VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

ANNUAL REPORT

IFRS

2024

Key Figures

VOLKSWAGEN FINANCIAL SERVICES AG

€ million (as of Dec. 31)	2024	2023
Total assets	192,297	0
Loans to and receivables from customers attributable to		–
Retail financing	30,678	–
Dealer financing	18,912	–
Leasing business	53,274	–
Lease assets	46,779	–
Equity	31,535	0
Operating profit	1,246	0
Profit before tax	1,245	0

in percent (as of Dec. 31)	2024	2023 [5]
Overhead-Ratio[1]	1.1	–
Equity ratio[2]	16.4	–
Return on equity[3]	7.9	–
Common Equity Tier 1 capital ratio[4]	16.5	–
Tier 1 capital ratio[4]	16.5	–
Total capital ratio[4]	18.2	–

1 General administration expenses less other taxes and income from the release of provisions and accrued liabilities/average total assets
2 Equity / total assets
3 Profit before tax / average equity.
4 According to Article 92(1) of the CRR
5 No prior-year figures given because the prior-year key figures were not yet relevant for managing the Volkswagen Financial Services AG Group.

Number (as of Dec. 31)	2024	2023
Employees	10,340	–
Germany	6,387	–
International	3,953	–

	STANDARD & POOR'S			MOODY'S INVESTORS SERVICE			FITCH RATINGS LIMITED		
RATING (AS OF Dec. 31)	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Volkswagen Financial Services AG	A-2	BBB+	stable	P-2	A3	negative	F1	A-	stable
Volkswagen Bank GmbH	A-2	BBB+	stable	P-1	A1	negative	F1	A-	stable

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

COMBINED MANAGEMENT REPORT

4 Fundamental Information about the Group
11 Report on Economic Position
24 Volkswagen Financial Services AG (condensed, in accordance with the HGB)
28 Report on Opportunities and Risks
68 Report on Expected Developments

CONSOLIDATED FINANCIAL STATEMENTS

76 Income Statement
77 Statement of Comprehensive Income
78 Balance Sheet
80 Statement of Changes in Equity
81 Cash Flow Statement
82 Notes to the Consolidated Financial Statements

FURTHER INFORMATION

230 Responsibility Statement
231 Independent Auditor's Report
242 Human Resources Report
244 Report of the Supervisory Board

COMBINED MANAGEMENT REPORT

4	Fundamental Information about the Group
11	Report on Economic Position
24	Volkswagen Financial Services AG (condensed, in accordance with the HGB)
28	Report on Opportunities and Risks
68	Report on Expected Developments

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.

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.

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

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.

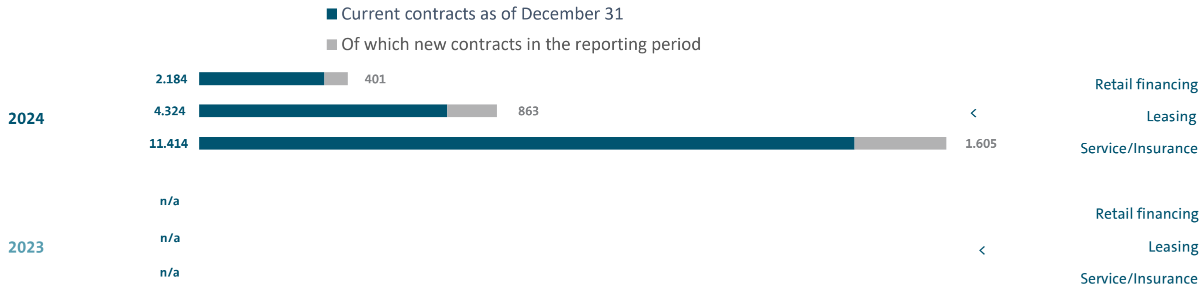
KEY FIGURES BY SEGMENT AS OF DECEMBER 31, 2024

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.

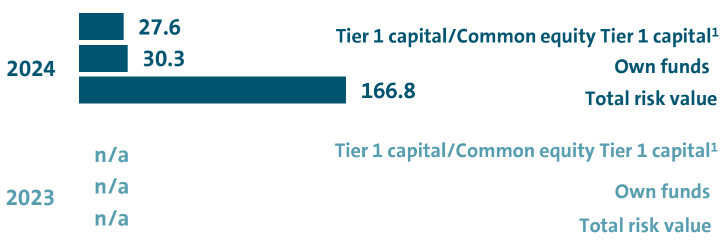
The following overview shows details of the composition of the total risk exposure amount and own funds:

	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

Ownfunds and total risk exposure/total risk value
in € billion



Tier 1 capital ratio/ Common equity Tier 1 capital ratio

16.5 %

Overall ratio/ Total capital ratio

18.2 %

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

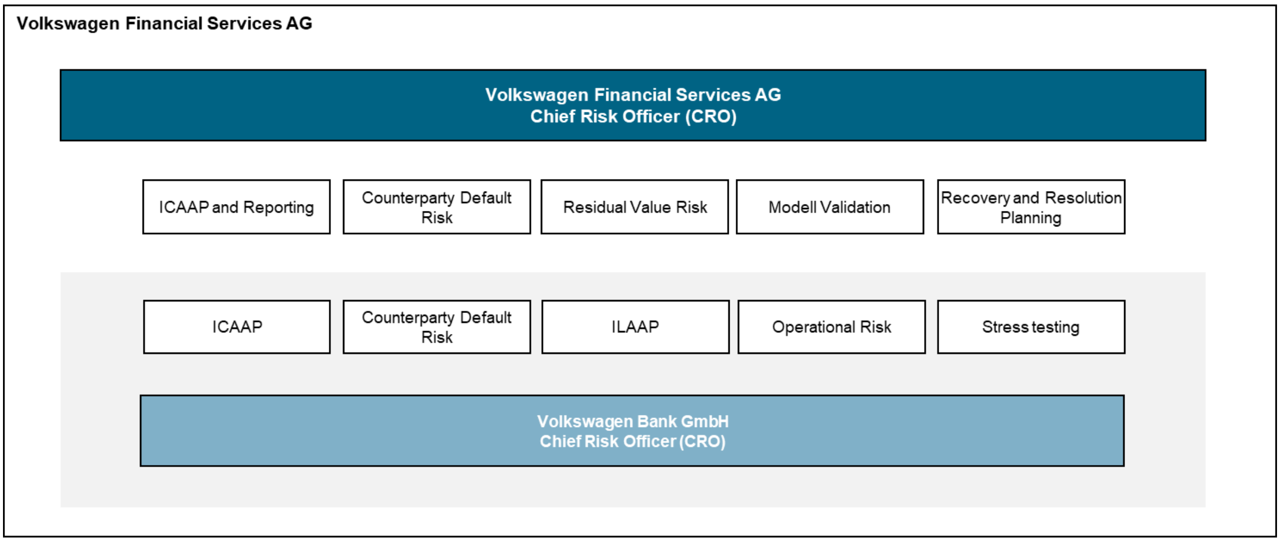
At Volkswagen Financial Services AG, risk is defined as the danger of loss or damage that could occur if an expected future development turns out to be less favorable than planned. Volkswagen Financial Services AG is exposed to a large number of risks typical for the financial services sector within 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.

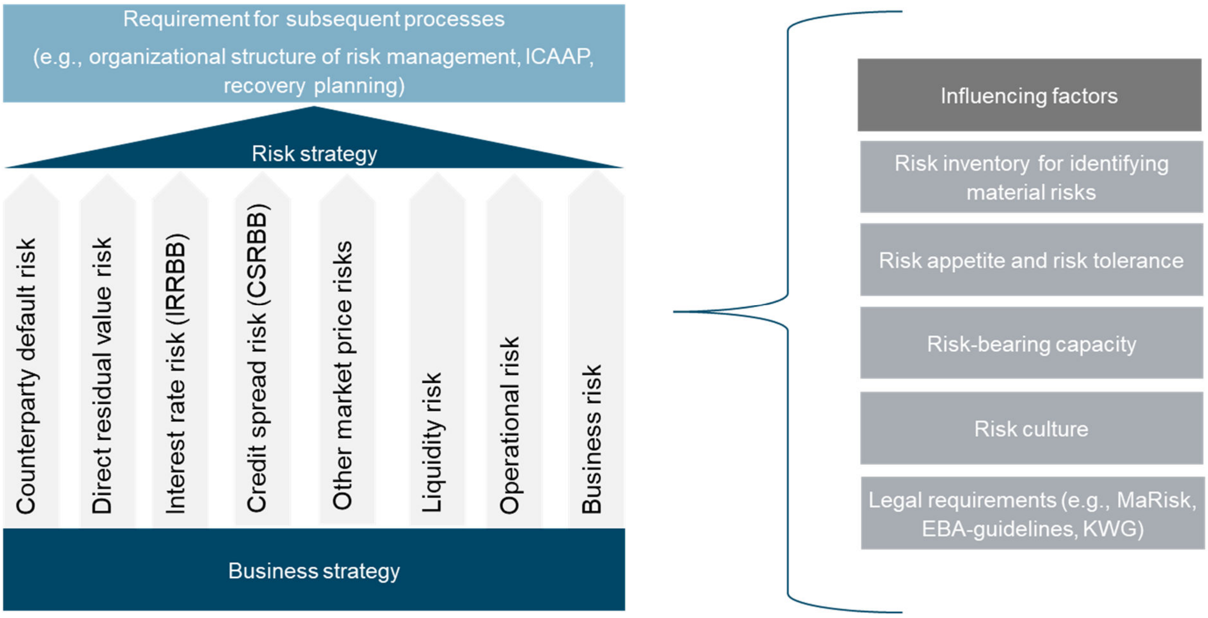
As part of this overall responsibility, the Board of Management has implemented a strategy process and a business and risk strategy. The Group-wide MOBILITY2030 business strategy sets out the fundamental views of the Board of Management of Volkswagen Financial Services AG on key matters relating to business 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.

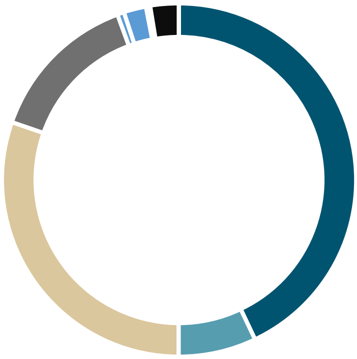
As of December 31, 2024, risk-taking potential amounted to €26.1 billion and comprised CET1 capital (€27.6 billion) plus accumulated earnings after dividend deduction (€0.9 billion) less hidden charges and loss allowance shortfalls (€2.4 billion in total). As of December 31, 2024, 61% of risk-taking 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).

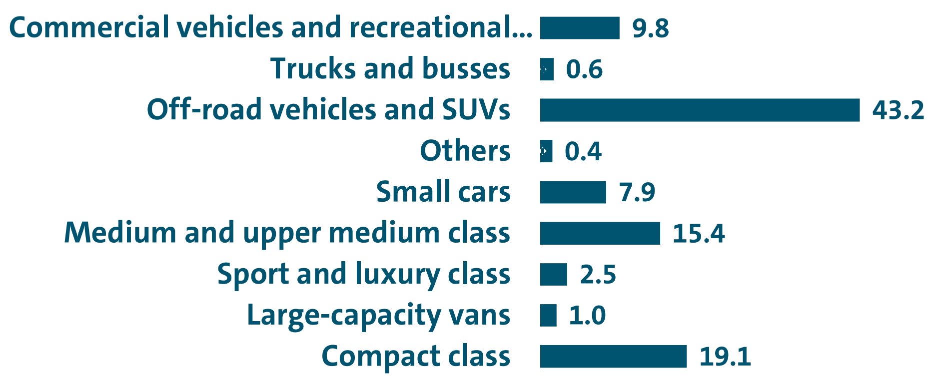
These potential concentrations are mitigated by diversification, for example with regard to the dimensions of brands, models and countries.

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.

CONSOLIDATED FINANCIAL STATEMENTS

76 Income Statement
77 Statement of Comprehensive Income
78 Balance Sheet
80 Statement of Changes in Equity
81 Cash Flow Statement
82 Notes to the Consolidated Financial Statements
82 General Information
83 Basis of Presentation
84 Effects of New and Revised IFRSs
85 New and Revised IFRSs Not Applied
86 Accounting Policies
121 Income Statement Disclosures
128 Balance Sheet Disclosures
151 Financial Instrument Disclosures
189 Segment Reporting
192 Other Disclosures
226 Shareholdings

FURTHER INFORMATION

230 Responsibility Statement
231 Independent Auditor’s Report
242 Human Resources Report
244 Report of the Supervisory Board

Income Statement

of the Volkswagen Financial Services AG Group

€ million	Note	Jan. 1. – Dec. 31, 2024	Jan. 1. – Dec. 31, 2023	Change in percent
Interest income from lending transactions and marketable securities	6, 10, 61	2,128	0	X
Income from leasing transactions		13,392	–	X
Depreciation, impairment losses and other expenses from leasing transactions		–10,292	–	X
Net income from leasing transactions	6, 10, 15-16, 23, 72	3,099	–	X
Interest expense	6, 10, 24, 61	–3,024	–	X
Income from service contracts		1,459	–	X
Expenses from service contracts		–1,356	–	X
Net income from service contracts	6, 25	104	–	X
Income from insurance transactions		161	–	X
Expenses from insurance transactions		–121	–	X
Net income from insurance business	18, 26	40	–	X
Provision for credit risks	10, 27, 61	–251	0	X
Fee and commission income		286	0	X
Fee and commission expenses		–104	–	X
Net fee and commission income	6, 28	183	0	X
Net gain or loss on hedges	10, 29	–32	–	X
Net gain/loss on financial instruments measured at fair value and on de-recognition of financial assets measured at fair value through other com-prehensive income	10, 30, 61	–83	–	X
General and administrative expenses	6, 13-15, 17, 19, 31	–1,027	0	X
Other operating income		579	0	X
Other operating expenses		–468	0	X
Net other operating income/expenses	6, 32	110	0	X
Operating result		**1,246**	**0**	**X**
Share of profits and losses of equity-accounted joint ventures		36	–	X
Net gain/loss on miscellaneous financial assets	12, 33	–14	–	X
Other financial gains or losses	34	–23	–	X
Profit before tax		**1,245**	**0**	**X**
Income tax expense	8, 35	–416	0	X
Profit after tax		**829**	**0**	**X**
Profit after tax attributable to Volkswagen AG		829	0	X

Statement of Comprehensive Income

of the Volkswagen Financial Services AG Group

€ million	Note	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
Profit after tax		**829**	**0**
Pension plan remeasurements recognized in other comprehensive income	17, 53		–
Pension plan remeasurements recognized in other comprehensive income, before tax		6	–
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	8, 35	–1	–
Pension plan remeasurements recognized in other comprehensive income, net of tax		5	–
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	10	9	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax		0	–
Items that will not be reclassified to profit or loss		**14**	**–**
Exchange differences on translating foreign operations	5		–
Gains/losses on currency translation recognized in other comprehensive income		75	–
Transferred to profit or loss		–	–
Exchange differences on translating foreign operations, before tax		75	–
Deferred taxes relating to exchange differences on translating foreign operations	8, 35	–	–
Exchange differences on translating foreign operations, net of tax		75	–
Hedging transactions	10		–
Fair value changes recognized in other comprehensive income (OCI I)		–1	–
Transferred to profit or loss (OCI I)		3	–
Cash flow hedges (OCI I), before tax		2	–
Deferred taxes relating to cash flow hedges (OCI I)	8, 35	–1	–
Cash flow hedges (OCI I), net of tax		1	–
Fair value changes recognized in other comprehensive income (OCI II)		–	–
Transferred to profit or loss (OCI II)		–	–
Cash flow hedges (OCI II), before tax		–	–
Deferred taxes relating to cash flow hedges (OCI II)	8, 35	–	–
Cash flow hedges (OCI II), net of tax		–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss	10		–
Fair value changes recognized in other comprehensive income		87	–
Transferred to profit or loss		–6	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax		81	–
Deferred taxes relating to fair value valuation of debt instruments that may be reclassified to profit and loss	8, 35	–27	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax		54	–
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax		–2	–
Items that may be reclassified to profit or loss		**127**	**–**
Other comprehensive income, before tax		170	–
Deferred taxes relating to other comprehensive income		–29	–
Other comprehensive income, net of tax		**141**	**–**
Total comprehensive income		**971**	**0**
Total comprehensive income attributable to Volkswagen AG		971	0

Balance Sheet

of the Volkswagen Financial Services AG Group

€ million	Note	Dec. 31, 2024	Dec. 31, 2023	Change Dec. 31, 2023 – Dec. 31, 2024 in %	Jan. 1, 2023
Assets					
Cash reserve	9, 37, 61 – 65, 68 – 69	12,444	–	X	–
Loans to and receivables from banks	10, 38, 61 – 69	962	0	X	1
Loans to and receivables from customers attributable to					
Retail financing		30.678	–	X	–
Dealer financing		18.912	–	X	–
Leasing business		53.274	–	X	–
Other loans and receivables		17.627	0	X	0
Total loans to and receivables from customers	10, 15, 39, 61 – 67, 69	120,491	0	X	0
Value adjustment on portfolio fair value hedges	11, 40	113	–	X	–
Derivative financial instruments	10, 41, 61 – 65, 69 – 70	531	–	X	–
Marketable securities	10, 42, 61, 69	3,561	–	X	–
Equity-accounted investments	2, 43, 62	1,263	–	X	–
Miscellaneous financial assets	10, 12, 61 – 65	150	–	X	–
Intangible assets	13, 44	139	–	X	–
Property and equipment	14 – 15, 45	373	–	X	–
Lease assets	15, 72	46,779	–	X	–
Investment property	15 – 16, 46, 72	8	–	X	–
Deferred tax assets	8, 47	1,240	–	X	–
Income tax assets	8, 61 – 65	95	0	X	–
Other assets	15, 48, 61 – 65	4,098	–	X	–
Assets held for sale (IFRS 5)	3	49	–	X	–
Total		**192.297**	**0**	**X**	**1**

€ million	Note	Dec. 31, 2024	Dec. 31, 2023	Change Dec. 31, 2024 - Dec. 31, 2023 in percent	Jan. 1, 2023
Equity and Liabilities					
Liabilities to banks	10, 50, 61 – 65, 68 – 69	5,748	–	X	–
Liabilities to customers	10, 50, 61 – 65, 68 – 69	82,711	0	X	0
Notes, commercial paper issued	10, 51, 61, 66, 68 – 69	61,735	–	X	–
Derivative financial instruments	10, 52, 61 – 65, 68 – 70	1,164	–	X	–
Provisions for pensions and other post-employment benefits	17, 53	365	–	X	–
Underwriting provisions and other provisions	18 – 19, 54, 73	939	0	X	0
Deferred tax liabilities	8, 55	2,038	–	X	–
Current tax liabilities	8, 61 – 65	751	–	X	0
Other liabilities	57, 61 – 65, 68	2,565	–	X	–
Subordinated capital	10, 57, 61, 66, 68 – 69	2,745	–	X	–
Equity	59	31,535	0	X	0
Subscribed capital		250	0	X	0
Capital reserves		16,713	–	X	–
Retained earnings		14,741	–	X	–
Other reserves		–169	–	X	–
Total		**192,297**	**0**	**X**	**1**

Statement of Changes in Equity

of the Volkswagen Financial Services AG Group

€ million	Subscribed capital	Capital reserves	Retained earnings	OTHER RESERVES: Currency translation	OTHER RESERVES: Hedging transactions: Cash flow hedges (OCI I)	OTHER RESERVES: Hedging transactions: Deferred hedging costs (OCI II)	OTHER RESERVES: Equity and debt instruments	OTHER RESERVES: Equity-accounted investments	Total equity
Balance on Jan. 1,2023	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0**
Profit after tax	–	–	0	–	–	–	–	–	0
Other comprehensive income, net of tax	–	–	–	–	–	–	–	–	–
Total comprehensive income	**–**	**–**	**0**	**–**	**–**	**–**	**–**	**–**	**0**
Profit transferred to/loss assumed by Volkswagen AG[1]	–	–	0	–	–	–	–	–	0
Other changes	–	–	–	–	–	–	–	–	–
Balance as of Dec. 31, 2023	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0**
Balance on Jan. 1, 2024	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0**
Profit after tax	–	–	829	–	–	–	–	–	829
Other comprehensive income, net of tax	–	–	5	75	1	–	63	–2	141
Total comprehensive income	**–**	**–**	**835**	**75**	**1**	**–**	**63**	**–2**	**971**
Capital increases against cash contributions	250	277	–	–	–	–	–	–	527
Noncash capital increases by the shareholder Volkswagen AG[2]	–	16,436	14,783	–113	14	–	–146	–60	30,913
Profit transferred to/loss assumed by Volkswagen AG[1]	–	–	–317	–	–	–	–	–	–317
Other changes[3]	–	–	–560	1	–	–	–	–	–559
Balance as of Dec. 31, 2024	**250**	**16,713**	**14,741**	**–38**	**15**	**–**	**–84**	**–62**	**31,535**

1 The figures show the share of HGB profit attributable to Volkswagen AG.
2 Information on "Change due to contribution in kind of the shareholder Volkswagen AG" can be found in note (2) Basis of consolidation.
3 "Other changes" contain a profit transfer by Volkswagen Bank GmbH to Volkswagen AG.
Further information on equity is presented in note (59).

Cash Flow Statement

of the Volkswagen Financial Services AG Group

€ million	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023
Profit before tax	**1,245**	**0**
Depreciation, amortization, impairment losses and reversals of impairment losses	3,463	0
Change in provisions	13	0
Change in other noncash items	–684	–
Loss on disposal of financial assets and items of property and equipment	–4	–
Net interest expense and dividend income	–869	0
Other adjustments	–9	0
Change in loans to and receivables from banks	38	0
Change in loans to and receivables from customers	–2,692	0
Change in lease assets	–7,715	–
Change in other assets related to operating activities	–618	–
Change in liabilities to banks	–7,067	–
Change in liabilities to customers	1,892	0
Change in notes, commercial paper issued	–658	–
Change in other liabilities related to operating activities	–36	–
Interest received	3,890	0
Dividends received	3	–
Interest paid	–3,023	–
Income taxes paid	–352	–
Cash flows from operating activities	**–13,183**	**0**
Proceeds from disposal of investment property	1	–
Acquisition of investment property	–	–
Proceeds from disposal of subsidiaries and joint ventures	30	–
Acquisition of subsidiaries and joint ventures	–29	–
Proceeds from disposal of other assets	9	–
Acquisition of other assets	–43	–
Change in investments in marketable securities	91	–
Cash flows from investing activities	**59**	**–**
Proceeds from changes in capital	527	–
Distribution to Volkswagen AG	–	–
Profit transferred to/loss assumed by Volkswagen AG	–	0
Change in cash funds attributable to subordinated capital	–196	–
Repayment of liabilities arising from leases	–3	–
Cash flows from financing activities	**328**	**0**
	–	–
Cash and cash equivalents at end of prior period	**0**	**1**
Changes in basis of consolidation[1]	26,215	–
Cash flows from operating activities	–13,183	0
Cash flows from investing activities	59	–
Cash flows from financing activities	328	0
Effect of exchange rate changes	–2	–
Cash and cash equivalents at end of period	**13,417**	**0**

1 Change in cash and cash equivalents from the absorption of the European operations spun off by Volkswagen Financial Services Overseas AG and the contribution of Volkswagen Bank GmbH by Volkswagen AG (see “General Information”).
Disclosures on the cash flow statement are presented in note (74).

Notes to the Consolidated Financial Statements

of the Volkswagen Financial Services AG Group as of December 31, 2024

General Information

Volkswagen Financial Services Aktiengesellschaft (VW FS AG), which still operated under the name Volkswagen Financial Services Europe AG until June 30, 2024, has the legal form of an *Aktiengesellschaft* (German stock corporation). It has its registered office at Gifhorner Strasse, Braunschweig, Germany, and is registered in the Braunschweig commercial register (HRB 210842).

The object of the Company is to develop, sell and process its own and third-party financial services, with a focus on Europe, which are suited to promote the business operations of Volkswagen AG and its affiliated companies.

A comprehensive restructuring program was launched within the Volkswagen Group in 2023 for the previous subgroups of Volkswagen Financial Services Overseas AG, which operated as Volkswagen Financial Services AG until June 30, 2024, and Volkswagen Bank GmbH. The aim of the restructuring was to combine the German and European companies of the subgroups, 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 notarized, entered into the commercial register and thus completed in full on July 1, 2024.

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. The share capital of the financial holding company was increased from €250,000 to €250,000,000 upon entry in the commercial register on July 1, 2024, in return for a cash contribution from the sole shareholder Volkswagen AG.

The shares of the German and European companies, including their subsidiaries and other investees, as well as other assets and liabilities, were transferred by the sole shareholder Volkswagen AG to Volkswagen Financial Services AG as of July 1, 2024 in the form of a noncash contribution in the amount of €30,913 million. These relate both to shareholdings in companies and other assets and liabilities resulting from the spin-off for the absorption of the European operations by Volkswagen Financial Services Overseas AG and to shareholdings in companies that were acquired by Volkswagen AG in the spin-off of Volkswagen Bank GmbH. The predecessor accounting method was applied to the assets acquired and liabilities assumed, and which were recognized at the consolidated carrying amounts of the parent company Volkswagen AG at the acquisition date. The scope of the assets acquired and liabilities assumed and the accounting policies applied are described in note (2) Basis of consolidation.

In connection with the spin-off of the European operations, the employment contracts of employees along with all employee-related obligations, liabilities and provisions arising from employment contracts and former employment contracts of Volkswagen Financial Services Overseas AG were also transferred to VW FS AG. Of the employment relationships transferred to VW FS AG, some were transferred to the subsidiaries Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Volkswagen Versicherung AG, Volkswagen Insurance Brokers GmbH or Vehicle Trading International GmbH immediately after the spin-off took effect. These were conducted on the basis of transfer agreements or by means of business unit transfers within the VW FS AG Group in accordance with section 613a of the *Bürgerliches Gesetzbuch* (German Civil Code – BGB).

As the parent company, VW FS AG controls the subsidiaries whose shares were absorbed as of July 1, 2024. As a result, the parent company VW FS AG is obligated to prepare consolidated financial statements in accordance with section 290(1) of the German Commercial Code (*Handelsgesetzbuch* – HGB). The annual financial report as of December 31, 2024 is thus being prepared as consolidated financial statements in accordance with section 117(1) of the WpHG, applying International Financial Reporting Standards (IFRSs). Before the restructuring was completed, the previous company, Volkswagen Financial Services Europe AG, had no subsidiaries and was therefore not required to prepare consolidated financial statements. The previous object of Volkswagen Financial Services Europe AG was to manage its own assets. There was no operating business. The descriptions in the section “Basis of Presentation” on the first-time adoption of IFRS Accounting Standards relate to the previous company, Volkswagen Financial Services Europe AG.

Volkswagen AG, Wolfsburg, is the sole shareholder of the parent company, VW FS AG. Volkswagen AG and VW FS AG have entered into a control and profit-and-loss transfer agreement.

The annual financial statements of the VW FS AG Group companies are included in the consolidated financial statements of Volkswagen AG, Wolfsburg, which are published in the Company Register.

Basis of Presentation

VW FS AG prepared consolidated financial statements in accordance with the IFRSs for the first time as of December 31, 2024.

In accordance with the requirements of IFRS 1, the VW FS AG Group is applying the IFRS Accounting Standards and the accounting policies derived from them for the first time with retrospective effect as of the date of transition to the IFRS Accounting Standards, January 1, 2023 (date of the opening IFRS balance sheet), and for all subsequent reporting periods presented.

For the previous reporting periods, the annual financial statements of VW FS AG were prepared in accordance with the provisions of the HGB. VW FS AG's former operating business was conducted under the name carmobility GmbH, Braunschweig. The services provided by carmobility GmbH included fleet management services for companies and supported corporate fleet management. The operating business of carmobility GmbH was already discontinued as of September 30, 2021 and the object of the company was changed to the management of its own assets by way of a resolution adopted by the shareholders’ meeting on February 7, 2022. 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.

At the time of the transition to the IFRSs as of January 1, 2023, the Company only had immaterial current assets and liabilities because the operating business had already been discontinued in 2021. The current assets and liabilities mainly comprised bank balances and liabilities arising from profit-and-loss-transfer to the former parent company. There were no contingent liabilities or other off-balance sheet commitments as of January 1, 2023. In light of the previous status of VW FS AG as a non-operating company and the nature of its assets and liabilities, the transition from the previous GAAP to IFRSs had no effect on the net assets, financial position, results of operations or cash flows. Moreover, the financial position of VW FS AG at the time of the changeover to the IFRS Accounting Standards and during the transitional period from January 1, 2023 to December 31, 2023 is not decision-useful as comparative information for VW FS AG’s financial position in the reporting period. There are therefore no reconciliations as required by IFRS 1.24–28.

The consolidated financial statements as of December 31, 2024 were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as in accordance with the additional disclosures required by German commercial law under section 315e(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code). All of the IFRSs issued by the International Accounting Standards Board (IASB) up to December 31, 2024 the application of which was mandatory in fiscal year 2024 in the EU have been taken into account in these consolidated financial statements. All of the IFRSs issued by the International Accounting Standards Board (IASB) up to December 31, 2024 the application of which was mandatory in fiscal year 2024 in the EU have been taken into account in these consolidated financial statements.

In addition to the income statement, the statement of comprehensive income and the balance sheet, the IFRS consolidated financial statements include the statement of changes in equity, the cash flow statement and the notes. The balance sheet also presents the balance sheet items at the time of the transition to the IFRSs as of January 1, 2023. The separate report on the risks associated with future development (risk report in accordance with section 315(1) of the HGB) is included in the Report on Opportunities and Risks in the Combined Management Report. This includes the qualitative disclosures on the nature and scope of risk from financial instruments required under IFRS 7.

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

The Board of Management completed the preparation of these consolidated financial statements on February 24, 2025 and released them for forwarding to the Supervisory Board for approval and subsequent publication. This date marked the end of the period in which adjusting events were recognized after the reporting period.

Effects of New and Revised IFRSs

VW FS AG has applied all financial reporting standards adopted by the EU and subject to mandatory application as of fiscal year 2024.

Amendments to IAS 1 clarifying the classification of liabilities as current or noncurrent are effective as of January 1, 2024. This relates in particular to liabilities whose maturity date is tied to certain covenants. The deciding factor for classification is whether there is a contractual option at the reporting date to defer settlement for at least 12 months.

Amendments to IAS 7/IFRS 7 have also been effective since January 1, 2024, resulting in additional disclosures on supply chain financing, in particular reverse factoring agreements. These are designed to make their impact on liabilities, cash flows and liquidity risks more transparent.

Amendments to IFRS 16 were also to be applied from January 1, 2024. The key aim of these amendments is to ensure that, in the context of a sale and leaseback transaction, variable lease payments that are not based on an index or interest rate are to be recognized as a lease liability.

The amended provisions referred to above do not materially affect the VW FS AG Group’s net assets, financial position or financial performance.

New and Revised IFRSs Not Applied

VW FS AG has not applied in its 2024 consolidated financial statements the following financial reporting standards that have been issued by the IASB as of December 31, 2024 but were not yet subject to mandatory application in the year under review.

Standard / interpretation		Published by the IASB	Application requirement[1]	Adopted by EU	Expected impact
IFRS 9 / IFRS 7	Classification and Measurement of Financial Instruments	30/05/2024	01/01/2026	No	No material impact
IFRS 9 / IFRS 7	Contracts Referencing Nature-dependent Electricity	18/12/2024	January 1, 2026	No	No material impact
IFRS 18	Presentation and Disclosure in Financial Statements	April 9, 2024	January 1, 2027	No	Case-by-case changes to the presentation of income and expenses in the income statement; additional disclosures in the notes
IFRS 19	Subsidiaries without Public Accountability: Disclosures	May 9, 2024	January 1, 2027	No	No impact
IAS 21	Spot exchange rate in case of lack of exchangeability	August 15, 2023	January 1, 2025	Yes	No material impact
	Annual Improvements to International Financial Reporting Standards – Volume 11[2]	July 28, 2024	January 1, 2026	No	No material impact

1 Requirement for initial application from the VW FS AG perspective
2 Minor amendments to a series of IFRSs (IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)

Accounting Policies

1. Basic principles

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

Financial reporting in the VW FS AG Group complies with IFRS 10 and is based on standard Group-wide accounting policies.

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

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

2. Basis of consolidation

In addition to VW FS AG, the consolidated financial statements cover all significant German and non-German subsidiaries, including all structured entities, controlled directly or indirectly by VW FS AG. This is the case if VW FS AG has power over potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the potential subsidiaries, and has the ability to use its power to influence those returns. In the case of the structured entities consolidated in the VW FS AG Group, VW FS AG holds no equity investment but nevertheless determines the main relevant activities remaining after the structure is created and thereby influences its own variable returns. The purpose of the structured entities is to facilitate asset-backed-securities transactions to fund the financial services business. The VW FS AG Group does not maintain any business relationships with unconsolidated structured entities.

Subsidiaries are included in the consolidation from the date on which control comes into existence; they cease to be consolidated when control no longer exists. Subsidiaries in which activities are dormant or of low volume and that, individually and jointly, are of minor significance in the presentation of a true and fair view of the financial position, financial performance and cash flows of the VW FS AG Group are not consolidated. They are recognized at cost in the consolidated financial statements under Miscellaneous financial assets, taking into account any necessary impairment losses or reversals of impairment losses.

The equity method is used to account for material entities in which VW FS AG has the opportunity, directly or indirectly, to exercise significant influence over financial and operating policy decisions (associates) or in which VW FS AG directly or indirectly shares control (joint ventures). Joint ventures also include entities in which the VW FS AG Group controls a majority of the voting rights but whose partnership agreements or articles of association specify that key decisions may only be made unanimously. Associated companies and joint ventures of minor significance are not accounted for using the equity method but are reported at cost under Miscellaneous financial assets, taking into account any necessary impairment losses or reversals of impairment losses.

COMPOSITION OF THE VW FS AG GROUP

The composition of the VW FS AG Group is shown in the following table:

	Dec. 31, 2024	31/12/2023
VW FS AG and consolidated subsidiaries		
Germany	9	1
International	30	–
Subsidiaries recognized at cost		
Germany	5	–
International	20	–
Associates, equity-accounted joint ventures		
Germany	1	–
International	5	–
Associates, joint ventures and equity investments recognized at cost		
Germany	5	–
International	13	–
Total	**88**	**1**

The list of all shareholdings in accordance with section 313(2) of the HGB and in accordance with IFRS 12.10 and IFRS 12.21 is included as an annex to the consolidated financial statements.

The following consolidated German subsidiaries with the legal form of a corporation have satisfied the criteria in section 264(3) of the HGB and have elected not to publish annual financial statements:

> Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Braunschweig
> Volkswagen-Versicherungsdienst GmbH, Braunschweig
> Volkswagen Insurance Brokers GmbH, Braunschweig
> EURO-Leasing GmbH, Sittensen
> Vehicle Trading International (VTI) GmbH, Braunschweig

CHANGE IN BASIS OF CONSOLIDATION AS OF JULY 1, 2024 AS A RESULT OF THE RESTRUCTURING

Before the implementation of the restructuring, the previous company Volkswagen Financial Services Europe AG did not have a group. Volkswagen Financial Services Europe AG had no subsidiaries or other investees, and no operating business. Upon completion of the restructuring process on July 1, 2024, equity interests in companies were transferred to VW FS AG as the new parent company. The initial basis of consolidation of the VW FS AG Group as of July 1, 2024 is described in the following.

The following companies were spun off as the European operations by Volkswagen Financial Services Overseas AG, which operated under the name Volkswagen Financial Services AG until June 30, 2024, and were absorbed by the VW FS AG Group as of July 1, 2024.

Consolidated subsidiaries and ABS special purpose entities:

- Autofinance S.A., Luxembourg
- Driver UK Master S.A., Luxembourg
- Driver UK Multi-Compartment S.A., Luxembourg
- Euro-Leasing A/S, Padborg
- EURO-Leasing GmbH, Sittensen
- MAN Financial Services España S.L., Alcobendas (Madrid)
- MAN Financial Services GesmbH, Eugendorf
- MAN Financial Services Poland Sp. z o.o., Nadarzyn
- MAN Location & Services S.A.S., Evry
- ŠkoFIN s.r.o., Prague
- VCL Master Poland DAC, Dublin
- VCL Master Sweden S.A., Luxembourg
- Vehicle Trading International (VTI) GmbH, Braunschweig
- Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Braunschweig
- Volkswagen Finance Belgium S.A., Brussels
- Volkswagen Finance Europe B.V., Amsterdam
- Volkswagen Financial Services Ireland Ltd., Dublin
- Volkswagen Financial Services N.V., Amsterdam
- Volkswagen Financial Services Polska Sp. z o.o., Warsaw
- Volkswagen Financial Services S.p.A., Milan
- Volkswagen Financial Services (UK) Ltd., Milton Keynes
- Volkswagen Finans Sverige AB, Södertälje
- Volkswagen Insurance Brokers GmbH, Braunschweig
- Volkswagen Insurance Services, Correduria de Seguros, S.L., El Prat de Llobregat
- Volkswagen Mobility Services S.p.A., Bolzano
- Volkswagen Renting, S.A., Alcobendas (Madrid)
- Volkswagen Renting, Unipessoal, Lda., Amadora
- Volkswagen Versicherung AG, Braunschweig
- Volkswagen-Versicherungsdienst GmbH, Braunschweig

Equity-accounted joint ventures:

- Volkswagen Autoversicherung Holding GmbH, Braunschweig
- Volkswagen D'Ieteren Finance S.A., Brussels
- Volkswagen Financial Services Digital Solutions GmbH, Braunschweig
- Volkswagen Møller Bilfinans A/S, Oslo
- Volkswagen Pon Financial Services B.V., Amersfoort

Unconsolidated subsidiaries:

- INIS International Insurance Service s.r.o., Mladá Boleslav
- LOGPAY Charge & Fuel Slovakia s.r.o., Bratislava
- LOGPAY Consorzio, Bolzano
- LOGPAY Financial Services GmbH, Eschborn
- LogPay Fuel Czechia s.r.o., Prague
- LOGPAY Fuel Italia S.r.l., Bolzano
- LogPay Fuel Spain S.L., Barcelona
- LOGPAY Transport Services GmbH, Eschborn

- Mobility Trader GmbH, Berlin
- Mobility Trader Holding GmbH, Berlin
- Mobility Trader France S.A.S., Neuilly-sur-Seine
- Mobility Trader Spain S.L., Barcelona
- Mobility Trader UK Ltd., London
- Softbridge - Projectos Tecnológicos S.A., Porto Salvo
- The Key to Mobility Services GmbH, Eschborn
- VOLKSWAGEN COMPANY DAC, Dublin
- Volkswagen Financial Services Hellas A.E., Athens
- Volkswagen Financial Services Schweiz AG, Wallisellen
- Volkswagen Insurance Brokers, Agente de Seguros y de Fianzas, S.A. de C.V., Puebla
- Volkswagen Insurance Company DAC, Dublin
- Volkswagen Insurance Service (Great Britain) Ltd., Milton Keynes
- Volkswagen Insurance Services Korea Co., Ltd., Seoul
- Volkswagen Service Sverige AB, Södertälje
- Volkswagen Serwis Ubezpieczeniowy Sp. z o.o., Warsaw
- VTXRM - Software Factory Lda., Porto Salvo
- VTXRM Software Factory US LLC, Delaware

Unconsolidated joint ventures, associates and equity investments:
- Bike Mobility Service Group B.V., Amersfoort
- Allianz für die Region GmbH, Braunschweig
- Collect Car B.V., Rotterdam
- Digital Mobility Leasing GmbH, Kassel
- Euromobil GmbH, Sittensen
- J.P. Morgan Mobility Payments Solutions S.A., Strassen
- movon AG, Cham
- MyDigitalCar GmbH, Hanover
- Shuttel B.V., Leusden
- Staymo S.A.S., Boulogne-Billancourt
- Verimi GmbH, Berlin
- Volkswagen Losch Financial Services S.A., Howald
- Volkswagen Semler Finans Danmark A/S, Bröndby
- Volkswagen-Versicherungsdienst GmbH, Vienna

In addition to the aforementioned companies, further assets and liabilities, e.g. receivables from funding activities and proportionate pension obligations of the European operation of Volkswagen Financial Services Overseas AG, were spun off and assumed by VW FS AG.

The companies listed above and the other assets and liabilities were absorbed without any consideration on the part of VW FS AG, and therefore represent a noncash contribution to VW FS AG’s equity by the shareholder, Volkswagen AG.

The following companies were absorbed into the VW FS AG Group through the contribution of Volkswagen Bank GmbH by Volkswagen AG on July 1, 2024.

Consolidated subsidiaries and ABS special purpose entities:
- Driver Master S.A., Luxembourg
- Driver MultiCompartment S.A., Luxembourg
- Private Driver España 2020-1, Fondo de Titulización, Madrid
- Private Driver Italia 2020-1 S.r.l., Milan
- Private Driver Italia 2024-1 S.r.l., Milan
- Trucknology S.A., Luxembourg
- VCL Master Residual Value S.A., Luxembourg
- VCL Master S.A., Luxembourg
- VCL Multi-Compartment S.A., Luxembourg
- Volkswagen Bank GmbH, Braunschweig, including its branches
- Volkswagen Leasing GmbH, Braunschweig, including its branches

Equity-accounted joint ventures:
- Volkswagen Financial Services Digital Solutions GmbH, Braunschweig
- DFM N.V., Amersfoort
- Volkswagen Financné služby Slovensko s.r.o., Bratislava

Unconsolidated associates and equity investments:
- Credi2 GmbH, Vienna
- OOO Volkswagen Bank RUS, Moscow
- Society for Worldwide Interbank Financial Telecommunicatios SCRL, La Hulpe

The companies listed were absorbed as a noncash contribution by way of a premium (*Sachagio*) as part of the cash capital increase, in which 249,750,000 new no-par-value shares were issued at an issue amount of €1.00 each. The absorption as a noncash contribution by way of a premium (*Sachagio*) as part of the capital increase represented a noncash contribution by the shareholder Volkswagen AG to the equity of VW FS AG.

The absorptions are each treated as transactions under common control, as the subsidiaries and operations to be transferred will continue to be controlled by the ultimate parent company, Volkswagen AG. For this reason, the absorption of the companies or business operations is exempt from the application of the requirements of IFRS 3. In the case of fact patterns that are not explicitly governed by an IFRS standard, IAS 8.10 requires a reporting entity to select an accounting policy that reliably presents these fact patterns not governed by an IFRS standard. The predecessor accounting method was applied as the policy for accounting for the absorbed subsidiaries and operations, and the assets acquired and liabilities assumed were recognized at the consolidated carrying amounts of the superordinate parent company Volkswagen AG at the acquisition date. The same accounting policy is similarly applied to the transfers of joint ventures and associates so that the absorption of these entities is also properly presented.

Application of the predecessor accounting method does not lead to any restatement of prior-period comparative information. The VW FS AG Group only exists as a combined entity from the date control was obtained over the subsidiaries transferred as of July 1, 2024. Accounting for the financial information of transferred subsidiaries before control was obtained is not consistent with the requirements of IFRS 10.B88.

The predecessor accounting method is based on the assumption that the combining entities will continue to exist. Consequently, the composition of equity and the history associated with the transferred assets and liabilities after transfer to the VW FS AG Group are updated and reflected in the continued accounting treatment. For example, accumulated depreciation and amortization within the consolidated carrying amounts of assets acquired as of July 1, 2024 will be applied to any future reversals of impairment losses, previous consolidated carrying amounts to other reserves will be rolled forward, including those arising from currency translation, and hedge accounting that also meets the required conditions after the transfer will be continued.

As part of the above-mentioned spin-off of the European operations of Volkswagen Financial Services Overseas AG, the VW FS AG Group acquired 49% of the shares of Volkswagen Financial Services Digital Solutions GmbH. In addition, 51% of the shares of Volkswagen Financial Services Digital Solutions GmbH held by Volkswagen Bank GmbH were acquired by the VW FS AG Group as a result of the spin-off by Volkswagen AG. This 51% equity interest was sold by Volkswagen Bank GmbH to its parent company, VW FS AG in an intragroup transaction within the VW FS AG Group. As a result, 100% of the shares of Volkswagen Financial Services Digital Solutions GmbH were combined with VW FS AG as of July 1, 2024. In a further step, the Volkswagen Financial Services Digital Solutions GmbH subsidiary was then merged into its parent company VW FS AG as of July 1, 2024 as an upstream merger.

The assets and liabilities of the absorbed entities, which were acquired at consolidated carrying amounts, together with further assets and liabilities, are shown in the following table:

€ million	IFRS CONSOLIDATED CARRYING AMOUNTS AT THE ACQUISITION DATE JULY 1, 2024
Cash reserve	25,412
Loans to and receivables from banks	905
Loans to and receivables from customers attributable to	
Retail financing	30,047
Dealer financing	18,767
Leasing business	51,138
Other loans and receivables	17,536
Total loans to and receivables from customers	117,488
Value adjustment on portfolio fair value hedges	67
Derivative financial instruments	511
Marketable securities	3,563
Equity-accounted investments	926
Miscellaneous financial assets	503
Intangible assets	148
Property and equipment	329
Lease assets	42,194
Investment property	61
Deferred tax assets	1,396
Current tax assets	122
Other assets	3,480
Total	**197,105**
Liabilities to banks	12,661
Liabilities to customers	80,189
Notes, commercial paper issued	62,152
Derivative financial instruments	1,608
Provisions for pensions and other post-employment benefits	371
Underwriting provisions and other provisions	928
Deferred tax liabilities	2,191
Current tax liabilities	596
Other liabilities	2,556
Subordinated capital	2,941
Total	**166,192**
Net assets	**30,913**

Because the assets and liabilities were recognized at the consolidated carrying amounts of the parent company, Volkswagen AG, at the acquisition date, the absorbed net assets correspond to the amount of the noncash contribution in equity of €30,913 million. There were no effects from the consolidation of intragroup relationships between VW FS AG prior to the absorption of assets and liabilities and the absorbed net assets.

OTHER CHANGES IN THE BASIS OF CONSOLIDATION AFTER JULY 1, 2024

In connection with the sale of the new financing business of MAN Financial Services, which was resolved in the previous year, Volkswagen Finance Europe B.V., Amsterdam, sold its 100% interest in Austrian subsidiary MAN Financial Services GesmbH, Eugendorf, to Scania Österreich Holding GmbH, a company of the Volkswagen Group, on July 1, 2024. The sale and the resulting deconsolidation gave rise to a gain of €15 million, which is reported under other operating income in the income statement.

The Polish subsidiary Volkswagen Serwis Ubezpieczeniowy Sp. z o.o., Warsaw, which was not consolidated at the date of initial recognition for reasons of materiality, was consolidated during the reporting period.

The consolidated Italian subsidiary Volkswagen Mobility Services S.p.A., Bolzano, was sold to Volkswagen Leasing GmbH, Braunschweig, in an intragroup transaction and subsequently merged.

The subsidiary VOLKSWAGEN COMPANY DAC, Dublin, Ireland, which was not consolidated at the time of acquisition for reasons of materiality, was merged with Volkswagen Financial Services AG, Braunschweig.

Volkswagen Bank GmbH, Braunschweig, sold its 60% interest in Dutch joint venture DFM N.V., Amersfoort, which had been measured using the equity method, to Volkswagen Finance Europe B.V. in an intragroup transaction. The shares of DFM N.V. were then contributed to the Volkswagen Pon Financial Services B.V., Amersfoort, joint venture, which is also accounted for using the equity method.

The 58% interest of Volkswagen Bank GmbH, Braunschweig, in Volkswagen Financné služby Slovensko s.r.o., Bratislava, Slovakia, is classified as held for sale in accordance with IFRS 5. As a result of this classification, the equity method of accounting was discontinued, which is why the investment is not shown under equity-accounted joint ventures, but under joint ventures carried at cost.

The 49% interest in Bike Mobility Services Group B.V., Amersfoort, Netherlands, acquired by Volkswagen Finance Europe B.V. in 2024 prior to the noncash contribution is now included in the consolidated financial statements of VW FS AG as an associate accounted for using the equity method.

The Danish joint venture Volkswagen Semler Finans Danmark A/S, Bröndby, which was not accounted for using the equity method at the time of acquisition for reasons of materiality, is now included in the consolidated financial statements of the VW FS AG Group using the equity method. The Volkswagen Semler Finans Danmark Holding A/S, Bröndby, and Volkswagen Semler Leasing Danmark A/S, Bröndby, joint ventures were established in the reporting period to expand business activities in Denmark. For reasons of materiality, the two companies are not yet accounted for using the equity method.

VTXRM - Factory Lda., Porto Salvo, an unconsolidated subsidiary in Portugal, established the subsidiary VTXRM Software Technology (Chengdu) Co., Lt. in Chengdu, China. For reasons of materiality, the entity is not consolidated.

The Driver MultiCompartment S.A., Luxembourg, special purpose entity was liquidated.

These other changes in the composition of the VW FS AG Group as of the reporting date did not have any material impact on the net assets, financial position or financial performance of the Group.

OTHER DISCLOSURES ON JOINT VENTURES UNDER IFRS 12

Some subsidiaries hold assets in the form of cash or securities, usability of which within the Group is limited on account of contractual or regulatory provisions.

DISCLOSURES ON JOINT VENTURES AND ASSOCIATES UNDER IFRS 12

From a Group perspective, Volkswagen Pon Financial Services B.V. and Volkswagen Møller Bilfinans A/S, two of the equity-accounted joint ventures, require separate presentation because they were deemed material on the reporting date because of the size of the entity concerned. Both joint ventures run the financial services business in the respective countries and thus help to promote vehicle sales in the Volkswagen Group.

Bike Mobility Services Group B.V. is accounted for as an associate using the equity method and is presented below as a significant associate.

Volkswagen Pon Financial Services B.V.

The Volkswagen Pon Financial Services B.V. Group, with registered office in Amersfoort in the Netherlands, is a financial services provider offering finance, leasing and insurance products for Volkswagen Group vehicles to business and private customers in the Netherlands. The VW FS AG Group and its partner in this joint venture, Pon Holdings B.V., have entered into an agreement for a long-term strategic partnership.

Volkswagen Møller Bilfinans A/S

Volkswagen Møller Bilfinans A/S, with registered office in Oslo, Norway, is a financial services provider offering financing and leasing products for Volkswagen Group vehicles to business and private customers, predominantly in Norway. The VW FS AG Group and its partner in this joint venture, Møllergruppen A/S, have entered into an agreement for a long-term strategic partnership.

Bike Mobility Services Group B.V.

The Bike Mobility Services Group B.V. group operates in the field of bicycle mobility services, which aim to develop sustainable, active and affordable bicycle mobility services for employers and their employees. The VW FS AG Group and its partner, Pon Bicycle Holding B.V., have entered into an agreement for a long-term strategic partnership. The aim of the partnership is expansion in the growing bicycle and e-bike leasing business in Europe and the USA.

The following table summarizes the financial information on the material joint ventures and associate on a 100% basis, as stated in their own financial statements, adjusted to reflect differences in accounting policies and to fair value adjustments at the applicable acquisition dates:

€ million	VOLKSWAGEN PON FINANCIAL SERVICES B.V. (NETHERLANDS) 2024	VOLKSWAGEN MØLLER BILFINANS A/S (NORWAY) 2024	BIKE MOBILITY SERVICES GROUP B.V. (NETHERLANDS) 2024
Shareholding (percent)	60%	51%	49%
Loans to and receivables from banks	29	1	–
Loans to and receivables from customers	5,361	1,507	18
Lease assets	3,065	–	51
Other assets	283	11	499
Total	**8,737**	**1,519**	**567**
of which: noncurrent assets	4,503	1,324	424
of which: current assets	4,234	195	143
of which: cash	29	1	82
Liabilities to banks	3,327	–	–
Liabilities to customers	3,501	1,006	7
Notes, commercial paper issued	954	–	–
Other liabilities	246	168	220
Equity	710	344	340
Total	**8,737**	**1,519**	**567**
of which: noncurrent liabilities	3,256	546	181
of which: noncurrent financial liabilities	3,204	459	–
of which: current liabilities	4,771	628	47
of which: current financial liabilities	4,509	547	–
Revenue	1,634	140	210
of which: interest income	338	138	2
Expenses	–1,542	–102	–171
of which: interest expense	–198	–60	–1
of which: depreciation and amortization	–612	–10	–10
Profit/loss from continuing operations, before tax	**92**	**37**	**38**
Income tax expense or income	–23	–9	–11
Profit/loss from continuing operations, net of tax	**70**	**28**	**27**
Profit/loss from discontinued operations, net of tax	–	–	–
Other comprehensive income, net of tax	–	–	0
Total comprehensive income	**70**	**28**	**27**
Dividends received	–	26	–

Reconciliation of the financial information and the carrying amount of the equity-accounted investment:

€ million	Volkswagen Pon Financial Services B.V. (Netherlands)	Volkswagen Møller Bilfinans A/S (Norway)	BIKE MOBILITY SERVICES GROUP B.V. (NETHERLANDS)
2024			
Equity of the joint venture as of the acquisition date July 1, 2024	294	396	314
Profit/loss	40	13	27
Other comprehensive income	–	–	0
Change in share capital	376	–	–
Exchange differences on translating foreign operations	–	–13	–
Dividends	–	51	–
Equity of the joint ventures and the associate on December 31, 2024	**710**	**344**	**340**
Share of equity	426	176	167
Goodwill/other	61	0	176
Carrying amount of the interests on December 31, 2024	**487**	**176**	**343**

Summarized pro-rated financial information for the joint ventures that are immaterial when considered individually:

€ million	2024
Carrying amount of the interests on December 31, 2024	**258**
Profit/loss from continuing operations, net of tax	–3
Profit/loss from discontinued operations, net of tax	–
Other comprehensive income, net of tax	3
Total comprehensive income	**0**

There were no unrecognized losses relating to interests in joint ventures and the associate.

Cash attributable to joint ventures amounting to €20 million was pledged as collateral in connection with ABS transactions and was therefore not available to the VW FS AG Group.

Financial guarantees to joint ventures amounted to €15 million and irrevocable credit commitments amounted to €30 million. In addition, certain articles of incorporation or partnership agreements specify obligations to individual joint ventures to provide loans for the funding of the entities, where required. The exact amount of the obligations depends on the future funding requirements of each entity and may therefore vary from the loan amounts recognized on the balance sheet as of the reporting date.

3. Assets held for sale (IFRS 5)

As part of a project to strategically reorganize its Volkswagen Bank GmbH subsidiary, it is intended to sell the interest in the VOLKSWAGEN Finančné služby Slovensko s.r.o., Bratislava, joint venture, which was held by Volkswagen Bank GmbH as of the reporting date, to Porsche Bank Aktiengesellschaft and Porsche Versicherungs Aktiengesellschaft in the first quarter of 2025. In accordance with the requirements of IFRS 5, the interest in VOLKSWAGEN Finančné služby Slovensko s.r.o., a joint venture accounted for using the equity method, with a carrying amount of €25.0 million, is classified as held for sale and reported in the separate balance sheet item “Assets held for sale” (IFRS 5). The equity method is not applied to measurement due to the IFRS 5 classification.

As part of the same transaction, the 15% interest in the unconsolidated associate Volkswagen-Versicherungsdienst GmbH, Vienna, that is held by Volkswagen-Versicherungsdienst GmbH as of the reporting date is planned to be sold to Porsche Bank Aktiengesellschaft in the first quarter of 2025. The carrying amount of the shares amounting to €4.5 million is recognized separately in the balance sheet item Assets held for sale (IFRS 5) in accordance with IFRS 5.

Additionally, the VW FS AG Group intends to sell its 25.1% interest in the unconsolidated associate J.P. Morgan Mobility Payments Solutions S.A., Strassen, to the majority shareholder J.P. MORGAN INTERNATIONAL FINANCE LIMITED in the first quarter of 2025. An impairment loss of €17.5 million was reversed in the reporting period and recognized in the net gain/loss on miscellaneous financial assets. The carrying amount of the shares amounting to €19.3 million is recognized separately in the balance sheet item Assets held for sale (IFRS 5) in accordance with IFRS 5.

4. Consolidation methods

The assets and liabilities of the German and international entities included in the consolidated financial statements are reported in accordance with the uniform accounting policies applicable throughout the VW FS AG Group. In the case of the equity-accounted investments, the pro rata equity is determined on the basis of the same accounting policies.

When subsidiaries are consolidated for the first time, the assets and liabilities, together with contingent consideration, are recognized at fair value on the date of acquisition. Subsequent changes in the fair value of contingent consideration do not generally result in an adjustment of the acquisition-date measurement. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries.

The net assets recognized at fair value as part of an acquisition transaction are depreciated or amortized over their relevant useful lives. If the useful life is indefinite, any requirement for the recognition of an impairment loss is determined at individual asset level using a procedure similar to that used for goodwill. Where hidden reserves and charges in the recognized assets and liabilities are uncovered during the course of purchase price allocation, these items are amortized over their remaining maturities.

The acquisition method described above is not applied when subsidiaries are newly established; no goodwill or negative goodwill can arise when newly established subsidiaries are included in the consolidation. The assets and liabilities of the subsidiaries are recognized at their values on the date of initial consolidation. Any difference between the carrying amount of the previously unconsolidated subsidiary and the subsidiary's equity at the time of inclusion is recognized in retained earnings as part of the initial consolidation.

The acquisition method of accounting described in IFRS 3 is not applied if initially consolidated subsidiaries are the result of a business combination under the common control of a superordinate parent company, e.g., Volkswagen AG. Instead, the Group applies the predecessor method of accounting to recognize assets and liabilities. This means that no goodwill or negative goodwill can result from the initial consolidation of these subsidiaries.

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

5. Currency translation

Transactions in foreign currencies are translated in the single-entity financial statements of VW FS AG and its consolidated subsidiaries at the rates prevailing at the transaction date. Foreign currency monetary items are reported in the balance sheet using the middle rate at the closing date and the resulting gains or losses are recognized in profit or loss.

The foreign companies which form part of the VW FS AG Group are independent subunits whose financial statements are translated using the functional currency principle. Under this principle, assets and liabilities, but not equity, are translated at the closing rate. With the exception of income and expenses recognized directly in equity, equity is translated at historical rates. Until the disposal of the subsidiary concerned, the resulting exchange differences on translating foreign operation are recognized in other comprehensive income and are presented as a separate item in equity.

The transaction data in the statement of changes in noncurrent assets is translated into euros using the monthly average rates for the relevant months of underlying transactions. A separate “Foreign exchange differences” line is reported to reconcile the carryforwards translated at the middle spot rate on the prior-year reporting date and the transaction data translated at average rates with the final balances translated at the middle spot rate on the reporting date.

The income statement line items are translated into euros using the monthly average rates for the relevant months of underlying transactions.

Rates supplied by an external market data provider are used for translation throughout the whole of the VW FS AG Group.

The following table shows the closing date middle spot rates used and, for information purposes, the unweighted average rates for the year derived from the monthly average rates used.

		BALANCESHEET, MIDDLE SPOT RATE ON DEC. 31		INCOME STATEMENT, AVERAGE RATE	
	€1 =	2024	2023	2024	2023
Denmark	DKK	7.45755	7.45300	7.45893	7.45098
United Kingdom	GBP	0.83020	0.86910	0.84667	0.87001
Poland	PLN	4.27185	4.34090	4.30632	4.54402
Sweden	SEK	11.45005	11.08735	11.43291	11.47160
Czech Republic	CZK	25.15050	24.71800	25.11925	24.00353

6. Revenue and expense recognition

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

Interest income is recognized in the income statement using the effective interest method. Income from financing activities is included in the interest income from lending and securities transactions; leasing income is reported in the income statement under income from leasing transactions. The leasing revenue from operating lease contracts is recognized on a straight-line basis over the lease term. Contingent payments under finance leases and operating leases are recognized when the conditions for the contingent payments are satisfied.

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

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

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

A trade receivable is recognized for the period between revenue recognition and receipt of payment. Any financing component included in the transaction is not recognized because the period between the transfer of the goods and the payment of consideration is generally less than a year. In the VW FS AG Group, contract origination costs are capitalized and amortized on a straight-line basis over the term of the contract only if the underlying contract has a term of at least one year and these costs would not have been incurred if the contract concerned had not materialized.

Net fee and commission income includes income and expenses from insurance brokerage as well as fees and commissions from the financing and financial services businesses. Fee and commission income from brokering insurance contracts is recognized in accordance with contractual arrangements with the insurers when the entitlement arises, i.e., when the related premium is charged to the policyholder.

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

Dividends are reported on the date on which the legal entitlement is established, i.e., generally the date on which a dividend distribution resolution is approved.

7. Government grants

VW FS AG recognizes income from government grants if there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. The Group regards the ECB as a government agency or similar institution for the purposes of IAS 20. The ECB's TLTRO III funding program is intended to stimulate borrowing in the eurozone by creating an incentive for participating banks to lend to the real economy. VW FS AG believes that this support constitutes a government grant. VW FS AG recognizes the benefit in the accounting period in which the grant compensates the Group for the corresponding costs and reports the grant as a reduction in the related expense. The level of the benefit depends on the amount borrowed and on which various lending thresholds are satisfied. The way interest rates developed over the reporting year meant that government grants in the amount of €106 million were more than offset by the interest expense associated with the targeted longer-term refinancing operations.

8. Income taxes

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

Deferred tax assets are recognized if it is probable that in the future sufficient taxable profits will be generated in the same tax unit against which the deferred tax assets can be utilized. Deferred tax assets that are unlikely to be realized within a clearly predictable period are not recognized in the year in which they arise. Valuation allowances are recognized if the realization of deferred tax assets recognized in previous years is no longer expected in the foreseeable future.

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

The introduction of the global minimum tax (Pillar 2) does not result in any substantial burdens for the VW FS AG Group. The current tax expense in connection with Pillar 2 income taxes amounts to €0.4 million (previous year: €– million). The VW FS AG Group has exercised the exception to recognize and disclose deferred taxes in connection with Pillar 2 income taxes.

9. Cash reserve

The cash reserve is carried at the nominal amount.

10. Financial instruments

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

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

IFRS 9 breaks down financial assets into the following categories:

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

Financial liabilities are classified using the following categories:

> Financial liabilities measured at fair value through profit or loss, and
> Financial liabilities measured at amortized cost.

In the VW FS AG Group, the categories shown above are allocated to the classes “financial assets and liabilities measured at amortized cost” and “financial assets and liabilities measured at fair value”. The fair value option for financial assets and financial liabilities is not applied in the VW FS AG Group.

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

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

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

Financial liabilities other than derivatives are allocated to the measurement category of financial liabilities measured at amortized cost.

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

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

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

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

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

The financial assets measured at fair value through profit or loss encompasses financial assets (debt instruments) measurement category for which the cash flow criterion is not satisfied, or that are managed within a business model that aims to sell these assets in order to realize cash flows ("sell" business model).

In addition, derivatives are allocated to the financial assets measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss.

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

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

The VW FS AG Group recognizes financial assets that represent an equity instrument and are not held for trading purposes in the financial assets measured at fair value through other comprehensive income (equity instruments) measurement category. Equity instruments are measured at fair value through other comprehensive income in exercise of the fair-value-through-OCI option. The accumulated gains or losses from remeasurement are transferred upon derecognition to retained earnings and not to the income statement (i.e., they are not reclassified to profit or loss).

LOANS AND RECEIVABLES

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

In individual cases, some loans to and receivables from customers are recognized at fair value through profit or loss because the cash flow criterion is not satisfied or they relate to receivables under earn-out agreements. Gains and losses arising from changes in fair value are recognized in profit or loss under net gain or loss on financial instruments measured at fair value.

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

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

The accounting policies relating to receivables from customers attributable to the leasing business in the VW FS AG Group are described in note (15) Leases.

MARKETABLE SECURITIES

The "Marketable securities" balance sheet item largely comprises investments of resources in the form of fixed-income securities from public- and private-sector issuers as well as investment fund shares/units within the framework specified by the investment policy issued by Volkswagen Versicherung AG.
Fixed-income securities are allocated to the measurement category of financial assets measured at fair value through other comprehensive income (debt instruments). Valuation allowances for fixed-income securities are recognized in profit or loss under the "Provision for credit risks" line item. Interest determined in accordance with the effective interest method and effects from changes in exchange rates are also recognized in profit or loss. In addition, the differences between the amortized cost and fair value arising from the remeasurement of fixed-income securities are recognized in other comprehensive income, taking into account deferred taxes.

Shares/units in investment funds are allocated to the category of financial assets measured at fair value through profit or loss. Gains and losses arising from the remeasurement of shares/units in investment funds are recognized in profit or loss under gains and losses on financial instruments measured at fair value.

Investments in equity instruments within marketable securities are measured at fair value through other comprehensive income in exercise of the fair-value-through-OCI option. The net gain/loss from the measurement of these instruments is reported in the statement of comprehensive income in the item "Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax".

EQUITY INVESTMENTS

The equity investments included in the "Miscellaneous financial assets" balance sheet item are measured as equity instruments at fair value through other comprehensive income in exercise of the fair-value-through-OCI option. The net gain/loss from measurement of these equity instruments is reported in the statement of comprehensive income in the item "Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax".

As the equity investments are strategic financial investments, this classification provides a more meaningful presentation of the investments.

If, in the case of non-material equity investments, there is no active market and there is no evidence that the fair values are significantly different from cost, such equity investments are accounted for at cost and reported under financial assets measured at fair value.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments comprise derivatives designated as hedging instruments and derivatives not designated as hedging instruments. All derivatives are measured at fair value and are presented separately in notes (41) and (52).

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

In the VW FS AG Group, entities enter into derivative transactions solely for hedging purposes as part of the management of interest rate and/or currency risk.

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

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

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

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

Changes in the fair values of derivatives that do not satisfy the IFRS 9 or IAS 39 criteria for hedge accounting and are therefore accounted for in the measurement category of financial assets and financial liabilities measured at fair value through profit or loss are recognized in profit or loss under net gain or loss on financial instruments measured at fair value. Fair values are also reported for derivatives arising from early termination rights in the form of derivatives embedded in finance leases.

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

PROVISION FOR CREDIT RISKS

The provision for credit risks, which is recognized in accordance with the expected credit loss model specified by IFRS 9 and in accordance with uniform standards applied throughout the Group, encompasses all financial assets measured at amortized cost, financial assets in the form of debt instruments measured at fair value through other comprehensive income, finance lease receivables and receivables related to payments due under operating leases that fall within the scope of IFRS 16, and credit risks from off-balance-sheet irrevocable credit commitments and financial guarantees. By contrast, off-balance-sheet revocable credit commitments are not included in the scope of the provision for credit risks. A credit commitment is deemed revocable if there is a current contractual or statutory basis for its revocation or termination and the Group has the practical ability to revoke the credit commitment at any time. The provision for credit risks calculation generally takes into account the exposure at default, the probability of default and the loss given default.

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

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

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

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

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

Both historical information, such as average historical default probabilities for each portfolio, and forward-looking information, such as macroeconomic factors and trends (e.g. rate of change for gross domestic product, the rate of change for industrial output, the unemployment rate, inflation, interest rates (long- and short-term)), linked to expected credit losses, are used to determine the measurement parameters for calculating the provision for credit risks. To model the measurement parameters, calculations are carried out for various probability-weighted scenarios using region-specific macroeconomic factors.

The scenarios assume different economic trends and reflect their impact on credit risk and the provision for credit risks. In this regard, the VW FS AG Group analyzes macroeconomic factors that are also used in internal management. Examples of these factors include gross domestic product, industrial output, unemployment, inflation, interest rates (long-term and short-term) and exchange rates. If statistical methods demonstrate that macroeconomic factors have an impact on credit risk, then the relevant forecast macroeconomic factors and their effects on credit risk are taken into account in the scenarios.

The VW FS AG Group normally analyzes three scenarios: a baseline scenario, a positive scenario and a negative scenario. The baseline scenario uses validated risk parameters as also used in the internal risk calculations. The positive scenario assumes a more positive trend in probabilities of default and loss given default ratios for the next 12 months compared with the baseline scenario, whereas the negative scenario assumes a rise in default probabilities and lower loss given default ratios. Based on the baseline scenario, the average probability of default (PD) adjustment is –14.2% in the positive scenario and +26.2% in the negative scenario, while the average loss given default adjustment is –1.6% in the positive scenario and +3.6% in the negative scenario.

The calculation to determine whether the credit risk has increased significantly at the reporting date generally takes into account the maturity of the agreement. The credit risk expected for the reporting date on the date of initial recognition is compared against the actual credit risk on the reporting date on the basis of the 12-month probability of default (PD). For the purposes of the comparison, the expected PD for the reporting date is determined by taking into account the maturity. Depending on the internal risk management models applied, threshold values are specified for expected credit risk using statistical methods and expert assessments, taking into account transaction-specific variables (such as maturity, payment record and credit process). A credit risk higher than the threshold value indicates a significant increase in credit risk. Depending on specific regional circumstances, qualitative factors may also be used to determine a significant increase in credit risk. Credit risk is assumed to have increased significantly, at the latest, if payments are past due by more than 30 days unless the financial assets have already been allocated to Stage 3 because of other objective evidence of impairment or, as a consequence of a substantial contractual modification, they are added to Stage 1 again at the reporting date despite payments being past due. A financial asset for which the credit risk is determined to be very low at the reporting date can normally be allocated to Stage 1. In VW FS AG, a very low credit risk can be assumed if the financial asset is assigned a one-year probability of default of less than 0.3%.

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

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

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

Loans and receivables are reported in the balance sheet at the net carrying amount. The provision for credit risks relating to off-balance sheet irrevocable credit commitments and financial guarantees is recognized within other liabilities.

Disclosures relating to the provision for credit risks are presented separately in notes (27) and (67).

MODIFICATIONS

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

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

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

LIABILITIES

Liabilities to banks and customers, notes and commercial paper issued, and subordinated capital liabilities are recognized at amortized cost using the effective interest method. Gains or losses arising from the changes in amortized cost are recognized in profit or loss, including the effects from changes in exchange rates.

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

11. Change in fair value from portfolio fair value hedges

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

12. Miscellaneous financial assets

Shares in unconsolidated subsidiaries, interests in unconsolidated joint ventures, interests in unconsolidated associates and other equity investments are reported as miscellaneous financial assets.

Shares in unconsolidated subsidiaries and interests in unconsolidated joint ventures and associates are recognized at cost taking into account any necessary impairment losses. Impairment losses are recognized in profit or loss if there are country-specific indications of significant or permanent impairment (e.g., imminent payment difficulties or economic crises). Subsidiaries, joint ventures and associates not consolidated for reasons of materiality do not fall within the scope of IFRS 9 and are therefore not included in the disclosures required by IFRS 7.

The accounting policies applicable to equity investments are set out in note (10) Financial Instruments.

13. Intangible assets

Intangible assets are recognized in accordance with the cost model.

Purchased intangible assets are – provided they have a finite useful life – amortized on a straight-line basis over their useful lives. These assets mainly consist of software, which is generally amortized over three or five years.

Subject to the conditions specified in IAS 38, internally developed software is capitalized. Amortization is on a straight-line basis over the useful life of three to five years from the start of use and is reported under general and administrative expenses.

At every reporting date, intangible assets with finite useful lives are tested to establish whether there are any indications of impairment. An appropriate impairment loss is recognized if a comparison shows that the recoverable amount for the asset is lower than its carrying amount.

Intangible assets with indefinite useful lives are not amortized. An annual review is carried out to establish whether an asset has an indefinite useful life. In accordance with IAS 36, these assets are tested for impairment by comparing the carrying amount and recoverable amount at least once a year and additionally if relevant events or changes in circumstances should occur. If required, an impairment loss is recognized to reduce the carrying amount to a lower recoverable amount.

Goodwill is tested for impairment once a year and also if relevant events or changes in circumstances occur. If the carrying amount of goodwill is higher than the recoverable amount, an impairment loss is recognized.

The recoverable amount of goodwill is derived from the value in use for the relevant cash-generating unit, which is determined using the discounted cash flow method. The basis is the latest planning data prepared by management for a planning period of five years, with growth in subsequent years estimated using a flat rate percentage. This planning is based on expectations regarding future global economic trends, trends in the overall markets for passenger cars and commercial vehicles and on assumptions derived from these trends about financial services, taking into account market penetration, risk costs and margins. Information about the assumptions made in the detailed planning period is presented in the disclosures regarding management's material estimates and assumptions. Additional details are included in the report on expected developments, which forms part of the management report. Planning assumptions are adjusted in line with the latest available information.

The calculation of cash flows is based on the forecast growth rates for the relevant markets. Cash flows after the end of the planning period are generally estimated using a growth rate of 1% p.a.

The interest rate used is based on the long-term market interest rate relevant to each cash-generating unit (regions or markets). If necessary, the standard cost of equity rate for the Group is also adjusted using discount factors specific to the country and business concerned. The interest rates used are disclosed in note (44).

14. Property and equipment

Property and equipment (land and buildings plus operating and office equipment) is recognized in accordance with the cost model. Depreciation is applied on a straight-line basis over the estimated useful life.

Depreciation is based mainly on the following useful lives:

Property and equipment	Useful lives
Buildings and property facilities	10 to 50 years
Operating and office equipment	3 to 23 years

At every reporting date, property and equipment are tested to establish whether there are any indications of impairment, for example as a result of relevant events or changes in circumstances. The recoverable amount for the asset is compared against its carrying amount in such cases. If the recoverable amount of the asset concerned has fallen below its carrying value, an impairment loss is recognized in accordance with IAS 36.

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

The property and equipment line item on the balance sheet also includes right-of-use assets in connection with leases in which the VW FS AG Group is the lessee. The accounting policies for these right-of-use assets are set out in note (15) Leases within the subsection covering the Group as lessee.

15. Leases

GROUP AS LESSOR

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

Lease income and lease expenses that the Group generates or incurs as a lessor are recognized under income from leasing transactions and depreciation, impairment losses and other expenses from leasing transactions in the income statement and are explained in note (23) Net Income from Leasing Transactions. Net income from leasing transactions largely consists of the following components: revenue from operating leases, interest income from finance leases, gains and expenses from the disposal of used ex-lease vehicles, net interest income/expense from derivatives used for hedging of finance leases, and depreciation and impairment losses in respect of lease assets. Interest income from finance leases includes the effects arising from the amortization of changes in fair value recognized for hedged items (changes in hedged fair value) resulting from finance lease receivables in portfolio fair value hedge accounting.

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

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

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

The VW FS AG Group takes full account of the credit risk arising in connection with lease receivables by recognizing loss allowances in accordance with the provisions specified in IFRS 9. The accounting policies covering loss allowances for the credit risk on lease receivables are included in note (10) Financial Instruments in the subsection addressing the provision for credit risks.

GROUP AS LESSEE

The right-of-use asset for leases in which the VW FS AG Group is the lessee is depreciated on a straight-line basis over the term of the lease. The depreciation expense is reported under general and administrative expenses. The allocation of the depreciation amounts for right-of-use assets to the categories “Right of use on land, land rights and buildings incl. buildings on third party land” and “Right of use on other equipment, operating and office equipment” is shown in note (72) Leases. In the subsequent measurement of the lease liability, the carrying amount is updated using the effective interest method and taking into account the lease payments made. The interest expenses arising from the application of the effective interest method are reported under interest expenses in the income statement.

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

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

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

Leases of the VW FS AG Group may include extension or termination options that are taken into account when determining the lease term.

BUYBACK TRANSACTIONS

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

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

16. Investment property

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

17. Provisions for pensions and other post-employment benefits

Provisions are recognized for commitments in the form of retirement, invalidity and surviving dependents' benefits payable under pension plans. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees.

The VW FS AG Group provides occupational pensions in the form of both defined contribution and defined benefit plans. In the case of defined contribution plans, the Company makes contributions to state or private pension schemes based on statutory or contractual requirements, or on a voluntary basis. Once the contributions have been paid, the VW FS AG Group has no further obligations. Current contributions are recognized as pension expenses of the period concerned. In 2024, they amounted to a total of €25 million in the VW FS AG Group. Contributions to the compulsory state pension system in Germany amounted to €20 million.

Pension schemes in the VW FS AG Group are predominantly defined benefit plans in which there is a distinction between pensions funded by provisions (without plan assets) and externally funded plans (with plan assets).

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

Detailed disclosures on provisions for pensions and other post-employment benefits are set out in note (53).

18. Insurance business

Inward reinsurance and direct insurance operation are accounted for in the period in which the reinsurance or insurance arises without any time delay.

Insurance contracts relating to primary insurance and accepted reinsurance business are recognized in accordance with IFRS 17. These include warranty insurance products for end-customers and repair cost insurance for dealers, importers, etc. Obligations also exist in the active reinsurance business from automobile liability insurance, GAP insurance, comprehensive insurance and residual debt insurance. Obligations of other Group companies for which there was an option to apply IFRS 17 are, however, measured in each cases according to the relevant IFRS, in with the Group requirements.

Underwriting items are measured using the general measurement model. Measurement proceeds at the level of groups of insurance contracts rather than at the level of individual contracts. This involves grouping insurance contracts with similar risks that are managed together into portfolios and then subdividing them into specific measurement groups by profitability and contracts concluded per quarter. Annual cohorts, which are used to avoid contracts issued more than one year apart being included in the same group, are created using the date on which the contract was accepted by the insurance company as the date of issue.

Measurement proceeds on the basis of expected future discounted cash flows and a risk component for nonfinancial risks plus a contractual service margin. For groups of insurance contracts categorized as profitable at the date of initial recognition, the expected profit is recognized in this service margin and realized over the coverage period as services are provided. For groups of insurance contracts for which the sum of the present value of cash outflows and the risk adjustment for nonfinancial risk exceeds the present value of expected cash inflows, in contrast, the loss expected on the date of initial recognition is immediately expensed in full.

The risk margin for nonfinancial risks is the insurer’s compensation for assuming the nonfinancial risks associated with the cash flows. Nonfinancial risks in this context specifically include underwriting risk as well as other nonfinancial risks to be allocated to the underlying insurance contracts, such as cancellation risk and cost risks. The risk margin is determined on the basis of the value at risk. The risk adjustment for nonfinancial risks corresponds to a confidence level of 80%. The reversal of the risk margin comes entirely within the Technical insurance result.

Investment components are measured in line with the applicable cases by determining the payments to be made to the policyholder – currently always with direct insurance companies covered by reinsurance – given an entirely claim-free term.

The individual measurement components are measured separately on both initial recognition and subsequent measurement. A distinction is drawn in the subsequent measurement between the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The liability for incurred claims is the fulfillment cash flow for claims payments including costs for the allocated measurement group at this time, while the liability for remaining coverage is the fulfillment cash flow for the remaining coverage of the allocated group at this time plus the contractual service margin of this group. The contractual service margin is amortized according to a profile based on the coverage provided in the various periods.

Provisions for outstanding claims in inward reinsurance business are recognized on the basis of the information provided by the cedants. They are measured on the basis of each claim in accordance with the estimated requirement. The chain ladder method or modified chain ladder method is generally used to determine the expected payments for loss events that are not yet known. A risk adjustment for nonfinancial risk is also applied. Liabilities are determined by an actuarial department using actuarial methods and expert judgment. These methods incorporate the best possible estimates of cash flows (for example for claims, premiums and costs) based on historical data for the portfolios concerned or similar portfolios. The estimates of future cash flows include all cash flows that are likely to occur in connection with the fulfillment of the insurance contract.

One of the main features of the insurance business is underwriting risk, which comprises primarily premium risk, reserve risk, cancellation risk and catastrophe risk. VW FS AG counters these risks by constantly monitoring the basis of computations, making appropriate additions to provisions and applying a restrictive underwriting policy. This business is predominantly short term in nature and most longer-lasting risks are transferred to large reinsurance companies, so the risks enumerated dominate the overall risk profile in respect of underwriting liabilities and are therefore a particular priority. Credit risk in insurance business stems largely from transfers to reinsurance companies and existing receivables from direct insurers, primarily, but also brokers and end customers. Default risk is monitored continuously for risk management purposes. Liquidity risk results principally from unexpected payment obligations or unexpectedly high claims payments that can potentially lead to the premature disposal of investments at a discount to market prices. Management takes the form of regular monitoring, the definition of liquidity categories for investments and the maintenance of liquidity buffers. Market risk from insurance liabilities arises within the VW FS AG Group in the shape of interest rate, spread, exchange rate and equity risks. These are managed in accordance with the prudent person principle by means of Volkswagen Versicherung AG’s investment policy, which contains a substantial number of stipulations regarding permitted investments and the nature of the portfolio. These stipulations are monitored constantly with reference to defined limits. Risk monitoring activities specifically include the standardized quarterly and annual calculations prescribed by the supervisory authorities for the solvency capital requirement, and overall solvency needs, and the preparation of the associated reports for general publication, for the supervisory authorities and for management.

For contracts, the primary object of which is the performance of services for fixed remuneration (fixed fee service contracts as described in IFRS 17.8), the VW FS AG Group exercises the option to treat these contracts as contracts for services in accordance with IFRS 15.

It is mandatory to discount reserves. The VW FS AG Group uses the bottom-up approach to calculate the discount rate. The risk-free yield curve for insurance business is in principle derived from overnight index swaps for the currency in which the underlying insurance contracts are concluded.

The table below sets out the interest rates used to discount the cash flows from insurance contracts:

	UP TO 1 YEAR		1 - 5 YEARS		MORE THAN 5 YEARS		MORE THAN 10 YEARS	
Percent	from	to	from	to	from	to	from	to
EUR	2.28	2.52	2.17	2.40	2.24	2.48	2.41	2.65
GBP	4.60	4.60	–	–	–	–	–	–
JPY	0.75	0.75	0.94	0.94	1.03	1.03	–	–
MXN	46.63	46.63	35.29	35.29	30.80	30.80	–	–
SEK	2.30	2.30	2.33	2.33	2.44	2.44	–	–
CZK	3.84	3.84	3.70	3.70	3.76	3.76	3.91	3.91
PLN	5.63	5.75	5.00	5.12	4.93	5.05	–	–
CHF	0.19	0.31	0.20	0.32	0.31	0.43	–	–

The costs incurred in concluding contracts are allocated in full to the new contracts concluded in an existing or new contract group. Costs are not divided between new contracts concluded and follow-up contracts expected in the future.

The VW FS AG Group uses the year-to-date method for the treatment of accounting estimates made in previous quarters. Estimates from previous quarters are therefore revised and recognized in full in profit or loss.

19. Other provisions

Under IAS 37, provisions are recognized if a present legal or constructive obligation to a third party has arisen as a result of a past event, it is probable that settlement in the future will result in an outflow of resources embodying economic benefits and the amount of the obligation can be estimated reliably. If an outflow of resources is neither probable nor improbable, the amount concerned is deemed to be a contingent liability. In accordance with IAS 37, this contingent liability is not recognized but disclosed in note (75).

The share-based remuneration within Other provisions and within Other liabilities includes performance share plans, that is to say remuneration plans that are implemented by means of cash settlement based on Volkswagen AG preferred shares and accounted for in accordance with IFRS 2. The remuneration expense is treated as part of personnel expenses within general and administrative expenses reported in the income statement.

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

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

Provisions that are not associated with an outflow of resources within one year are recognized at their settlement amount discounted to the reporting date using market discount rates. An average discount rate of 2.61% was used in the eurozone. The settlement amount also includes expected cost increases.

20. Trust transactions

The VW FS AG Group acts as a trustee as part of its lending business. As the pass-through criteria specified in IFRS 9.3.2.4(b) and IFRS 9.3.2.5 are satisfied, the asset, which only needs to be recognized for the briefest of periods, and the matching liability are derecognized in full. The upshot is that trust business does not need to be reported on the balance sheet. The extent of this business is not material.

21. Estimates and assumptions by management

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

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

The planning assumption in respect of global economic development is that global economic output will grow at a weaker pace in 2025 than in 2024. The declining level of inflation in important economic regions and the resulting easing of monetary policy should have a positive effect on consumer spending. We continue to believe that risks will arise from the increasing fragmentation of the global economy and protectionist tendencies, from turbulence in the financial markets, and structural deficits in individual countries. Growth prospects are also being depressed by ongoing geopolitical tensions and conflicts. with the Russia-Ukraine conflict, the fighting in the Middle East and uncertainties in connection with the political orientation of the USA a particular source of risk. It is assumed that both the advanced economies and the emerging markets will show a somewhat weaker momentum compared to the reporting period on average. There is also a general expectation that the global economy will continue growing at stable rates of change in the period to 2029.

These assumptions suggest that automotive financial services – in combination with the development of the vehicle markets – will prove highly important to global vehicle sales in 2025. Regions with established automotive financial services markets will probably see a continuation of the trend towards enabling mobility at the lowest possible total cost. The shift from financing in favor of lease contracts will also continue, as was initiated in European financial services business with individual customers. Integrated end-to-end solutions that include mobility-related service modules such as insurance and innovative packages of services are likely to become increasingly important. Additionally, demand is expected to increase for new forms of mobility, such as rental and car subscription (Auto-Abo) services, and for integrated mobility services including refueling and charging. Dealers continue to be key strategic partners. The seamless integration of financial services into the online vehicle offering will become increasingly important. We assume that this trend will also persist in the years 2026 to 2029.

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

Trends in the markets for passenger cars in 2025 are expected to be positive overall, but with some variation from region to region. Overall, the global volume of new car sales is expected to be slightly higher than in the previous year. Growing demand for passenger cars is forecast worldwide in the period from 2026 to 2029. The markets for light commercial vehicles are also expected to perform differently in the individual regions. Overall, the sales volume in 2025 is expected to be on a level with the previous year, with global demand for light commercial vehicles expected to grow between 2026 and 2029.

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

Interest rates 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.

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.

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

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

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

RECOVERABLE AMOUNT OF LEASE ASSETS

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

The mix of drive types in the VW FS AG Group's portfolio is constantly changing as the transition to zero-emissions mobility progresses. The implications of this transition for residual values in the portfolio are monitored continuously using an appropriate method for the analysis and evaluation of ESG factors, including technological and regulatory changes and CO_2 transition costs. The defined residual values of vehicles of different drive types are updated in line with the results of this monitoring at regular intervals for the purposes of both new business and residual value forecasting. Customer behavior and the structure of the market are also key determining factors in this context alongside the aforementioned elements. No additional estimation uncertainty arising from ESG/sustainability considerations that would materially affect existing estimates, for example of the recoverable amount of leased assets, in the consolidated financial statements is apparent as of the current reporting date. Possible future effects of ESG/sustainability factors on existing estimates are considered continuously.

LEASE TERM IN LESSEE ACCOUNTING

Under IFRS 16, the term of a lease is determined on the basis of the fundamental non-cancelable term of the lease plus an assessment of whether any option to extend the lease will be exercised or whether any option to terminate the lease will not be exercised. The lease term determined in this way and the discount rates used affect the amounts recognized for the right-of-use assets and the lease liabilities.

FINANCIAL INSTRUMENTS

The procedure for determining the recoverability of financial assets requires estimates about the extent and probability of occurrence of future events. When possible, these estimates take into account the latest market data as well as rating classes and scoring information derived from empirical values and combined with forward-looking parameters. Further information on determining valuation allowances can be found in the disclosures on the provision for credit risks in notes (10) and (67).

The “Provision for credit risks” section in note (10) Financial instruments explains that three scenarios of risk parameters are taken into account when calculating the provision for credit risks and that objective indications of impairment are determined on the basis of the definition of default under Article 178 of the CRR. These measurement techniques were already used for the consolidated carrying amounts of the financial assets of Volkswagen Bank GmbH acquired as of July 1, 2024. As a result of a change in accounting estimates, the measurement techniques are being applied consistently across the Group for all relevant financial assets of the VW FS AG Group in the reporting period. The standardized calculation of provisions for credit risks across the Group, taking into account three scenarios of risk parameters, resulted in the reversal of provisions for credit risks in the amount of €25 million.

In terms of default risks from financial assets in the VW FS AG Group, climate-related and environmental risks in the portfolio of nonfinancial companies and for vehicle collateral could become increasingly relevant in future reporting periods. In the portfolio of nonfinancial companies, potential transition risks are considered to be relevant in the medium to long term. The extent of these risks varies within the individual sectors of nonfinancial companies. Automotive dealerships in particular could face medium- and long-term transition risks driven by additional transformation costs, long-term structural changes and technological investment requirements. Relevant transition risks are not considered to be material in the short term. In terms of vehicle collateral, it can generally be assumed that the transition from combustion engines to electric vehicles will continue to proceed gradually and that, from today’s perspective, there will be no increased risks and that the valuation approaches will therefore continue to be appropriate. Nevertheless, the effects of relevant risk drivers such as the transition to electric vehicles, technological changes, laws and regulations, and customer interests are being monitored and reassessed regularly and on an ad hoc basis. Tools for addressing ESG risks have been established in the VW FS AG Group with the aim of incorporating ESG aspects into the lending process. When loans are originated, ESG risks are assessed on the basis of the comprehensive expertise of the front and back offices.

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

INCOME FROM SERVICE CONTRACTS

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

PROVISIONS

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

The measurement of pension provisions is based on actuarial assumptions regarding discount rates, salary and pension trends, and employee turnover rates, which are determined for each group company depending on the economic environment.

Further information about the assumptions applied in relation to provisions for pensions and other post-employment benefits can be found in notes (17) and (53).

In the case of other provisions, expected values are used as the basis for measurement, which means that changes are made on a regular basis, involving either additions to the provisions or the reversal of unused provisions. Changes in the estimates of the amounts for other provisions are always recognized in profit or loss. The recognition and measurement of provisions for litigation and legal risks included within other provisions requires making predictions with regard to court decisions and the outcome of legal proceedings. Each case is individually assessed on its merits based on developments in the proceedings, the company’s past experience in comparable situations and evaluations made by experts and lawyers. Further information about the assumptions applied in relation to other provisions can be found in note (19).

INSURANCE BUSINESS

The measurement of underwriting items (see note (18)) depends to a certain extent on the use of estimates and/or assumptions. This of course applies in particular to future events that have to be considered in calculating the liabilities, but also to the aggregation and simplification steps necessary to make the calculations feasible. The use of estimates and judgment-based decisions thus has a material impact on the measurement of insurance liabilities, appropriate aggregation to create calculation groups and the allocation of cash flows occurring. This is particularly true of new business taken on for which there is no historical data and for liabilities grouped in less refined calculation units in compliance with the standards that were created prior to the transition to IFRS 17.

RECOVERABLE AMOUNT OF NONFINANCIAL ASSETS, JOINT VENTURES AND EQUITY INVESTMENTS

The impairment tests applied to nonfinancial assets (particularly goodwill and brand names), equity-accounted joint ventures, equity-accounted associates and equity investments measured at cost require assumptions related to the future cash flows in the planning period and, where applicable, beyond. The assumptions about the future cash flows factor in expectations regarding future global economic trends, trends in the overall markets for passenger cars and commercial vehicles and expectations derived from these trends about financial services, taking into account market penetration, risk costs, margins and regulatory requirements. The assumptions are based on current estimates by third-party institutions, which include economic research institutes, banks, multinational organizations and consulting firms. The discount rates used in the discounted cash flow method applied when testing goodwill for impairment are based on specified cost of equity rates, taking into account historical experience and appropriate assumptions regarding macroeconomic trends. In particular the forecasts for short- and medium-term cash flows, and the discount rates used, are subject to uncertainty outside the control of the group.

DEFERRED TAX ASSETS AND UNCERTAIN INCOME TAX ITEMS

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

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

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

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

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

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

Income Statement Disclosures

22. Interest income from lending transactions and marketable securities

Interest income from lending transactions and marketable securities includes interest income from customer and dealer finance, interest income from the direct banking business, interest income and expenses from derivatives used to hedge financial assets outside of the leasing business, as well as other interest income including interest income from fixed-income securities.

Interest income and interest expense related to derivatives not designated as hedging instruments for hedging financial assets outside the leasing business came to €20 million (previous year: €– million). Interest income and expenses on derivatives designated as hedging instruments for hedging financial liabilities outside of the leasing business amount to €–33 million (previous year: €– million).

23. Net income from leasing transactions

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

€ million	2024	2023
Leasing income from operating leases	4,339	–
Interest income from finance leases	1,615	–
Gains from the disposal of used ex-lease vehicles	6,731	–
Net interest income/expense from finance lease hedging derivatives	146	–
Miscellaneous income from leasing transactions	561	–
Income from leasing transactions	**13,392**	**–**
Lease assets depreciation and impairment losses	–3,340	–
Expenses from the disposal of used ex-lease vehicles	–6,590	–
Miscellaneous expenses from leasing transactions	–362	–
Depreciation, impairment losses and other expenses from leasing transactions	**–10,292**	**–**
Total	**3,099**	**–**

24. Interest expense

Interest expenses include funding expenses for the lending and leasing businesses. Interest income and expenses on derivatives not designated as hedging instruments for hedging financial liabilities amount to €–31 million (previous year: €– million). Interest income and expenses on derivatives designated as hedging instruments for hedging financial liabilities amount to €–329 million (previous year: €– million).

The disclosures relating to the interest expenses for lease liabilities reported under the interest expense line item in the income statement can be found in note (72) Leases.

25. Net income from service contracts

Of the total income recognized for service contracts in the reporting year, an amount of €1,097 million (previous year: €– million) related to service contracts requiring the recognition of income at a specific time, and €362 million (previous year: €– million) related to service contracts requiring the recognition of income over a period of time.

As a result of the acquisition of assets and assumption of liabilities as of July 1, 2024, as described above, there were no contractual liabilities for service contracts from which income was recognized in the reporting period at the beginning of the reporting period on January 1, 2024.

26. Net income from insurance business

Income and expenses from insurance business recognized in the consolidated income statement are as follows:

€ million	2024	2023
Insurance revenue from insurance business	163	–
Recoverable income from outward reinsurance business	–2	–
Income from insurance transactions	**161**	**–**
Expenses for insurance services excluding costs incurred in concluding contracts	-87	–
Expenses for insurance services – loss component	-2	–
Expenses for insurance services – costs incurred in concluding contracts	-33	–
Expenses from outward reinsurance business	1	–
Expenses from insurance transactions	**-121**	**–**
Total	**40**	**–**

27. Provision for credit risks

The provision for credit risks relates to the following balance sheet items: loans to and receivables from banks, loans to and receivables from customers, marketable securities and other assets; in the context of the provision for credit risks in respect of credit commitments and financial guarantees, it also relates to the “Other liabilities” balance sheet item.

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

€ million	2024	2023
Additions to provision for credit risks	–398	–
Reversals of provision for credit risks	202	–
Direct write-offs	–83	0
Income from loans and receivables previously written off	29	–
Net gain or loss from significant modifications	0	–
Total	**–251**	**0**

28. Net fee and commission income

Net fee and commission income largely comprises income and expenses from insurance brokerage, together with fees and commissions from the financing business and financial services business. The breakdown is as follows:

€ million	2024	2023
Fee and commission income	286	0
of which commissions from insurance broking	260	–
Fee and commission expenses	–104	–
of which sales commission from financing business	–28	–
of which commissions from insurance broking	–57	–
Total	**183**	**0**

29. Net gain or loss on hedges

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

The details of the gains and losses are as follows:

€ million	2024	2023
Fair value hedges		
Gains/losses from micro fair value hedges		
Gains/losses on hedging instruments	507	–
Gains/losses on hedged items	–534	–
Gains/losses from micro fair value hedges	–27	–
of which ineffectiveness of micro fair value hedges	–26	–
Gains/losses on portfolio fair value hedges		
gains/losses on hedging instruments	–137	–
gains/losses on hedged items	128	–
gains/losses on portfolio fair value hedges	-9	–
of which ineffectiveness of portfolio fair value hedges	-9	–
Cashflow Hedges		
Gains/losses from the reclassification of reserves	13	–
Gains/losses from the translation of foreign currency loans/receivables and liabilities	-8	–
Gains/losses from the ineffective portion of hedging instruments	–2	–
Total	**–32**	**–**

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

The net gains or losses on derivatives not designated as hedging instruments, net gains or losses on marketable securities and loans/receivables measured at fair value through profit or loss, and net gains or losses on derecognition of marketable securities measured at fair value through other comprehensive income are reported under this item. Gains and losses arising from changes in the fair value of derivatives that do not satisfy the requirements of IFRS 9 for hedge accounting at the micro level or of IAS 39 for portfolio hedging are recognized under gains and losses on derivatives not designated as hedging instruments.

The details of the gains and losses are as follows:

€ million	2024	2023
Gains/losses on derivatives not designated as hedging instruments	–76	–
Gains/losses on marketable securities measured at fair value through profit/loss	1	–
Gains/losses on loans/receivables measured at fair value through profit/loss	–13	–
Gains/losses on the derecognition of marketable securities measured at fair value through OCI	6	–
Total	**–83**	**–**

31. General and administrative expenses

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

€ million	2024	2023
Personnel expenses in general and administrative expenses	–528	–
Non-staff operating expenses	–496	0
Advertising, public relations and sales promotion expenses	–40	–
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	–40	–
Other taxes	–9	–
Income from the reversal of provisions and accrued liabilities	87	–
Total	**–1,027**	**0**

The disclosures relating to the expenses from the depreciation of right-of-use assets included in general and administrative expenses and to the expenses from short-term leases and leases in which the underlying asset is of low value can be found in note (72) Leases.

The breakdown and explanation of personnel expenses is set out in the separate note (78) Personnel expenses.

32. Net other operating income/expenses

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

€ million	2024	2023
Gains on the measurement of non-hedge foreign currency loans/receivables and liabilities	19	–
Income from cost allocations to other entities in the Volkswagen Group	66	–
Income from the reversal of provisions and accrued liabilities	28	–
Income from claims for damages	19	–
Income from the disposal of vehicles under loan agreements and finance leases	319	–
Income from non-significant modifications	7	–
Miscellaneous operating income	121	0
Losses on the measurement of non-hedge foreign currency loans/receivables and liabilities	–26	–
Litigation and legal risk expenses	–8	–
Expenses from the disposal of vehicles under loan agreements and finance leases	–321	–
Expenses from non-significant modifications	–4	–
Miscellaneous operating expenses	–109	0
Total	**110**	**0**

33. Net gain or loss on miscellaneous financial assets

The net gain/loss on miscellaneous financial assets includes dividend income, income and expenses arising from profit or loss transfers, income and expenses from disposals and net gains or losses arising from the recognition of impairment losses and reversals on shares in unconsolidated subsidiaries, joint ventures and associated companies.

34. Other financial gains or losses

Other financial gains or losses mainly consist of interest income and interest expenses in connection with tax-related issues, pensions and other provisions, as well as underwriting financial income and underwriting financial expenses.

35. Income tax expense

Income tax expense includes the taxes charged in respect of the Volkswagen AG tax group, taxes for which VW FS AG and its consolidated subsidiaries and branches are the taxpayers, and deferred taxes. The components of the income tax expense are as follows:

€ million	2024	2023
Current tax income/expense, Germany	–246	0
Current tax income/expense, foreign	–192	–
Current income tax expense	**–439**	**0**
of which income (+)/expense (–) related to prior periods	1	–
Deferred tax income (+)/expense (–), Germany	151	–
Deferred tax income (+)/expense (–), foreign	–128	–
Deferred tax income (+)/expense (–)	**23**	**–**
Income tax expense	**–416**	**0**

The reported tax expense in 2024 of €416 million (previous year: €0 million) is €42 million (previous year: €0 million) higher than the expected tax expense of €374 million (previous year: €0 million), which was calculated by applying the tax rate of 30.0% (previous year: 30.0%) to the consolidated profit before tax.

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

€ million	2024	2023
Profit before tax	**1,245**	**0**
multiplied by the domestic income tax rate of 30.0 %		
= Imputed income tax expense in the reporting period at the domestic income tax rate	**–374**	**0**
+ Effects from different foreign tax rates	3	–
+ Effects from tax-extempt income	58	–
+ Effects from non-deductible operating expenses	–52	–
+ Effects from loss carryforwards	4	–
+ Effects from permanent differences	18	–
+ Effects from tax credits	0	–
+ Taxes attributable to prior periods	–17	–
+ Effects from changes in tax rates	–1	–
+ Effects from non-deductible withholding taxes	0	–
+ Other variances	–56	0
= Current income tax expense	**–416**	**0**
Effective tax rate in %	33.4	28.7

The statutory corporation tax rate in Germany for the 2024 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 30%.

In the German tax group, a tax rate of 30.0% was used to measure deferred taxes.

The effects from different income tax rates outside Germany arise because of the different income tax rates in the individual countries in which the Group companies are domiciled compared with the rates in Germany. These rates outside Germany vary between 12.5% (previous year: –%) and 33.1% (previous year: –%).

The following table shows a breakdown of the as yet unused tax loss carryforwards:

	UNUSED TAX LOSS CARRYFORWARDS		OF WHICH UNUSABLE TAX LOSS CARRYFORWARDS	
€ million	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Usable indefinitely	109	–	109	–
Usable within the next 5 years	–	–	–	–
Usable within 5 – 10 years	–	–	–	–
Usable within more than 10 years	–	–	–	–
Total	**109**	**–**	**109**	**–**
thereon deferred tax assets recognized	–	–	–	–

The tax credits granted by various countries led to the recognition of a tax benefit in an amount of €2 million (previous year: €– million).

The income taxes for continuing and discontinued operation were reduced by €2 million (previous year: €– million) using previously unrecognized tax losses and tax credits. Deferred tax expense arising from the write-down of deferred tax assets amounts to €26 million (previous year: €– million). Deferred tax income from the reversal of impairment losses on deferred tax assets for continuing and discontinued operation in the reporting year amounted to €2 million (previous year: €– million). No deferred tax assets were recognized in respect of deductible temporary differences of €138 million (previous year: €– million).

The Group has recognized deferred tax assets of €14 million (previous year: €– million) against which there are no deferred tax liabilities in an equivalent amount. The companies involved are expecting to generate profits in the future following losses in the reporting or in the prior period.

In accordance with IAS 12.39, deferred tax liabilities of €17 million (previous year: €– million) have not been recognized for temporary differences and undistributed profits of subsidiaries because VW FS AG has the relevant control.

Of the deferred taxes recognized in the balance sheet, an amount of €49 million (previous year: €– million) relates to transactions reported in other comprehensive income. A breakdown of the changes in deferred taxes is presented in the statement of comprehensive income.

36. Further income statement disclosures

The following table shows both fee and commission income and expenses related to trust business and fee and commission income and expenses related to financial assets and financial liabilities not measured at fair value through profit or loss and not measured using the effective interest method.

€ million	2024	2023
Income from fees and commissions	–	–
Expenses from fees and commissions	0	–
Total	**0**	**–**

As a result of the acquisition of assets and assumption of liabilities as of July 1, 2024, as described above, no income was recognized in the current fiscal year that was already included in the contractual liabilities on January 1 of the reporting period.

Balance Sheet Disclosures

37. Cash reserve

The cash reserve primarily includes credit balances of €12,442 million (December 31, 2023: €– million / January 1, 2023: €– million) held with the Deutsche Bundesbank and foreign central banks.

38. Loans to and receivables from banks

Loans to and receivables from banks mainly include credit balances and term deposits with banks in the amount of €914 million (December 31, 2023: €0 million / January 1, 2023: €1 million).

39. Loans to and receivables from customers

The “Loans to and receivables from customers” item includes deductions arising from the provision for credit risks recognized to cover the expected credit risk. The provision for credit risks is presented in notes (27) and (67).

Receivables from customers attributable to retail financing comprise loans to private and commercial customers for the financing of vehicles. The vehicle itself is normally pledged to as collateral for the financing of vehicles. Dealer financing encompasses floor plan financing as well as loans to the dealer organization for operating equipment and investment. Assets are pledged as collateral, but guarantees and charges on real estate are also used as security. Receivables from leasing transactions include receivables from finance leases and receivables due in connection with lease assets. The other loans and receivables largely consist of loans and receivables from entities within the Volkswagen Group, receivables relating to lines of credit and overdrafts used by customers, and receivables from leasing transactions with a buy-back agreement.

Receivables from leasing transactions include due receivables amounting to €914 million (December 31, 2023: €– million / January 1, 2023: €– million). Of this amount, €500 million (December 31, 2023: €– million / January 1, 2023: €– million) is attributable to finance leases and €414 million (December 31, 2023: €– million / January 1, 2023: €– million) to operating leases. The due lease receivables are payable within one year.

40. Value adjustment on portfolio fair value hedges

This assets-side line item on the balance sheet recognizes changes in the hedged fair value in relation to the hedged interest rate risk for the hedged items covered by portfolio fair value hedge accounting.

The following table shows the amount reported in the balance sheet on the reporting date:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 01, 2023
Value adjustment on portfolio fair value hedges	113	–	–

41. Derivative financial instruments

This balance sheet item comprises the positive fair values from derivatives in recognized hedges and from derivatives not designated as a hedging instrument. In the following table, the positive fair values of hedges of cross-currency interest rate swaps are broken down into currency and interest rate components provided that there is an appropriate underlying hedging strategy.

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan 1, 2023
Transactions to hedge against			
currency risk on assets using fair value hedges	5	–	–
currency risk on liabilities using fair value hedges	2	–	–
interest-rate risk using fair value hedges	273	–	–
of which hedges against interest-rate risk using portfolio fair value hedges	86	–	–
interest-rate risk using cash flow hedges	24	–	–
currency risk on future cash flows using cash flow hedges	36	–	–
Hedging transactions	**341**	**–**	**–**
Assets arising from derivatives not designated as hedges	190	–	–
Total	**531**	**–**	**–**

42. Marketable securities

The “Marketable securities” balance sheet item largely comprises fixed-income securities from public- and private-sector issuers as well as investment fund shares/units Marketable securities amounting to €814 million (December 31, 2023: €– million / January 1, 2023: €– million) were pledged as collateral for own liabilities. They are deposited with the Deutsche Bundesbank and are furnished as collateral in connection with open market operations. Furthermore, the “Marketable securities” balance sheet item includes Class A and C shares of VISA Inc., USA, in the amount of €21 million (December 31, 2023: €– million / January 1, 2023: €– million). The carrying amount of the Class A shares classified as equity instruments is recognized in the OCI reserve, while the carrying amount of the Class C shares classified as debt instruments is recognized in the income statement.

43. Equity-accounted investments and other financial assets

Equity-accounted investments

€ million	2024	2023
Cost		
as of Jan. 1,	**–**	**–**
Foreign exchange differences	–	–
Changes in basis of consolidation	1,353	–
Additions	25	–
Reclassifications	–	–
Assets held for sale (IFRS 5)	–48	–
Disposals	–	–
Changes/remeasurements recognized in profit or loss	36	–
Dividends	–29	–
Other changes recognized in other comprehensive income	–2	–
Balance as of Dec. 31,	**1,335**	**–**
Impairment losses as of Jan. 1,	**–**	–
Foreign exchange differences	–	–
Changes in basis of consolidation	95	–
Additions	–	–
Reclassifications	–	–
Assets held for sale (IFRS 5)	–23	–
Disposals	–	–
Reversal of impairment losses	–	–
Balance as of Dec. 31,	**73**	**–**
Net carrying amount as of Dec. 31,	**1,263**	**–**
Net carrying amount as of Jan. 1,	**–**	**–**

Equity-accounted investments include joint ventures in the amount of €920 million (December 31, 2023: €– million / January 1, 2023: €– million) and associates in the amount of €343 million (December 31, 2023: €– million / January 1, 2023: €– million).

Miscellaneous financial assets

€ million	2024	2023
Cost as of Jan. 1,	**–**	**–**
Foreign exchange differences	0	–
Changes in basis of consolidation	423	–
Additions	4	–
Reclassifications	–	–
Assets held for sale (IFRS 5)	–34	–
Disposals	–	–
Balance as of Dec. 31,	**393**	**–**
Amortization and impairment losses as of Jan. 1,	**–**	**–**
Foreign exchange differences	0	–
Changes in basis of consolidation	250	–
Additions	20	–
Reclassifications	–	–
Assets held for sale (IFRS 5)	–10	–
Disposals	–	–
Reversal of impairment losses	17	–
Balance as of Dec. 31,	**242**	**–**
Net carrying amount as of Dec. 31,	**150**	**–**
Net carrying amount as of Jan. 1,	**–**	**–**

Impairment losses of €14 million (previous year: €– million) were recognized in the fiscal year for an unconsolidated subsidiary and €6 million (previous year: €– million) for an unconsolidated joint venture.

The amount of the impairment losses equated to the amount by which the determined recoverable amount fell below the carrying amount before recognition of the impairment losses. The methodology used to determine the recoverable amount was substantially the same as the methodology described in note (13) to determine impairment losses on goodwill.

44. Intangible assets

€ million	Internally generated software	Brand name, customer base	Goodwill	Other intangible assets	Total
Cost as of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**
Foreign exchange differences	1	0	–	0	1
Changes in basis of consolidation	123	28	15	335	501
Additions	5	–	–	15	20
Reclassifications	–	–	–	–	–
Disposals	12	17	–	5	34
Balance as of Dec. 31, 2024	**117**	**11**	**15**	**345**	**488**
Depreciation and impairment losses as of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**
Foreign exchange differences	0	0	–	0	0
Changes in basis of consolidation	70	28	–	253	352
Additions to cumulative amortization	2	–	–	15	17
Additions to cumulative impairment losses	1	–	–	–	1
Reclassifications	–	–	–	–	–
Disposals	–	17	–	4	21
Reversal of impairment losses	–	–	–	–	–
Balance as of Dec. 31, 2024	**73**	**11**	**–**	**264**	**349**
Net carrying amount as of Dec. 31, 2024	**43**	**–**	**15**	**81**	**139**
Net carrying amount as of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**

€ million	Internally generated software	Brand name, customer base	Goodwill	Other intangible assets	Total
Cost as of Jan. 1, 2023	**–**	**–**	**–**	**–**	**–**
Foreign exchange differences	–	–	–	–	–
Changes in basis of consolidation	–	–	–	–	–
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	–	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**
Depreciation and impairment losses as of Jan. 1, 2023	**–**	**–**	**–**	**–**	**–**
Foreign exchange differences	–	–	–	–	–
Changes in basis of consolidation	–	–	–	–	–
Additions to cumulative amortization	–	–	–	–	–
Additions to cumulative impairment losses	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	–	–	–	–
Reversal of impairment losses	–	–	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**
Net carrying amount as of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**
Net carrying amount as of Jan. 1, 2023	**–**	**–**	**–**	**–**	**–**

The goodwill of €15 million (December 31, 2023: €– million / January 1, 2023: €– million) recognized in the balance sheet under intangible assets for Volkswagen Versicherungsdienst GmbH, Braunschweig, has an indefinite useful life. The indefinite useful life arises because the goodwill is linked to the relevant cash-generating unit and will therefore remain in existence for as long as this unit remains in existence.

The impairment test for the reported goodwill is based on the value in use.

The value in use determined in the impairment test for the reported goodwill exceeded the corresponding carrying amount, so no impairment loss requirement was identified. The VW FS AG Group also carried out sensitivity analyses as part of the impairment test. No change in certain material assumptions would lead to the recognition of an impairment loss for goodwill.

An interest rate of 12.5% was used in the impairment test in the reporting year.

45. Property and equipment

€ million	Land and buildings	Operating and office equipment	Total
Cost as of Jan. 1, 2024	**–**	**–**	**–**
Foreign exchange differences	1	0	1
Changes in basis of consolidation	464	210	674
Additions	13	19	33
Reclassifications	44	32	77
Disposals	14	17	31
Balance as of Dec. 31, 2024	**508**	**246**	**754**
Depreciation and impairment losses as of Jan. 1, 2024	**–**	**–**	**–**
Foreign exchange differences	0	0	1
Changes in basis of consolidation	189	157	345
Additions to cumulative depreciation	10	13	23
Additions to cumulative impairment losses	–	–	–
Reclassifications	12	14	26
Disposals	2	12	14
Reversal of impairment losses	–	–	–
Balance as of Dec. 31, 2024	**209**	**172**	**381**
Net carrying amount as of Dec. 31, 2024	**299**	**74**	**373**
Net carrying amount as of Jan. 1, 2024	**–**	**–**	**–**

€ million	Land and buildings	Operating and office equipment	Total
Cost as of Jan. 1, 2023	**–**	**–**	**–**
Foreign exchange differences	–	–	–
Changes in basis of consolidation	–	–	–
Additions	–	–	–
Reclassifications	–	–	–
Disposals	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**
Depreciation and impairment losses as of Jan. 1, 2023	**–**	**–**	**–**
Foreign exchange differences	–	–	–
Changes in basis of consolidation	–	–	–
Additions to cumulative depreciation	–	–	–
Additions to cumulative impairment losses	–	–	–
Reclassifications	–	–	–
Disposals	–	–	–
Reversal of impairment losses	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**
Net carrying amount as of Dec. 31, 2023	**–**	**–**	**–**
Net carrying amount as of Jan. 1, 2023	**–**	**–**	**–**

Land charges of €49 million (December 31, 2023: €– million / January 1, 2023: €– million) are pledged as collateral for financial liabilities related to land and buildings.
Assets under construction with a carrying amount of €4 million (December 31, 2023: €– million / January 1, 2023: €– million) are included in land and buildings.

46. Investment property

The following table shows the changes in investment property assets:

€ million	2024	2023
Cost as of Jan. 1,	**–**	**–**
Foreign exchange differences	–	–
Changes in basis of consolidation	100	–
Additions	–	–
Reclassifications	–79	–
Disposals	1	–
Balance as of Dec. 31,	**21**	**–**
Depreciation and impairment losses as of Jan. 1,	**–**	**–**
Foreign exchange differences	–	–
Changes in basis of consolidation	39	–
Additions to cumulative depreciation	1	–
Additions to cumulative impairment losses	–	–
Reclassifications	–27	–
Disposals	0	–
Reversal of impairment losses	–	–
Balance as of Dec. 31,	**13**	**–**
Net carrying amount as of Dec. 31,	**8**	**–**
Net carrying amount as of Jan. 1,	**–**	**–**

The fair value of investment property amounts to €7 million (December 31, 2023: €– million / January 1, 2023: €– million). The fair value is determined using an income approach based on internal calculations (Level 3 of the fair value hierarchy). The key inputs for the calculation are future rental income and the weighted average cost of capital.

Operating expenses in an immaterial amount were incurred for the maintenance of investment property in the reporting period.

Expenses for short-term leases in the reporting year were €1 million (previous year: €– million).

47. Deferred tax assets

The breakdown of the deferred tax assets is as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Deferred tax assets	11,327	–	–
Tax loss carryforwards, net of valuation allowances	–	–	–
Amount before offset	**11,327**	**–**	**–**
of which non-current assets and liabilities	6,055	–	–
Offset (with deferred tax liabilities)	–10,087	–	–
Total	**1,240**	**–**	**–**

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

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Loans, receivables and other assets	434	–	–
Held for sale (IFRS 5)	–	–	–
Marketable securities and cash	2,147	–	–
Intangible assets/property and equipment	447	–	–
Lease assets	7,584	–	–
Liabilities and provisions	758	–	–
Valuation allowances for deferred assets on temporary differences	–44	–	–
Total	**11,327**	**–**	**–**

48. Other assets

The details of other assets are as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Vehicles returned for disposal	1,480	–	–
Restricted cash	883	–	–
Prepaid expenses and accrued income	365	–	–
Other tax assets	639	–	–
Assets from insurance contracts	24	–	–
Miscellaneous	708	–	–
Total	**4,098**	**–**	**–**

Restricted assets primarily consists of cash collateral provided by consolidated ABS special-purpose entities in connection with ABS transactions.

49. Noncurrent assets

€ million	Dec. 31, 2024	of which noncurrent	Dec. 31, 2023	of which noncurrent	Jan. 1, 2023	of which noncurrent
Cash reserve	12,444	–	–	–	–	–
Loans to and receivables from banks	962	19	0	–	1	–
Loans to and receivables from customers	120,491	65,507	0	–	0	–
Value adjustment on portfolio fair value hedges	113	21	–	–	–	–
Derivative financial instruments	531	396	–	–	–	–
Marketable securities	3,561	–	–	–	–	–
Equity-accounted investments	1,263	1,263	–	–	–	–
Miscellaneous financial assets	150	150	–	–	–	–
Intangible assets	139	139	–	–	–	–
Property and equipment	373	373	–	–	–	–
Lease assets	46,779	43,434	–	–	–	–
Investment property	8	8	–	–	–	–
Current tax assets	95	–	0	–	–	–
Other assets	4,098	562	–	–	–	–
Assets held for sale (IFRS 5)	49	–	–	–	–	–
Total	**191,057**	**111,872**	**0**	**–**	**1**	**–**

50. Liabilities to banks and customers

The liabilities to customers include customer deposits of €56,442 million (December 31, 2023: €– million / January 1, 2023: €– million). They comprise call deposits and time deposits, as well as various savings bonds and savings plans of Volkswagen Bank GmbH. In terms of maturity, the “Direkt-Sparplan” and “Plus Sparbrief” savings products currently offer the longest investment horizon. The maximum maturity is ten years.

To cover the capital requirements for the leasing and financing activities, the entities in the VW FS AG Group make use of, among other things, credit and loans provided by the entities in the Volkswagen Group. These items are included in the liabilities to customers.

The corresponding relationships are explained in note (80) Related party disclosures.

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

€ million	2024	2023
Contractual liabilities as of Jan. 1	–	–
Additions and disposals	217	–
Changes in consolidated Group	2,144	–
Foreign exchange differences	6	–
Contractual liabilities as of Dec. 31	**2,367**	**–**

It is expected that income will be realized under contractual liabilities in the amount of €1,181 million (previous year: €– million) in the next fiscal year and in the amount of €1,185 million (previous year: €– million) in the subsequent fiscal years.

51. Notes, commercial paper issued

This item comprises bonds and commercial papers.

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Bonds issued	59,944	–	–
Commercial paper issued	1,791	–	–
Total	**61,735**	**–**	**–**

52. Derivative financial instruments

This balance sheet item comprises the negative fair values from hedges and from derivatives not designated as hedging instruments. In the following table, the negative fair values of hedges of cross-currency interest rate swaps are broken down into currency and interest rate components provided that there is an appropriate underlying hedging strategy.

€ million	Dec. 31 2024	Dec. 31 2023	Jan. 1 2023
Transactions to hedge against			
currency risk on assets using fair value hedges	13	–	–
currency risk on liabilities using fair value hedges	18	–	–
interest-rate risk using fair value hedges	824	–	–
of which hedges against interest-rate risk using portfolio fair value hedges	100	–	–
interest-rate risk using cash flow hedges	20	–	–
currency risk on future cash flows using cash flow hedges	44	–	–
Hedging transactions	**918**	**–**	**–**
Liabilities arising from derivatives not designated as hedges	246	–	–
Total	**1,164**	**–**	**–**

53. Provisions for pensions and other post-employment benefits

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

€ million	Dec. 31 2024	Dec. 31 2023	Jan. 1 2023
Present value of funded obligations	488	–	–
Fair value of plan assets	451	–	–
Funded status (net)	**38**	**–**	**–**
Present value of unfunded obligations	326	–	–
Amount not recognized as an asset because of the ceiling in IAS 19	–	–	–
Net liability recognized in the balance sheet	**364**	**–**	**–**
of which provisions for pensions	365	–	–
of which other assets	1	–	–

Key pension arrangements in the VW FS AG Group:

For the period after the active working life of employees, the VW FS AG Group offers its employees benefits under occupational pension arrangements. Most of the arrangements in the VW FS AG Group are pension plans for employees in Germany classified as defined benefit plans under IAS 19. The majority of these obligations are funded by provisions recognized in the balance sheet. These plans are now closed for new members. To reduce the risks associated with defined benefit plans, in particular longevity, salary increases and inflation, the VW FS AG Group has additional defined benefit plans in which the benefits are funded by appropriate external plan assets.

The risks referred to above have been significantly reduced in these pension plans. The main pension commitments are described below.

German pension plans funded solely by recognized provisions

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

German pension plans funded by external plan assets

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

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

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

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

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

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

	GERMANY			INTERNATIONAL		
Percent	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Discount rate	3.45	–	–	5.09	–	–
Pay trend	2.03	–	–	2.57	–	–
Pension trend	2.11	–	–	2.97	–	–
Staff turnover rate	1.17	–	–	3.67	–	–

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

With regard to life expectancy, the latest mortality tables in every country are taken into account. For example, in Germany calculations are based on the “2018 G” mortality tables developed by Professor Dr. Klaus Heubeck. The discount rates are generally determined to reflect the yields on prime-rated corporate bonds with matching maturities and currencies. The iBoxx AA 10+ Corporates index was taken as the basis for the obligations of German Group companies. Similar indices were used for foreign pension obligations.

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

In connection with the spin-off of the European operations, the employment contracts of employees along with all employee-related obligations, liabilities and provisions arising from employment contracts and former employment contracts of Volkswagen Financial Services Overseas AG were also transferred to VW FS AG. The corresponding transfers of provisions for pensions and other postemployment benefits are contained in the following tables in Change due to personnel transfer as of July 1, 2024. The additions to provisions that also result from the spin-offs of subsidiaries of the VW FS AG Group under company law as of July 1, 2024 are included in Changes in the basis of consolidation.

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

€ million	2024	2023
Net liability recognized in the balance sheet as of January 1	**–**	**–**
Change due to personnel transfer as of July 1, 2024	159	–
Current service cost	20	–
Net interest expense	8	–
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	0	–
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–33	–
Actuarial gains (–)/losses (+) arising from experience adjustments	–26	–
Income/expenses from plan assets not included in interest income	3	–
Change in amount not recognized as an asset because of the ceiling in IAS 19	–	–
Employer contributions to plan assets	16	–
Employee contributions to plan assets	–	–
Pension payments from company assets	7	–
Past service cost (including plan curtailments)	–	–
Gains (–) or losses (+) arising from plan settlements	–	–
Changes in basis of consolidation	261	–
Other changes	0	–
Foreign exchange differences from foreign plans	0	–
Net liability recognized in the balance sheet as of December 31	**364**	**–**

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

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

€ million	2024	2023
Present value of obligations as of January 1	**–**	**–**
Change due to personnel transfer as of July 1, 2024	198	–
Current service cost	20	–
Interest cost (unwinding of discount on obligations)	16	–
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	0	–
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–33	–
Actuarial gains (–)/losses (+) arising from experience adjustments	–26	–
Employee contributions to plan assets	–	–
Pension payments from company assets	7	–
Pension payments from plan assets	3	–
Past service cost (including plan curtailments)	–	–
Gains (–) or losses (+) arising from plan settlements	–	–
Changes in basis of consolidation	646	–
Other changes	2	–
Foreign exchange differences from foreign plans	1	–
Present value of obligations as of December 31	**815**	**–**

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

Present value of defined benefit obligation if		DEC. 31, 2024		DEC. 31, 2023		JAN. 1, 2023	
		€ million	Change in percent	€ million	Change in percent	€ million	Change in percent
Discount rate	is 0.5 percentage points higher	759	–6.81	–	–	–	–
	is 0.5 percentage points lower	896	9.99	–	–	–	–
Pension trend	is 0.5 percentage points higher	840	3.14	–	–	–	–
	is 0.5 percentage points lower	792	–2.86	–	–	–	–
Pay trend	is 0.5 percentage points higher	817	0.32	–	–	–	–
	is 0.5 percentage points lower	813	–0.28	–	–	–	–
Longevity	increases by one year	835	2.49	–	–	–	–

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

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

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation (Macaulay duration) is 20 years.

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

€ million	2024	2023
Active members with pension entitlements	551	–
Members with vested entitlements who have left the Company	49	–
Retirees	215	–
Total	**815**	**–**

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

€ million	2024	2023
Payments due within the next fiscal year	15	–
Payments due between two and five years	80	–
Payments due in more than five years	719	–
Total	**815**	**–**

Changes in plan assets are shown in the following table:

€ million	2024	2023
Fair value of plan assets as of January 1	**–**	**–**
Change due to personnel transfer as of July 1, 2024	39	–
Interest income on plan assets determined using the discount rate	8	–
Income/expenses from plan assets not included in interest income	3	–
Employer contributions to plan assets	16	–
Employee contributions to plan assets	–	–
Pension payments from plan assets	3	–
Gains (+) or losses (–) arising from plan settlements	–	–
Changes in basis of consolidation	384	–
Other changes	1	–
Foreign exchange differences from foreign plans	1	–
Fair value of plan assets as of December 31	**451**	**–**

The investment of the plan assets to cover future pension obligations resulted in a net result of €11 million (previous year: €– million).

Employer contributions to plan assets are expected to amount to €25 million in the next fiscal year.

Plan assets are invested in the following asset classes:

€ million	DEC. 31, 2024 Quoted prices in active markets	DEC. 31, 2024 No quoted prices in active markets	DEC. 31, 2024 Total	DEC. 31, 2023 Quoted prices in active markets	DEC. 31, 2023 No quoted prices in active markets	DEC. 31, 2023 Total	JAN. 1, 2023 Quoted prices in active markets	JAN. 1, 2023 No quoted prices in active markets	JAN. 1, 2023 Total
Cash and cash equivalents	13	–	**13**	–	–	–	–	–	–
Equity instruments	–	–	**–**	–	–	–	–	–	–
Debt instruments	2	–	**2**	–	–	–	–	–	–
Direct investments in real estate	–	–	**–**	–	–	–	–	–	–
Derivatives	–2	–2	**–4**	–	–	–	–	–	–
Equity funds	177	–	**177**	–	–	–	–	–	–
Bond funds	204	–	**204**	–	–	–	–	–	–
Real estate funds	11	–	**11**	–	–	–	–	–	–
Other funds	33	1	**34**	–	–	–	–	–	–
Asset-backed securities	–	–	**–**	–	–	–	–	–	–
Structured debt	–	–	**–**	–	–	–	–	–	–
Other	13	0	**13**	–	–	–	–	–	–

Of the total plan assets, 46% are invested in German assets, 16% in other European assets and 38% in assets in other regions. Investments of plan assets in debt instruments issued by the Volkswagen Group are of minor significance.

The following amounts have been recognized in the income statement:

€ million	2024	2023
Current service cost	20	–
Net interest on the net defined benefit liability	8	–
Past service cost (including plan curtailments)	–	–
Gains (–) or losses (+) arising from plan settlements	–	–
Net income (–) and expenses (+) recognized in profit or loss	**28**	**–**

54. Underwriting provisions and other provisions

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Underwriting provisions	454	–	–
Other provisions	485	0	0
Total	**939**	**0**	**0**

Disclosures and explanations on underwriting provisions can be found in the separate section on insurance contract disclosures.

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

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

€ million	Employee expenses	Litigation and legal risks	Miscellaneous provisions	Total
Balance as of Jan. 1, 2023	**–**	**–**	**0**	**0**
Foreign exchange differences	–	–	–	–
Changes in basis of consolidation	–	–	–	–
Utilization	–	–	0	0
Additions/new provisions	–	–	0	0
Unwinding of discount/effect of change in discount rate	–	–	–	–
Reversals	–	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**0**	**0**
of which current	–	–	0	0
of which noncurrent	–	–	–	–
Balance as of Jan. 1, 2024	**–**	**–**	**0**	**0**
Foreign exchange differences	0	0	0	0
Changes in basis of consolidation	243	87	198	528
Change due to personnel transfer as of July 1, 2024	–	–	–	–
Utilization	52	16	2	70
Additions/new provisions	33	2	76	111
Unwinding of discount/effect of change in discount rate	3	0	–	3
Reversals	59	24	6	89
Balance as of Dec. 31, 2024	**169**	**49**	**266**	**485**
of which current	73	12	125	210
of which noncurrent	97	37	141	275

Other provisions for employee expenses are recognized primarily for annually recurring bonuses, payments of long-term-service awards and other employee expenses.

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

The timing of the cash outflows in connection with other provisions is expected to be as follows: 43% in the next year, 54% in the years 2026 to 2029 and 3% thereafter.

55. Deferred tax liabilities

The breakdown of the deferred tax liabilities is as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Deferred tax liabilities	12,125	–	–
of which attributable to noncurrent assets and liabilities	6,735	–	–
Offset (with deferred tax assets)	–10,087	–	–
Total	**2,038**	**–**	**–**

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

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Loans, receivables and other assets	7,275	–	–
Marketable securities and cash	3	–	–
Intangible assets/property and equipment	11	–	–
Lease assets	850	–	–
Liabilities and provisions	3,985	–	–
Total	**12,125**	**–**	**–**

56. Other liabilities

The details of other liabilities are as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Prepaid expenses and accrued income	1,780	–	–
Other tax liabilities	324	–	–
Social security and payroll liabilities	255	–	–
Miscellaneous	205	–	–
Total	**2,565**	**–**	**–**

57. Subordinated capital

The subordinated capital of €2,745 million (December 31, 2023: €– million / January 1, 2023: €– million) was issued or borrowed by Volkswagen Financial Services AG.

58. Noncurrent liabilities

€ million	Dec. 31, 2024	of which noncurrent	Dec. 31, 2023	of which noncurrent	Jan. 1, 2023	of which noncurrent
Liabilities to banks	5,748	3,756	–	–	–	–
Liabilities to customers	82,711	12,707	0	0	0	–
Notes, commercial paper issued	61,735	47,968	–	–	–	–
Derivative financial instruments	1,164	922	–	–	–	–
Current tax liabilities	751	27	–	–	0	–
Other liabilities	2,565	1,100	–	–	–	–
Subordinated capital	2,745	2,745	–	–	–	–
Total	**157,419**	**69,225**	**0**	**0**	**0**	**–**

59. Equity

VW FS AG's subscribed capital is composed of 250,000,000 (December 31, 2023: 250,000 / January 1, 2023: 250,000) fully paid-up no-par-value bearer shares, each with a notional value of €1. On December 31, 2024 and December 31, 2023, all no-par-value shares were held by Volkswagen AG, Wolfsburg. On January 1, 2023, all no-par-value shares were held by Volkswagen Financial Services Overseas AG. The number of no-par-value shares increased by 249,750,000 in the reporting period. There are no preferential rights or restrictions in connection with the subscribed capital.

The capital contributions made by the sole shareholder, Volkswagen AG, are reported under the capital reserves of VW FS AG.

The retained earnings comprise the undistributed profits from previous fiscal years of the companies absorbed by VW FS AG in the course of the restructuring.

On the basis of the control and profit-and-loss transfer agreement with the sole shareholder, Volkswagen AG, the profit in accordance with German GAAP of €317 million (previous year: loss absorption of €0 million) generated by VW FS AG has been reported as an decrease of 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 €527 million has paid into subscribed capital and capital reserves upon entry in the commercial register on July 1, 2024. The noncash contributions result from the absorption of companies and additional assets and liabilities from the spin-off of the European operations by Volkswagen Financial Services Overseas AG and the contribution of Volkswagen Bank GmbH by Volkswagen AG, in each case at consolidated carrying amounts. The noncash contribution is recognized in the capital reserves of VW FS AG. In addition, the noncash contribution to the VW FS AG Group includes the composition of the equity of the acquired companies in capital reserves, retained earnings and miscellaneous other reserves at consolidated carrying amounts. The total amount of noncash contributions to the equity of the VW FS AG Group as of July 1, 2024, was €30,913 million.

A profit and loss transfer agreement remained in force between the Volkswagen Bank GmbH subsidiary and the higher-level parent company, Volkswagen AG, until December 31, 2024. The profit transfer by

Volkswagen Bank GmbH under this agreement amounting to €582 million is reported in other changes in retained earnings.

60. Capital management

In this context, capital is generally defined as equity in accordance with the IFRSs. The aim of capital management in the VW FS AG Group is to support the Bank's credit rating by ensuring that the Group has adequate capital backing, to obtain capital for the growth planned for the next few years and to satisfy regulatory capital requirements.

Regulatory capital is different from equity as defined by the IFRSs (a description of the components is contained in the Statement of Changes in Equity). Regulatory capital consists of capital components referred to as Common Equity Tier (CET) 1 capital, Additional Tier 1 capital and Tier 2 capital net of certain deductions and adjustments and must meet specific requirements defined by law.

Corporate actions implemented by the parent company of VW FS AG generally have an impact on both IFRS equity and regulatory capital. During the fiscal year, the parent company implemented capitalization measures in IFRS equity through capital increases against cash contributions and capital increases through noncash contributions totaling €31,440 million, of which €250 million was attributable to subscribed capital and €16,713 million to the capital reserves.

Under the regulatory provisions – the Capital Requirements Regulation (CRR), *Kreditwesengesetz* (KWG – German Banking Act) and *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) – the banking supervisor generally assumes that capital adequacy requirements are satisfied if the entity subject to supervision has a CET1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6% and a total capital ratio of at least 8%. The capital buffer requirements and the capital requirements from the SREP decision must also be fulfilled. In calculating these capital ratios, regulatory capital is measured against the own funds requirements determined in accordance with statutory provisions for counterparty risk, operational risk, market risk and credit value adjustments (CVAs). To ensure compliance with these requirements at all times, the Group has established a planning procedure that is integrated into the internal reporting system. In this procedure, the capital requirement is continuously determined based on actual and forecast business trends. This ensured that the minimum regulatory capital requirements continued to be satisfied at all times in the reporting period.

The following IFRS-based amounts and ratios were determined for the VW FS AG financial holding group under the regulatory requirements:

€ million	Dec. 31, 2024
Total risk exposure (€ million)[1]	166,767
of which risk-weighted exposure amounts for credit risks	148,886
of which own funds requirements for market risks * 12.5	5,982
of which own funds requirements for operational risks * 12.5	9,772
of which own funds requirements for credit value adjustments * 12.5	2,127
Own funds (€ million)	30,345
of which Common Equity Tier 1 capital (CET1)	27,599
of which Additional Tier 1 capital (AT1)	–
Of which Tier 2 capital (T2)	2,746
Common Equity Tier 1 capital ratio (%)[2]	16.55
Tier 1 capital ratio (%)[2]	16.55
Total capital ratio (%)[2]	18.20

1 According to Article 92(3) of the CRR
2 According to Article 92(1) of the CRR

No prior-year information is presented because the capital management described above was not yet relevant in the previous year for VW FS AG.

Financial Instrument Disclosures

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

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

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Financial assets at fair value through profit or loss	231	–	–
Financial assets at fair value through other comprehensive income (debt instruments)	3,512	–	–
Financial assets at fair value through other comprehensive income (equity instruments)	16	–	–
Financial assets measured at amortized cost	81,881	0	1
Financial liabilities at fair value through profit or loss	246	–	–
Financial liabilities measured at amortized cost	151,347	0	0

Receivables from leasing transactions amounting to €53,274 million (December 31, 2023: €– million / January 1, 2023: €– million), the related changes in fair value from portfolio fair value hedges of receivables from finance leases amounting to €97 million (December 31, 2023: €– million / January 1, 2023: €– million) and lease liabilities (as a lessee) amounting to €70 million (December 31, 2023: €– million / January 1, 2023: €– million) are not assigned to any IFRS 9 measurement category.

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

€ million	2024	2023
Financial assets measured at amortized cost	2,045	0
Financial instruments measured at fair value through profit or loss	–7	–
Financial liabilities measured at amortized cost	–2,720	–
Financial assets measured at fair value through other comprehensive income (debt instruments)	18	–

The net gain/loss from financial investments in equity instruments is reported in the statement of comprehensive income under fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax.

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

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

The interest income from financial assets measured at amortized cost or at fair value through other comprehensive income included in interest income from lending transactions and marketable securities is calculated using the effective interest method and amount to €2,135 million (previous year: €– million).

The interest expenses in an amount of €2,664 million (previous year: €– million) related to financial instruments not measured at fair value through profit or loss.

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

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

62. Classes of financial instruments

Financial instruments are divided into the following classes in the VW FS AG Group:
> Measured at fair value
> Measured at amortized cost
> Derivative financial instruments designated as hedges
> Not allocated to any measurement category
> Credit commitments and financial guarantees (off-balance-sheet)

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

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

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

Within Miscellaneous financial assets, subsidiaries and joint ventures that are not consolidated for reasons of materiality are not deemed financial instruments in accordance with IFRS 9 and therefore do not fall within the scope of IFRS 7. For the purposes of reconciling the balance sheet item, they are shown in the “Not allocated to any class of financial instruments” class. Equity investments forming part of miscellaneous financial assets are reported as financial instruments in accordance with IFRS 9 in the class “Measured at fair value”.

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

Liabilities to customers are reported in the “Measured at amortized cost” class, but the amount of lease liabilities (as a lessee) within the overall figure is shown in the “Not allocated to any measurement category” class. The “Not allocated to any class of financial instruments” column consists mainly of advance payments received from service contracts.

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

€ million	Balance sheet item			Class of financial instruments: Measured at amortized cost			Measured at fair value			Derivative financial instruments designated as hedges			Not allocated to any measurement category			Not allocated to any class of financial instrumnets		
	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	**Dec. 31, 2024**	Dec. 31, 2023	Jan. 1, 2023	**Dec. 31, 2024**	Dec. 31, 2023	Jan. 1, 2023	**Dec. 31, 2024**	Dec. 31, 2023	Jan. 1, 2023	**Dec. 31, 2024**	Dec. 31, 2023	Jan. 1, 2023	**Dec. 31, 2024**	Dec. 31, 2023	Jan. 1, 2023
Assets																		
Cash reserve	12,444	–	–	12,444	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to and receivables from banks	962	0	1	962	0	1	–	–	–	–	–	–	–	–	–	–	–	–
Loans to and receivables from customers	120,491	0	0	67,209	0	0	8	–	–	–	–	–	53,274	–	–	0	–	–
Value adjustment on portfolio fair value hedges	113	–	–	15	–	–	–	–	–	–	–	–	97	–	–	–	–	–
Derivative financial instruments	531	–	–	–	–	–	190	–	–	341	–	–	–	–	–	–	–	–
Marketable securities	3,561	–	–	–	–	–	3,561	–	–	–	–	–	–	–	–	–	–	–
Equity-accounted joint ventures	1,263	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,263	–	–
Miscellaneous financial assets	150	–	–	–	–	–	0	–	–	–	–	–	–	–	–	150	–	–
Current tax assets	95	0	–	1	0	–	–	–	–	–	–	–	–	–	–	94	–	–
Other assets	4,098	–	–	1,250	–	–	–	–	–	–	–	–	–	–	–	2,848	–	–
Assets held for sale (IFRS 5)	49	–	–	–	–	–	–	–	–	–	–	–	–	–	–	49	–	–
Total	**143,757**	**0**	**1**	**81,881**	**0**	**1**	**3,759**	**–**	**–**	**341**	**–**	**–**	**53,372**	**–**	**–**	**4,404**	**–**	**–**
Equity and liabilities																		
Liabilities to banks	5,748	–	–	5,748	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Liabilities to customers	82,711	0	0	80,236	0	0	–	–	–	–	–	–	70	–	–	2,404	–	–
Notes, commercial paper issued	61,735	–	–	61,735	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Derivative financial instruments	1,164	–	–	–	–	–	246	–	–	918	–	–	–	–	–	–	–	–
Current tax liabilities	751	–	0	613	–	0	–	–	–	–	–	–	–	–	–	138	–	–
Other liabilities	2,565	–	–	269	–	–	–	–	–	–	–	–	–	–	–	2,295	–	–
Subordinated capital	2,745	–	–	2,745	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**157,419**	**0**	**0**	**151,347**	**0**	**0**	**246**	**–**	**–**	**918**	**–**	**–**	**70**	**–**	**–**	**4,838**	**–**	**–**

The “Credit commitments and financial guarantees (off-balance-sheet)” class contains obligations under irrevocable credit commitments and financial guarantees amounting to €11,406 million (December 31, 2023: €– million / January 1, 2023: €– million).

63. Fair values of financial assets and liabilities

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

The fair value of the unlisted equity investment reported under miscellaneous financial assets was determined using a measurement model based on strategic planning.

€ million	Fair value			Carrying amount			Difference		
	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Assets									
Measured at fair value									
Loans to and receivables from banks	–	–	–	–	–	–	–	–	–
Loans to and receivables from customers	8	–	–	8	–	–	–	–	–
Derivative financial instruments	190	–	–	190	–	–	–	–	–
Marketable securities	3,561	–	–	3,561	–	–	–	–	–
Miscellaneous financial assets	0	–	–	0	–	–	–	–	–
Measured at amortized cost									
Cash reserve	12,444	–	–	12,444	–	–	–	–	–
Loans to and receivables from banks	961	0	1	962	0	1	–1	–	–
Loans to and receivables from customers	67,986	0	0	67,209	0	0	778	–	–
Value adjustment from portfolio fair value hedges	–	–	–	15	–	–	–15	–	–
Current tax assets	1	0	–	1	0	–	–	–	–
Other assets	1,250	–	–	1,250	–	–	–	–	–
Assets held for sale (IFRS 5)	–	–	–	–	–	–	–	–	–
Derivative financial instruments designated as hedges	341	–	–	341	–	–	–	–	–
Not allocated to any measurement category									
Loans to and receivables from customers	53,839	–	–	53,274	–	–	565	–	–
Value adjustment from portfolio fair value hedges	–	–	–	97	–	–	–97	–	–
Equity and liabilities									
Measured at fair value									
Derivative financial instruments	246	–	–	246	–	–	–	–	–
Measured at amortized cost									
Liabilities to banks	5,773	–	–	5,748	–	–	25	–	–
Liabilities to customers	80,313	0	0	80,236	0	0	77	–	–
Notes, commercial paper issued	62,195	–	–	61,735	–	–	460	–	–
Current tax liabilities	613	–	0	613	–	0	–	–	–
Other liabilities	269	–	–	269	–	–	0	–	–
Subordinated capital	1,950	–	–	2,745	–	–	–795	–	–
Derivative financial instruments designated as hedges	918	–	–	918	–	–	–	–	–

The fair value of irrevocable credit commitments is affected by changes in the credit quality of the borrower and in the market conditions for the relevant credit product between the commitment date and the measurement date. Because of the short period between commitment and drawdown and the variable interest rate tied to the market interest rate, market conditions only have a very minor impact. The fair value of irrevocable credit commitments was therefore largely influenced by the change in the credit quality of the borrower, which was determined as part of the process for calculating expected credit losses from irrevocable credit commitments and reported as a liability in the amount of €51 million (December 31, 2023: €– million / January 1, 2023: €– million) under other liabilities. The fair value of financial guarantees also largely reflects the amount of expected credit losses and was reported as a liability in the amount of €3 million (December 31, 2023: €– million / January 1, 2023: €– million) under other liabilities. Both expected credit losses are disclosed as a consolidated figure in note (67) Default Risk in the “Credit commitments and financial guarantees” class.

The fair values of financial instruments were determined on the basis of the following risk-free yield curves, which are derived, among other things, from overnight index swaps, zero coupon rates and interest rate swaps in the relevant currency areas, e.g. from overnight index swaps on €STER for EUR:

Percent	EUR	GBP	SEK	CZK	PLN	DKK
Interest rate for six months	2.384	4.561	2.577	3.792	5.928	2.331
Interest rate for one year	2.123	4.457	2.423	3.603	5.641	2.246
Interest rate for five years	2.062	4.049	2.505	3.663	4.997	2.357
Interest rate for ten years	2.227	4.071	2.715	3.808	5.155	2.486

64. Measurement levels of financial assets and liabilities

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

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

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

Level 3 fair values are measured using valuation techniques incorporating at least one input that is not directly observable in an active market. The fair values of loans to and receivables from customers measured at amortized cost and at fair value through profit or loss are largely allocated to Level 3 because these fair values are measured using inputs that are not observable in active markets (see note 63). Equity investments measured at fair value through other comprehensive income and using inputs that are not observable in the market are also reported under Level 3. The main inputs used to measure this equity investment are strategic planning and cost of equity rates.

Level 3 also includes the fair values of separately recognized derivatives in connection with early termination rights embedded in finance leases. Inputs for determining the fair value of derivatives in connection with the risk of early termination are forecasts and estimates of used vehicle residual values for the models concerned as well as yield curves.

There was no need to reclassify instruments to different hierarchy levels in the reporting period.

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

€ million	LEVEL 1 Dec. 31, 2024	LEVEL 1 Dec. 31, 2023	LEVEL 1 Jan. 1, 2023	LEVEL 2 Dec. 31, 2024	LEVEL 2 Dec. 31, 2023	LEVEL 2 Jan. 1, 2023	LEVEL 3 Dec. 31, 2024	LEVEL 3 Dec. 31, 2023	LEVEL 3 Jan. 1, 2023
Assets									
Measured at fair value									
Loans to and receivables from banks	–	–	–	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	–	–	8	–	–
Derivative financial instruments	–	–	–	190	–	–	–	–	–
Marketable securities	3,448	–	–	113	–	–	–	–	–
Miscellaneous financial assets	–	–	–	–	–	–	0	–	–
Measured at amortized cost									
Cash reserve	12,444	–	–	–	–	–	–	–	–
Loans to and receivables from banks	581	0	1	381	–	–	–	–	–
Loans to and receivables from customers	398	–	–	1,774	0	0	65,815	–	–
Current tax assets	–	–	–	1	0	0	–	–	–
Other assets	883	–	–	329	–	–	39	–	–
Assets held for sale (IFRS 5)	–	–	–	–	–	–	–	–	–
Derivative financial instruments designated as hedges	–	–	–	341	–	–	–	–	–
Total	**17,753**	**0**	**1**	**3,128**	**0**	**0**	**65,862**	**–**	**–**
Equity and liabilities									
Measured at fair value									
Derivative financial instruments	–	–	–	156	–	–	90	–	–
Measured at amortized cost									
Liabilities to banks	–	–	–	5,773	–	–	–	–	–
Liabilities to customers	–	–	–	80,314	0	0	–	–	–
Notes, commercial paper issued	50,114	–	–	12,081	–	–	–	–	–
Current tax liabilities	–	–	–	613	–	0	–	–	–
Other liabilities	–	–	–	266	–	–	3	–	–
Subordinated capital	–	–	–	1,950	–	–	–	–	–
Derivative financial instruments designated as hedges	–	–	–	918	–	–	–	–	–
Total	**50,114**	**–**	**–**	**102,071**	**0**	**0**	**93**	**–**	**–**

The following table shows the changes in receivables from customers and equity investments measured at fair value and allocated to Level 3.

€ million	2024	2023
Balance as of Jan. 1	**–**	**–**
Foreign exchange differences	–	–
Changes in basis of consolidation	21	–
Portfolio changes	–	–
Measured at fair value through profit or loss	–13	–
Measured at fair value through other comprehensive income	–	–
Balance as of Dec. 31	**8**	**–**

The remeasurements of receivables from customers recognized in profit or loss amounting to €–13 million (previous year: €– million) are reported under "Net gain or loss on financial instruments measured at fair value". Of the remeasurements recognized in profit or loss, €–13 million (previous year: €– million) was attributable to receivables from customers as of the reporting date.

The risk variables relevant to the fair value of the loans to and receivables from customers are risk-adjusted interest rates. A sensitivity analysis is used to quantify the impact from changes in risk adjusted interest rates on profit or loss after tax.

If risk-adjusted interest rates as of December 31, 2024 had been 100 basis points higher, profit after tax would have been €2 million (previous year: €– million) lower. If risk-adjusted interest rates as of December 31, 2024 had been 100 basis points lower, profit after tax would have been €2 million (previous year: €– million) higher.

The risk variables relevant to the fair value of the equity investment are the growth rate within strategic planning and the cost of equity. If a 10% change were applied to the financial performance (which takes into account the relevant risk variables) of the equity investment measured at fair value through other comprehensive income, there would be no material change to equity.

The following table shows the changes in derivative financial instruments measured at fair value and allocated to Level 3.

€ million	2024	2023
Balance as of Jan. 1	**–**	**–**
Foreign exchange differences	4	–
Changes in basis of consolidation	81	–
Portfolio changes	–	–
Measured at fair value through profit or loss	5	–
Measured at fair value through other comprehensive income	–	–
Balance as of Dec. 31	**90**	**–**

The remeasurements recognized in profit or loss amounting to €5 million (previous year: €– million) are reported under "Net gain or loss on financial instruments measured at fair value". Of the remeasurements recognized in profit or loss, a net profit of €4 million (previous year: €– million) was attributable to derivative financial instruments held as of the reporting date.

Early termination rights can arise from country-specific consumer protection legislation, under which customers may have the right to return used vehicles for which a lease has been signed. The impact on earnings arising from market-related fluctuations in residual values and interest rates is borne by the VW FS AG Group.

The market prices of used vehicles are the main risk variable applied to the fair value of derivatives recognized in connection with the risk of early termination. A sensitivity analysis is used to quantify the impact of changes in used vehicle prices on profit or loss after tax. If the used vehicle prices of the vehicles included in the derivatives in connection with the risk of early termination had been 10% higher as of the reporting date, profit after tax would have been €26 million (previous year: €– million) higher. If the used vehicle prices of the vehicles included in the derivatives in connection with the risk of early termination had been 10% lower as of the reporting date, profit after tax would have been €27 million (previous year: €– million) lower.

65. Offsetting of financial assets and liabilities

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

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

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

										AMOUNTS NOT OFFSET IN THE BALANCE SHEET								
	Gross amount of recognized financial assets/liabilities			Gross amount of recognized financial assets/liabilities offset in the balance sheet			Net amount of financial assets/liabilities reported in the balance sheet			Financial Instruments			Collateral received/pledged			Net amount		
€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Assets							**–**			**–**		**–**						
Cash reserve	12,444	–	–	–	–	–	12,444	–	–	–	–	–	–	–	–	12,444	–	–
Loans to and receivables from banks	962	0	1	–	–	–	962	0	1	–	–	–	–	–	–	962	0	1
Loans to and receivables from customers	120,499	0	0	–8	–	–	120,491	0	0	–	–	–	–	–	–	120,491	0	0
Value adjustment on portfolio fair value hedges	113	–	–	–	–	–	113	–	–	–	–	–	–	–	–	113	–	–
Derivative financial instruments	604	–	–	–73	–	–	531	–	–	–304	–	–	–14	–	–	213	–	–
Marketable securities	3,561	–	–	–	–	–	3,561	–	–	–	–	–	–	–	–	3,561	–	–
Miscellaneous financial assets	0	–	–	–	–	–	0	–	–	–	–	–	–	–	–	0	–	–
Income tax assets	1	0	–	–	–	–	1	0	0	–	–	–	–	–	–	1	0	0
Other assets	1,250	–	–	–	–	–	1,250	–	–	–	–	–	–	–	–	1,250	–	–
Total	**139,434**	**0**	**1**	**–81**	**–**	**–**	**139,353**	**–**	**1**	**–304**	**–**	**–**	**–14**	**–**	**–**	**139,035**	**–**	**1**
Equity and liabilities																		
Liabilities to banks	5,763	–	–	–15	–	–	5,748	–	–	–	–	–	–814	–	–	4,934	–	–
Liabilities to customers	80,315	0	0	–8	–	–	80,307	0	0	–	–	–	–	–	–	80,307	0	0
Notes, commercial paper issued	61,735	–	–	–	–	–	61,735	–	–	–	–	–	–835	–	–	60,900	–	–
Derivative financial instruments	1,222	–	–	–58	–	–	1,164	–	–	–304	–	–	–20	–	–	840	–	–
Income tax liabilities	613	–	0	–	–	–	613	–	0	–	–	–	–	–	–	613	–	0
Other liabilities	269	–	–	–	–	–	269	–	–	–	–	–	–	–	–	269	–	–
Subordinated capital	2,745	–	–	–	–	–	2,745	–	–	–	–	–	–	–	–	2,745	–	–
Total	**152,662**	**0**	**0**	**–81**	**–**	**–**	**152,581**	**–**	**0**	**–304**	**–**	**–**	**–1,669**	**–**	**–**	**150,609**	**–**	**0**

66. ABS transactions

The VW FS AG Group uses ABS transactions for funding purposes. The related liabilities are recognized in the following items:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Bonds issued	28,399	–	–
Subordinated liabilities	–	–	–
Total	**28,399**	**–**	**–**

Of the total amount of liabilities arising in connection with ABS transactions, an amount of €18,822 million (December 31, 2023: €– million / January 1, 2023: €– million) is accounted for by ABS transactions with financial assets. The corresponding carrying amount of the securitized loans and receivables from retail financing and leasing business is €23,764 million (December 31, 2023: €– million / January 1, 2023: €– million). As of December 31, 2024, the fair value of the liabilities amounted to €18,930 million (December 31, 2023: €– million / January 1, 2023: €– million). The fair value of the assigned loans/receivables, which continued to be recognized, amounted to €23,808 million as of December 31, 2024 (December 31, 2023: €– million / January 1, 2023: €– million).

Collateral totaling €37,176 million (December 31, 2023: €– million / January 1, 2023: €– million) has been pledged in connection with ABS transactions, of which €24,206 million (December 31, 2023: €– million / January 1, 2023: €– million) is accounted for by collateral in the form of financial assets. In these arrangements, the expected payments are assigned to special purpose entities or separate pools of assets and the ownership of the collateral in the financed or leased vehicles is transferred, if applicable. These cannot at the same time be used as collateral again. The rights of the bond holders are limited to the transferred loans/receivables and the corresponding collateral, and the payment receipts arising from these loans/receivables are used to repay the corresponding liability.

These asset-backed security transactions did not lead to a derecognition of the loans or receivables from the financial services business because the residual value, credit and timing risk were retained in the Group, depending on the ABS transaction. The difference between the amount of the assigned loans/receivables and the associated liabilities results from the different terms and conditions and from the proportion of the ABSs held by the VW FS AG Group itself or granted subordinated loans, which reduce the liabilities in the consolidation process.

The VW FS AG Group is under a contractual obligation to transfer funds in certain circumstances to certain of the structured entities included in its consolidated financial statements. As the loans/receivables are transferred to the special purpose entity or special pool or assets by way of undisclosed assignment, it is possible that the loan/receivable has already been reduced in a legally binding manner at the originator, for example if the debtor effectively offsets it against amounts it is owed by the VW FS AG Group. In this case, collateral must be furnished for the resulting compensation claims against the special purpose entity, for example if the rating of the Group company concerned declines to a contractually agreed reference value.

The bulk of the ABS transactions in the VW FS AG Group can be repaid early (with a clean-up call) when less than 10% of the original transaction volume remains outstanding.

67. Default risk

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

The maximum default risk is reduced by collateral and other credit enhancements. The collateral held relates to loans to and receivables from banks and receivables from customers in the classes “Measured at amortized cost”, “Measured at fair value” and “Not allocated to any measurement category”, and to credit commitments and financial guarantees (off-balance-sheet). The types of collateral held include vehicles, vehicles pledged as collateral, financial guarantees, marketable securities, cash collateral and charges on real estate.

In the case of financial assets with an objective indication of impairment as of the reporting date, the collateral reduced the risk by €1,268 million (December 31, 2023: €– million / January 1, 2023: €– million). For financial assets in the “Measured at fair value” class to which the IFRS 9 impairment requirements are not applied, the maximum credit and default risk was reduced by collateral with a value of €55 million (December 31, 2023: €– million / January 1, 2023: €– million).

For financial assets on which impairment losses were recognized during the fiscal year and that are subject to enforcement measures, the contractually outstanding amounts total €56 million (December 31, 2023: €– million / January 1, 2023: €– million).

As a consequence of the international distribution of business activities and the resulting diversification, there are no material concentrations of default risk in individual counterparties or individual markets. Sector concentrations in the dealership business are a natural part of the business for a captive financial services provider in the automotive industry and these concentrations are individually analyzed in the existing risk management processes. The loans and receivables from dealership business subject to the inherent sector concentrations described above are included in the loans to and receivables from customers arising from dealer financing.

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

For further qualitative information, please refer to the “Risk concentrations” and “Credit risk” sections of the Report on Opportunities and Risks, which forms part of the Management Report.

PROVISION FOR CREDIT RISKS

Please refer to the provision for credit risks section in note (10) for disclosures on the accounting policies relating to the provision for credit risks.

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

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**	–
Exchange differences on translating foreign operations	0	0	0	0	0	0
Changes in basis of consolidation	175	228	396	73	–5	867
Newly extended/purchased financial assets (additions)	38	–	–	4	6	48
Other changes within a stage	12	0	–2	–3	–3	4
Transfers to						
Stage 1	0	–4	–7	–	–	–11
Stage 2	–12	37	1	–	–	25
Stage 3	–3	–11	81	–	–	67
Financial instruments derecognized during the period (derecognitions)	–21	–19	–19	–2	0	–61
Utilizations	–	–	–25	0	–1	–25
Model or risk parameter changes	–	–	–	0	–	0
Balance of Dec. 31, 2024	**189**	**231**	**424**	**72**	**–3**	**912**

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2023	**–**	**–**	**2**	**0**	**–**	**2**
Exchange differences on translating foreign operations	–	–	–	–	–	–
Changes in basis of consolidation	–	–	–	–	–	–
Newly extended/purchased financial assets (additions)	–	–	–	–	–	–
Other changes within a stage	–	–	–	–	–	–
Transfers to						
Stage 1	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Financial instruments derecognized during the period (derecognitions)	–	–	–	–	–	–
Utilizations	–	–	–2	0	–	–2
Model or risk parameter changes	–	–	–	–	–	–
Balance of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**	**–**

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

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2024	**0**	**–**	**–**	**–**	**–**	**0**
Exchange differences on translating foreign operations	55	12	0	2	0	69
Changes in basis of consolidation	80,425	8,538	1,031	7,972	209	98,175
Changes	–14,664	–98	–82	–637	30	–15,453
Modifications	1	0	–	–	–	1
Transfers to						
Stage 1	–220	289	–69	–	–	–
Stage 2	–1,545	1,538	6	–	–	0
Stage 3	–142	–62	204	–	–	0
Balance of Dec. 31, 2024	**63,912**	**10,217**	**1,090**	**7,337**	**239**	**82,794**

€ million	Stage 1	Stage 2	Stage 3	Simplified ap-proach	Stage 4	Total
Balance of Jan. 1, 2023	**1**	**–**	**2**	**0**	**–**	**3**
Exchange differences on translating foreign operations	–	–	–	–	–	–
Changes in basis of consolidation	–	–	–	–	–	–
Changes	0	–	–2	0	–	–2
Modifications	–	–	–	–	–	–
Transfers to						
Stage 1	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Balance of Dec. 31, 2023	**0**	**–**	**–**	**–**	**–**	**0**

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

The undiscounted expected credit losses on the initial recognition of purchased or originated credit-impaired financial assets that were recognized for the first time in the reporting period amounted to €2 million (December 31, 2023: €– million / January 1, 2023: €– million).

The following tables show a reconciliation for the provision for credit risks relating to financial assets measured at fair value:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**	–
Exchange differences on translating foreign operations	–	–	–	–	–	–
Changes in basis of consolidation	9	1	–	–	–	11
Newly extended/purchased financial assets (additions)	0	–	–	–	–	0
Other changes within a stage	0	0	–	–	–	0
Transfers to						
Stage 1	–	–	–	–	–	–
Stage 2	0	0	–	–	–	–
Stage 3	–	–	–	–	–	–
Financial instruments derecognized during the period (derecognitions)	–1	–	–	–	–	–1
Utilizations	–	–	–	–	–	–
Model or risk parameter changes	–	–	–	–	–	–
Balance of Dec. 31, 2024	**9**	**2**	**–**	**–**	**–**	**10**

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance of Jan. 1, 2023	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences on translating foreign operations	–	–	–	–	–	–
Changes in basis of consolidation	–	–	–	–	–	–
Newly extended/purchased financial assets (additions)	–	–	–	–	–	–
Other changes within a stage	–	–	–	–	–	–
Transfers to						
Stage 1	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Financial instruments derecognized during the period (derecognitions)	–	–	–	–	–	–
Utilizations	–	–	–	–	–	–
Model or risk parameter changes	–	–	–	–	–	–
Balance of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**	**–**

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

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	No provision for credit risks	Total
Balance of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences on translating foreign operations	–	–	–	–	–	2	**2**
Changes in basis of consolidation	2,616	926	–	–	–	211	**3,752**
Changes	1	–4	–	–	–	19	**16**
Modifications	–	–	–	–	–	–	**–**
Transfers to							
Stage 1	459	–459	–	–	–	–	**–**
Stage 2	19	–19	–	–	–	–	**–**
Stage 3	–	–	–	–	–	–	**–**
Balance of Dec. 31, 2024	**3,095**	**444**	**–**	**–**	**–**	**231**	**3,770**

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	No provision for credit risks	Total
Balance of Jan. 1, 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences on translating foreign operations	–	–	–	–	–	–	**–**
Changes in basis of consolidation	–	–	–	–	–	–	**–**
Changes	–	–	–	–	–	–	**–**
Modifications	–	–	–	–	–	–	**–**
Transfers to			–				
Stage 1	–	–	–	–	–	–	**–**
Stage 2	–	–	–	–	–	–	**–**
Stage 3	–	–	–	–	–	–	**–**
Balance of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**

The following tables show a reconciliation of the provision for credit risks relating to irrevocable credit commitments and financial guarantees:

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Balance as of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**
Exchange differences on translating foreign operations	0	0	0	0	**0**
Changes in basis of consolidation	16	9	23	11	**58**
Newly extended/purchased financial assets (additions)	2	–	–	–1	**1**
Other changes within a stage	3	1	–2	–2	**0**
Transfers to					
Stage 1	5	0	–5	–	**0**
Stage 2	–1	1	–1	–	**0**
Stage 3	–2	0	2	–	**0**
Financial instruments derecognized during the period (derecognitions)	–4	0	–1	0	**–5**
Utilizations	–	–	–	–	**–**
Model or risk parameter changes	–	–	–	–	**–**
Balance as of Dec. 31, 2024	**19**	**10**	**17**	**8**	**54**

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Balance as of Jan. 1, 2023	**–**	**–**	**–**	**–**	**–**
Exchange differences on translating foreign operations	–	–	–	–	**–**
Changes in basis of consolidation	–	–	–	–	**–**
Newly extended/purchased financial assets (additions)	–	–	–	–	**–**
Other changes within a stage	–	–	–	–	**–**
Transfers to					
Stage 1	–	–	–	–	**–**
Stage 2	–	–	–	–	**–**
Stage 3	–	–	–	–	**–**
Financial instruments derecognized during the period (derecognitions)	–	–	–	–	**–**
Utilizations	–	–	–	–	**–**
Model or risk parameter changes	–	–	–	–	**–**
Balance as of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**

The following tables present a reconciliation of default risk exposures arising from irrevocable credit commitments and financial guarantees:

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Balance of Jan. 1, 2024	**–**	**–**	**–**	**–**	**–**
Foreign exchange differences	24	24	0	0	48
Changes in consolidated group	7,022	2,823	154	99	10,098
Changes	1,205	105	–1	4	1,314
Modifications	–	–	–	–	–
Transfers to					–
Stage 1	110	–81	–29	–	–
Stage 2	–718	718	0	–	0
Stage 3	–8	–6	15	–	0
Balance of Dec. 31, 2024	**7,635**	**3,583**	**139**	**103**	**11,460**

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Balance of Jan. 1, 2023	**–**	**–**	**–**	**–**	**–**
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	–	–	–	–	–
Changes	–	–	–	–	–
Modifications	–	–	–	–	–
Transfers to					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Balance of Dec. 31, 2023	**–**	**–**	**–**	**–**	**–**

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

	SIMPLIFIED APPROACH	
€ million	2024	2023
Balance as of Jan. 1	**–**	**–**
Exchange differences on translating foreign operations	4	–
Changes in basis of consolidation	930	–
Newly extended/purchased financial assets (additions)	210	–
Other changes	–15	–
Financial instruments derecognized during the period (derecognitions)	–51	–
Utilizations	–9	–
Model or risk parameter changes	–14	–
Balance as of Dec. 31	**1,056**	**–**

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

	SIMPLIFIED APPROACH	
€ million	2024	2023
Balance as of Jan. 1	**–**	**–**
Exchange differences on translating foreign operations	394	–
Changes in basis of consolidation	52,127	–
Changes	1,904	–
Modifications	2	–
Balance as of Dec. 31	**54,427**	**–**

MODIFICATIONS

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

In the case of financial assets for which the provision for credit risks was measured in the amount of the lifetime expected credit losses, the amortized cost before contractual modifications amounted to €271 million (December 31, 2023: €– million / January 1, 2023: €– million). In the reporting period, the contractual modifications of these financial assets gave rise to an overall net gain of €0 million (previous year: €– million). In the case of trade receivables and lease receivables, which are all included in the simplified approach, the only modifications that are taken into account are those in which the underlying receivables are more than 30 days past due.

The gross carrying amount of financial assets that had been modified since initial recognition and that were transferred from Stage 2 or Stage 3 to Stage 1 during the reporting period amounted to €6 million (December 31, 2023: €– million / January 1, 2023: €– million). Consequently, the measurement of the provision for credit risks for these financial assets was changed from the total term of the contract to an observation period of twelve months.

MAXIMUM CREDIT RISK

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

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Financial assets measured at amortized cost	81,881	0	1
Financial assets measured at fair value	3,529	–	–
Not allocated to any measurement category	53,372	–	–
Financial guarantees and credit commitments	11,406	–	–
Total	**150,187**	**0**	**1**

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

The maximum credit risk associated with the financial guarantees in accordance with IFRS 7.B10 in the class “Credit commitments and financial guarantees (off-balance-sheet)” amounts to €266 million (December 31, 2023: €– million / January 1, 2023: €– million).

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

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Vehicles	96	–	–
Real estate	–	–	–
Other movable assets	–	–	–
Total	**96**	**–**	**–**

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

DEFAULT RISK RATING CLASSES

The VW FS AG Group uses internal risk management and control systems to evaluate the credit quality of the borrower before entering into any lending contract or lease. In the retail business, this evaluation is carried out by using scoring systems, whereas rating systems are used for fleet customers and dealer financing transactions. The results of the evaluation are allocated to a master scale based on the probability of default as the relevant criterion. The 16 risk classes in the master scale represent the default risk rating classes and are each defined according to the probabilities of default shown below. In addition, the gross carrying amounts of the financial assets are broken down into three default risk categories so that default risk exposures can be presented on a uniform basis throughout the Group. Loans and receivables for which the credit quality is classified as “good” are allocated to default risk category 1. Receivables whose credit quality has not been classified as “good” but who have not yet defaulted are included under default risk category 2. Accordingly, all loans and receivables in default are allocated to default risk category 3.

The following tables show the gross carrying amounts of financial assets by default risk category and by default risk rating class:

GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS AS OF DECEMBER 31, 2024

€ million	Default risk rating classes	Probability of default (>=)	Probability of default (<)	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Default risk rating class 1	1	0.00%	0.06%	17,832	316	–	3,407	46
	2	0.06%	0.09%	1,364	54	–	1,538	–
	3	0.09%	0.15%	2,902	57	–	1,524	–
	4	0.15%	0.23%	4,615	130	–	5,194	0
	5	0.23%	0.36%	6,186	305	–	1,980	10
	6	0.36%	0.56%	12,753	2,007	–	7,066	11
	7	0.56%	0.88%	4,887	1,519	–	8,397	7
	8	0.88%	1.37%	7,000	1,406	–	7,853	6
	9	1.37%	2.14%	2,960	921	–	7,984	4
	10	2.14%	3.35%	3,180	816	–	6,289	32
	11	3.35%	5.23%	2,310	802	–	4,026	2
	12	5.23%	8.18%	683	684	–	1,538	6
Default risk rating class 2	13	8.18%	12.79%	204	556	–	1,759	1
	14	12.79%	20.00%	75	489	–	891	4
	15	20.00%	100.00%	56	598	–	828	3
Default risk rating class 3	D	100.00%	100.00%	–	–	1,090	1,491	105
Total				**67,006**	**10,661**	**1,090**	**61,764**	**239**

GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS AS OF DECEMBER 31, 2023

€ million	Default risk rating classes	Probability of default (>=)	Probability of default (<)	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Default risk rating class 1	1	0.00%	0.06%	0	–	–	–	–
	2	0.06%	0.09%	–	–	–	–	–
	3	0.09%	0.15%	–	–	–	–	–
	4	0.15%	0.23%	–	–	–	–	–
	5	0.23%	0.36%	–	–	–	–	–
	6	0.36%	0.56%	–	–	–	–	–
	7	0.56%	0.88%	–	–	–	–	–
	8	0.88%	1.37%	–	–	–	–	–
	9	1.37%	2.14%	–	–	–	–	–
	10	2.14%	3.35%	–	–	–	–	–
	11	3.35%	5.23%	–	–	–	–	–
	12	5.23%	8.18%	–	–	–	–	–
Default risk rating class 2	13	8.18%	12.79%	–	–	–	–	–
	14	12.79%	20.00%	–	–	–	–	–
	15	20.00%	100.00%	–	–	–	–	–
Default risk rating class 3	D	100.00%	100.00%	–	–	–	–	–
Total				**0**	**–**	**–**	**–**	**–**

GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS AS OF JANUARY 1, 2023

€ million	Default risk rating classes	Probability of default (>=)	Probability of default (<)	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Default risk rating class 1	1	0.00%	0.06%	1	–	–	–	–
	2	0.06%	0.09%	–	–	–	–	–
	3	0.09%	0.15%	–	–	–	–	–
	4	0.15%	0.23%	–	–	–	–	–
	5	0.23%	0.36%	–	–	–	–	–
	6	0.36%	0.56%	–	–	–	–	–
	7	0.56%	0.88%	–	–	–	–	–
	8	0.88%	1.37%	–	–	–	–	–
	9	1.37%	2.14%	–	–	–	–	–
	10	2.14%	3.35%	–	–	–	–	–
	11	3.35%	5.23%	–	–	–	–	–
	12	5.23%	8.18%	–	–	–	–	–
Default risk rating class 2	13	8.18%	12.79%	–	–	–	–	–
	14	12.79%	20.00%	–	–	–	–	–
	15	20.00%	100.00%	–	–	–	–	–
Default risk rating class 3	D	100.00%	100.00%	–	–	–	–	–
Total				**1**	**–**	**–**	**–**	**–**

The following tables show the default risk exposures for financial guarantees and irrevocable credit commitments and financial guarantees by default risk category and default risk rating class:

DEFAULT RISK EXPOSURES FOR FINANCIAL GUARANTEES AND IRREVOCABLE CREDIT COMMITMENTS AS OF DECEMBER 31, 2024

€ million	Default risk rating classes	Probability of default (>=)	Probability of default (<)	Stage 1	Stage 2	Stage 3	Stage 4
Default risk rating class 1	1	0.00%	0.06%	876	18	–	0
	2	0.06%	0.09%	1,016	9	–	–
	3	0.09%	0.15%	483	9	–	–
	4	0.15%	0.23%	1,081	16	–	0
	5	0.23%	0.36%	597	71	–	9
	6	0.36%	0.56%	882	394	–	13
	7	0.56%	0.88%	633	600	–	11
	8	0.88%	1.37%	925	789	–	17
	9	1.37%	2.14%	468	285	–	3
	10	2.14%	3.35%	337	582	–	9
	11	3.35%	5.23%	186	224	–	0
	12	5.23%	8.18%	99	187	–	3
Default risk rating class 2	13	8.18%	12.79%	42	139	–	0
	14	12.79%	20.00%	9	199	–	1
	15	20.00%	100.00%	1	61	–	0
Default risk rating class 3	D	100.00%	100.00%	–	–	139	37
Total				**7,635**	**3,583**	**139**	**103**

DEFAULT RISK EXPOSURES FOR FINANCIAL GUARANTEES AND IRREVOCABLE CREDIT COMMITMENTS AS OF DECEMBER 31, 2023

€ million	Default risk rating classes	Probability of default (>=)	Probability of default (<)	Stage 1	Stage 2	Stage 3	Stage 4
Default risk rating class 1	1	0.00%	0.06%	–	–	–	–
	2	0.06%	0.09%	–	–	–	–
	3	0.09%	0.15%	–	–	–	–
	4	0.15%	0.23%	–	–	–	–
	5	0.23%	0.36%	–	–	–	–
	6	0.36%	0.56%	–	–	–	–
	7	0.56%	0.88%	–	–	–	–
	8	0.88%	1.37%	–	–	–	–
	9	1.37%	2.14%	–	–	–	–
	10	2.14%	3.35%	–	–	–	–
	11	3.35%	5.23%	–	–	–	–
	12	5.23%	8.18%	–	–	–	–
Default risk rating class 2	13	8.18%	12.79%	–	–	–	–
	14	12.79%	20.00%	–	–	–	–
	15	20.00%	100.00%	–	–	–	–
Default risk rating class 3	D	100.00%	100.00%	–	–	–	–
Total				**–**	**–**	**–**	**–**

There were no default risk exposures for financial guarantees and irrevocable credit commitments as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

68. Liquidity risk

Liquidity risk is defined primarily as the risk of not being able to meet payment obligations in full or when due. The companies of the VW FS AG Group are funded primarily through capital market and ABS (asset-backed securities) programs as well as through deposits received in the direct banking business. In addition, a rolling liquidity planning system and a liquidity reserve in the form of cash and confirmed lines of credit that can be accessed at any time at short notice ensure that the VW FS AG Group remains solvent and has an adequate supply of liquidity.

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

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

€ million	Assets			Repayable on demand			Up to 3 months			3 months to 1 year			1 to 5 years			More than 5 years		
	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Cash reserve	12,444	–	–	12,444	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to and receivables from banks	962	0	1	581	1	0	323	–	–	40	–	–	15	–	–	3	–	–
Marketable securities	3,561	–	–	–	–	–	3,561	–	–	–	–	–	–	–	–	–	–	–
Total	**16,968**	**0**	**1**	**13,024**	**1**	**0**	**3,884**	**–**	**–**	**40**	**–**	**–**	**15**	**–**	**–**	**3**	**–**	**–**

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

€ million	Cash outflows			Remaining contractual maturities: up to 3 months			3 months to 1 year			1 to 5 years			more than 5 years		
	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Liabilities to banks	6,289	–	–	1,790	–	–	450	–	–	3,989	–	–	60	–	–
Liabilities to customers	82,701	0	0	48,313	0	0	21,533	–	–	11,366	–	–	1,489	–	–
Notes, commercial paper issued	66,268	–	–	5,962	–	–	9,330	–	–	45,952	–	–	5,023	–	–
Derivative financial instruments	14,127	–	–	5,826	–	–	3,954	–	–	3,552	–	–	796	–	–
Other liabilities	269	–	–	127	–	–	137	–	–	4	–	–	1	–	–
Subordinated capital	2,765	–	–	0	–	–	2	–	–	11	–	–	2,752	–	–
Irrevocable credit commitments	11,194	–	–	6,309	–	–	4,884	–	–	–	–	–	–	–	–
Total	**183,613**	**0**	**0**	**68,327**	**0**	**0**	**40,291**	**–**	**–**	**64,875**	**–**	**–**	**10,121**	**–**	**–**

The derivatives include both cash outflows relating to derivatives with negative fair values and cash outflows relating to derivatives with positive fair values in connection with which gross settlement has been agreed.

Financial guarantees with a maximum possible drawdown of €266 million (December 31, 2023: €– million / January 1, 2023: €– million) are always assumed to be payable on demand.

69. Market risk

For qualitative information, please refer to the risk report within the disclosures on "Interest Rate Risk in the Banking Book (IRRBB)" and "Other Market Risk (Currency and Fund Price Risk)" in the management report.

For quantitative risk measurement, interest rate and foreign currency risks are measured using a value-at-risk (VaR) model on the basis of a historical simulation. The value-at-risk calculation indicates the size of the maximum potential loss on the portfolio as a whole within a time horizon of 60 days, measured at a confidence level of 99%. To provide the basis for this calculation, all cash flows from non-derivative and derivative financial instruments are aggregated into an interest rate gap analysis. The historical market data used in determining value at risk covers a period of ten years.

This approach has produced the following values:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan., 2023
Interest rate risk	801	–	–
Currency translation risk	132	–	–
Total market risk	**840**	**–**	**–**

As a result of correlation effects, the total market risk is not identical to the sum of the individual risks.

70. Hedging policy disclosures

HEDGING POLICY AND FINANCIAL DERIVATIVES

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

MARKET RISK

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

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

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

Currency risk
The VW FS AG Group avoids currency risk by entering into currency hedging contracts, which may be currency forwards, cross-currency swaps or cross-currency interest rate swaps. Generally speaking, all cash flows in foreign currency are hedged.

DESCRIPTION OF HEDGES AND METHODOLOGIES FOR MONITORING HEDGE EFFECTIVENESS
If possible, the hedge strategy aims to recognize hedges for suitable underlying transactions (hedged items) on an individual or portfolio basis. The vast majority of hedged items are assets or liabilities on the balance sheet. Future transactions are only used as hedged items in exceptional cases.

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

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

DISCLOSURES ON GAINS AND LOSSES FROM FAIR VALUE HEDGES

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

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

€ million	2024	2023
Interest rate risk hedging	–11	–
Currency risk hedging	–24	–
Combined interest rate and currency risk hedging:	0	–

DISCLOSURES ON GAINS AND LOSSES FROM CASH FLOW HEDGES

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

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

€ million	2024	2023
Hedging interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	–12	–
Recognized in profit or loss	–	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	–	–
Due to realization of the hedged item	–	–
Hedging currency risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	15	–
Recognized in profit or loss	–2	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	–	–
Due to realization of the hedged item	9	–
Combined interest rate and currency risk hedging		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	23	–
Recognized in profit or loss	0	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	–	–
Due to realization of the hedged item	–19	–

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

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

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

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

FISCAL YEAR 2024

	RESIDUAL MATURITY			TOTAL NOTIONAL AMOUNT
€ million	Up to 1 year	1 – 5 years	More than 5 years	Dec. 31, 2024
Notional amounts of hedging instruments in hedge accounting				
Interest rate risk hedging				
Interest rate swaps	8,962	28,497	3,350	40,810
Currency risk hedging				
Currency forwards/cross-currency swaps GBP	3,381	60	–	3,441
Currency forwards/cross-currency swaps DKK	1,467	201	–	1,669
Currency forwards/cross-currency swaps PLN	994	123	–	1,117
Currency forwards/cross-currency swaps other currencies	690	434	318	1,443
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps NOK	450	393	–	843
Cross-currency interest rate swaps, other foreign currencies	222	–	–	222
Notional amounts of other derivatives				
Interest rate risk hedging				
Interest rate swaps	14,813	35,183	10,667	60,664
Currency risk hedging				
Currency forwards/cross-currency swaps	557	77	–	634
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	632	759	–	1,391

FISCAL YEAR 2023

€ million	RESIDUAL MATURITY Up to 1 year	1 – 5 years	More than 5 years	TOTAL NOTIONAL AMOUNT Dec. 31, 2023
Notional amounts of hedging instruments in hedge accounting				
Interest rate risk hedging				
Interest rate swaps	–	–	–	–
Currency risk hedging				
Currency forwards/cross-currency swaps DKK	–	–	–	–
Currency forwards/cross-currency swaps PLN	–	–	–	–
Currency forwards/cross-currency swaps GBP	–	–	–	–
Currency forwards/cross-currency swaps other currencies	–	–	–	–
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps NOK	–	–	–	–
Cross-currency interest rate swaps, other foreign currencies	–	–	–	–
Notional amounts of other derivatives				
Interest rate risk hedging				
Interest rate swaps	–	–	–	–
Currency risk hedging				
Currency forwards/cross-currency swaps	–	–	–	–
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	–	–	–	–

There were no notional amounts of hedging instruments and other derivatives as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

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

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

In the reporting period, the average exchange rates used in the measurement of hedging instruments were as follows for the following currencies with significant notional amounts: NOK 11.5380, GBP 0.7501, PLN 4.3500 and DKK 7.4535. The average interest rates used for interest rate swaps and cross-currency interest rate swaps in cash flow hedges in the reporting year were as follows for the following currencies: NOK 3.90%, DKK 1.38%, EUR 3.58%, GBP 4.28%, PLN 3.87% and SEK 4.07%.

DISCLOSURES ON HEDGING INSTRUMENTS USED IN HEDGE ACCOUNTING

The VW FS AG Group regularly uses hedging instruments to hedge changes in the fair value of financial assets and financial liabilities.

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

FISCAL YEAR 2024

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	38,826	276	823	–797
Currency risk hedging				
Currency forwards/cross-currency swaps	3,901	2	13	–11
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	176	3	18	–13

FISCAL YEAR 2023

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	–	–	–	–
Currency risk hedging				
Currency forwards/cross-currency swaps	–	–	–	–
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	–	–	–	–

There were no hedging instruments for hedging changes in fair value (fair value hedges) as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

The VW FS AG Group also uses hedging instruments to hedge the risk arising from changes in future cash flows.

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

FISCAL YEAR 2024

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	1,983	1	20	–17
Currency risk hedging				
Currency forwards/cross-currency swaps	3,769	20	44	–24
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	890	40	0	24

FISCAL YEAR 2023

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	–	–	–	–
Currency risk hedging				
Currency forwards/cross-currency swaps	–	–	–	–
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	–	–	–	–

There were no hedging instruments for hedging the risk arising from changes in future cash flows (cash flow hedges) as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

The change in fair value used to determine ineffectiveness equates to the change in the fair value of the designated components of the hedging instruments.

DISCLOSURES ON HEDGED ITEMS TO WHICH HEDGE ACCOUNTING IS APPLIED

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

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

FISCAL YEAR 2024

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/fiscal year	Cumulative hedge adjustments from terminated hedges
Interest rate risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	20,588	92	–206	–
Liabilities to banks	–	–	–	–
Liabilities to customers	1,773	32	38	–
Notes, commercial paper issued	21,265	–380	734	–
Subordinated capital	–	–	–	–
Currency risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	1,335	0	2	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–
Combined interest rate and currency risk hedging:				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	34	–1	–1	–
Liabilities to banks	–	–	–	–
Liabilities to customers	42	3	5	–
Notes, commercial paper issued	270	147	65	–
Subordinated capital	–	–	–	–

FISCAL YEAR 2023

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/fiscal year	Cumulative hedge adjustments from terminated hedges
Interest rate risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–
Currency risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–
Combined interest rate and currency risk hedging:				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–

There were no hedged items in connection with fair value hedges as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

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

FISCAL YEAR 2024

€ million	Fair value change to determine ineffectiveness	Reserve for: Existing cash flow hedges	Reserve for: Terminated cash flow hedges
Interest rate risk hedging			
Designated components	–17	–17	–
Deferred taxes	–	5	–
Total interest rate risk	–17	–12	–
Currency risk hedging			
Designated components	5	33	–
Non-designated components	–	–	–
Deferred taxes	–	–9	–
Total hedging currency risk	5	23	–
Combined interest rate and currency risk hedging:			
Designated components	26	4	–
Deferred taxes	–	–1	–
Total combined interest rate and currency risk	26	3	–

FISCAL YEAR 2023

€ million	Fair value change to determine ineffectiveness	Reserve for: Existing cash flow hedges	Reserve for: Terminated cash flow hedges
Interest rate risk hedging			
Designated components	–	–	–
Deferred taxes	–	–	–
Total interest rate risk	–	–	–
Currency risk hedging			
Designated components	–	–	–
Non-designated components	–	–	–
Deferred taxes	–	–	–
Total hedging currency risk	–	–	–
Combined interest rate and currency risk hedging:			
Designated components	–	–	–
Deferred taxes	–	–	–
Total combined interest rate and currency risk	–	–	–

There were no hedged items in connection with cash flow hedges as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

CHANGES IN THE CASH FLOW HEDGE RESERVE

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

The following table shows a reconciliation for the cash flow hedge reserve (OCI I):

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance as of Jan. 1, 2024	**–**	**–**	**–**	**–**
Gains or losses from effective hedging relationships	–12	15	23	26
Reclassifications due to changes in whether the hedged item is expected to occur	–	–	–	–
Reclassifications due to realization of the hedged item	–	9	–19	–11
Balance as of Dec. 31, 2024	**–12**	**23**	**3**	**15**

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance as of Jan. 1, 2023	**–**	**–**	**–**	**–**
Gains or losses from effective hedging relationships	–	–	–	–
Reclassifications due to changes in whether the hedged item is expected to occur	–	–	–	–
Reclassifications due to realization of the hedged item	–	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**	**–**

In the above table, the effects on equity from the cash flow hedge reserve (OCI) are reduced by deferred taxes. In the cash flow hedge reserve (OCI I), the deferred taxes on gains or losses from effective hedges amounted to gains of €13 million (December 31, 2023: €– million / January 1, 2023: €– million) and the deferred taxes on reclassifications resulting from the recovery of the hedged item came to €–14 million (December 31, 2023: €– million / January 1, 2023: €– million).

Segment Reporting

71. Breakdown by geographical market

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

Internal management applies a market-based geographical breakdown. Foreign branches of German subsidiaries are allocated to the markets in which they are based. The geographical markets of Germany, the United Kingdom, France, Italy, Spain and Sweden are the segments that are subject to reporting requirements under IFRS 8. Subsidiaries in the VW FS AG Group are aggregated within these segments. In line with internal reporting practice, the German market is composed of companies in Germany, Austria and Denmark. All other companies that can be allocated to geographical markets are brought together under “Other segments”.

Companies that are not allocated to any geographical market are reported in the reconciliation. The reconciliation also includes the VW FS AG holding company, the holding and financing companies in the Netherlands and Belgium, Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG. In the internal reporting structure, this presentation ensures that there is a separation between market activities on one side and typical holding company or financing functions, industry business, primary insurance business and reinsurance business on the other side. The reconciliation reflects additional consolidation effects between the segments.

All business transactions between the segments – where such transactions take place – are conducted on an arm’s-length basis.

In accordance with IFRS 8, noncurrent assets are reported exclusive of financial instruments, deferred tax assets, post-employment benefits and rights under insurance contracts.

BREAKDOWN BY GEOGRAPHICAL MARKET 2024:

€ million	Germany	United Kingdom	Sweden	France	Italy	Spain	Other segments	Segments total	Reconciliation	Group
	01.01. – 31.12.2024									
Interest income from lending transactions and marketable securities in respect of third parties	1.141	110	31	100	239	179	156	1.955	173	2.128
Intersegment interest income from lending transactions and marketable securities	534	–	–	3	2	0	–	538	–538	–
Income from leasing transactions with third parties	7.958	1.601	1.088	948	627	395	780	13.397	–5	13.392
of which reversals of impairment losses in accordance with IAS 36	96	21	9	–	3	1	3	133	–	133
Intersegment income from leasing transactions	10	–	–	–	–	–	0	10	–10	–
Depreciation, impairment losses and other expenses from leasing transactions	–9.403	–738	–960	–676	–569	–337	–502	–13.184	2.892	–10.292
of which impairment losses in accordance with IAS 36	–203	–25	–1	–3	–66	–17	–13	–329	–	–329
Net income from leasing transactions	–1.435	863	128	272	58	57	279	222	2.878	3.099
Interest expense	–1.934	–693	–68	–189	–181	–125	–255	–3.447	423	–3.024
Income from service contracts with third parties	686	154	–	65	296	116	144	1.460	–1	1.459
of which over-time income	66	–	–	–	178	49	69	362	–	362
of which at a point in time income	621	154	–	65	118	67	75	1.098	–1	1.097
Intersegment income from service contracts	–	–	–	–	–	–	–	–	–	–
Expenses from service contracts	–635	–135	–	–65	–290	–99	–133	–1.357	1	–1.356
Net income from service contracts	52	18	–	0	6	17	11	104	–	104
Income from insurance business with third parties	–	–	–	–	–	–	–	–	161	161
Intersegment income from insurance business	–	–	–	–	–	–	–	–	–	–
Expenses from insurance business	–	–	–	–	–	–	–	–	–121	–121
Net income from insurance business	–	–	–	–	–	–	–	–	40	40
Provision for credit risks	–149	2	–3	–62	–16	25	–60	–262	11	–251
Fee and commission income from third parties	76	1	3	21	57	32	50	241	46	286
Intersegment fee and commission income	–	–	–	–	–	0	–	0	–	–
Fee and commission expenses	–27	0	–1	–6	–50	–14	–11	–109	5	–104
Net fee and commission income	49	1	3	15	7	19	39	132	50	183
General and administrative expenses	–524	–136	–35	–62	–54	–42	–117	–970	–58	–1.027
of which other amortization, depreciation and impairment losses	–1	–2	0	–1	–	–1	–9	–14	–27	–40
Operating result	**736**	**211**	**58**	**76**	**94**	**99**	**65**	**1.339**	**–93**	**1.246**

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

The breakdown of “Income from service contracts with third parties” into “of which over-time income” and “of which at a point in time income” in note 25 “Net income from service contracts” has been carried over to and continued in the table above.

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

The breakdown of noncurrent assets in accordance with IFRS 8 and of the additions to noncurrent lease assets by geographical market is shown in the following table:

€ million	JAN. 1 – DEC. 31, 2024					
	Germany	United Kingdom	Sweden	France	Italy	Spain
Noncurrent Assets	26,106	4,401	1,448	4,793	3,290	1,664
Additions to lease assets classified as noncurrent assets.	6,198	995	383	1,704	902	367

Investment recognized under other assets was of minor significance.

The following table shows the reconciliation to consolidated revenue, consolidated operating result and consolidated profit before tax.

€ million	2024
Segment revenue	**17,052**
Other companies	738
Consolidation	–526
Group revenue	**17,265**
Segment profit or loss (operating result)	**1,339**
Other companies	–12
Contribution to operating profit by included companies	–
Consolidation between segments	–81
Operating result	**1,246**
Share of profits and losses of equity-accounted joint ventures	36
Net gain or loss on miscellaneous financial assets	–14
Other financial gains or losses	–23
Profit before tax	**1,245**

Other Disclosures

72. Leases

LESSOR ACCOUNTING FOR FINANCE LEASES

Interest income from the net investment in the lease amounting to €1,615 million (previous year: €– million) was generated from finance leases. There was no income from variable lease payments that was not taken into account in the measurement of the net investment in the lease where finance leases were concerned.

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

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 01, 2023
Non-discounted lease payments	59,855	–	–
Non-guaranteed residual value	161	–	–
Unearned interest income	–6,250	–	–
Loss allowance on lease receivables	–906	–	–
Other	–	–	–
Net investment	**52,860**	**–**	**–**

In the VW FS AG Group, net investment equates to the net receivables from finance leases.

As of the reporting year, the following payments are anticipated over the next few years from expected, outstanding, non-discounted lease payments under finance leases.

€ million	2025	2026	2027	2028	2029	From 2030	Total
Finance lease payments	18,924	17,399	14,237	8,384	710	201	59,855

As of December 31, 2023, the following payments were anticipated over the subsequent years from expected, outstanding, non-discounted lease payments under finance leases.

€ million	2024	2025	2026	2027	2028	From 2029	Total
Finance lease payments	–	–	–	–	–	–	–

There were no lease payments receivable from finance leases as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

LESSOR ACCOUNTING FOR OPERATING LEASES

Income generated from operating leases is included in the income from leasing transactions and other operating income line items in the income statement. The following table shows a breakdown between income from leases without variable lease payments and income from leases with variable lease payments.

€ million	2024	2023
Lease income	4,338	–
Income from variable lease payments	–	–
Total	**4,338**	**–**

The impairment losses recognized as a result of the impairment test on lease assets amounted to €329 million (previous year: €– million) and are included in the depreciation, impairment losses and other expenses from leasing transactions. Impairment losses are based on continuously updated internal and external information, which is then fed into the forecasts of residual values for vehicles.

Income from reversals of impairment losses on lease assets applied in prior years amounted to €133 million (previous year: €– million) and are included in income from leasing business.

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

€ million	Movable lease assets
Cost as of Jan. 1, 2024	**–**
Foreign exchange differences	99
Changes in basis of consolidation	53,939
Additions	14,292
Reclassifications	–
Assets held for sale (IFRS 5)	–
Disposals	9,115
Balance as of Dec. 31, 2024	**59,215**
Depreciation and impairment losses as of Jan. 1, 2024	**–**
Foreign exchange differences	24
Changes in basis of consolidation	11,744
Additions to cumulative depreciation	3,009
Additions to cumulative impairment losses	329
Reclassifications	–
Assets held for sale (IFRS 5)	–
Disposals	2,538
Reversal of impairment losses	133
Balance as of Dec. 31, 2024	**12,436**
Net carrying amount as of Dec. 31, 2024	**46,779**
Net carrying amount as of Jan. 1, 2024	**–**

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

€ million	2025	2026	2027	2028	2029	From 2030	Total
Lease payments	5,904	3,589	1,914	975	282	212	12,875

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

€ million	Movable lease assets
Cost as of Jan. 1, 2023	**–**
Foreign exchange differences	–
Changes in basis of consolidation	–
Additions	–
Reclassifications	–
Disposals	–
Balance as of Dec. 31, 2023	**–**
Depreciation and impairment losses as of Jan. 1, 2023	**–**
Foreign exchange differences	–
Changes in basis of consolidation	–
Additions to cumulative depreciation	–
Additions to cumulative impairment losses	–
Reclassifications	–
Disposals	–
Reversal of impairment losses	–
Balance as of Dec. 31, 2023	**–**
Net carrying amount as of Dec. 31, 2023	**–**
Net carrying amount as of Jan. 1, 2023	**–**

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

As of December 31, 2023, reporting date, the outstanding, undiscounted lease payments from operating leases expected for subsequent years were as follows:

€ million	2024	2025	2026	2027	2028	From 2029	Total
Lease payments	–	–	–	–	–	–	–

There were no lease payments receivable from operating leases as of January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

LESSEE ACCOUNTING

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

In the reporting year, interest expenses of €70 million (previous year: €– million) were recognized under the interest expenses line item in the income statement in respect of lease liabilities of €1 million (previous year: €– million) reported under liabilities to customers on the balance sheet.

In the reporting year, subleases mainly in connection with buyback transactions gave rise to income of €78 million (previous year: €– million); this income was derived from both finance leases and operating leases.

No right-of-use assets are recognized for short-term leases or leases in which the underlying asset is of low value. In the reporting year, expenses for leases in which the underlying assets are of low value amounted to €5 million (previous year: €– million). Expenses for short-term leases in the reporting year were €4 million (previous year: €– million). There were no variable lease expenses in the reporting year that were not taken into account in the measurement of the lease liabilities.

Right-of-use assets derived from leases are reported on the balance sheet under Property and equipment in the items indicated in the following.

€ million	Land and buildings	Operating and office equipment	Total
Gross carrying amount (or cost) as of Jan. 1, 2024	**–**	**–**	**–**
Foreign exchange differences	1	0	1
Changes in basis of consolidation	101	4	106
Additions	10	0	10
Reclassifications	–	–	–
Disposals	12	2	13
Balance as of Dec. 31, 2024	**100**	**3**	103
Depreciation and impairment losses as of Jan. 1, 2024	**–**	**–**	–
Foreign exchange differences	0	0	0
Changes in basis of consolidation	41	3	44
Additions to cumulative depreciation	4	0	5
Additions to cumulative impairment losses	–	–	–
Reclassifications	–	–	–
Disposals	2	2	4
Reversal of impairment losses	–	–	–
Balance as of Dec. 31, 2024	**43**	**2**	**45**
Net carrying amount as of Dec. 31, 2024	**57**	**1**	**58**
Net carrying amount as of Jan. 1, 2024	**–**	**–**	**–**

€ million	Land and buildings	Operating and office equipment	Total
Gross carrying amount (or cost) as of Jan. 1, 2023	**–**	**–**	**–**
Foreign exchange differences	–	–	–
Changes in basis of consolidation	–	–	–
Additions	–	–	–
Reclassifications	–	–	–
Disposals	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**
Depreciation and impairment losses as of Jan. 1, 2023	**–**	**–**	**–**
Foreign exchange differences	–	–	–
Changes in basis of consolidation	–	–	–
Additions to cumulative depreciation	–	–	–
Additions to cumulative impairment losses	–	–	–
Reclassifications	–	–	–
Disposals	–	–	–
Reversal of impairment losses	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**
Net carrying amount as of Dec. 31, 2023	**–**	**–**	**–**
Net carrying amount as of Jan. 1, 2023	**–**	**–**	**–**

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

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

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

	REMAINING CONTRACTUAL MATURITIES			TOTAL
€ million	Up to 1 year	1 – 5 years	more than 5 years	
Lease liabilities as of Dec. 31, 2024	14	67	8	89
Lease liabilities as of Dec. 31, 2023	–	–	–	–
Lease liabilities as of Jan. 01, 2023	–	–	–	–

Overall, leases in which the VW FS AG Group is a lessee gave rise to total cash outflows of €47 million (previous year: €– million) in the reporting year. In the case of assets leased as part of buyback transactions, the total cash outflows were reported in an amount equal to the value of the right of use recognized in the reporting year.

The following table shows an overview of the potential future cash outflows that have not been included in the measurement of the lease liabilities.

€ million	2024	2023
Future cash outflows to which the lessee is potentially exposed		
Residual value guarantees	0	–
Extension options	14	–
Termination options	–	–
Obligations under leases not yet commenced (contractual obligations)	–	–
Total	**14**	**–**

73. Insurance contract disclosures

RECONCILIATION OF INSURANCE CONTRACTS

The tables below analyze the changes in the net carrying amount for the insurance contracts issued and for the reinsurance contracts held during the reporting period. The change in the liability for remaining coverage and the liability for incurred claims is analyzed first before the change in the measurement components.

Analysis by remaining coverage and claims incurred

Insurance contracts issued

€ million	LIABILITY FOR REMAINING COVERAGE (LRC)			
	Excluding loss component	Loss component	Liability for incurred claims (LIC)	Total
Balance as of Jan. 1, 2024				
Assets from insurance contracts	–	–	–	–
Liabilities for insurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	**–**	**–**	**–**	**–**
Changes in basis of consolidation	–289	–30	–78	**–398**
Insurance income	163			163
Insurance services expenses	–33	5	–94	–122
Claims expenses and other expenses from insurance contracts		7	–94	–87
Amortization of costs incurred in concluding contracts	–33			–33
Losses and reversals for contracts in deficit		–2		–2
Changes in liability for incurred claims (LIC)			1	1
Investment components	**–10**		**10**	**–**
Technical insurance result	**–8**	**–1**	**–2**	**–11**
Finance income and expenses from insurance contracts	–7	–1	–1	–10
Currency translation	–1	0	0	–1
Net gain or loss from insurance business	**111**	**4**	**–85**	**30**
Cash flow	**164**		**–79**	**85**
Premiums received	180			180
Payments for claims and other insurance services			–79	–79
Acquisition costs paid	–16			–16
Other changes	–	–	–	–
Balance as of Dec. 31, 2024	**–342**	**–26**	**–85**	**–453**
Assets from insurance contracts	1	0	0	1
Liabilities for insurance contracts	–343	–26	–85	–454
Net balance of assets from and liabilities for insurance contracts	**–342**	**–26**	**–85**	**–453**

€ million	Liability for remaining coverage (LRC) Excluding loss component	Liability for remaining coverage (LRC) Loss component	Liability for incurred claims (LIC)	Total
Balance as of Jan. 1, 2023				
Assets from insurance contracts	–	–	–	–
Liabilities for insurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	**–**	**–**	**–**	**–**
Insurance income	–			–
Insurance services expenses	–	–	–	–
Claims expenses and other expenses from insurance contracts		–	–	–
Amortization of costs incurred in concluding contracts	–			–
Losses and reversals for contracts in deficit		–		–
Changes in liability for incurred claims (LIC)			–	–
Investment components	**–**		**–**	**–**
Technical insurance result	**–**	**–**	**–**	**–**
Finance income and expenses from insurance contracts	–	–	–	–
Currency translation	–	–	–	–
Net gain or loss from insurance business	**–**	**–**	**–**	**–**
Cash flow	**–**		**–**	**–**
Premiums received	–			–
Payments for claims and other insurance services			–	–
Acquisition costs paid	–			–
Other changes	–	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**	**–**
Assets from insurance contracts	–	–	–	–
Liabilities for insurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	–	–	–	–

Reinsurance contracts held

€ million	Asset for remaining coverage: Excluding loss-recovery component	Asset for remaining coverage: Loss-recovery component	Asset for incurred claims	Total
Balance as of Jan. 1, 2024				
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets from and liabilities for reinsurance contracts	**–**	**–**	**–**	**–**
Changes in basis of consolidation	3	–	20	**23**
Expenses from reinsurance services	1			**1**
Reimbursable amounts from reinsurance companies	–	–	–2	**–2**
Reimbursable amounts for claims made and other costs in the period	–	–	–	**–**
Loss recovery for losses and reversals from underlying insurance contracts in deficit	–	–	–	**–**
Adjustment to reimbursable amounts for claims made and other costs in prior periods	–	–	–2	–2
Investment components	**–**		**–**	**–**
Changes in credit risk of reinsurance company	–	–	–	–
Net income/expenses from reinsurance contracts held	**0**	**–**	**1**	**1**
Finance income and expenses from reinsurance contracts	0	–	1	1
Currency translation	–	–	–	–
Net gain or loss from reinsurance services	**1**	**–**	**–1**	**0**
Cash flow	**–**	**–**	**–**	**–**
Paid expenses from outward reinsurance	–	–		–
Reimbursements received		–	–	–
Other changes	–	–	–	–
Balance as of Dec. 31, 2023	**4**	**–**	**19**	**23**
Assets from reinsurance contracts	4	–	19	23
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets from and liabilities for insurance contracts	**4**	**–**	**19**	**23**

€ million	ASSET FOR REMAINING COVERAGE			
	Excluding loss-recovery component	Loss-recovery component	Asset for incurred claims	Total
Balance as of Jan. 1, 2023				
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets from and liabilities for reinsurance contracts	**–**	**–**	**–**	**–**
Expenses from reinsurance services	–			**–**
Reimbursable amounts from reinsurance companies	–	–	–	**–**
Reimbursable amounts for claims made and other costs in the period	–	–	–	**–**
Loss recovery for losses and reversals from underlying insurance contracts in deficit	–	–	–	**–**
Adjustment to reimbursable amounts for claims made and other costs in prior periods	–	–	–	–
Investment components	**–**		**–**	**–**
Changes in credit risk of reinsurance company	–	–	–	–
Net income/expenses from reinsurance contracts held	**–**	**–**	**–**	**–**
Finance income and expenses from reinsurance contracts	–	–	–	–
Currency translation	–	–	–	–
Net gain or loss from reinsurance services	**–**	**–**	**–**	**–**
Cash flow	**–**	**–**	**–**	**–**
Paid expenses from outward reinsurance	–	–		–
Reimbursements received		–	–	–
Other changes	–	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**	**–**
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	**–**	**–**	**–**	**–**

Analysis by measurement components

Insurance contracts issued

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2024				
Assets from insurance contracts	–	–	–	–
Liabilities for insurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	**–**	**–**	**–**	**–**
Changes in basis of consolidation	–177	–40	–181	**–398**
Changes relating to current services	–6	1	47	42
Contractual service margin recognized in profit or loss	–	–	47	47
Risk adjustment for expired risks	–	1	–	1
Experience adjustments	–6	–	–	–6
Changes relating to future services	19	–24	3	–2
Contracts recognized for the first time	27	–9	–22	–4
Changes in accounting estimates that affect CSM	–14	–11	25	0
Change in losses and reversals of losses for contracts in deficit	6	–4	–	2
Changes relating to past services	**–6**	**7**	**–**	**1**
Technical insurance result	**–8**	**0**	**–3**	**–11**
Finance income and expenses from insurance contracts	–7	–	–3	–10
Currency translation	–1	0	0	–1
Net gain or loss from insurance business	**–1**	**–16**	**47**	**30**
Cash flow	**85**	**–**	**–**	**85**
Premiums received	180	–	–	180
Payments for claims and other insurance services	–79	–	–	–79
Acquisition costs paid	–16	–	–	–16
Other changes	–	–	–	–
Balance as of Dec. 31, 2024	**–263**	**–56**	**–134**	**–453**
Assets from insurance contracts	1	0	0	1
Liabilities for insurance contracts	–264	–56	–134	–454
Net balance of assets and liabilities / insurance contracts	**–263**	**–56**	**–134**	**–453**

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2023				
Assets from insurance contracts	–	–	–	–
Liabilities for insurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	**–**	**–**	**–**	**–**
Changes relating to current services	–	–	–	–
Contractual service margin recognized in profit or loss	–	–	–	–
Risk adjustment for expired risks	–	–	–	–
Experience adjustments	–	–	–	–
Changes relating to future services	–	–	–	–
Contracts recognized for the first time	–	–	–	–
Changes in accounting estimates that affect CSM	–	–	–	–
Change in losses and reversals of losses for contracts in deficit	–	–	–	–
Changes relating to past services	**–**	**–**	**–**	**–**
Technical insurance result	**–**	**–**	**–**	**–**
Finance income and expenses from insurance contracts	–	–	–	–
Currency translation	–	–	–	–
Net gain or loss from insurance business	**–**	**–**	**–**	**–**
Cash flow	**–**	**–**	**–**	**–**
Premiums received	–	–	–	–
Payments for claims and other insurance services	–	–	–	–
Acquisition costs paid	–	–	–	–
Other changes	–	–	–	–
Balance as of Dec. 31, 2023	**–**	**–**	**–**	**–**
Assets from insurance contracts	–	–	–	–
Liabilities for insurance contracts	–	–	–	–
Net balance of assets and liabilities / insurance contracts	–	–	–	–

Reinsurance contracts held

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2024				
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	**–**	**–**	**–**	**–**
Changes in basis of consolidation	22	1	–	**23**
Changes relating to current services	0	0	–	0
Contractual service margin recognized in profit or loss	–	–	–	–
Risk adjustment for expired risks	–	0	–	0
Experience adjustments	0	–	–	0
Changes relating to future services	1	0	–	1
Contracts recognized for the first time	–	–	–	–
Changes in accounting estimates that affect CSM	–	–	–	–
Changes in accounting estimates that do not affect CSM	1	0	–	1
Changes in reimbursable amounts relating to past services	**–2**	**0**	**–**	**–2**
Finance income and expenses from reinsurance contracts	1	–	–	1
Changes in default risk of reinsurance companies	–	–	–	–
Currency translation	–	–	–	–
Net gain or loss from outward reinsurance business	**0**	**0**	**–**	**0**
Cash flow	**–**	**–**	**–**	**–**
Paid expenses from outward reinsurance	–	–	–	–
Reimbursements received	–	–	–	–
Other changes	–	–	–	–
Balance as of Dec. 31, 2024	**22**	**1**	**–**	**23**
Assets from reinsurance contracts	22	1	–	23
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets from and liabilities for reinsurance contracts	**22**	**1**	**–**	**23**

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2023				
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	**–**	**–**	**–**	**–**
Changes relating to current services	–	–	–	–
Contractual service margin recognized in profit or loss	–	–	–	–
Risk adjustment for expired risks	–	–	–	–
Experience adjustments	–	–	–	–
Changes relating to future services	–	–	–	–
Contracts recognized for the first time	–	–	–	–
Changes in accounting estimates that affect CSM	–	–	–	–
Changes in accounting estimates that do not affect CSM	–	–	–	–
Changes in reimbursable amounts relating to past services	**–**	**–**	**–**	**–**
Finance income and expenses from reinsurance contracts	–	–	–	–
Changes in default risk of reinsurance companies	–	–	–	–
Currency translation	–	–	–	–
Net gain or loss from outward reinsurance business	**–**	**–**	**–**	**–**
Cash flow	**–**	**–**	**–**	**–**
Paid expenses from outward reinsurance	–	–	–	–
Reimbursements received	–	–	–	–
Other changes	–	–	–	–
Balance as of Dec. 31, 2024	**–**	**–**	**–**	**–**
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets from and liabilities for reinsurance contracts	**–**	**–**	**–**	**–**

EFFECTS OF INSURANCE CONTRACTS RECOGNIZED FOR THE FIRST TIME

The effects of insurance contracts recognized for the first time on the balance sheet at the reporting date are presented in the following tables:

DECEMBER 31, 2024

	INSURANCE CONTRACT ISSUED FOR THE FIRST TIME		INSURANCE CONTRACTS AC-QUIRED FOR THE FIRST TIME		
€ million	Not in deficit	In deficit	Not in deficit	In deficit	Total
Expected present value of future cash outflows (excluding costs incurred in concluding contracts)	–44	–29	–	–	–73
Expected present value of costs incurred in concluding contracts	–12	–5	–	–	–17
Expected present value of future cash outflows	82	35	–	–	118
Risk adjustment for nonfinancial risk	–4	–5	–	–	–9
Contractual service margin (CSM)	–22	–	–	–	–22
Total	**0**	**–4**	**–**	**–**	**–4**

DECEMBER 31, 2023

€ million	INSURANCE CONTRACT ISSUED FOR THE FIRST TIME		INSURANCE CONTRACTS ACQUIRED FOR THE FIRST TIME		
	Not in deficit	In deficit	Not in deficit	In deficit	Total
Expected present value of future cash outflows (excluding costs incurred in concluding contracts)	–	–	–	–	–
Expected present value of costs incurred in concluding contracts	–	–	–	–	–
Expected present value of future cash outflows	–	–	–	–	–
Risk adjustment for nonfinancial risk	–	–	–	–	–
Contractual service margin (CSM)	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**

As in the previous year, the insurance contracts recognized for the first time had no material effect on assets from reinsurance contracts held.

There were no insurance contracts issued or acquired for the first time on January 1, 2023. The corresponding table is therefore not presented for the January 1, 2023 reporting date.

EFFECTS OF RISK ON INSURANCE CONTRACTS

Insurance business is subject to underwriting risk and financial risk as explained in the following.

Maximum credit risk

€ million	Dec. 31,2024	Dec. 31,2023	
Balance of Dec. 31., 2023			
Cash and cash equivalents	185	–	
Debt instruments (FVOCI)	351	–	
Debt instruments (amortized cost)	49	–	
Assets from reinsurance contracts held	23	–	
Other	3	–	
Maximum credit risk	**611**	**–**	

All insurance contracts fall within rating class 1.

Insurance risk

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Catastrophe risk	7	–	–
Premium risk	386	–	–
Reserve risk	41	–	–
Total	**435**	**–**	**–**

The effects of insurance risk on equity and on the profit after tax are presented below with a sensitivity analysis:

€ million	Loss ratio (increase of 10 percentage points)	Loss ratio (decrease of 10 percentage points)
Balance of Dec. 31., 2024		
Profit after tax		
Effect before reinsurance	–50	50
Effect after reinsurance	–47	48
Equity		
Effect before reinsurance	50	–50
Effect after reinsurance	47	–47

€ million	Loss ratio (increase of 10 percentage points)	Loss ratio (decrease of 10 percentage points)
Balance of Dec. 31., 2023		
Profit after tax		
Effect before reinsurance	–	–
Effect after reinsurance	–	–
Equity		
Effect before reinsurance	–	–
Effect after reinsurance	–	–

Insurance risk – claims development

The claims arising in the year under review are compared in the following against the estimated values in the forecast without factoring in any reinsurance contracts held.

	CLAIM YEAR								
€ million	2017	2018	2019	2020	2021	2022	2023	**2024**	**Total**
At the end of the claim year	133	127	122	113	114	110	123	151	
1 year later	121	128	125	117	115	114	126	–	
2 years later	127	128	125	117	116	113	–	–	
3 years later	127	128	125	117	115	–	–	–	
4 years later	127	128	126	116	–	–	–	–	
5 years later	127	128	125	–	–	–	–	–	
6 years later	127	127	–	–	–	–	–	–	
7 years later	127	–	–	–	–	–	–	–	
Total undiscounted claims payments and other directly attributable costs	126	127	124	116	114	111	119	111	947
Provisions for claim years	0	1	1	1	1	3	6	40	53
Provisions for claim years prior to 2017	–	–	–	–	–	–	–	–	33
Discounting	–	–	–	–	–	–	–	–	–9
Risk adjustment for nonfinancial risk	–	–	–	–	–	–	–	–	–6
LIC for insurance contracts issued	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–85**

The following table shows a comparison of the claims arising in the previous period with the estimated values in the forecast without factoring in any reinsurance contracts held:

€ million	CLAIM YEAR 2016	2017	2018	2019	2020	2021	2022	2023	Total
At the end of the claim year	–	–	–	–	–	–	–	–	–
1 year later	–	–	–	–	–	–	–	–	–
2 years later	–	–	–	–	–	–	–	–	–
3 years later	–	–	–	–	–	–	–	–	–
4 years later	–	–	–	–	–	–	–	–	–
5 years later	–	–	–	–	–	–	–	–	–
6 years later	–	–	–	–	–	–	–	–	–
7 years later	–	–	–	–	–	–	–	–	–
Total undiscounted claims payments and other directly attributable costs	–	–	–	–	–	–	–	–	–
Provisions for claim years	–	–	–	–	–	–	–	–	–
Provisions for claim years prior to 2017	–	–	–	–	–	–	–	–	–
Discounting	–	–	–	–	–	–	–	–	–
Risk adjustment for nonfinancial risk	–	–	–	–	–	–	–	–	–
LIC for insurance contracts issued	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Currency risk – sensitivity analysis:

€ million	PROFIT AFTER TAX 10%	-10%	EQUITY 10%	-10%
Dec. 31., 2024				
Currency relations				
EUR/GBP	1	–1	–1	1
EUR/JPY	2	–2	–2	2
EUR/CHF	1	–1	–1	1
EUR/SEK	0	0	0	0
EUR/CZK	0	0	0	0
EUR/PLN	2	–2	–2	2
EUR/TRY	1	–1	–1	1

€ million	PROFIT AFTER TAX 10%	PROFIT AFTER TAX -10%	EQUITY 10%	EQUITY -10%
Dec. 31., 2023				
Currency relations				
EUR/GBP	–	–	–	–
EUR/JPY	–	–	–	–
EUR/CHF	–	–	–	–
EUR/SEK	–	–	–	–
EUR/CZK	–	–	–	–
EUR/PLN	–	–	–	–
EUR/TRY	–	–	–	–

Interest rate risk – sensitivity analysis:

€ million	PROFIT AFTER TAX 10%	PROFIT AFTER TAX -10%	EQUITY 10%	EQUITY -10%
Dec. 31., 2024				
Insurance and reinsurance contracts	–6	6	6	–6

€ million	PROFIT AFTER TAX 10%	PROFIT AFTER TAX -10%	EQUITY 10%	EQUITY -10%
Dec. 31., 2023				
Insurance and reinsurance contracts	–	–	–	–

There were no insurance or reinsurance contracts on January 1, 2023. The corresponding table on the sensitivity analysis is therefore not presented for the January 1, 2023 reporting date.

The effects of risks in connection with currencies and interest rates have no material impact on equity or profit after tax.

Liquidity risk

The maturity profile of underwriting provisions and the associated liquidity risk are set out below.

As of Dec. 31, 2024

€ million	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years	Total
Liabilities for insurance contracts issued	-10	-17	-86	-8	-84	-248	-454
Liabilities for reinsurance contracts held	0	–	–	–	–	–	0

As of Dec. 31, 2023

€ million	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years	Total
Liabilities for insurance contracts issued	–	–	–	–	–	–	–
Liabilities for reinsurance contracts held	–	–	–	–	–	–	–

€ million	2024		2023	
	AMOUNT CALLABLE IMMEDIATELY	Carrying amount	Amount callable immediately	Carrying amount
Liabilities for insurance contracts issued	–264	–264	–	–
Liabilities for reinsurance contracts held	0	0	–	–

There were no underwriting provisions on January 1, 2023. The corresponding tables on the liquidity risk associated with the underwriting provisions and on amounts callable immediately and carrying amounts of the provisions are therefore not presented for the January 1, 2023 reporting date.

CONTRACTUAL SERVICE MARGIN

The contractual service margin determined on the reporting date is recognized in profit or loss as set out below.

Dec. 31, 2024

€ million	2025	2026	2027	2028	2029	After 2029	Total
Insurance contracts issued	–3	–9	–17	0	–30	–74	–134
Reinsurance contracts held	–	–	–	–	–	–	–

Dec. 31, 2023

€ million	2024	2025	2026	2027	2028	After 2028	Total
Insurance contracts issued	–	–	–	–	–	–	–
Reinsurance contracts held	–	–	–	–	–	–	–

There were no insurance contracts issued or acquired on January 1, 2023. The corresponding table on the collection profile of the contractual service margin is therefore not presented for the January 1, 2023 reporting date.

The reconciliation of the contractual service margin (CSM) for insurance contracts issued is as follows:

€ million	New issues and measurement using the retro-spective method at changeover	Measurement us-ing the modified retrospective method at changeover	Total
Income from insurance transactions	112	51	163
Contractual service margin (CSM) as of Jan. 1, 2024	**–**	**–**	**–**
	–155	–26	–181
Changes relating to current services	31	16	47
Recognized in profit or loss	31	16	47
Changes relating to future services	6	–3	3
Changes in accounting estimates that affect the CSM	27	–3	25
Contracts recognized for the first time	–22		–22
Technical insurance result	**–3**	**0**	**–3**
Finance income and expenses from insurance contracts	–3	0	–3
Currency translation	0	0	0
Net gain or loss from insurance business	**34**	**13**	**47**
Other changes	–	–	–
Contractual service margin (CSM) as of Dec. 31, 2024	**–121**	**–13**	**–134**

No contractual service margin was recognized for reinsurance contracts held.

There had been no underwriting provisions in the previous year. No reconciliation is therefore presented of the contractual service margin (CSM) for insurance contracts issued as of January 1, 2023 or December 31, 2023.

TECHNICAL INSURANCE INCOME

The table below shows the changes of the technical insurance income.

€ million	2024	2023
Technical insurance income		
Change in liability for remaining coverage	130	–
Contractual service margin recognized in profit or loss	47	–
Risk adjustment for nonfinancial risk (current coverage)	7	–
Other changes	1	–
Expected expenses for claims incurred and other costs	75	–
Amortization of costs incurred in concluding contracts	33	–
Total	**163**	**–**

74. Cash Flow Statement

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

Cash and cash equivalents include the entire Cash reserve balance sheet item, which consists of cash-in-hand and balances held with Deutsche Bundesbank and foreign central banks, as well as cash and cash equivalents reported in the balance sheet under Loans to and receivables from banks, as well as loans to and receivables from customers attributable to other receivables. Cash equivalents from cash pooling with a non-bank entity in the Volkswagen Group are included in the loans and receivables due from customers attributable to other receivables.

The "Cash reserve", "Loans to and receivables from banks" and "Loans to and receivables from customers attributable to other receivables" balance sheet items are reconciled to "Cash and cash equivalents" by adjusting "Loans to and receivables from banks" for the items which are not cash or cash equivalents:

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 01, 2023
Cash reserve	12,444	–	–
Loans to and receivables from banks	962	0	1
Loans to and receivables from customers attributable to other receivables	17,627	–	–
Total cash reserve and loans to and receivables from banks	**31,033**	**0**	**1**
Receivables from loans and notes in loans to and receivables from banks	–44	–	–
Receivables from time deposits in loans to and receivables from banks	–15	–	–
Trade receivables in loans to and receivables from banks	0	–	–
Other receivables in loans to and receivables from banks	–5	–	–
Receivables from direct banking business	–407	–	–
Loan receivables in loans to receivables from customers attributable to other receivables	–13,929	–	–
Lease receivables with buyback agreements	–1,382	–	–
Trade receivables in loans to and receivables from customers attributable to other receivables	–1,631	–	–
Other receivables in loans to and receivables from customers attributable to other receivables	**–204**	**–**	**–**
Cash and cash equivalents	**13,417**	**0**	**1**

The changes in the balance sheet items used to determine the changes in the cash flow statement cannot be derived directly from the balance sheet because effects from the changes in the basis of consolidation have no impact on cash and are eliminated.

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

€ million	Balance as of Jan. 1, 2024	Cash changes	NONCASH TRANSACTIONS Exchange rate changes	Changes in basis of consolidation	Measurement changes	Balance as of Dec. 31,2024
Subordinated capital	–	–196	–	2,941	–	2,745

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

75. Off-balance-sheet liabilities

CONTINGENT LIABILITIES

Potential obligations that may arise from the outcome of ongoing appeal proceedings regarding the structure of commission agreements in the UK financing sector are recognized as contingent liabilities. Due to the uncertainty regarding the potential consequences and the large number of unknown valuation variables, it is not feasible to estimate any potential financial impact. The conditions for recognizing a provision in accordance with IAS 37 are not satisfied in this case.

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 Europe operation by way of the spin-off are recognized in the balance sheet of the VW FS 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 €23 million under the joint and several liability.

In addition, contingent liabilities of €12 million (December 31, 2023: €– million / January 1, 2023: €– million) result from surety agreements for which the conditions for the recognition of a provision in accordance with IAS 37 are not met.

OTHER FINANCIAL OBLIGATIONS

€ million	DUE 2025	DUE 2026 – 2029	DUE From 2030	TOTAL Dec. 31, 2024
Purchase commitments in respect of				
Property and equipment	0	–	–	0
Intangible assets	2	–	–	2
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	11,194	–	–	11,194
Long-term leasing and rental contracts	19	7	–	26
Miscellaneous financial obligations	215	53	–	269

In the case of irrevocable credit commitments, the Company expects the customers to draw down the facilities concerned.

€ million	DUE 2024	DUE 2025 – 2028	DUE From 2029	TOTAL Dec. 31, 2023
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	–	–	–	–
Long-term leasing and rental contracts	–	–	–	–
Miscellaneous financial obligations	–	–	–	–

There were no other financial obligations as of January 1, 2023. The corresponding table on the maturity profile of other financial obligations is therefore not presented for the January 1, 2023 reporting date.

76. Benefits based on performance shares (share-based payment)

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. The number of performance shares is determined definitively on the basis of a three-year forward-looking performance period according to the degree of target attainment for the annual earnings per Volkswagen preferred share. Settlement is in cash at the end of the performance period. The payment amount corresponds to the number of determined performance shares, 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.

MEMBERS OF THE BOARD OF MANAGEMENT AND TOP MANAGEMENT

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 01, 2023
Total expense for the period	0	–	–
Total carrying amount of the obligation	6	–	–
Intrinsic value of the liabilities	2	–	–
Fair value at grant date	1	–	–
Number of performance shares granted	44,964	–	–
of which: number granted in the reporting period	9,917	–	–

MANAGEMENT MEMBERS AND SELECTED BENEFICIARIES BELOW MANAGEMENT LEVEL

In the reporting year, all other beneficiaries were granted a target amount, based on target attainment of 100%, of €21 million (previous year: €– million). As of December 31, 2024, the total carrying amount of the obligation, which equated to the intrinsic value of the liabilities, amounted to €30 million (December 31, 2023: €– million / January 1, 2023: €– million). A total expense of €21 million (previous year: €– million) was recognized in the reporting period for this commitment.

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

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

€ million	2024	2023
Financial statement audit services	5	0
Other attestation services	0	–
Tax consulting services	–	–
Other services	0	–
Total	**6**	**0**

The fees paid to the auditor for audit services in the year under review were mostly attributable to the audit of the consolidated financial statements of VW FS AG and of the annual financial statements of German Group companies, as well as to reviews of the interim financial statements of German Group companies.

78. Personnel expenses

The personnel expenses of the VW FS AG Group are recognized in the income statement item General and administrative expenses and in the income statement item Expenses from insurance business, and are summarized in the following.

€ million	2024	2023
Wages and salaries	426	–
Social security contributions	70	–
Post-employment and other employee benefit costs	38	–
Total	**534**	**–**

79. Average number of employees during the reporting period

	2024	2023
Salaried employees	10,570	–
Vocational trainees	167	–
Sum	10,737	–
Employees with the Volkswagen Pon Financial Services B.V., Amersfoort, Volkswagen D'Ieteren Finance S.A., Brussels, Volkswagen Møller Bilfinans A/S, Oslo, joint ventures	854	–
Total	**11,591**	**–**

80. Related party disclosures

Related parties within the meaning of IAS 24 are deemed to be individuals or entities who can be influenced by VW FS AG, who can exercise an influence over VW FS AG, or who are under the influence of another related party of VW FS AG.

Volkswagen AG, Wolfsburg, is the sole shareholder of VW FS AG. Porsche Automobil Holding SE, Stuttgart, held the majority of the voting rights in Volkswagen AG as of the reporting date. The extraordinary General Meeting of Volkswagen AG held on December 3, 2009 approved the creation of rights of appointment for the State of Lower Saxony. As a result, Porsche SE cannot elect, via the Annual General Meeting, all the shareholder representatives on the Volkswagen AG Supervisory Board as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore deemed to be a related party as defined by IAS 24. According to a notification dated January 2, 2025, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft Niedersachsen mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on December 31, 2024 and thus exercise an indirect significant influence over the VW FS AG Group As mentioned above, the General Meeting of Volkswagen AG on December 3, 2009 also resolved that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment). The sole shareholder, Volkswagen AG, and VW FS AG have entered into a control and profit-and-loss transfer agreement.

Volkswagen AG and other related parties in Volkswagen AG's group of consolidated entities provide the entities in the VW FS AG Group with funding on an arm's-length basis. As part of funding transactions, Volkswagen AG and other related parties in Volkswagen AG's group of consolidated entities sold vehicles to entities in the VW FS AG Group on an arm's-length basis. These transactions are presented in the "Goods and services received" line item. Volkswagen AG and its subsidiaries have also furnished collateral for the benefit of VW FS AG within the scope of the operating business.

The production companies and importers in the Volkswagen Group provide the entities in the VW FS AG Group with financial subsidies to support sales promotion campaigns.

The "Goods and services provided" line item primarily contains income from leasing transactions.

The business transactions with unconsolidated subsidiaries, joint ventures and associates of VW FS AG mainly relate to the provision of funding and services. These transactions are always conducted on an arm's-length basis, e.g., when using the cost plus method for the provision of services.

The table below shows the transactions with related parties. In the table, the exchange rates used are the closing rate for asset and liability items, and the weighted average rates for the year for income statement items.

FISCAL YEAR 2024

€ million	Supervisory Board	Board of Management	Volkswagen AG	Porsche SE	Other related parties in the consolidated entities	Non consolidated subsidiaries	Joint ventures	Associates
Loans and Receivables	0	0	425	0	6,450	189	11,827	2
Valuation allowances on impaired loans and receivables	–	–	–	–	–	–	–	–
of which additions in current year	–	–	–	–	–	–	–	–
Obligations	3	12	8,788	–	16,758	146	354	4
Interest income	0	0	22	–	152	3	197	–
Interest expense	0	0	–86	–	–467	–2	–1	0
Goods and services provided	–	–	541	0	2,149	9	64	–
Goods and services received	–	–	8,951	–	5,132	13	17	1

FISCAL YEAR 2023

€ million	Supervisory Board	Board of Management	Volkswagen AG	Porsche SE	Other related parties in the consolidated entities	Non consolidated subsidiaries	Joint ventures	Associates
Loans and Receivables	–	–	0	–	0	–	–	–
Valuation allowances on impaired loans and receivables	–	–	–	–	–	–	–	–
of which additions in current year	–	–	–	–	–	–	–	–
Obligations	–	–	–	–	–	–	–	–
Interest income	–	–	–	–	0	–	–	–
Interest expense	–	–	–	–	–	–	–	–
Goods and services provided	–	–	–	–	–	–	–	–
Goods and services received	–	–	–	–	–	–	–	–

The “Other related parties in the group of consolidated entities” column includes, in addition to sister entities, joint ventures and associates that are related parties in Volkswagen AG’s group of consolidated entities but do not directly belong to VW FS AG. The relationships with the Supervisory Board and the Board of Management comprise relationships with the relevant groups of people at VW FS AG and the Group parent company Volkswagen AG. As in the prior year, relationships with pension plans and the State of Lower Saxony were of lesser significance in the reporting year.

During the fiscal year, VW FS AG received capital increases against cash contributions totaling €31,440 million from the parent company Volkswagen AG, of which €250 million was attributable to subscribed capital and €16,713 million to the capital reserves. Additionally, VW FS AG and its subsidiaries provided capital contributions of €575 million (previous year: €– million) to related parties.

Members of the Board of Management and Supervisory Board of VW FS AG are also members of management and supervisory boards of other entities in the Volkswagen Group with which VW FS AG sometimes conducts transactions in the normal course of business. All transactions with these related parties are conducted on an arm's-length basis.

During the course of the reporting period, standard short-term bank loans amounting to an average total of €757 million (previous year: €– million) were granted to related parties as part of dealer financing.

BOARD OF MANAGEMENT REMUNERATION IN ACCORDANCE WITH IAS 24

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

€ million	2024	2023
Short-term benefits	2	–
Benefits based on performance shares	1	–
Termination benefits	–	–
Post-employment benefits	0	–
Total benefits	**4**	**–**

The post-employment benefits relate to additions to pension provisions for current members of the Board of Management. The information relates to remuneration of the Board of Management of VW FS AG from July 1, 2024. No Board of Management remuneration was paid by VW FS AG in the period up to June 30, 2024.

BOARD OF MANAGEMENT REMUNERATION

In the reporting year, the total remuneration of the Board of Management in accordance with section 314(1) no. 6 of the HGB amounted to €3 million; 9,818 performance shares were granted in the reporting period (previous year: –), the fair value of which was €1 million (previous year: €– million) on the grant date.

Advances granted to the members of the Board of Management under the performance share plan amounted to €– million (previous year: €– million) in the reporting year. A total of €– million (previous year: €– million) of the advances paid to the members of the Board of Management was offset against payments 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 million (previous year: €– million). The provisions recognized for this group of people to cover current pensions and pension entitlements amounted to €21 million (previous year: €– million).

SUPERVISORY BOARD REMUNERATION

In accordance with a resolution passed by the Annual General Meeting, the members of the Supervisory Board are entitled to an annual allowance. This allowance is independent of the performance of the Company. Various members of the Supervisory Board are also members of the supervisory boards of other Volkswagen AG subsidiaries. The amounts received for these functions are deducted from the allowance entitlement from VW FS AG. As a result, a total amount of €– million (previous year: €– million) was paid out to the members of the Supervisory Board in fiscal year 2024.

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

81. 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)
Chief Executive Officer (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 and Procurement

FRANK FIEDLER (AS OF JANUARY 1, 2024)
Chief Risk Officer (as of July 1, 2024)

DR. ALENA KRETZBERG (AS OF JULY 1, 2024)
IT Processes, Operations

The members of the Supervisory Board of Volkswagen Financial Services 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 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 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
at 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)
Managing Director of the Joint Works Council of Volkswagen Financial Services AG, Volkswagen Financial Services Overseas AG, Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Vehicle Trading International GmbH, Volkswagen Insurance Brokers GmbH and Volkswagen Versicherung AG

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 was 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

82. Comfort letter in favor of the creditors of the Volkswagen Bank GmbH subsidiary

Volkswagen Financial Services AG has issued the following binding comfort letter:

Volkswagen Financial Services AG, formerly Volkswagen Financial Services Europe AG, with its registered office in Braunschweig, is the sole shareholder of the company under the name Volkswagen Bank GmbH with its registered office in Braunschweig.

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

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

83. Comfort letter for the other affiliated companies

With the exception of political risks, Volkswagen Financial Services AG hereby declares that, as the shareholder of its affiliated companies, over which it has managerial control and/or in which it holds a direct or indirect majority share of the share capital, it will exert its influence to ensure that the latter meet their liabilities to lenders in the agreed manner. Moreover, Volkswagen Financial Services AG confirms that, for the term of the loans, it will make no changes to the share structures of these companies which would adversely affect the letter of comfort without informing the lenders.

84. Events after the balance sheet date

Following the conclusion of the collective bargaining negotiations at Volkswagen AG, VW FS AG, VW Bank GmbH, VW Leasing GmbH, VW Insurance Brokers GmbH, VW Versicherung AG and Vehicle Trading GmbH entered into their own collective bargaining negotiations with IG Metall, which were concluded on January 31, 2025. Volkswagen AG's collective bargaining agreement also applies to these companies through the supplementary collective bargaining agreement. The companies listed above have partially amended or supplemented Volkswagen AG's collective bargaining agreement in certain respects. No material impact on the consolidated financial statements as of December 31, 2025 is expected.

With reference to the explanations in note (3) "Assets held for sale (IFRS 5)" in the notes to the consolidated financial statements, the shares of the VOLKSWAGEN Finančné služby Slovensko s.r. o., Bratislava, joint venture were sold to Porsche Bank Aktiengesellschaft and Porsche Versicherungs Aktiengesellschaft at their carrying amount, and the shares of the Volkswagen-Versicherungsdienst GmbH, Vienna, associate were sold to Porsche Bank Aktiengesellschaft with a carrying amount of €4.5 million for a consideration of €7 million.

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

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 THOUSANDS	PROFIT/LOSS IN THOUSANDS		
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

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

Braunschweig, February 24, 2025

Volkswagen 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 CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

OPINIONS

We have audited the consolidated financial statements of Volkswagen Financial Services Aktiengesellschaft, Braunschweig, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2024 to 31 December 2024, and the consolidated balance sheet as at 31 December 2024, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January 2024 to 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Volkswagen Financial Services Aktiengesellschaft, which is combined with the Company's management report, for the fiscal year from 1 January 2024 to 31 December 2024. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration pursuant to Sec. 289f (4) in conjunction with Sec. 289f (2) No. 4 HGB ["Handelsgesetzbuch": German Commercial Code] included in the "Corporate Governance Declaration" section of the group 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 consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) and adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2024 and of its financial performance for the fiscal year from 1 January 2024 to 31 December 2024, and

> the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. 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 group 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 consolidated financial statements and of the group 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 consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Identification of impaired loans and determination of the provision for Stage 3 credit risks in dealer financing

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

The identification of impaired loans and the determination of provisions for Stage 3 credit risks in dealer financing are significant areas in which the executive directors exercise judgment. The identification of impaired loans and the determination of an appropriate provision for Stage 3 credit risks entail uncertainties, which include various assumptions and estimation inputs, particularly regarding the dealers' financial performance, expected future cash flows and the valuation of collateral. The dealers' financial performance is influenced in particular by the volume of automotive sales, which depends on factors such as changes in purchasing power due to the trend in inflation and general interest rates as well as the dealers' refinancing costs. In view of the ongoing geopolitical tensions, conflicts and protectionist tendencies as well as the resulting risk of negative effects on the European economy, estimation uncertainty remained heightened in the fiscal year.

In view of the business model and the significance of dealer financing for the Group's assets and financial performance, we determined the identification of impaired loans and the determination of provisions for Stage 3 credit risks in dealer financing to be a key audit matter.

AUDITOR'S RESPONSE

During our audit, we analyzed the accounting-related processes for the identification of impaired loans and the determination of the provision for Stage 3 credit risks to check for the consideration of relevant risk factors. We tested the operating effectiveness of the controls implemented in these processes for identifying impaired loans and determining the provision for Stage 3 credit risks. Our audit procedures focused on the processes for evaluating the borrowers' economic situation, monitoring early warning indicators, applying impairment triggers and thus for correctly applying internal risk classification procedures and for valuing collateral.

In addition, we performed substantive audit procedures on a sample basis and assessed the existence of any acute default risks and the determination of the provision for Stage 3 credit risks. We selected our sample applying a risk-based approach, using in particular criteria such as the inclusion of loans on watch lists for increased default risks, rating class, the level of exposure and the provision for credit risks already recognized.

As part of our risk-based sampling, we assessed whether the significant assumptions and estimates relating to dealers' expected cash flows including the carrying amounts of collateral held are consistent with the borrower's economic situation and market expectations. Furthermore, we checked the arithmetical accuracy of the provision determined for Stage 3 credit risks.

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 accounting policies applied for the identification of impaired loans and the determination of provisions for Stage 3 credit risks (including dealer financing) are contained in the notes to the consolidated financial statements in note 10 "Financial instruments" and in the group management report in the Report on Opportunities and Risks under the heading "Credit risk" in the passages addressing "Collateral" and "Provisions."

Macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the model-based determination of the provisions for Stage 1 and 2 non-defaulted loans to and receivables from customers and for loans and receivables attributable to the leasing business

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

The valuation of loans to and receivables from customers and the related determination of the provisions for Stage 1 and 2 credit risks of such loans and receivables and for loans and receivables attributable to the leasing business are significant areas in which the executive directors exercise judgment. As of the reporting date, the model-based determination of provisions uses three macroeconomic scenarios to meet the requirements for an unbiased and probability-weighted estimate. The three scenarios (base, positive, negative) differ in terms of the assumptions and estimates of future macroeconomic developments and are reflected in the different specific credit risk parameters underlying the calculation of the provisions (loss given default, probability of default and credit conversion factor).

In light of the significant volume of Stage 1 and 2 non-defaulted loans to and receivables from customers and of loans and receivables attributable to the leasing business underlying the model-based determination of the provisions as well as the increased uncertainty and judgment involved in the macroeconomic scenarios as a consequence of the ongoing geopolitical tensions, conflicts and protectionist tendencies as well as the resulting risk of negative effects on the European economy, we consider the macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the determination of the provisions for Stage 1 and 2 non-defaulted loans to and receivables from customers and for loans and receivables attributable to the leasing business to be a key audit matter.

AUDITOR'S RESPONSE

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

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

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

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

Our audit procedures did not give rise to any reservations with regard to the macroeconomic scenarios and the specific credit risk parameters derived therefrom in connection with the model-based determination of the provisions for Stage 1 and 2 non-defaulted loans to and receivables from customers and for loans and receivables attributable to the leasing business.

REFERENCE TO RELATED DISCLOSURES

The Company's disclosures on the accounting policies applied for the model-based determination of the provisions for Stage 1 and 2 non-defaulted loans to and receivables from customers and for loans and receivables attributable to the leasing business are contained in the notes to the consolidated financial statements in note "10. Financial instruments" and note "21. Estimates and assumptions by management" and in the group management report in the Report on Opportunities and Risks under the heading "Credit risk" in the passages addressing "Collateral" and "Provisions."

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

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

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

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

AUDITOR'S RESPONSE

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

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

REFERENCE TO RELATED DISCLOSURES

The Company's disclosures on the accounting policies applied for lease assets are contained in note "15. Leases" and note "72. Leases" and the disclosures on the determination of the expected residual values of lease assets in note "21. Estimates and assumptions by management" of the notes to the consolidated 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 group management report and the "Key figures," "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 consolidated financial statements, not the group 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 CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The 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 CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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

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

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

> Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control and of such arrangements and measures.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and review of the work performed for the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OPINION

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

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

BASIS FOR THE OPINION

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

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE 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 consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

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

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

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

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

> Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
> Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
> Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
> Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
> Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

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

We were elected as auditor by the Annual General Meeting on 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 to Group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Eschborn/Frankfurt am Main, 28 February 2025

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Koch Wirtschaftsprüfer [German Public Auditor]	Hölscher Wirtschaftsprüfer [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

PUBLISHED BY
Volkswagen Financial Services AG
Gifhorner Straße 57
38112 Braunschweig, Germany
Telephone +49 (0) 531 212-0
info@vwfs.com
www.vwfs.com
www.facebook.com/vwfsde

INVESTOR RELATIONS
ir@vwfs.com

This annual report is also available in German at https://www.vwfs.com/gbvwfsag24.