fact that vehicle collateral is currently not eligible for prudential purposes for the Volkswagen Financial Services AG (Group) financial holding group, which applies the CRSA. This deduction from equity also affects Pillar 2.

The Volkswagen Financial Services AG financial holding group must also ensure that its management of nonperforming loans complies with the EBA Guidelines on management of nonperforming and forborne exposures, the ECB's Guidance to banks on nonperforming loans and the revised MaRisk published in August 2021. More significant implications for the credit risk strategy can arise should the proportion of nonperforming risk exposures reach or exceed 5% at the level of the Volkswagen Financial Services AG financial holding group or at the level of the Volkswagen Bank Group. The Volkswagen Financial Services AG financial holding group must additionally comply with the EBA Guidelines on Loan Origination and Monitoring, which define wide-ranging requirements for the assessment of lending operations and thus have implications for credit decisions. IT implementation was performed from the ground up by the financial holding group.

Regulatory influences result from the requirements relating to interest rate risks. These include, first, the guidelines on interest rate risk in the banking book (IRRBB) and, second, the credit spread risk in the banking book (CSRBB) from non-trading book activities, which had to be implemented by July 1 before the financial holding group was established. The adopted delegated act regarding CRD V on the supervisory IRRBB outlier test specifies the six supervisory shock scenarios plus the criteria to be used to assess whether there is a strong decline in net interest income or in the economic value of equity that could trigger supervisory measures. The IRRBB package is rounded off by extensive reporting requirements on interest rate risk, which were required to be implemented by September 30, 2024. Accordingly, the first report had to be submitted by September 30, 2024. The necessary IT is to be implemented on an ongoing basis as part of the LiMA project.

Other regulatory effects on risk management in Pillar 2 stem in particular from the supervisory requirements for IT in financial institutions (BAIT), the EBA Guidelines on information and communications technology (ICT) and security risk management, and the EBA Guidelines on outsourcing arrangements, which are also considered in the MaRisk published in August 2021. The BAIT were re-published on January 10, 2025 in a somewhat reduced form.

In addition, the Digital Operational Resilience Act for the financial sector will be highly relevant in the future and will significantly shape the requirements for IT, as well as the relationship with ICT service providers. DORA is intended to establish a standardized framework for the effective and all-inclusive management of cybersecurity and ICT risk for financial market participants and critical ICT service providers as defined in the regulation. It aims to ensure that resilient operation can be maintained in the event of serious disruption that could potentially jeopardize the security of the network and information systems so that financial market participants can continue to work securely and reliably even if ICT is affected by a major incident.

DORA focuses on six main areas: ICT risk management, the reporting of ICT-related incidents and material cyberthreats, digital operational resilience testing (including threat-led penetration testing, TLPT), third-party ICT risk management, a European oversight framework for critical third-party ICT service providers, and information sharing and (cyber) emergency exercises. A large proportion of the requirements are already familiar from the EBA Guidelines on ICT and security risk management and

EBA Guidelines on outsourcing arrangements and from the supervisory requirements for IT in financial institutions (BAIT) and MaRisk. What the regulation does, in effect, is elevate many requirements that are already known onto a statutory footing. In order to avoid duplicate regulation, BaFin has excluded financial services companies that are directly subject to the DORA regulation from the scope of application of the BAIT. This means that the Volkswagen Bank GmbH and Volkswagen Leasing GmbH subsidiaries are no longer directly governed by the BAIT. However, the BAIT continue to apply to Volkswagen Financial Services as the parent company of the Volkswagen Financial Services AG Group. BaFin announced on January 10, 2025 that the BAIT are expected to be repealed by December 31, 2026. It can be expected that, either in the context of the CRD VI Implementation Act or in the context of the next amendment of the MaRisk, parent companies such as Volkswagen Financial Services AG that, as financial holding companies, do not fall directly within the scope of DORA, will be required by analogy to implement the DORA requirements Group-wide by December 31, 2026.

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

One project implements the requirements of DORA and the associated delegated regulations. The objective is to implement regulatory requirements from DORA and to strengthen the resilience of the Volkswagen Financial Services AG Group to cyber risks.

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

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

It focuses on seven key areas: a) the responsibilities of the management body, b) the scope of application of the data governance framework, c) key roles and responsibilities for data governance, d) the implementation of an integrated data architecture at group level, e) the effectiveness of data quality controls, f) the timeliness of internal risk reporting and g) implementation programs. Risk reports must be submitted within 20 working days. Volkswagen Financial Services AG is taking this topic very seriously and is implementing the individual elements in line with a plan presented to the Board of Management. Christian Löbke, Deputy CRO of Volkswagen Financial Services AG, is Head of Data Governance.

Considering climate and environmental risks in risk management, including transition risks, will continue to be important in the future in light of the tougher regulatory requirements to be expected. This will require the Volkswagen Financial Services AG Group to address these risks, which can be drivers of existing risk types, in detail and factor them into the identification, assessment, monitoring and management of risk categories. Whereas large amounts of data are already being collected to identify and assess potential climate and environmental risks, whether for internal risk management or for public disclosure purposes, the issue of the relevance and quality of this data for managing transition plans will become increasingly important.

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 GmbH Group, with Volkswagen Leasing GmbH as a subsidiary of Volkswagen Bank GmbH. The requirements of this Guide are expected to be implemented for the Volkswagen Financial Services AG Group by the end of September 2025, based on the methodology developed for the Volkswagen Bank Group in the form existing until September 30, 2025; however, the materiality assessment of the risks is expected to be completed by June 30, 2025.

Moreover, the MaRisk requirements, including the 7th and 8th MaRisk amendments, were due to be implemented Group-wide by July 1, 2024. The main topics of these amendments related in particular to the integration of ESG risks into all relevant risk management processes and the quantification of ESG risks, as far as possible, the implementation of the EBA Guidelines on loan origination and monitoring and requirements for the use of models in the context of risk parameterization and measurement, and also the implementation of the EBA Guidelines on interest rate risk and credit spread risk.

It is worth noting that ESG risks must not only be taken into account comprehensively in risk management; a comprehensive disclosure of ESG risks is now required, and this trend is set to increase. For example, the Volkswagen Financial Services AG financial holding group's Pillar 3 Disclosure Report as of December 31, 2024 is required to disclose comprehensive sustainability-related information for the first time. In particular, this concerns information on CO_2 emissions, including those related to vehicle financing (Scope 3 emissions) and the green asset ratio. The green asset ratio expresses the proportion of loans and receivables that satisfy the taxonomy criteria in the Taxonomy Regulation and the current associated Delegated Regulation (EU) 2021/2139.

It is to be expected that the green asset ratio will rise over the next few years as the proportion of battery-powered vehicles that are financed and leased rises. At the same time, emissions intensity is expected to decline, with an increase in the proportion of battery-powered vehicles financed, i.e., leased CO_2 emissions are likely to fall relative to the portfolio of loans and receivables over the next few years. Since vehicles with combustion engines will still be financed in the future, there are plans to offset the emissions as part of the sustainability strategy. Volkswagen Financial Services AG is aiming for net carbon neutrality in terms of the direct emissions of the leased and financed vehicles in its portfolio by 2030. The corresponding unavoidable carbon emissions will be offset by investing in climate change mitigation projects.

Finally, the Corporate Sustainability Reporting Directive (CSRD) came into force in 2023, although it has yet to be transposed into national law, which is now expected to happen in 2025. In the future, Volkswagen Financial Services AG and its Volkswagen Bank GmbH and Volkswagen Leasing GmbH subsidiaries, as large publicly traded companies, will be required to disclose extensive sustainability-related information in their individual (sub)group management reports. This also includes the required disclosure in accordance with Article 8 of the Taxonomy Regulation and 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 Financial Services AG Group and its risk management, as well as for the assessment of Volkswagen Financial Services AG's transition risk. Details are provided in a delegated act, which is now in force. Initial publication is expected as of December 31, 2025.

The EBA published a consultation paper on the management of ESG risks in January 2024 with the aim of ensuring that the CRD VI requirements for managing ESG risks are implemented consistently across the EU; the final version was published by the EBA on January 9, 2025, and the requirements must be implemented by January 11, 2026. Whereas a large part of the requirements for managing ESG risks is known from the EBA Guidelines on climate-related and environmental risks and from the MaRisk published at the end of June 2023, these guidelines are noteworthy for the fact that they define standards that are quite binding in some cases; these can be used in the future to measure and verify whether the relevant requirement for managing ESG risks has been met, even though the EBA has somewhat broadened the scope for appropriate, proportional implementation in some areas compared with the consultation paper. Whereas today it is often still sufficient for ESG risks to be considered in the various risk management processes for all types of risk, the EBA guidelines lay out stipulations in a range of cases that are as specific as possible and that must be complied with for the particular requirement to be deemed met, and to have been considered adequately .

Specifications resulting from the CRD VI requirements are also new. This relates in particular to the requirements for the transition plan to be prepared. Accordingly, the management body will, following implementation at the national level, be responsible for the development of specific plans with quantifiable objectives to monitor and mitigate physical and transition risks resulting over the short, medium and long term from the business model and strategy of Volkswagen Financial Services AG not being consistent with the relevant political objectives of the European Union or more general trends to transition to a more sustainable economy with regard to ecological, social and governance factors. The long-term time horizon should be at least ten years. Moreover, an interim target has to be set for 2030 to demonstrate to the supervisory authorities who the plan enables Volkswagen Financial Services AG to identify and measure ESG risks that are linked to the EU's target of reducing greenhouse gas emissions by 55% compared to 1990 levels. Furthermore, the transition plans must be consistent with the business strategy, risk appetite, ICAAP and the other risk management processes.

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

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

- Requirements related to risk culture
- The functioning and effectiveness of the management bodies of the supervised institution (including the committees of the supervisory board and the independent members)
- The functioning and effectiveness of the internal control functions, comprising the risk management function, the compliance function and the internal audit function, as well as
- The design and implementation of the risk appetite framework

The ECB describes observed good practices for each of these topics.

In terms of the policies on the composition and functioning of the governing bodies, a suitability policy and a diversity policy in particular are expected in the future.

A large number of expectations and recommendations set out in the consultation paper were heavily criticized by the banks, as some of them go well beyond existing regulatory requirements and it is questionable whether they will really strengthen governance as intended, although this would be welcomed in principle. It therefore remains to be seen what the final ECB guide on governance and risk culture will look like. Volkswagen Financial Services AG and Volkswagen Bank GmbH will scrutinize the final ECB guide and derive any need for action and any measures to be taken, where applicable.

NEW PRODUCT AND NEW MARKET PROCESS

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

Volkswagen Financial Services AG maintains a product manual containing details of all products and markets intended to form part of the business activities.

CHANGES TO OPERATING PROCESSES OR STRUCTURES

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

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

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

OVERVIEW OF RISK CATEGORIES

Financial risks	Nonfinancial risks
Counterparty default risk	Operational risk
Residual value risk	
Interest rate risk in the banking book (IRRBB)	
Credit spread risk in the banking book (CSRBB)	
Other market risk (currency and fund price risk)	
Funding risk	
Business risk (including earning, reputation and strategic risk)	

FINANCIAL RISKS

Counterparty default risk

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

In the Volkswagen Financial Services AG Group, counterparty default risk encompasses the following risk categories: credit risk, counterparty risk, issuer risk, country risk and shareholder risk.

Credit risk

Credit risk describes the risk of losses due to defaults in customer transactions (retail and corporate), specifically by the borrower or lessee. Loans to and receivables from Volkswagen Group companies are also included in the analysis. Default occurs when the borrower or lessee is unable or unwilling to make the payments due. This includes late or partial payment of interest and principal on the part of the contracting party.

Credit risk, which also includes counterparty credit risk in connection with leases, accounts by far for the greatest proportion of risk exposures in the counterparty credit risk category.

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

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

Risk identification and assessment

Lending or credit decisions at Volkswagen Financial Services AG are made primarily on the basis of the borrower credit check. These credit checks use rating or scoring systems, which provide the relevant departments with an objective basis for reaching a decision on a loan or a lease.

A set of guidelines outlines the requirements for developing and maintaining the rating systems. There is also a rating manual that specifies how the rating systems are to be applied as part of the loan approval process. Similarly, other written procedures specify the parameters for developing, using and validating the scoring systems in the retail business.

To quantify credit risk, an expected loss (EL) and an unexpected loss (UL) are determined at portfolio level for each entity. The UL is the value at risk (VaR) less the EL. The calculations use an asymptotic single risk factor (ASRF) model in accordance with the capital requirements specified by the Basel Committee on Banking Supervision (Gordy formula), augmented with concentration and/or diversification factors, taking into account the credit quality assessments from the individual rating and scoring systems used.

Rating systems for corporate customers

Volkswagen Financial Services AG uses rating systems to assess the creditworthiness of corporate customers. This evaluation takes into account both quantitative factors (mainly data from annual financial statements) and qualitative factors (such as the prospects for future business growth, quality of management and the customer's payment record). When the credit assessment has been completed, the customer is assigned to a rating class, which is linked to a probability of default. A centrally maintained, workflow-based rating application is used for the most part to support this analysis of creditworthiness. The rating determined for the customer serves as an important basis for decisions on whether to grant or renew a loan and for decisions on provisions.

Scoring systems in the retail business

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

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

Supervision and review of retail and corporate systems

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

In the case of the retail models and procedures for assessing creditworthiness managed by the local risk management units abroad, risk management monitors their quality on the basis of the validations performed locally. In the validation process, particular attention is paid to a review of the discriminant power of the models and an assessment of whether the model calibration is appropriate to the risk. The models and systems for corporate customers are handled in the same way, although a centralized approach is used for the supervision and validation thereof.

Collateral

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

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

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 credit risks 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 Financial Services AG are also used to manage credit risk. These limits are specified separately for each individual subsidiary or their branches.

Trends

The volume of loans and receivables in Volkswagen Financial Services AG's loan portfolio increased continuously in the second half of 2024 (+€6.8 billion in December 2024 compared with July 2024).

As part of the restructuring, Volkswagen Financial Services AG, which combines the German and European companies, became a financial holding company supervised by the ECB in fiscal year 2024. This was accompanied by an increase in the regulatory requirements applicable to Volkswagen Financial Services AG. As a result, the processes, methodologies and procedures for identifying and assessing credit risks and their implementation in various companies of the "new" Volkswagen Financial Services AG were adapted. One key element in this regard was implementation of the regulatory requirements for the definition of default in accordance with the Capital Requirements Regulation (CRR). This resulted in an increase in the default rate in the loan portfolio. In addition, macroeconomic conditions (especially in the German market) affected the portfolio quality and the risk situation.

Overall, credit risk was observed to remain stable at a moderate level.

Retail portfolio

The sustained strong demand for our retail products led to a further increase in the volume of loans and receivables in the loan portfolio in the second half of 2024 (+€4.8 billion in December 2024 compared with July 2024). Credit risk in Volkswagen Financial Services AG's retail portfolio was stable at a moderate level. The default rate rose in the second half of fiscal year 2024, from 2.3% in July 2024 to 2.6% in December 2024 due, on the one hand, to implementation of the regulatory requirements for the definition of default in accordance with the CRR (including the associated implementation of a probationary period) and, on the other, to a slight deterioration in the risk situation, particularly because of the macroeconomic conditions in the German market. The percentage provision for credit risks remained stable at 1.5% in both July 2024 and December 2024.

Corporate portfolio

In Volkswagen Financial Services AG's corporate portfolio, an increase in the volume of loans and receivables was recorded in the second half of 2024 (€2.0 billion as of December 2024 compared with July 2024), driven primarily by the German and UK markets. The rise is attributable to both the dealer financing portfolio and the corporate non-dealer portfolio.

Risk in the corporate portfolio was shaped by a rise in the default rate (from 2.9% as of July 2024 to 3.2% as of December 2024) and a stable percentage provision for credit risks (1.5% as of July 2024 and December 2024). The increase in the default rate is attributable to the non-dealer portfolio (in particular due to the implementation of the amendments to the definition of default in accordance with the CRR, taking into account the implementation of a probationary period).

BREAKDOWN OF LENDING VOLUME BY REGION[1]

€ million

1 Figures before application of consolidation effects
2 Europe excluding Germany

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

€ million

PD band	Retail	Corporate	Total
< = 1 %	53,265	21,712	74,977
	33.0%	13.5%	46.5%
> 1 % < 100 %	57,335	24,430	81,765
	35.6%	15.2%	50.7%
100%	2,963	1,502	4,465
	1.8%	0.9%	2.8%
Total	**113,563**	**47,645**	**161,208**
	70.4%	29.6%	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 credit risk and describes the risk that a counterparty may be unable to make payments of interest and/or repayments of principal as contractually required. Similarly, issuer risk is the risk that the issuer of a security could become insolvent during the maturity of the product and, as a consequence, some or all of the invested capital, including the expected interest payments, has to be written off. Issuer risk results from the purchase of securities to optimize liquidity management and to fulfill statutory and/or regulatory requirements.

The objective in the management of counterparty and issuer risk is to identify potential defaults in a timely manner, so that corrective action can be initiated at an early stage as far as possible. Another important objective is to ensure that risks are only taken on within the approved limits.

If a counterparty or issuer risk were to materialize, this would represent the potential loss of a business asset, which would have a negative impact on financial position and financial performance.

Risk identification and assessment

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

Risk monitoring and control

To establish effective monitoring and control, volume limits are specified for each counterparty and issuer. The Treasury back office, in its role as a subsidiary function of Risk Management, is responsible for monitoring compliance with these limits. The volume limits are set as a function of the capital available in line with the adopted strategy taking account of business requirements and the credit assessment. The back office department is responsible for the initial classification and then regular reviews. The relevant credit applications are then submitted to the decision-makers for a decision. Risk Management analyzes counterparty and issuer risks quarterly as part of the calculation of risk-bearing capacity. Counterparty and issuer risk is reported to the Board of Management 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. Volkswagen Financial Services AG has to take into account country risk particularly in connection with funding and equity investment activities involving foreign companies and in connection with the lending business. Given the focus of business activities at Volkswagen Financial Services AG, only limited country risks could arise as the Group is not usually involved in cross-border lending business, with the exception of intercompany loans. Cross-border activities account for less than 1% of lending business in retail financing. The conventional country risk analysis is not applicable to intercompany lending because, if the difficulties described above were to occur, the funding of the entities through lending could be extended if necessary, thereby ensuring that the entities could continue to operate in the strategic market concerned. For these reasons, there has been no need to establish limits related to the overall level of business for countries or regions, for example, to limit transfer risk.

Shareholder risk
Shareholder risk refers to the risk that after contributions of capital or loans regarded as equity are made to a company, losses with negative effects on the carrying amount of the shareholding might occur (e.g., silent contributions). In principle, Volkswagen Financial Services AG only makes such equity investments to help it achieve its corporate objectives. The investments must therefore support its own operating activities and are intended to be held on a long-term basis.

If shareholder risk were to materialize in the form of a loss of fair value or even the complete loss of an equity investment, this would have a direct impact on relevant financial data. The net assets and financial performance of Volkswagen Financial Services AG would be adversely affected by write-downs recognized in profit or loss.

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

Risk monitoring and control
Equity investments are integrated into the annual strategy and planning process of Volkswagen Financial Services AG. It exercises influence over the business and risk policies of the equity investments through its representation on the relevant ownership or supervisory bodies. However, responsibility for the operational use of the risk management tools lies with the entities.

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

Referring to the bearer of residual value risk, a distinction is made between direct and indirect residual value risks. Direct residual value risk refers to residual value risk borne directly by Volkswagen Financial Services AG. An indirect residual value risk arises if the residual value risk has been transferred to a third party (such as a dealership) on the basis of a contractual agreement. In such cases, there is a counterparty credit risk in respect of the bearer of the residual value risk. If the bearer of the residual value risk defaults, Volkswagen Financial Services AG's indirect residual value risk becomes relevant in that the indirect residual value risk passes back to Volkswagen Financial Services AG and becomes a direct residual value risk. In other words, Volkswagen Financial Services AG re-assumes responsibility for remarketing the vehicles.

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

Risk identification and assessment

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

To quantify the UL, the difference between the selling price of the vehicles sold, adjusted for damage and mileage variances, and the contractual residual value is measured. A discount is derived from the history of these variances.

The UL is calculated as the product of the contractual residual value and the discount for leased vehicles that have not yet been sold. It can be calculated for each individual lease for each vehicle in the portfolio. As in the calculation of the EL, the UL portfolio is calculated as the aggregated ULs of the individual vehicles and is determined quarterly. The results from the calculation of the EL and UL are fed in to the assessment of the risk situation, e.g., they are one of the factors used in assessing the adequacy of the provisions for risks and are included in the calculation of risk-bearing capacity.

In the case of indirect residual value risk, the method used to quantify residual value risk is generally similar to that used for direct residual value risk. In addition, further risk parameters are taken into account (dealer default and other factors specific to this category of risk).

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

Risk monitoring and control

Risk Management monitors direct residual value risk within Volkswagen Financial Services AG. As part of risk management procedures, the adequacy of the provision for risks and the potential residual value risk are regularly reviewed in respect of direct residual value risk; residual value opportunities are disregarded in the recognition of the provision for risks.

Due to the distribution of risks, the risks entered into are not always fully covered on an individual contract basis due to the different curves of the residual value (degressive curve) and the repayment (progressive) during the term of the contract. The risk amounts assigned to the remaining term must therefore still be earned and written down in the future for the risks already identified.

Based on the resulting potential residual value risk, various measures are initiated as part of a proactive risk management approach to limit the residual value risk. With regard to new business, the residual value recommendation must take into account current market conditions and factors that might have an influence in future. Various sensitivities for direct residual value risks are also in place to create a comprehensive picture of the risk sensitivity of residual values. These sensitivities are applied under expert leadership with the involvement of the central and local risk specialists. Indirect residual value risks faced by Volkswagen Financial Services AG are subject to plausibility checks and are assessed from the perspectives of risk amount and significance.

As part of risk management activities, Risk Management regularly reviews the potential indirect residual value risk and the adequacy of the associated provision for risks. If necessary, it takes measures to limit the indirect residual value risk.

Trends

CHANGES IN DIRECT RESIDUAL VALUE RISK

Direct residual value risk	Dec. 31, 2024	Sep. 30, 2024
Number of contracts	2,897,927	2,760,125
Guaranteed residual values (€ million)	52,478	48,858
Risk exposure in %	6.0	4.8

Volkswagen Financial Services AG's portfolio recorded an increase in the number of contracts in 2024. Technological advances have put pressure on the residual values of first-generation electric vehicles. By contrast, the residual values of combustion engines are approaching pre-Covid levels.

As part of the management of residual value risk, Volkswagen Financial Services AG 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 in the banking book (IRRBB) consists of potential present value and periodic losses arising as a result of changes in market interest rates. It occurs because of interest rate mismatches between asset and liability items. Volkswagen Financial Services AG is exposed to interest rate risk in its banking book. Volkswagen Financial Services AG does not have a trading book.

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

Risk identification and assessment

For Volkswagen Financial Services AG, operating and strategic interest rate risk is calculated and reported in the context of the monthly monitoring process using the value at risk (VaR) method.

The model is based on a historical simulation and calculates potential losses taking into account 3,650 historical market fluctuations. Negative interest rates can also be processed in the historical simulation and are factored into the risk assessment.

The VaR calculated for operational management purposes estimates potential losses under historical market conditions, but stress tests are also carried out in which interest rate positions are subject to exceptional interest rate changes and worst-case scenarios. The results from the simulations are analyzed to assess whether any of the situations could represent a serious potential risk. This process also includes the monthly quantification and monitoring of the changes in present value resulting from the interest rate shock scenarios of +200 basis points and –200 basis points as specified by BaFin and from the scenarios relating to interest rate risk in the banking book specified by the ECB and the Basel Committee on Banking Supervision. The behavior of investors with indefinite deposits is analyzed using internal models and methods for managing and monitoring interest rate risk.

Supplementing the present value perspective, interest rate risk in the Volkswagen Financial Services AG Group is also measured from an earnings or periodic perspective. The earnings perspective relates to the periodic results and therefore establishes a direct connection to the income statement. Interest rate risk management focuses overall on the present value perspective. The periodic perspective supplements the present value perspective and is monitored using a limit.

Risk monitoring and control

The strategic direction of interest rate risk management is decided by the ALM committee and implemented by Treasury. Interest rate risk is managed on the basis of limits and target structures. Funding instruments and interest rate derivatives are used to comply with 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 Board of Management of Volkswagen Financial Services AG receives a separate report on the latest interest rate risk position at Volkswagen Financial Services AG each month.

Trends

Interest rate risk in the banking book remains high at the level of Volkswagen Financial Services AG due to pronounced interest rate volatility. 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. Volkswagen Financial Services AG has developed and implemented methods for measuring CSRBB from the present value and periodic perspective to comply with the EBA requirements (EBA/GL/2022/14). Volkswagen Financial Services AG regularly assesses the CSRBB for its securities portfolios.

Strategic CSRBB for Volkswagen Financial Services AG is calculated 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 Board of Management. If limits are exceeded, the situation is escalated on an ad hoc basis to the Board of Management 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 Financial Services AG is exposed to structural currency risks. These risks arise from the equity investments in the relevant local currency in the foreign subsidiaries or their branches.

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

Volkswagen Financial Services AG 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). Volkswagen Financial Services AG has undertaken to meet these pension obligations to employees if the employees' guaranteed entitlements can no longer be satisfied from the pension trust and covers these obligations by recognizing pension provisions.

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

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

If liquidity risk were to materialize, funding risk would result in higher costs and market liquidity risk would result in lower selling prices for assets, both of which would have a negative impact on financial performance. The consequence of illiquidity risk in the worst-case scenario is insolvency caused by illiquidity. Volkswagen Financial Services AG manages liquidity risk to prevent this situation from arising.

Risk identification and assessment

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

In conjunction with various ILAAP metrics, the normative and economic perspectives of liquidity adequacy are assessed over short-, medium- and long-term time horizons. Measuring and limiting the ILAAP metrics ensures that the liquidity position is adequate at all times. In the normative perspective, the liquidity coverage ratio (LCR) is used to assess the short-term liquidity risk; this approach is complemented by an analysis of the net stable funding ratio (NSFR), which is a longer-term structural liquidity ratio. The economic perspective also distinguishes between the analysis time horizons. For the purposes of safeguarding solvency at all times, utilization limits are specified for potential funding over the short- and medium-term time horizons. In this regard, the survival period functions as a key indicator as part of the recovery plan. Unexpected funding risks are quantified in order to manage the medium- to long-term funding structure. Liquidity adequacy is evaluated using a baseline scenario and multiple adverse scenarios, and is complemented by reverse stress tests. Stress tests are applied to funding matrices using a scenario approach with scenario triggers from the institution itself or the market, or a combination of the two. Two approaches are used to determine the parameters for these stress scenarios. The first approach uses observed historical events and specifies different degrees of impact from hypothetical, but conceivable events. To quantify the funding risk, this approach takes into account the relevant aspects of illiquidity risk and changes in spreads driven by credit ratings or the market. A risk assessment is a key component in the system to ensure appropriate liquidity adequacy at all times. All ILAAP metrics are linked with other elements of the ILAAP (including liquidity contingency plan, recovery plan) to ensure that an effective overall process is in place. Funding risk is also included in the calculation of risk-bearing capacity for the Volkswagen Financial Services AG Group.

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

Risk monitoring and control

The Volkswagen Bank GmbH Treasury function is responsible for operational management of the Volkswagen Financial Services AG Group's liquidity. To this end, it prepares funding matrices, carries out cash flow forecasts and uses this information to determine the relevant range of liquidity coverage. The results of the analyses, the current liquidity situation and potential funding measures are presented and discussed at the meetings of the Operational Liquidity Committee (OLC), which are generally held every two weeks. The OLC comprises representatives from the Risk Management (Volkswagen Bank GmbH), Controlling (Volkswagen Leasing GmbH), Direct Bank and Treasury (both Volkswagen Bank GmbH) departments.

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

Risk communication

The ILAAP is a permanent component of the management framework. This means there is regular reporting on all key elements of the ILAAP to the Board of Management.

Trends

Liquidity risk at the level of Volkswagen Financial Services AG remained stable. The prevailing global uncertainty did not result in any unanticipated liquidity outflows. Funding instruments remained available and stable at all times. The main ILAAP metrics remained within the specified limits at all times.

Business risk

Volkswagen Financial Services AG 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

Volkswagen Financial Services AG quantifies earnings risk using a parametric earnings at risk (EaR) model with the confidence level specified in the calculation of risk-bearing capacity and a one-year forecast period.

The relevant income statement items provide the basis for these calculations. The estimates for earnings risk are then based on two perspectives: 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) and direct financial losses such as penalties or litigation costs.

The responsibilities of the Corporate Communications division 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 division 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 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 (also referred to as the risk from general business activities) 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 Volkswagen Financial Services AG is to manage its acceptance of strategic risk enabling it to systematically leverage earnings potential. In the worst-case scenario, a materialization of strategic risk could jeopardize the continued existence of the Company as a going concern.

Strategic risk is included in the calculation of risk-bearing capacity as part of business risk and also includes a qualitative 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, after five years, passenger car sales will fall significantly as a result of a shift in attitudes towards private transportation. 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.

NONFINANCIAL RISKS

Operational risk

Operational risk (OpR) is defined as the risk of loss resulting from inadequate or failed internal processes (process risk), people (HR risk) or systems (technological risk), or resulting from external events (third-party risk). This definition includes legal risk. Categories of risk, such as reputational or strategic risk, do not fall within the scope of operational risk.

The objective of operational risk management is to present operational risks transparently and to initiate precautionary or corrective measures with the aim of preventing or, when this is not possible, mitigating the risks or losses. If an operational risk materializes, this represents an operational loss that 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 strategic risk objectives are implemented on the basis of the 3 lines of defense model. The local operational risk units in Germany and abroad are responsible for the local operational risk management as the 1st line of defense. In this context, it is important to observe the central requirements of risk management with regard to methodology and procedures (central operational risk unit) and the operational risk units responsible for specific risk categories (governance functions with expert knowledge, risk owners for individual causes of risk), which act as the 2nd line of defense.

In addition, a rolling program of training and briefing sessions ensures that awareness of operational risk continues to grow.

Risk identification and assessment

Operational risks or losses are identified and assessed by the 1st line of defense working in pairs (assessor and approver) with the help of two tools: a risk self-assessment and a loss database.

The risk self-assessment is used to determine a monetary assessment of future risks. A standardized risk questionnaire is provided for this purpose. The local experts use these questionnaires to determine and record the details for various risk scenarios. The details include the possible amount of the risk and the probability of occurrence, in each case with typical and maximum figures.

The central loss database is used to ensure that information about monetary operational losses is collected in house on an ongoing basis and the relevant data is stored. The local experts use this database to determine and record the relevant data, including the amount and cause of the loss.

The value-at-risk for operational risk is determined quarterly by the central operational risk unit using a loss distribution approach (LDA) that incorporates the results of risk self-assessments and losses incurred.

Risk monitoring and control

Operational risk is managed by the operational risk units (1st line of defense) on the basis of the provisions in force and the requirements laid down by the special operational risk units responsible for specific risk categories (2nd line of defense). Local management decides whether future risks or losses are to be ruled out (risk prevention), mitigated (risk mitigation), consciously accepted (risk acceptance) or transferred to third parties (risk transfer).

The central operational risk unit assesses the validity of the information from the risk self-assessments and the reported losses, monitors the proper functioning of the operational risk system and, if necessary, makes appropriate adjustments. This includes, in particular, the integration of all operational risk units and operational risk special units, compliance with the risk sub-strategies for operational risks and a review of the methods and procedures used for risk measurement.

Risk communication

Operational risks are communicated on a quarterly basis as part of the risk management reports of Volkswagen Financial Services AG. The quarterly details are supplemented by the annual operational risk report of Volkswagen Financial Services AG 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 developed in line with the strategic requirements. In this context, legal risks (within the litigation risk category) account for the largest proportion of overall operational risk. It is followed by the risk category External risk – external services and outsourced tasks. In addition, the topic of technology risks – information technology (in particular due to the generally growing number of cyber attacks and the increasing importance of implications from artificial intelligence) continues to constitute a high risk potential.

These three important causes of risk are described in detail in the following.

Process risks – compliance risk

At Volkswagen Financial Services AG, compliance risk encompasses all risks that could arise from non-compliance with statutory rules and regulations or other official or regulatory requirements, or that could be caused by a breach of internal company regulations.

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

In addition, integrity risk encompasses all risks that arise from a failure of employees to conduct themselves in an ethically acceptable manner or to act in accordance with the Group's principles or the FS values, thereby presenting an obstacle to the sustained success of the business.

Volkswagen Financial Services AG 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 a component of the compliance function, the role of the compliance officer is to work toward implementing effective procedures to ensure compliance with key and core legal rules and regulations for Volkswagen Financial Services AG 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 at the middle, face-to-face training, e-learning programs, other media-based activities), carrying out communication initiatives, including distributing guidelines and other information media, and participating in compliance and integrity programs.

The compliance function has been set up on a decentralized basis. The departments are responsible for complying with the rules and regulations in their respective areas of activity. A compliance theme coordinator is appointed for all 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. For their part, the compliance theme coordinators must work in collaboration with the legal department and the various other departments to implement measures aimed at identifying new or amended regulations and requirements relevant to their areas of responsibility at an early stage and, if such relevance is established, furnishing an analysis of materiality for the Bank. The respective compliance officer is notified of any identified regulations and requirements in accordance with the process description.

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

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

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

The compliance requirements for Volkswagen Financial Services AG are specified centrally and must be implemented autonomously in the subsidiaries or their branches. Any deviation from the minimum requirements or guidelines is only possible if accompanied by a description of the reasons (such as local statutory requirements) and only in consultation with, and with the consent of, the Compliance Officer of Volkswagen Financial Services AG.

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 – is used to assess compliance and integrity aspects in the subsidiaries or branches of Volkswagen Financial Services AG. The responsibility for implementing the requirements, for example by raising awareness of the ethical principles among employees, remains with the local entity concerned.

The Compliance and Integrity Officer receives regular reports and carries out on-site visits on a risk-oriented basis to ensure that the local compliance and integrity units are meeting their responsibilities.

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

In addition, the Board of Management 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 key and core legal regulations and requirements.

For its part, the Board of Management has entered into its own voluntary undertaking regarding compliance and integrity. This ensures that compliance and integrity issues are always discussed and taken into account in connection with all decisions made by the Board of Management.

External risks – external services and outsourced tasks

Outsourcing describes a situation in which another entity (the outsourced service provider) 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 now completed restructuring of the Volkswagen Financial Services AG and Volkswagen Bank GmbH subgroups, internal outsourcing agreements were concluded with Volkswagen Bank GmbH in the following areas: internal audit, risk management, reporting, accounting, treasury, process management and controlling.

Arrangements for support services in relation to software that are utilized for the identification, assessment, management, monitoring and communication of risks or that are of material significance for the performance of financial tasks also constitute outsourcing.

A distinction needs to be made between outsourcing and one-time or occasional procurement from third parties of goods or services, or services that are typically obtained from a supervised entity and, because of the actual circumstances involved or legal requirements, cannot usually be supplied by the buying entity itself, either at the time of the purchase from the third party or in the future.

The procurement of software without accompanying services or activities is also generally to be classified as other procurement from third parties.

The objective of risk management for outsourcing is to identify and minimize the risks arising from all cases of outsourcing. If an elevated level of risk is identified in the course of outsourcing management or from supervisory activities, measures may be initiated, where appropriate, to restore the risk situation associated with an outsourced activity to the original level.

A significant increase in risk can necessitate a change of service provider or, if possible and strategically desirable, termination of the outsourcing arrangement. In this case, the activities may be performed by Volkswagen Financial Services AG 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, a framework policy specifying the constraints that outsourcing arrangements must observe has been issued. Before any activity is outsourced, the circumstances must be examined with a focus on risk to determine the risk in each case. This analysis procedure is one of the components of the constraints and is intended to help ensure that an adequate level of monitoring and control is applied. In this regard, the specialist outsourcing officer carries out checks mainly to establish whether the quality of performance is in line with the contractually agreed targets and, where appropriate, initiates corrective measures to ensure such quality of performance is delivered. The framework policy also specifies that all outsourced activities must be agreed with the Outsourcing Coordination unit. This coordination unit is therefore informed of all outsourcing activities and the associated risks, and communicates these risks to the Board of Management on a regular basis.

Technology risks – Information technology

The focus in the IT and infrastructure risk category is on information security, stability and compliance. As regards cyber risks, a general rise in the number of cyber attacks on businesses and their customers was evident. The nature of these attacks is continually evolving and becoming increasingly professionalized (examples being DDoS or ransomware attacks, supply chain attacks). In light of the potential losses arising from the disruption or interruption of business operations, preventive and countermeasures are being continuously implemented and refined to maintain resilient IT systems at Volkswagen Financial Services AG. The focus here is on ensuring the confidentiality, integrity, authenticity and availability of information. The preventive measures are based on various instruments of the three lines of defense to ensure security, stability and compliance within the entire IT-based business operations. Identified potential vulnerabilities are systematically entered into the IT risk process, assessed and managed appropriately in line with the risk appetite.

SUMMARY

Volkswagen Financial Services AG strives to handle risks in a responsible manner as part of its operating activities. This approach is based on a multifaceted system for identifying, measuring, analyzing, monitoring and controlling risks, which is part of a comprehensive risk- and return-oriented management system.

Volkswagen Financial Services AG 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 Financial Services AG as a going concern.

As of December 31, 2024, the regulatory own funds requirements amounted to €13.3 billion. The actual available own funds amounted to €30.3 billion and therefore exceeded the regulatory requirements.

Forecast of material risks

Credit risk forecast

The volume of loans and receivables subject to credit risk for Volkswagen Financial Services AG is expected to continue expanding in fiscal year 2025 (by +7% compared with December 2024, based on the 2025 budget). Overall, the geopolitical and macroeconomic environment is expected to lead to a challenging risk situation for selected Volkswagen Financial Services AG markets, both in the retail portfolio and in the corporate portfolio. That is why it is vital to continue closely monitoring the development of credit risks at Volkswagen Financial Services AG and to proactively address any such developments as they arise. The objective for fiscal year 2025 is to achieve a stable risk situation in the loan portfolio.

Forecast interest rate risk in the banking book

A present value analysis of interest rate risk indicates a vulnerability to rising interest rates. In light of the macroeconomic situation, sharp interest rate hikes are neither expected nor ruled out. In view of the macroeconomic situation, the downward interest rate trend is expected to continue in 2025, although unexpected interest rate hikes cannot be ruled out.

Liquidity risk forecast

The risk situation is considered to be stable. The established sources of funding remain available despite the prevailing geopolitical 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 risks forecast has changed compared to the current risk portfolio during the implementation of the restructuring program. There is no longer any increased risk in this respect following the successful completion of the restructuring.

Residual value risk forecast

In 2025, due to the persistence of economic risks and the global political tensions the risk situation will remain strained. The specific risk situation of Volkswagen Financial Services AG'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.

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 a 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 broad product range and services, we believe we are well prepared for the future challenges in the mobility business.**

With the main opportunities and risks arising from the operating activities having been presented in the report on opportunities and risks, the section below now outlines the expected future developments. These developments give rise to opportunities and potential benefits that are included in the planning process on an ongoing basis so that Volkswagen Financial Services AG can exploit them as soon as possible.

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/Other Markets

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

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

Germany

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

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

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

In the mid-sized and heavy commercial vehicles category, we are seeing robust demand for financial services products in the emerging markets. In these countries in particular, financing solutions support vehicle sales and are thus an essential component of the sales process. In the developed markets, we expect to see increased demand for telematics services and services aimed at reducing total cost of ownership in 2025. This trend is also expected to persist in the period 2026 to 2029.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

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

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

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

Europe/Other Markets

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

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

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

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

Germany

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

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

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

For 2025, we expect that new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes will be down noticeably on the previous year in the markets that are relevant for the Volkswagen Group, with variations from region to region.

A noticeable year-on-year decline in market development is expected in the 27 EU countries excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3).

On average, we anticipate that demand in the relevant truck markets will remain at a steady level for the years 2026 to 2029.

A noticeable year-on-year increase in demand is anticipated for 2025 in the bus markets relevant for the Volkswagen Group, whereby this will vary depending on the region. In the EU27+3 region, we expect demand to be slightly above that of the previous year.

Overall, we expect demand for buses to be steady on average across the relevant markets for the period from 2026 to 2029.

INTEREST RATE TRENDS

Interest rates fell slightly in Europe and across much of the rest of the world in fiscal year 2024 as inflation eased. Some central banks have already implemented interest rate cuts. The interest rate cut trend is expected to continue in 2025.

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 equity 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 for vehicles with internal combustion engines as well as for electric vehicles. An important role in the marketing of the Volkswagen Group's e-vehicles is played in particular by attractive leasing products, 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.

NEW MARKETS/INTERNATIONALIZATION/NEW SEGMENTS

The finance, leasing, insurance and mobility services areas are essential for attracting customers and developing loyal, long-term customer relationships worldwide. Volkswagen Financial Services AG investigates market entry concepts through which to establish these business areas in new markets meticulously in its role as financial services provider and strategic partner for the Volkswagen Group brands. Its aim in so doing is always to create a robust foundation for profitable growth in the volume of business.

SUMMARY OF EXPECTED DEVELOPMENTS

Volkswagen Financial Services AG's business performance in 2025 will remain largely dependent on the development of the Volkswagen Group's unit sales. Increased collaboration with the Group brands, particularly through strategic joint projects, is planned. At the same time, Volkswagen Financial Services AG will continue its efforts to leverage potential along the automotive value chain as successfully as possible.

Volkswagen Financial Services AG's overarching goal is to meet the needs and expectations of its customers as effectively as possible, together with the Group brands. It is providing the type of flexible mobility services that customers expect through products such as its leasing and car subscription (Auto-Abo) services. The ongoing spread of digitalization should deliver a boost to this area of business.

The established, successful product combinations and mobility offerings are being continually adapted to customer requirements and refined. In addition to market-focused measures, the international competitiveness of Volkswagen Financial Services AG is being further strengthened by targeted investments in IT projects and continuous process optimization.

OUTLOOK FOR 2025

The Board of Management of Volkswagen Financial Services AG expects economic growth in Europe to recover and accelerate in 2025. The primary source of risk is inflation, the future course of which will determine the development of interest rates to a very significant extent. 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 and the actual development of deliveries to customers of the Volkswagen Group brands.

Due to the restructuring during the year, as described above, which means that only half of a fiscal year is presented in 2024, a comparison of the key performance indicators between the reporting period and the forecast for the following year is largely uninformative, as these generally refer to the full year.

With the aim of ensuring the necessary comparability and appropriate control, the interim forecast of the financial performance indicators for 2024 has been revised to enable statements to be made about full-year performance. For this purpose, the Board of Management was provided with indicative actual and target figures for the expected full year under the new structure, based on a simulated restructuring effective January 1, 2024. This means that at least two full fiscal years can be compared on an indicative basis.

Considering the effects described above, the operating result for fiscal year 2025 is projected to be up very strongly year-on-year. Compared with an indicative full-year result, the result is expected to rise significantly year on year.

New contracts are expected to be very strongly above the level of the previous year while penetration is expected to be at the level of the previous year. Compared with the indicative figures for new contracts, the number of new contracts is expected to rise slightly year on year.

Current contracts in 2025 are expected to be slightly above fiscal year 2024, and business volume will be on a level with fiscal year 2024.

Return on equity is expected to be at the previous year's level in 2025 as a result of the forecast earnings performance and stable capital adequacy situation. Compared with an indicative full-year result, the return on equity is also expected to be on a level with the previous year.

We expect the overhead ratio to remain at the previous year's level. Compared with an indicative full-year result, the overhead ratio is expected to be on a level with the previous year.

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

	Actual 2024	Forecast for 2025	
Nonfinancial performance indicators			
Penetration (percent)	53.4	= 53,4	on previous year
Current contracts (thousands)[1]	17,921	> 17.921	slightly up on previous year
New contracts (thousands)[1]	2,870	> 2870	very strong up on previous year
Financial performance indicators			
Volume of business (€ million)	149,644	= 149.644	on previous year's level
Operating result (€ million)	1,246	> 1.246	very stronger up on previous year
Return on equity (percent)	7.9	= 7,9	on previous year
Overhead-Ratio (percent)	1	= 1,1	on previous year

Braunschweig, February 24, 2025

Volkswagen Financial Services AG
The Board of Management

Dr. Christian Dahlheim

Anthony Bandmann

Dr. Ingrun Bartölke

Frank Fiedler

Dr. Alena Kretzberg

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, commodity prices or supply of parts relevant to the Volkswagen Group, the performance of the business will be affected accordingly. In addition, expected business performance may vary if the key performance indicators and risks and opportunities presented in this annual report turn out to be different from current expectations, or additional risks and opportunities or other factors emerge that affect the development of the business. Forward-looking statements are not updated and no obligation is assumed to update any forward-looking statements made in this annual report, except as required by law.

Balance Sheet

of Volkswagen Financial Services AG, Braunschweig, as of December 31, 2024

€ million	Dec. 31, 2024	Dec. 31, 2023
Assets		
A. Fixed Assets		
I. Intangible assets	60,462	–
II. Tangible assets	24,148	–
III. Financial assets	22,216,769	–
	22,301,379	–
B. Current Assets	–	–
I. Receivables and other assets	19,174,247	121
II. Cash-in-hand and bank balances	48,842	243
	19,223,089	364
C. Prepaid expenses	80,167	–
Total Assets	41,604,635	364
Equity and liabilities		
A. Equity		
I. Subscribed capital	250,000	250
II. Capital reserves	16,503,213	–
III. Retained earnings	–	–
IV. Net retained profits	–	–
	16,753,213	250
B. Provisions	532,863	90
C. Liabilities	24,318,103	24
D. Net retained profits	456	–
Total equity and liabilities	41,604,635	364

Income Statement

of Volkswagen Financial Services AG, Braunschweig, for the period January 1 to December 31, 2024

€ thousand	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
Sales	830,772	–
Cost of sales	678,073	–
Gross profit on sales	**152,700**	**–**
General and administrative expenses	389,601	160
Other operating income	175,833	60
Other operating expenses	34,664	24
Net income from long-term equity investments	519,060	–
of which income under profit and loss transfer agreements	559,941	–
of which expenses from absorption of losses	40,881	–
Financial result	–47,162	9
of which income from affiliated companies	586,448	9
of which expenses from affiliated companies	281,379	–
Taxes on income (charged by parent € 8,800 thousand; previous year: € 187,995 thousand)	58,996	–33
Result after tax	**317,169**	**–82**
Other taxes	**441**	**–**
Profits transferred under a profit and loss transfer agreement	316,728	–
Losses absorbed under a profit and loss transfer agreement	**–**	**82**
Net income	**–**	**–**
Profit brought forward	–	–
Net retained profits	**–**	**–**

Notes to the Annual Financial Statements

of Volkswagen Financial Services AG, Braunschweig, as of December 31, 2024

1. General Information on the Annual Financial Statements

The Company is classified as a large corporation as defined by section 267(3) sentences 1 and 2 of the *Handelsgesetzbuch* (HGB – German Commercial Code). The annual financial statements have therefore been prepared in accordance with the financial reporting framework specified for large corporations by the HGB.

The registered office of Volkswagen Financial Services Aktiengesellschaft, which operated as Volkswagen Financial Services Europe Aktiengesellschaft until June 30, 2024, is Braunschweig. The Company is registered in the commercial register at the Local Court of Braunschweig (commercial register number HRB 210842).

In 2023, the Volkswagen Group initiated a comprehensive restructuring program ("restructuring") for the existing subgroups of Volkswagen Financial Services AG and Volkswagen Bank GmbH. The aim of the restructuring was to combine the German and European companies, including their subsidiaries and other investees, under a single financial holding company supervised by the European Central Bank (ECB). The restructuring steps under company law were completed in full on July 1, 2024 through notarization and entry in the commercial register with retrospective effect to January 1, 2024 in accordance with commercial law.

The shares of the German and European companies, including their subsidiaries and other assets and liabilities of the European operation of Volkswagen Financial Services AG, were spun off to Volkswagen Financial Services Europe AG; the shares of subsidiary Volkswagen Leasing GmbH were spun off to Volkswagen Bank GmbH, which was then also absorbed by the European financial holding company. The former Volkswagen Financial Services AG was renamed Volkswagen Financial Services Overseas Aktiengesellschaft as of July 1, 2024. Volkswagen Financial Services Overseas is the holding company responsible for managing the non-European subsidiaries. As 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. The newly established European financial holding company, which operated under the name Volkswagen Financial Services Europe AG until June 30, 2024, was renamed Volkswagen Financial Services AG on July 1, 2024.

In the course of the fiscal year, Volkswagen Financial Services Digital Solutions GmbH was merged into the Company.

The object of the Company is to develop, sell and settle its own and third-party financial services, with a focus within Europe, that are designed to promote the business of Volkswagen AG and Volkswagen AG's affiliated companies.

Volkswagen Financial Services AG provides IT services to other Group companies. The costs of these services are allocated according to usage. The income derived from the allocation of staff leasing costs is reported under sales revenue.

Individual line items have been aggregated in the balance sheet and income statement to improve the clarity of presentation. These items are presented separately in the notes.

The income statement has been prepared using the cost of sales format – the standard method used in the Volkswagen Group – to facilitate better international comparability.

2. Accounting Policies

Assets and liabilities are valued in accordance with sections 252 et seqq. of the HGB.
Purchased intangible assets and property and equipment are valued at cost less any depreciation and amortization. The useful life of intangible assets is three to five years and of property and equipment between three and thirteen years.

Shares in affiliated companies and other equity investments are measured at the lower of cost and fair value. Fair value is primarily determined using the discounted cash flow method on the basis of existing corporate plans or, if they are not available, on the basis of observable market prices. Under the discounted cash flow method, fair value is determined on the basis of management's current planning, which is based on expectations regarding future economic trends. The planning period generally covers five years. The discount rate used for the expected cash flows is the WACC (weighted average cost of capital).

Loans to affiliated companies and loans to other long-term investees and investors are measured at cost.
Write-downs are recognized if the loans measured in accordance with these principles are identified as impaired on the reporting date, i.e., their fair values are found to be lower than their carrying amounts, and this impairment is expected to be permanent.

Receivables and other assets are reported at their nominal amounts. Cash-in-hand and bank balances are recognized at their nominal values.

Prepaid expenses contain cash payments incurred before the reporting date if they represent expenses relating to a specified period after that date.

The Company has various pension commitments, which differ in terms of their structure. Some of these pension commitments are not externally funded, while others are funded through Volkswagen Pension Trust e.V.

The commitments funded through Volkswagen Pension Trust e.V. and MAN Pension Trust e.V. are measured at the fair value of the securities in the fund in accordance with section 253(1) sentence 3 of the HGB because the amount of the pension scheme obligations is determined exclusively by this value. The fair value of the securities is offset against the funded provisions in accordance with section 246(2) of the HGB.

Any other pension obligations are also linked to securities funds. The securities measured at fair value are offset as plan assets against the corresponding provisions.

The pension provision that is not externally funded is recognized at present value. The Heubeck 2018 G mortality tables (latest version) are used as the basis for the calculations.

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

Pension obligations are discounted using the discount rate based on the past ten years determined in accordance with section 253(2) of the HGB.

In the year under review, the difference determined in accordance with section 253(6) of the HGB amounted to €2,099 thousand for the pension provision not funded externally, €4,355 thousand for the commitments funded through Volkswagen Pension Trust e.V. and €–15 thousand for the commitments funded through MAN Pension Trust e.V. There is no restriction on distribution due to the profit and loss transfer agreement with Volkswagen AG.

The main measurement assumptions and actuarial parameters applied in the calculation of the pension provisions were as follows:

Discount rate:	1.90%
Expected rate of salary increases:	2.15%
Expected rate of pension increases:	2.00%
Staff turnover rate:	1.21%

The share-based payment recorded in provisions relates to performance shares granted on the basis of preferred shares of Volkswagen AG. The obligations from share-based payments are accounted for as a cash-settled plan. These types of remuneration plans are measured at fair value during the plan term. Fair value is determined using recognized valuation techniques. The remuneration expense is part of the personnel expenses recorded under general and administrative expenses and is allocated over the vesting period.

Adequate provisions in the amount required to settle the estimated obligation are recognized to cover contingent liabilities and existing risks. Other long-term provisions were discounted using a discount rate determined on the basis of the average market interest rates of the past seven years published by Deutsche Bundesbank.

Liabilities are recognized at the settlement amount.

Foreign currency assets and liabilities are translated at the middle spot rate on the reporting date in accordance with section 256a sentence 1 of the HGB and in compliance with the historical cost convention and the principle of imparity (under which unrealized losses are recognized but unrealized gains are not). For items with a residual maturity of one year or less, the net gains or losses from translation are recognized in full in the income statement in accordance with section 256a sentence 2 of the HGB. The hedge rate is used in the case of hedges.

Derivative financial instruments are used exclusively for hedging purposes. Derivative financial instruments (interest rate swaps) are measured in accordance with general HGB measurement requirements and hedge accounting is applied to the extent permissible.

Volkswagen Financial Services AG will not be subject to any impacts from the introduction of the global minimum level of taxation (Pillar 2). As a result, there is no current tax expense in connection with Pillar 2 income taxes. Volkswagen Financial Services AG has exercised the exception to recognize and disclose deferred taxes in connection with Pillar 2 income taxes.

The exemption introduced in section 274(3) of the HGB means that deferred taxes in connection with income taxes arising from tax rules that are applicable or have been announced to implement the Pillar Two model rules are neither recognized nor disclosed at Volkswagen Financial Services AG.

3. Balance Sheet Disclosures

As a result of the spin-off of assets and liabilities from Volkswagen Financial Services Overseas AG to Volkswagen Financial Services AG as of July 1, 2024, with retrospective effect to January 1, 2024 in accordance with commercial law, there is no comparability with the prior-year figures.

The breakdown of the fixed assets aggregated in the balance sheet and the changes in these assets in the reporting period are shown in the statement of changes in fixed assets. The list of the Company's shareholdings is enclosed as an appendix.

On the basis of an existing profit and loss transfer agreement, deferred taxes are recognized by Volkswagen AG, Wolfsburg, the controlling entity in the tax group.

Fixed assets

The purchased intangible assets of €60 million and property, plant and equipment of €24 million were transferred to the Company in the course of the merger of Volkswagen Financial Services Digital Solutions GmbH.

The Company's long-term financial assets amount to €22,217 million. They largely consist of the increase in shares in affiliated companies. The restructuring resulted in the addition of Volkswagen Bank GmbH (€12,974 million) and the European equity investments of Volkswagen Financial Services Overseas AG (until June 30, 2024 Volkswagen Financial Services AG) (€4,538 million). Write-downs of €382 million were recognized in respect of shares in affiliated companies and equity investments. In addition, impairment losses amounting to €24 million were reversed.

Statement of changes in fixed assets of Volkswagen Financial Services AG, Braunschweig, for 2024

	I. Intangible assets			II. Tangible assets			III. Financial assets						
T. €	Purchased software	Advance payments made	Total	Operating and office equipment	Assets under construction	Total	Shares in affiliated companies	Loans to affiliated companies	Other long-term equity investments	Loans to other long-term investees and investors	Other loans	Total Financial Assets	Total fixed assets
Gross carrying amount Balance brought forward as of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions from the merger of VW FS DS GmbH	146,075	29,216	**175,291**	100,417	551	**100,968**	–	–	–	–	–	**–**	**276,259**
Addition from the spin-off of the European operation (VW FS AG)	–	–	**–**	–	–	**–**	4,409,872	2,044,301	213,055	675,617	211,948	**7,554,793**	**7,554,793**
Additions	7,358	7,196	**14,554**	10,652	–	**10,652**	13,069,549	3,566,505	3,837	45,000	186,048	**16,870,939**	**16,896,145**
Disposals	–	689	**689**	8,289	–	**8,289**	109,676	1,423,933	48,186	101,988	218,194	**1,901,977**	**1,910,955**
Transfers	16,071	–16,071	**–**	551	–551	**–**	–	–	–	–	–	**–**	**–**
Balance as of Dec. 31, 2024	**169,504**	**19,652**	**189,156**	**103,331**	**–**	**103,331**	**17,369,745**	**4,186,873**	**168,706**	**618,629**	**179,802**	**22,523,755**	**22,816,242**
Write-Downs Balance brought forward as of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions from the merger of VW FS DS GmbH	104,562	–	104,562	72,827	–	72,827	–	–	–	–	–	–	177,389
Addition from the spin-off of the European operation (VW FS AG)	–	–	–	–	–	–	243,729	–	111,543	–	–	355,272	355,272
Additions	24,132	–	24,132	14,639	–	14,639	26,300	–	–	–	–	26,300	65,071
Disposals	–	–	–	8,283	–	8,283	2,815	–	48,186	–	–	51,001	59,284
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	–
Write-ups	–	–	–	–	–	–	6,085	–	17,500	–	–	23,585	23,585
Balance as of Dec. 31, 2024	**128,694**	**–**	**128,694**	**79,183**	**–**	**79,183**	**261,129**	**–**	**45,857**	**–**	**–**	**306,986**	**514,863**
Net carrying amount as of Dec. 31, 2024	**40,810**	**19,652**	**60,462**	**24,148**	**–**	**24,148**	**17,108,616**	**4,186,873**	**122,849**	**618,629**	**179,802**	**22,216,769**	**22,301,379**
Net carrying amount as of Jan. 01, 2024	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Loans

None of the loans to affiliated companies (amounting to €4,186,873 thousand) or loans to other long-term investees and investors (amounting to €618,629 thousand) are subordinated loans.

The other loans amounting to €179,802 thousand are subordinated.

Receivables and other assets

The breakdown of receivables and other assets is as follows:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Receivables from affiliated companies	**12,604,890**	**121**
of which from the shareholder (Volkswagen AG)	22,986	119
of which due in more than 1 year	7,397,169	–
Receivables from other long-term investees and investors	**6,341,356**	–
of which due in more than 1 year	1,496,052	–
Other assets	**227,171**	–
of which due in more than 1 year	6,188	–
Total	**19,173,417**	**121**

The receivables from affiliated companies include loan receivables and interest of €5,032,073 thousand, receivables from fixed-term deposits and interest of €1,639,845 thousand, receivables under existing profit and loss transfer agreements of €404,393 thousand, receivables from tax allocations of €153,304 thousand, receivables from a cash deposit at Volkswagen Bank AG of €4,379,466 thousand and receivables from current account deposits of €712,952 thousand.

The receivables from other long-term investees and investors include loans and interest receivables of €3,484,748 thousand as well as fixed-term and overnight deposits and interest receivables amounting to €2,855,978 thousand.

Other assets largely relate to receivables from interest rate and cross currency swap contracts in an amount of €178,270 thousand.

Prepaid expenses

Prepaid expenses include prepayments of rental and maintenance costs of €56,847 thousand and currency forward swap premiums of €479 thousand relating to the subsequent year. Prepaid expenses also include a difference of €22,488 thousand determined in accordance with section 250(3) of the HGB.

Deferred income

Deferred income of €456 thousand mainly related to swap premiums.

Equity

Significant changes in equity in the reporting period resulted from a cash contribution and noncash contributions by the shareholder Volkswagen AG. The cash contribution of €250 million was recognized in subscribed capital on entry in the commercial register on July 1, 2024.

Provisions

The provisions comprise the following items:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Provisions for pensions and similar obligations	331,889	–
including the offsetting of the unit-linked pension obligation:	–	–
Provisions for pensions, funded	305,267	–
Fund assets as plan assets (cost €206,296 thousand)	–210,779	–
Other provisions	200,974	–
including the offsetting of the employee time asset bond:	–	–
Provision for time asset bond	96,074	–
Fund assets as plan assets (cost € 90,049 thousand)	–96,074	–
Total	**532,863**	**–**

Provisions for pensions and similar obligations

In the course of restructuring, the employment contracts of the Company’s employees were transferred to Volkswagen Financial Services AG in fiscal year 2024.
In accordance with section 253(1) of the HGB, pension provisions were recognized at the settlement amount on the basis of the precautionary principle and reasonable commercial assessment.
In the year under review, the difference determined in accordance with section 253(6) of the HGB amounted to €2,099 thousand for the pension provision not funded externally, €4,355 thousand for the commitments funded through Volkswagen Pension Trust e.V. and €–15 thousand for the commitments funded through MAN Pension Trust e.V.

Other provisions

The main items recognized within other provisions are provisions for personnel expenses amounting to €147,074 thousand.

Liabilities

The breakdown of liabilities is as follows:

€ thousand	Dec. 31, 2024	Dec. 31, 2023
Bonds	**12,400,000**	**–**
of which due within 1 year	2,450,000	–
of which due in more than 1 year	9,950,000	–
of which due in more than 5 years	2,150,000	–
Liabilities to banks	**2,602,286**	**–**
of which due within 1 year	286,286	–
of which due in more than 1 year	2,316,000	–
of which due in more than 5 years	–	–
Trade payables (due within 1 year)	**8,353**	**24**
Liabilities to affiliated companies	**8,892,572**	**–**
of which to the shareholder	3,122,803	–
of which due within 1 year	3,351,946	–
of which due in more than 1 year	5,540,626	–
of which due in more than 5 years	2,439,282	–
Liabilities to other long-term investees and investors (due within 1 year)	**2,245**	**–**
Other liabilities	**412,647**	**–**
of which taxes	3,669	–
of which relating to social security and similar obligations	1,058	–
of which due within 1 year	412,647	–
of which due in more than 1 year	–	–
of which due in more than 5 years	–	–
Total	**24,318,103**	**24**

Following the implementation of the restructuring, those bonds that were economically attributable to the European market and issued before July 1, 2024 were transferred from Volkswagen Financial Services Overseas AG to Volkswagen Financial Services AG, making the latter the principal debtor from July 1, 2024.

The liabilities to the shareholder of €3,122,803 thousand relate mainly to loans.

Other liabilities include commercial paper liabilities amounting to €194,794 thousand.

4. Income Statement Disclosures

The Company began operations in the course of the restructuring in 2024. Therefore, there is no comparability with the prior-year figures.

Sales

Volkswagen Financial Services AG reports sales of €830,772 thousand in accordance with section 277(1) of the HGB. Of this amount, €664,531 thousand was generated in Germany and €166,241 thousand abroad.

Cost of sales

An amount of €678,072 thousand is reported under cost of sales.
Cost of materials within the meaning of section 275(2) no. 5 of the HGB was incurred for purchased services in an amount of €388,855 thousand.

Personnel expenses

The breakdown of personnel expenses is as follows:

€ thousand	2024	2023
Salaries	427,656	–
Social security, post-employment and other employee benefit costs	79,601	–
of which for post-employment benefits	26,077	–
Total	**507,257**	**–**

Other operating income

Other operating income amounts to €175,833 thousand. It includes prior-period income of €116,359 thousand that is largely attributable to the reversal of provisions. Currency translation resulted in other operating income of €139 thousand.

Other operating expenses

Other operating expenses include issue and rating costs of €10,825 thousand for bonds issued and expenses of €11,703 thousand for banking fees and commissions. Currency translation resulted in other operating expenses of €455 thousand. Other operating expenses include prior-period expenses of €463 thousand.

Net income from long-term equity investments

The breakdown of net income from long-term equity investments is as follows:

€ thousand	2024	2023
Expenses from absorption of losses	40,881	–
Income under profit and loss transfer agreements (from affiliated companies)	557,697	–
Income from other long-term equity investments	2,244	–
of which from affiliated companies	–	–
of which from investments in joint ventures	2,244	–
Total	519,060	–

Income of €557,697 thousand under profit and loss transfer agreements mainly consists of profit transfers (including allocated income taxes) from Vehicle Trading International GmbH (€334,591 thousand), Volkswagen Versicherung AG (€118,548 thousand) and Volkswagen Insurance Brokers GmbH (€74,770 thousand).
The expenses from the transfer and absorption of losses stem largely from the transfer and absorption of the losses of €14,850 thousand incurred by LOGPAY Financial Services GmbH and €26,031 thousand incurred by EURO-Leasing GmbH.

Financial result

The following table shows the breakdown of the financial result:

€ thousand	2024	2023
Income from other securities and long-term loans	168,141	–
of which from affiliated companies	154,924	–
Other interest and similar income	719,050	9
of which from affiliated companies	431,525	9
of which interest income from discounting	–	–
Interest and similar expenses	931,639	–
of which to affiliated companies	281,379	–
of which from unwinding discount on provisions	1,820	–
Write-downs of financial assets (write-downs for permanent impairment at affiliated companies)	26,300	–
Write-ups of financial assets (from affiliated companies)	23,585	–
of which from affiliated companies	–	
Total	**–47,162**	**–**

Interest expenses for funded pension provisions amounting to €24,490 thousand (previous year: €23,060 thousand) were offset against income of the same amount arising from the associated plan assets. The interest expense from unwinding discount on the provision for time asset bonds in the amount of €8,981 thousand (previous year: €11,372 thousand) was offset against income of the same amount from the scheme fund assets.

5. Other disclosures

Hedging instruments

Volkswagen Financial Services AG has entered into derivative contracts to mitigate interest rate risk and currency risk. These derivatives are used solely for hedging purposes. The fair values are determined using market information as of the reporting date and with the help of suitable IT-based valuation techniques.
Volkswagen Financial Services AG has entered into derivative contracts to mitigate interest rate risk and currency risk. These derivatives are used solely for hedging purposes. The fair values are determined using market information as of the reporting date and with the help of suitable IT-based valuation techniques.
The breakdown of nominal values and market values is as follows:

	NOMINAL VALUES		MARKET VALUES			
€ thousand	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024		Dec. 31, 2023	
			positive	negative	positive	negative
Interest rate swaps	11,243,135	–	111,743	339,628	–	–
Cross-currency/currency swaps	1,505,177	–	46,248	138	–	–
Currency forward contracts	1,744,879	–	291	1,110	–	–

The following table shows the amount of hedged items as of December 31, 2024 to which hedge accounting has been applied, together with the level of risk mitigated by this hedge accounting:

T. €		Assets	Liabilities	Total	Amount of hedged risks
Interest rate risks	Micro hedge	–	11,243,135	11,243,135	235,456
Currency risks	Micro hedge	3,250,056	–	3,250,056	14,701
Currency risks	Macro hedge	–	–	–	–
Total		**3,250,056**	**11,243,135**	**14,493,191**	**250,157**

The Company has been applying hedge accounting in accordance with the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act). The net hedge presentation method is used for hedge accounting.

The interest rate risk arising from issuing loans to Group companies is mitigated by micro hedges based on receiver swaps, whereby the changes in the value of the hedged item are offset by the changes in the value of the swap. Currency risk that arises from issuing foreign currency loans to FS companies outside the eurozone is generally hedged with currency forwards, cross-currency swaps, or cross-currency interest rate swaps in micro and macro hedges. Hedge accounting is generally applied over the entire duration of the hedge. The Company therefore always satisfies the hedge accounting criterion, which requires an intention to maintain hedge accounting until the final maturity date. The prospective effectiveness test is performed using the critical term match method. Retrospective effectiveness tests are based on the cumulative dollar offset method.

As of December 31, 2024, a provision for expected losses of €436 thousand was recognized in connection with interest rate and currency risks.

Contingent liabilities

VW FS AG, as a legal entity participating in the spin-off of the European operation of Volkswagen Financial Overseas AG (operating at that time under the name Volkswagen Financial Services AG), is liable as a joint and several debtor in accordance with section 133 (1) sentence 1 of the *Umwandlungsgesetz* (German Transformation Act – UmwG) for the liabilities incurred by the transferring legal entity, Volkswagen Financial Services Overseas AG, up to the effective date of the spin-off on July 1, 2024. The liabilities incurred by Volkswagen Financial Services Overseas AG prior to July 1, 2024 and transferred to VW FS AG with the European operation by way of the spin-off are recognized in the balance sheet of the VW Financial Services AG Group and are not included for the purposes of determining contingent liabilities. The liabilities incurred by Volkswagen Financial Services Overseas AG prior to July 1, 2024 and remaining with Volkswagen Financial Services Overseas AG as of the reporting date result in contingent liabilities of €22.7 million under the joint and several liability. In the unlikely event of a claim on the joint and several liability, it is possible that claims for reimbursement will be made against Volkswagen Financial Services Overseas AG.

The contingent liabilities under guarantees amount to €17,010,221 thousand and are largely attributable to guarantees to creditors of affiliated companies and investees in the amount of €16,857,598 thousand relating to short- and medium-term bonds (money and capital market) issued by these companies. The other contingent liabilities are attributable to a guarantee to a creditor of an affiliated company for future rental payments in the amount of €152,623 thousand. The probability of these guarantees being called upon is generally low because the companies involved form part of the Group. Contingent liabilities under guarantees to affiliated companies amount to €7,197 thousand.

To provide security for any claim for compensation by VW Bank GmbH against VW Financial Services AG, the Company has pledged a current account deposit of €4,379,466 thousand in the form of a cash deposit to VW Bank GmbH.

Volkswagen Financial Services AG has issued a letter of comfort to ensure that its Volkswagen Bank GmbH subsidiary, Braunschweig, is able to meet its current and future obligations by providing it with adequate financial resources.

In accordance with section 5(10) of the Statutes of the German Deposit Guarantee Fund, Volkswagen Financial Services AG undertakes to indemnify the *Bundesverband deutscher Banken e.V.* (Association of German Banks), Berlin, against any losses that may be incurred by a majority-owned credit institution as a result of its actions.

Other financial obligations (purchase order obligations) as specified in section 285 no. 3a of the HGB amount to €119,632 thousand.

Other disclosures

The share capital of €250,000 thousand is divided into 250,000,000 no-par-value shares. All the shares are held by Volkswagen AG, Wolfsburg.

In the course of the restructuring, the existing control and profit and loss transfer agreement was spun off to Volkswagen AG and now exists between Volkswagen AG as the controlling company and Volkswagen Financial Services AG as the controlled company.

Volkswagen Financial Services AG also has control and profit and loss transfer agreements with Volim Volkswagen Immobilien Vermietgesellschaft für VW/Audi-Händlerbetriebe mbH, Volkswagen Versicherung AG, Volkswagen-Versicherungsdienst GmbH, Volkswagen Insurance Brokers GmbH, Vehicle Trading International GmbH, EURO-Leasing GmbH and LOGPAY Financial Services GmbH.

The annual financial statements of Volkswagen Financial Services AG are published in the German Federal Gazette.

The fee paid to the auditor is disclosed in the notes to the consolidated financial statements of Volkswagen AG, Wolfsburg, and in the consolidated financial statements of Volkswagen Financial Services AG.

The fee paid to the auditor for audit services in 2024 was mostly attributable to the audit of the consolidated financial statements of Volkswagen Financial Services AG and of annual financial statements of German Group companies as well as to reviews of interim financial statements of German Group companies. The auditor performed other services only to a minor extent in the reporting period.

The annual financial statements of the Company are included in the consolidated financial statements of Volkswagen Financial Services AG, Braunschweig, which are prepared in accordance with the International Financial Reporting Standards and published in the German Federal Gazette.

The annual financial statements of Volkswagen Financial Services AG are also included in the consolidated financial statements of Volkswagen AG, Wolfsburg, which are published in the German Federal Gazette.

Volkswagen Financial Services AG had 1,199 employees, including 10 senior executives and 56 vocational trainees, on average in the reporting period. The 1,199 employees comprised 885 full-time and 315 part-time employees. For the quarters following the spin-off on July 1, 2024, the average number of employees is 2,392.

Given that the spin-off as of July 1, 2024 was made retrospective to January 1, 2023 under commercial law, the remuneration of the Board of Management of Volkswagen Financial Services AG is disclosed for the full year. It amounted to €5,636 thousand in 2024.

9,818 performance shares were granted in the reporting period. The fair value at the grant date was €1,074 thousand. Advances granted to the members of the Board of Management under the performance share plan amounted to €0 million as of December 31, 2024. A total of €68 thousand of the advances granted to members of the Board of Management was deducted from the payment under the performance share plan in the reporting year. The total payments made to former members of the Board of Management and their surviving dependants amounted to €1.1 million. The provisions recognized for this group of individuals to cover current pensions and pension entitlements amounted to €25.5 million.

The remuneration system of the Board of Management comprises non-performance-related and performance-related components. Until June 30, 2024, the variable remuneration was composed of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI). This LTI took the form of a performance share plan with a forward-looking three-year term (share-based remuneration). Starting on July 1, 2024, the variable remuneration was adjusted to meet the regulatory requirements of the Institutsvergütungsverordnung (IVV – German Regulation Governing Remuneration at Institutions). The main changes are the switch to a performance-related annual bonus with a three-year assessment period (previously a one-year assessment period) and the change in the LTI to a backward-looking long-term bonus with a three-year assessment basis and a maximum payout of 250%. Since January 2019, the beneficiaries of the performance share plan have included other top management members in addition to the members of the Board of Management. Top management members were granted performance shares for the first time at the beginning of 2019. The function of the performance share plan for top management is largely identical to the performance share plan that was granted to the members of the Board of Management. Each performance period of the performance share plan has a term of three years. For the members of the Board of Management and top management, the annual target amount under the LTI is converted, at the time the LTI is granted, on the basis of the initial reference price of Volkswagen's preferred shares into performance shares of Volkswagen AG, which are allocated to the beneficiaries purely for calculation purposes. Based on the degree of target achievement for the annual earnings per Volkswagen preferred share, the number of performance shares is definitively determined on the basis of a three-year, forward-looking performance period. After the end of the performance period, a cash settlement is made. The payment amount corresponds to the number of performance shares stipulated, multiplied by the closing reference price at the end of the period plus a dividend equivalent. The maximum payment amount is limited to 250%. No new performance share plans have been awarded since July 1, 2024, either at the level of the Board of Management or at management levels beneath the Board of Management.

The variable remuneration of all other members of the management and of selected participants below the management level is composed of a performance-related annual bonus with a one-year assessment period and a backward-looking long-term bonus (LTB) with a three-year assessment period. The payout amount for the LTB 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 payment amount for all beneficiaries under the LTB is limited to 250% of the target amount.

The Company paid the members of the Supervisory Board a total allowance of €100 thousand.

6. Report on Post-Balance Sheet Date Events

Following the conclusion of the collective bargaining negotiations at Volkswagen AG, Volkswagen Financial Services AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Volkswagen Insurance Brokers GmbH, Volkswagen Versicherung AG and Vehicle Trading International GmbH began their own collective bargaining negotiations with the IG Metall trade union, which were concluded on January 31, 2025. On the basis of the follow-on collective agreement, the outcome of the collective bargaining negotiations at Volkswagen AG also applies at these companies. The aforementioned companies amended some aspects of or added to the collective bargaining agreement of Volkswagen AG. It is not expected to have a material impact on the annual financial statements as of December 31, 2025.

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

7. Governing bodies of Volkswagen Financial Services AG

The members of the Board of Management are as follows:

DR. CHRISTIAN DAHLHEIM (AS OF JANUARY 1, 2024)
Chair of the Board of Management (as of July 1, 2024)
Corporate Management of Volkswagen Financial Services AG (as of July 1, 2024)
Human Resources and Organization (as of July 1, 2024)

ANTHONY BANDMANN (AS OF JULY 1, 2024)
Sales and Marketing
Europe region (including Germany)

DR. INGRUN-ULLA BARTÖLKE (AS OF JULY 1, 2024)
Finance & Purchasing

FRANK FIEDLER (AS OF JAN. 1, 2024)
Risk, Tax & Legal (as of July 1, 2024)

DR. ALENA KRETZBERG (AS OF JULY 1, 2024)
IT & Digital

The members of the Supervisory Board of VW FS AG are as follows:

DR. ARNO ANTLITZ
Chair
Member of the Board of Management of Volkswagen AG
Finance

DR. HANS PETER SCHÜTZINGER (SINCE MAY 30, 2024)
Deputy Chair (since August 30, 2024)
Chief Executive Officer
of Porsche Holding GmbH Salzburg

ANDREAS KRAUß
Deputy Chair
Chair of the Joint Works Council
of Volkswagen Financial Services AG, Volkswagen Financial Services Overseas AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Vehicle Trading International (VTI) GmbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG

GARNET ALPS (SINCE MAY 30, 2024)
Principal Representative of IG Metall Braunschweig

SARAH AMELING-ZAFFIRO (SINCE MAY 30, 2024)
Deputy Chair of the Joint Works Council of Volkswagen Financial Services AG, Volkswagen Financial Services Overseas AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Vehicle Trading International (VTI) GmbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG

PHILIP LAUCKS (SINCE MAY 30, 2024)
Chair of the Management Board of Fondsdepot Bank GmbH

JÜRGEN MAHNKOPF (SINCE MAY 30, 2024)
Deputy Chair of the General and Group Works Council of Volkswagen AG

LIESBETH RIGTER
Strategic business and leadership consultant with One Soul Community Cooperative U.A.

JÜRGEN RITTERSBERGER (SINCE DECEMBER 1, 2024)
Member of the Board of Management of AUDI AG
Finance, Legal Affairs and IT

SABINE SCHMITTROTH (SINCE MAY 30, 2024)
Managing partner of sajos GmbH

HOLGER SIEDENTOPF
Chair of the Board of Management of the Management Association of Volkswagen Financial Services AG and Volkswagen Financial Services Overseas AG

MIRCO THIEL (SINCE MAY 30, 2024)
Executive Director of the Joint Works Council of Volkswagen Financial Services AG, Volkswagen Financial Services Overseas AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Vehicle Trading International (VTI) GmbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG

HILDEGARD WORTMANN (FROM MAY 30, 2024 TO AUGUST 31, 2024)
Member of the Board of Management of AUDI AG
Sales and Marketing

The composition of the committees of the Supervisory Board of Volkswagen Financial Services AG is as follows:

MEMBERS OF THE AUDIT COMMITTEE (SINCE JULY 1, 2024)

Philip Laucks (Chair)
Dr. Hans Peter Schützinger
Mirco Thiel
Sarah Ameling-Zaffiro

MEMBERS OF THE NOMINATION COMMITTEE (SINCE JULY 1, 2024)

Dr. Arno Antlitz (Chair)
Philip Laucks
Andreas Krauß

MEMBERS OF THE RENUMERATION COMMITTEE (SINCE JULY 1, 2024)

Sabine Schmittroth (Chair)
Dr. Arno Antlitz
Andreas Krauß
Jürgen Rittersberger (since January 22, 2025)
Hildegard Wortmann (until August 31, 2024)

MEMBERS OF THE RISK COMMITTEE (SINCE JULY 1, 2024)

Liesbeth Rigter (Chair)
Sabine Schmittroth
Dr. Hans Peter Schützinger
Mirco Thiel

MEMBERS OF THE CREDIT COMMITTEE (SINCE JULY 1, 2024)

Dr. Arno Antlitz (Chair)
Liesbeth Rigter
Holger Siedentopf

MEMBERS OF THE SPECIAL CREDIT COMMITTEE (SINCE JULY 1, 2024)

Sabine Schmittroth (Chair)
Philip Laucks
Liesbeth Rigter

Shareholdings

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

		EXCHANGE RATE (1 EURO =)	VW FS AG'S INTEREST IN CAPITAL IN %			EQUITY IN THOU-SANDS	PROFIT/ LOSS IN THOU-SANDS		
Name and registered office of company	Currency	Dec. 31, 2024	Direct	Indirect	Total	local currency	local currency	Footnote	Year
I. PARENT COMPANY									
Volkswagen Financial Services AG		–	–	–	–	–	–		
II. SUBSIDIARIES									
A. Consolidated companies									
1. Germany									
EURO-Leasing GmbH	EUR	–	100.00	–	100.00	55,434	–	1)	2024
Vehicle Trading International (VTI) GmbH	EUR	–	100.00	–	100.00	2,763	–	1)	2024
Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH	EUR	–	100.00	–	100.00	57,051	–	1)	2024
Volkswagen Bank GmbH	EUR	–	100.00	–	100.00	12,616,294	–	1)	2024
Volkswagen Insurance Brokers GmbH	EUR	–	100.00	–	100.00	54,829	–	1)	2024
Volkswagen Leasing GmbH	EUR	–	–	100.00	100.00	3,269,912	–	1), 2)	2024
Volkswagen Versicherung AG	EUR	–	100.00	–	100.00	97,055	–	1)	2024
Volkswagen-Versicherungsdienst GmbH	EUR	–	100.00	–	100.00	54,369	–	1)	2024
2. International									
Autofinance S.A.	SEK	11.4501	–	–	–	350	–	3)	2023
Driver Master S.A.	EUR	–	–	–	–	31	–	3)	2023
Driver UK Master S.A.	GBP	0.8302	–	–	–	29	–	3), 5)	2023
Driver UK Multi-Compartment S.A.	GBP	0.8302	–	–	–	29	–	3), 5)	2023
Euro-Leasing A/S, in Liquidation	DKK	7.4576	–	100.00	100.00	36,337	6,955	6)	2023
MAN Financial Services España S.L.	EUR	–	–	100.00	100.00	25,726	–989		2023
MAN Financial Services Poland Sp. z o.o.	PLN	4.2719	–	100.00	100.00	129,140	–24,092	7)	2023
MAN Location & Services S.A.S.	EUR	–	100.00	–	100.00	5,153	5,163		2023
Private Driver España 2020-1, Fondo de Titulización	EUR	–	–	–	–	–	–	3)	2023
Private Driver Italia 2020-1 S.r.l.	EUR	–	–	–	–	10	–	3)	2023
Private Driver Italia 2024-1 S.r.l.	EUR	–	–	–	–	–	–	3)	
ŠkoFIN s.r.o.	CZK	25.1505	–	100.00	100.00	6,353,000	557,000		2023
Trucknology S.A.	EUR	–	–	–	–	31	–	3)	2023
VCL Master Poland DAC	EUR	–	–	–	–	4	4	3)	2023
VCL Master Residual Value S.A.	EUR	–	–	–	–	31	–	3)	2023
VCL Master S.A.	EUR	–	–	–	–	31	–	3)	2023
VCL Master Sweden S.A.	SEK	11.4501	–	–	–	320	238	3)	2023
VCL Multi-Compartment S.A.	EUR	–	–	–	–	31	–	3)	2023
Volkswagen Finance Belgium S.A.	EUR	–	–	100.00	100.00	31,920	17,375		2023
Volkswagen Finance Europe B.V.	EUR	–	100.00	–	100.00	4,666,495	1,250	4)	2023

Name and registered office of the company	Currency	EXCHANGE RATE (1 EURO =) Dec. 31, 2024	VW FS AG'S INTEREST IN CAPITAL IN % Direct	Indirect	Total	EQUITY IN THOUSANDS local currency	PROFIT/LOSS IN THOUSANDS local currency	Footnote	Year
Volkswagen Financial Services (UK) Ltd.	GBP	0.8302	–	100.00	100.00	2,693,873	276,002		2023
Volkswagen Financial Services Ireland Ltd.	EUR	–	–	100.00	100.00	–59,887	15,141		2023
Volkswagen Financial Services N.V.	EUR	–	–	100.00	100.00	2,644,180	33,551		2023
Volkswagen Financial Services Polska Sp. z o.o.	PLN	4.2719	–	100.00	100.00	2,246,563	337,224	7)	2022
Volkswagen Financial Services S.p.A.	EUR	–	100.00	–	100.00	259,124	101,115		2023
Volkswagen Finans Sverige AB	SEK	11.4501	–	100.00	100.00	1,468,968	534,708		2023
Volkswagen Insurance Services, Correduria de Seguros, S.L.	EUR	–	–	100.00	100.00	47,811	11,246		2023
Volkswagen Renting S.A.	EUR	–	–	100.00	100.00	89,121	32,189		2023
Volkswagen Renting, Unipessoal, Lda.	EUR	–	–	100.00	100.00	2,871	171		2023
Volkswagen Serwis Ubezpieczeniowy Sp. z o.o.	PLN	4.2719	–	100.00	100.00	84,623	25,106		2023
B. Unconsolidated companies									
1. Germany									
LOGPAY Financial Services GmbH	EUR	–	100.00	–	100.00	12,674	–	1)	2024
LOGPAY Transport Services GmbH	EUR	–	–	100.00	100.00	3,312	–	1)	2023
Mobility Trader GmbH	EUR	–	–	100.00	100.00	–25,493	–9,790		2022
Mobility Trader Holding GmbH	EUR	–	77.76	–	77.76	55,961	–68,569		2022
The Key to Mobility Services GmbH	EUR	–	–	100.00	100.00	20	–	1)	2023
2. International									
INIS International Insurance Service s.r.o.	CZK	25.1505	–	100.00	100.00	44,243	38,743		2023
LOGPAY Charge & Fuel Slovakia s.r.o.	EUR	–	–	100.00	100.00	–37	–14		2023
LOGPAY Consorzio	EUR	–	–	68.70	68.70	–10	2		2023
LogPay Fuel Czechia s.r.o.	CZK	25.1505	–	100.00	100.00	–10	–720		2023
LOGPAY Fuel Italia S.r.l.	EUR	–	–	100.00	100.00	185	17		2023
LogPay Fuel Spain S.L.	EUR	–	–	100.00	100.00	572	–49		2023
Mobility Trader France S.A.S.	EUR	–	–	100.00	100.00	1,810	–18,021		2022
Mobility Trader Spain S.L.	EUR	–	–	75.10	75.10	7,277	–7,571		2022
Mobility Trader UK Ltd.	GBP	0.8302	–	100.00	100.00	13,953	–22,478		2022
Softbridge - Projectos Tecnológicos S.A.	EUR	–	–	70.00	70.00	10,393	6,277		2023
Volkswagen Financial Services Hellas A.E.	EUR	–	100.00	–	100.00	3,070	–1,109		2023
Volkswagen Financial Services Schweiz AG	CHF	0.9421	–	100.00	100.00	7,227	–5,311		2023
Volkswagen Insurance Brokers, Agente de Seguros y de Fianzas, S.A. de C.V.	MXN	21.5892	–	100.00	100.00	3,617	60,551		2023
Volkswagen Insurance Company DAC	EUR	–	100.00	–	100.00	66,282	5,991		2023
Volkswagen Insurance Service (Great Britain) Ltd.	GBP	0.8302	–	100.00	100.00	2,831	112		2023
Volkswagen Insurance Services Korea Co., Ltd.	KRW	1,534.3200	–	100.00	100.00	6,636,553	1,671,808		2023
Volkswagen Service Sverige AB	SEK	11.4501	–	100.00	100.00	26,218	–8,939		2023
VTXRM - Software Factory Lda.	EUR	–	–	90.00	90.00	11,516	6,982		2023
VTXRM Software Factory US LLC	USD	1.0410	–	100.00	100.00	–	–	4)	2023
VTXRM Software Technology (Chengdu) Co., Ltd.	CNY	7.5986	–	100.00	100.00	–	–	4), 8)	2024
III. JOINT VENTURES									
A. Equity-accounted companies									
1. Germany									
Volkswagen Autoversicherung Holding GmbH	EUR	–	51.00	–	51.00	149,258	4,063		2023

		EXCHANGE RATE (1 EURO =)	VW FS AG'S INTEREST IN CAPITAL IN %			EQUITY IN THOUSANDS	PROFIT/ LOSS IN THOUSANDS		
Name and registered office of the company	Currency	Dec. 31, 2024	Direct	Indirect	Total	local currency	local currency	Footnote	Year
2. International									
Volkswagen D'Ieteren Finance S.A.	EUR	–	–	50.00	50.00	152,871	23,168		2023
Volkswagen Møller Bilfinans A/S	NOK	11.7832	–	51.00	51.00	4,333,109	311,592	7)	2023
Volkswagen Pon Financial Services B.V.	EUR	–	–	60.00	60.00	238,083	89,552	9)	2023
Volkswagen Semler Finans Danmark A/S	DKK	7.4576	–	51.00	51.00	963,444	48,073		2023
B. Companies accounted for at cost									
1. Germany									
Euromobil GmbH	EUR	–	–	49.00	49.00	14,143	4,395	4)	2023
MyDigitalCar GmbH	EUR	–	50.00	–	50.00	1,978	12	4)	2023
2. International									
Collect Car B.V.	EUR	–	–	60.00	60.00	4,640	–1,133		2023
movon AG	CHF	0.9421	–	50.00	50.00	71,059	1,409	4)	2023
Shuttel B.V.	EUR	–	49.00	–	49.00	3,220	608		2023
Staymo S.A.S.	EUR	–	–	51.00	51.00	2,854	–2,502		2023
Volkswagen Financné služby Slovensko s.r.o.	EUR	–	–	58.00	58.00	83,733	–1,364	7)	2023
Volkswagen Losch Financial Services S.A.	EUR	–	60.00	–	60.00	8,758	669		2023
Volkswagen Semler Finans Danmark Holding A/S	DKK	7.4576	–	51.00	51.00	–	–	4), 8)	2024
Volkswagen Semler Leasing Danmark A/S	DKK	7.4576	–	100.00	100.00	–	–	4), 8)	2024
IV. ASSOCIATED COMPANIES									
A. Equity-accounted associates									
1. Germany									
2. International									
Bike Mobility Services Group B.V.	EUR	–	–	49.00	49.00	–	–	10)	2024
B. Associates accounted for at cost									
1. Germany									
Digital Mobility Leasing GmbH	EUR	–	26.00	–	26.00	2,152	–2,343		2023
Verimi GmbH	EUR	–	38.14	–	38.14	1,208	–119,564		2023
2. International									
Credi2 GmbH	EUR	–	–	32.47	32.47	294	–3,351		2022
J.P. Morgan Mobility Payments Solutions S.A.	EUR	–	25.10	–	25.10	32,854	–24,204		2023
Volkswagen-Versicherungsdienst GmbH	EUR	–	–	15.00	15.00	3,854	3,376		2023
V. EQUITY INVESTMENTS									
1. Germany									
Allianz für die Region GmbH	EUR	–	8.70	–	8.70	678	–198		2023
2. International									
OOO Volkswagen Bank RUS	RUB	112.4384	–	1.00	1.00	21,763,274	1,681,435	7)	2023
Society for Worldwide Interbank Financial Telecommunications SCRL	EUR	–	–	0.01	0.01	719,274	55,313	7), 9)	2023

1) Profit--and--loss transfer agreement
2) Matter within the meaning of section 1 of the UmwG
3) Structured company in accordance with IFRS 10 and IFRS 12
4) Short fiscal year
5) Different fiscal year
6) In liquidation
7) Figures in accordance with IFRSs
8) Newly established company/Spin-off
9) Consolidated financial statements
10) Newly acquired company

Braunschweig, February 24, 2025

Volkswagen Financial Services AG
The Board of Management

Dr. Christian Dahlheim

Anthony Bandmann

Dr. Ingrun Bartölke

Frank Fiedler

Dr. Alena Kretzberg

Responsibility Statement

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

Braunschweig, February 24, 2025

Volkswagen Financial Services AG
The Board of Management

Dr. Christian Dahlheim

Anthony Bandmann

Dr. Ingrun Bartölke

Frank Fiedler

Dr. Alena Kretzberg

Independent auditor's report[1]

To Volkswagen Financial Services Aktiengesellschaft, Braunschweig

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

OPINIONS

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

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

> the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2024 and of its financial performance for the fiscal year from 1 January to 31 December 2024 in compliance with German legally required accounting principles, and

> the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the corporate governance declaration in accordance with Sec. 289f (4) in conjunction with Sec. 289f (2) No. 4 HGB included in the "Corporate Governance Declaration" section of the management report (disclosures on the quota for women on executive boards).

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

[1] *Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German*

BASIS FOR THE OPINIONS

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

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Valuation of shares in affiliated companies and equity investments

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

As a holding company, Volkswagen Financial Services Aktiengesellschaft holds shares in financing companies and leasing companies in Germany and other countries. The net realizable values of shares in affiliated companies and equity investments are determined using recognized valuation methods, in particular the capitalization of earnings method. The valuation methods applied are subject to judgment with regard to the valuation parameters used and expectations of future business development. They consider assumptions on future market developments and the development of macroeconomic factors as well as the growth rates and risk-adjusted capitalization rates used. The exercise of judgment for the carrying amounts and the assessment of whether permanent impairment exists can have a considerable effect on the amounts stated in the annual financial statements.

In light of the uncertainties regarding the parameters used for the valuation and the judgment applied, the valuation of shares in affiliated companies and equity investments was a key audit matter.

AUDITOR'S RESPONSE

We assessed the Company's accounting policies for determining the net realizable values of the shares in affiliated companies and equity investments and for assessing impairment as likely to be permanent in order to determine whether they are consistent with the professional pronouncements of the Institut der Wirtschaftsprüfer (IDW) on the valuation of companies and equity investments (IDW AcP HFA 10 in conjunction with IDW S1).

Based on the calculations performed by the Company using the capitalization of earnings method and alternative valuation methods, we obtained an understanding of the application of the valuation method and the determination of the key planning assumptions and valuation parameters and reperformed the calculations for a risk-based sample of affiliated companies and equity investments. Where the capitalization of earnings method was used, our focus was on assessing the key planning assumptions. We compared the budget with the prior fiscal year's budget and with the actual results achieved and analyzed deviations. We also assessed the consistency of the significant assumptions made in the budget. Furthermore, we examined the extent to which the assumptions on the economic development are within a range of externally available forecasts. We examined the valuation parameters used for the estimate of the net realizable values, such as estimated growth rates, cost of capital rates and tax rates, in comparison to externally available parameters.

To audit the valuation of shares in affiliated companies and equity investments, we consulted internal specialists who have particular expertise in the area of business valuation.

Our audit procedures did not lead to any reservations relating to the identification of impaired loans and the determination of the provision for Stage 3 credit risks in dealer financing.

REFERENCE TO RELATED DISCLOSURES

The Company's disclosures on the valuation of the shares in affiliated companies and equity investments are contained in section 2 "Accounting Policies," section 3 "Balance Sheet Disclosures" and section 4 "Income Statement Disclosures" of the notes to the financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the "Corporate Governance Declaration" section (disclosure in accordance with Sec. 289f (4) in conjunction with Sec. 289f (2) No. 4 HGB (disclosures on the quota for women on executive boards) of the combined management report and the "Responsibility Statement," "Human Resources Report" and "Report of the Supervisory Board" sections to be included in the annual report, of which we obtained a copy prior to issuing this auditor's report, but not the annual financial statements, not the combined management report disclosures whose content is audited and not our auditor's report thereon.

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 SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

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

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

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

The Supervisory Board 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 ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

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

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

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

> Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
> Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control and of such arrangements and measures.
> Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
> Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
> Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
> Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
> Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OPINION

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

In our opinion, the rendering of the annual financial statements and the combined management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying combined management report for the fiscal year from 1 January 2024 to 31 December 2024 contained in the "Report on the audit of the annual financial statements and of the management report, which is combined with 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 annual financial statements and the management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

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

> Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
> Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
> Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
> Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited combined management report.

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

We were elected as auditor by the Annual General Meeting on 4 March 2024 and were engaged by the Supervisory Board on 30 September 2024. We have been the auditor of Volkswagen Financial Services Aktiengesellschaft, Braunschweig, without interruption since fiscal year 2020.

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

> Review of the reporting package for the reporting date 30 September 2024 in accordance with the instructions of the group auditor
> Agreed-upon procedures for selected financial information of the Volkswagen Financial Services Aktiengesellschaft Group as of 1 July 2024 in connection with the EUR 50b debt issuance program of Volkswagen Financial Services Aktiengesellschaft
> Reasonable assurance engagement relating to the description of internal controls at the service organization Volkswagen Financial Services Aktiengesellschaft, Braunschweig, regarding the

suitability of the criteria applied and the derived control objectives and the design and operating effectiveness of the controls to achieve the control objectives stated in the description in accordance with IDW AsS 951 (Revised) Type 2
- 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 Financial Services Aktiengesellschaft for the period from 1 January 2024 to 31 December 2024

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).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Matthias Koch.

Eschborn/Frankfurt am Main, 28 February 2025

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

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

Human Resources Report

Mission HR: business driven – people focused.

EMPLOYEES

The Volkswagen Financial Services AG Group had a total workforce of 10,340 (0) employees as of December 31, 2024. Of these, 6,387 (0), or 62%, were employed in Germany and 3,953 (0), or 38%, at international sites.

Due to extensive restructuring within the Volkswagen Financial Services AG Group, numerous employees are now assigned to the Volkswagen Financial Services Overseas AG Group.

HUMAN RESOURCES STRATEGY

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

The future success of Volkswagen Financial Services AG will be founded on the global team comprising every single employee. The critical role of people working together is underpinned by the “Our team, our values” dimension, which captures the importance of employees for all the strategic dimensions. The values referred to – courage, trust and customer centricity – are intended to guide employees in their everyday activities and help motivate them to do their best.

The Human Resources division intends to do its utmost, through a range of different strategic initiatives, to help the Company implement MOBILITY2030 and thereby contribute, with its own targeted actions, to the establishment of an effective high-performance organization. Closely aligned with the principle “business driven – people focused”, the HR strategy focuses on precisely this objective.

Human resources operations were significantly affected over the course of the reporting year by a wide range of factors including the ongoing advance of digitalization, sustained competition for the best people in the labor market and changing expectations of companies among younger generations. To address these challenges, the functional HR strategy focuses on five core HR topics: talent acquisition, employee development, future working culture and modes of working, workforce planning and analysis, and HR digital transformation. The 17 specific initiatives set out in the strategy are to be pursued in combination with the overarching priorities of diversity, integrity, compliance and international mindset. In addition, the evolution of a holistic HR strategy began in 2024 in order to successfully master the structural and cultural transformation.

For the reporting year, the topics of re- and upskilling, culture and leadership, and New Work are particularly noteworthy.

Skilled, committed employees are the cornerstone of success and Volkswagen Financial Services AG accordingly enables its employees to develop their skills continuously. Knowledge and experience are becoming more critical all the time, especially in the field of digitalization. Accordingly, the focus of professional development in the reporting year was on teaching digital, data and AI skills, delivered through a variety of learning opportunities, from self-service learning, through the use of an AI-based learning platform, down to customized training and degree programs for selected target groups. The vocational training and dual study programs were also realigned with the future profiles and with a focus on digital and IT degree programs This approach is supported by the rollout of the digital learning platform in European markets, with the aim of creating a new, cross-border learning culture and promoting global knowledge transfer.

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

Line managers have a particular responsibility in this regard to enable and encourage the employees under them to contribute their ideas and expertise in a modern, diverse and flexible working environment. Line managers have a significant influence on the morale and satisfaction of their staff and hence also on their motivation and commitment. The new leadership principles serve as a values compass for all supervisors, providing guidance for their day-to-day management activities at Volkswagen Financial Services AG and showing employees reliably what they can expect from their supervisors. The corporate values form the basis and shape the understanding of leadership: “We lead by embracing our values”. The line managers held workshops with their teams in order to achieve a common understanding of the leadership principles. The introduction of leadership feedback is intended to mark another milestone. Systematic feedback from their teams will in the future give line managers an opportunity to reflect on their own leadership behavior and make adjustments as needed.

New cultural initiatives were successfully implemented in the reporting year to continuously strengthen the corporate culture. In 2024, we carried out our first employee survey to assess how our values are perceived in our teams – the VW FS Values Index – to enable us to derive differentiated statements on how the FS values are perceived in the teams and to identify potential action areas and strategic value initiatives. The VW FS Values Awards were also presented for the first time in the reporting year. Our corporate values of courage, trust and customer centricity are the foundation of our MOBILITY2030 corporate strategy and are intended to provide direction in our daily work and interactions and to motivate us to give our best every day. The VW FS Values Awards recognize projects and initiatives that make our values visible and tangible in our daily lives.

Volkswagen Financial Services AG continued to pursue a New Work initiative intended to facilitate the necessary changes to the world of work in areas such as tools, technology, space concepts, culture, management, rules and change support in the reporting year as well.

WORK-LIFE BALANCE

Volkswagen Financial Services AG works proactively to provide a family-friendly working environment and is constantly adding new options to help employees improve their work-life balance. Examples include a variety of working time models and the “Frech Daxe” company childcare facility, which is located next to the company’s site in Braunschweig and offers both flexible care hours and vacation care.

Report of the Supervisory Board

of Volkswagen Financial Services AG

In the year under review, the Supervisory Board gave regular and thorough consideration to the position and development of Volkswagen Financial Services AG and the Volkswagen Financial Services AG Group.

During the reporting period, the Board of Management informed the Supervisory Board promptly and comprehensively at all times, in writing or verbally, regarding material aspects of the Company's planning and position, including the risk situation and the risk management system, and also regarding business development and any deviations from planning and targets. There are regular exchanges between the Chair of the Supervisory Board and the Management Board even outside of meetings. Based on these reports of the Board of Management, the Supervisory Board constantly monitored the management of the Company's and the Group's business and was thus able to carry out without limitation the functions assigned to it by law and under the articles of association. All decisions of fundamental importance for the Company and other transactions requiring the approval of the Supervisory Board under the rules of procedure were reviewed and discussed with the Board of Management before the relevant resolution was adopted.

The Supervisory Board had four members through May 29, 2024 and twelve members since May 30, 2024. Changes in the reporting period are disclosed in the information on governing bodies.

The Supervisory Board held four regular meetings in the reporting period. The average attendance rate was 94%. The meetings were held in person. The Supervisory Board adopted two resolutions in writing by circulating written documents. No decisions were made by the Chair of the Supervisory Board via the expedited procedure.

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

MATTERS DISCUSSED BY THE SUPERVISORY BOARD

At its meeting on February 23, 2024, following reports submitted by the auditor, the Supervisory Board examined in detail and then approved the annual financial statements of Volkswagen Financial Services AG for 2023 prepared by the Board of Management. The Supervisory Board also issued a recommendation regarding the appointment of the auditor for 2024. The Supervisory Board also discussed the 2024 bonus KPIs and the competencies in the loan approval process starting on July 1, 2024.

At the meeting on June 13, 2024, the Board of Management provided the Supervisory Board with an update and, at the meeting on August 30, 2024, with a report on the successful implementation of the comprehensive internal restructuring program. As part of this program, the Volkswagen Financial Services AG and Volkswagen Bank GmbH subgroups were restructured in such a way that the European financial services activities were separated from the non-European financial services activities.

At its meeting on June 13, 2024, the Supervisory Board also approved the new funding framework and the establishment of a comfort letter in favor of the subsidiaries. It also approved the transfer of shares within the Group and authorized its Dutch subsidiary to acquire further leasing companies and leasing portfolios. The Supervisory Board additionally appointed new members of the Board of Management and a Group Remuneration Officer, and adopted resolutions on the remuneration system and other HR matters. It also amended the Rules of Procedure for the Board of Management and approved a resolution of the management of Volkswagen Bank GmbH to grant loans to members of governing bodies in accordance with section 15 of the German Banking Act. The Supervisory Board was also informed about the status of the deposit strategy and discussed this matter. Finally, the Supervisory Board was comprehensively informed about the rights and obligations of members of the Supervisory Board of a financial holding company supervised by the European Central Bank (ECB).

At the meetings on August 30, 2024, and November 11, 2024, the Board of Management presented the Supervisory Board with comprehensive reports about the economic and financial position of the Company and the Volkswagen Financial Services AG subgroup and the Company's latest position. The focus topics included strengthening the leasing business, investment programs, data quality, the insurance business and strategic issues. At both meetings, the committees reported extensively to the Supervisory Board on the content of the committee meetings and presented proposed resolutions to the Supervisory Board. At the meeting on August 30, 2024, the Supervisory Board approved the acquisition of Fin Quest B.V., Eindhoven/Netherlands, by Dutch subsidiaries.

At the meeting on November 11, 2024, the Board of Management informed the Supervisory Board about the status of the reporting capabilities and the increasing demands on reporting to residual value risk management. In addition, the Board of Management presented the sustainability strategy, describing the sustainability principles and targets. The Board of Management also provided an IT status report. This mainly consisted of presentations on the IT strategy and the status of IT cost development projects and IT security.

COMMITTEE ACTIVITIES

The Supervisory Board of Volkswagen Financial Services AG has established six committees with effect from July 1, 2024 to enable it to effectively fulfill its responsibilities. The duties and responsibilities of the various committees are regulated in the relevant committee rules of procedure.

Audit Committee

The Audit Committee held one regular meeting in the reporting period on November 11, 2024. The Committee has four members. The attendance rate was 100%. There were no urgent transactions during the reporting period that would have required a decision by circulation of written resolutions for approval.

At the meeting, the Committee was briefed on the current financial performance of Volkswagen Financial Services AG (Group) and discussed this matter. The Committee also discussed the audit planning and the areas of emphasis of the forthcoming audit of the 2024 annual financial statements with representatives of the auditors. It also received information about the quality of the audit of the financial statements. In addition, the head of Internal Audit presented the current status report to the Committee and provided an outlook on the audit planning for 2025. Furthermore, the compliance organization was presented to the Committee.

Risk Committee

The Risk Committee held two meetings in the reporting period. During the reporting period, there were no urgent transactions that would have required a decision by circulation of written resolutions for approval. The Committee has four members. The average attendance rate was 87.5%.

At its meeting on August 30, 2024, the Risk Committee discussed the business and risk strategy and the ad hoc risk inventory of Volkswagen Financial Services AG (Group). The Committee also discussed the outcome of the Supervisory Review and Evaluation Process (SREP) in 2025 and the current capital ratios of VWFS AG (Group). In addition, the Committee was informed about the current status of the large exposure of VWFS AG (Group) and the management of residual values and residual value risk, and discussed these matters.

At the meeting on November 11, 2024, the Committee was presented with the organizational structure of risk management at Volkswagen Financial Services AG (Group) as a result of the internal restructuring as of July 1, 2024, as well as the risk management report of Volkswagen Financial Services AG (Group) dated September 30, 2024. In addition, the Committee was informed about the initial conduct of the EBA/ECB stress test for Volkswagen Financial Services AG in 2025. Furthermore, the Committee dealt with other aspects of residual value and residual value risk management.

Remuneration Committee

The Remuneration Committee held two meetings in the reporting period. The Committee has four members. The average attendance rate was 88%. There was one resolution adopted by circulation of a written resolution in the reporting period.

At its meeting on August 23, 2024, the Remuneration Committee addressed the principles of the *Institutsvergütungsverordnung* (IVV – German Regulation Governing Remuneration at Institutions) and the constraints on the determination of the bonus pool in accordance with the IVV.

At its meeting on November 11, 2024, the Committee discussed the appropriateness of the remuneration system and made a recommendation to the Supervisory Board. Furthermore, the Committee discussed the parameters of the annual bonus and made a recommendation to the Supervisory Board. The committee also discussed whether the remuneration of the Board of Management was in line with market conditions. In addition, the Committee was informed about the process and results of the identification of risk takers and Group risk takers.

Nomination Committee

The Nomination Committee met once during the fiscal year, on November 7, 2024, with all three members in attendance. The attendance rate was 100%. In addition, the Nomination Committee decided on a personnel recommendation by circulating written documents.

At its meeting, the committee addressed a succession plan for the Supervisory Board and made a recommendation. It also dealt with the efficiency review of the Board of Management and the Supervisory Board, evaluated a corresponding questionnaire that the members of the Supervisory Board had previously answered and derived recommendations from it for the Supervisory Board.

Credit Committee

The Credit Committee is responsible for approving issues that the Supervisory Board has to deal with by law and under the Articles of Association and rules of procedure relating to loan commitments, the assumption of sureties, guarantees and similar liabilities, Bank borrowings, the purchasing of receivables (factoring) and for master agreements governing the assumption of receivables. The Credit Committee is composed of three members of the Supervisory Board and an additional representative and makes its decisions by circulation of written resolutions or on the basis of electronic credit applications. The Credit Committee decided on five loan commitments in the reporting year. The activities of the committee were reported at the plenary meetings of the Supervisory Board.

Special Credit Committee

The Special Credit Committee decides on the approval of loans if at least one member of the regular Credit Committee has a conflict of interest. It consists of three members of the Supervisory Board who have no conflicts of interest. The decisions are made in writing by circulating the relevant documents. The Special Credit Committee approved three lending decisions in the past fiscal year.

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

EDUCATION AND TRAINING

On August 30, 2024, the members of the Supervisory Board received training on the topic "Information and Communication Technology (ICT) – Risks in Our World Today".

The members of the Supervisory Board also independently completed the education and training necessary to perform their tasks.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

At its meeting on February 28, 2025, the Audit Committee commented on the consolidated financial statements and annual financial statements of Volkswagen Financial Services AG prepared by the Board of Management and, following a detailed examination, recommended to Supervisory Board to approve the annual financial statements for 2024 and to approve the consolidated financial statements. At its meeting on February 28, 2025, the Supervisory Board approved both the consolidated financial statements prepared by the Board of Management as well as the annual financial statements of Volkswagen Financial Services AG. The consolidated financial statements and annual financial statements have thus been adopted. On the basis of the current control and profit-and-loss transfer agreement, the profit reported by Volkswagen Financial Services AG in accordance with the HGB for fiscal year 2024 was transferred to Volkswagen AG.

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

Braunschweig, February 28, 2025

Dr. Arno Antlitz
Chair of the Supervisory Board

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