

VOLKSWAGEN BANK

G M B H

PILLAR 3 DISCLOSURE REPORT
IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION
AS OF SEPTEMBER 30,

2021

Table of contents

- Table of contents 1
- Index of tables 2
- Foreword 3
- Own Funds 4
 - Introduction..... 4
 - Article 437a of CRR II – Disclosure of own funds..... 4
- Own funds requirements 5
 - Article 438 (d, h) of CRR II – Disclosure of own funds requirements and risk-weighted exposure amounts. 5
- Disclosure of key metrics..... 8
 - Article 447 of CRR II – Disclosure of key metrics 8
- Liquidity 10
 - Article 451a (2+ 3) CRR II – Disclosure of liquidity requirements..... 10
- Contact Information 13
 - Published by..... 13
 - Investor Relations..... 13

Index of tables

Table 1: EU OV1 – Overview of risk-weighted exposure amounts.....	6
Table 2: EU KM1 – Key metrics.....	8
Table 3: EU LIQ1– Quantitative disclosures on LCR	11

All figures shown in tables are rounded, so minor discrepancies may arise from addition of these amounts.

Foreword

The Pillar 3 Disclosure Report for the period ended September 30, 2021 is published in accordance with the supervisory law requirements of the Basel III framework which came into effect on June 28, 2021 (Regulation (EU) No. 2019/876 – the Capital Requirements Regulation or “CRR II” – of the European Parliament and the Council of May 20, 2019 to amend Regulation (EU) 575/2013 (CRR I)). The Regulation is supplemented by the EBA Implementing Technical Standards EBA/ITS/2020/04 of June 24, 2020, which specify the tables to be included in the Report. This Report is based on the legal requirements in force as of the reporting date.

The entry into force of the CRR provided in large measure a uniform legal basis for European banking supervisory law. The requirements of the CRR largely replaced the disclosure obligations regulated at national level.

Volkswagen Bank GmbH acts as the parent of the institution group for supervisory law purposes and is responsible for implementing the requirements of supervisory law within the Group. This also includes the obligation to make regular disclosures in accordance with Article 433 of the CRR. Volkswagen Bank GmbH is classed as a large institution in accordance with Article 4a (a) xv) 146 of the CRR and therefore observes the frequency requirements stipulated in Article 433a of the CRR.

In accordance with Article 433 of the CRR, the Pillar 3 Disclosure Report is updated regularly to meet the requirements and published shortly thereafter as a separate report on Volkswagen Bank GmbH’s website.

Where available, the format templates stipulated by the EBA guidelines as well as the implementation and regulation standards for the disclosure of the information in accordance with Section 8 of the CRR have been utilized.

Braunschweig, December 2021

The Management Board

Own Funds

INTRODUCTION

The own funds of an institution or an institution group are measured by reference to the prudential capital ratios. In this connection, Volkswagen Bank GmbH must observe the minimum capital ratios defined in Article 92 of the CRR at both the level of the individual institution and at the consolidated level of the institution group. In addition, Volkswagen Bank GmbH must observe the prudential capital buffer requirements as well as the additional capital requirements defined in the supervisory review and evaluation process (SREP).

In this document, the explanatory notes and data pertaining to own funds refer to Volkswagen Bank GmbH's institution group and are based on IFRS accounting.

ARTICLE 437A OF CRR II – DISCLOSURE OF OWN FUNDS

The own funds in accordance with Article 72 of the CRR consist of Common Equity Tier 1 capital and Tier 2 capital. No additional Tier 1 capital has been issued by Volkswagen Bank GmbH or any of the group entities included in the prudential scope of consolidation.

Volkswagen Bank GmbH is currently not utilizing the “quick fix” regulatory transitional provisions governing the initial effects from first-time application of IFRS 9 under Article 473a of the CRR. The disclosures on own funds and the capital and leverage ratios take account of the full impact of the introduction of IFRS 9.

Similarly, Volkswagen Bank GmbH does not apply the “quick fix” transitional provisions under Article 468 of the CRR. Consequently, the disclosures on capital and leverage ratios reflect the full impact of the unrealized gains and losses measured at fair value through other comprehensive income.

Common Equity Tier 1 capital

Common Equity Tier 1 capital primarily consists of equity reported in the balance sheet. In turn, the equity reported in the balance sheet is composed of ordinary share capital and disclosed reserves. Volkswagen Bank GmbH's share capital is fully paid up and unrestricted. The disclosed reserves consist of the capital reserves and retained earnings. Moreover, Common Equity Tier 1 capital includes retained profits which have not yet been approved and are not tied to planned dividend payouts or foreseeable expenses (e.g. tax expenses). A special reserve for general banking risks recognized by Volkswagen Bank GmbH in accordance with section 340g of the Handelsgesetzbuch (HGB – German Commercial Code) is reported in the eligible disclosed reserves.

Tier 2 capital

Tier 2 capital comprises long-term subordinated liabilities, reduced by amortization in accordance with Article 64 of the CRR. Tier 2 capital decreased marginally in the year under review.

The subordinated liabilities, which are subject to interest at market rates, have original maturities of 20 years and are due for settlement no later than 2024. Some of the liabilities are subject to a contractual call right by Volkswagen Bank GmbH if certain trigger events occur. However, in accordance with Article 78 of the CRR, this right can only be exercised with the prior permission of the supervisory authorities. The investors do not have any call rights. The requirements of Article 63 of the CRR have been met.

Own funds requirements

ARTICLE 438 (D, H) OF CRR II – DISCLOSURE OF OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

The basis for the provisions concerning own funds requirements is formed by the regulatory provisions contained in Article 92 of the CRR. In this connection, it is necessary to calculate total risk exposure, which is derived from the calculation of the risk-weighted assets (RWA) for the credit risk including the counterparty credit risk as well as operational risk, market risk and for the credit valuation adjustments (CVA). The credit risk excluding the counterparty credit risk accounts for 91.1% of the total risk exposure amount, thus constituting the largest risk type.

The following table provides an overview of the breakdown of the total risk exposure amount and the own funds requirements. As Volkswagen Bank GmbH is subject to a quarterly disclosure duty, the figures in the table refer to the current reporting period (T) ending September 30, 2021 as well as the previous quarter ending June 30, 2021 (T-1).

TABLE 1: EU OV1 – OVERVIEW OF RISK-WEIGHTED EXPOSURE AMOUNTS

	€ million	RISK WEIGHTED EXPOSURE AMOUNTS (RWEAS)		TOTAL OWN FUNDS REQUIREMENTS
		a	b	c
		T	T-1	T
1	Credit risk (excluding CCR)	45,018.4	46,531.6	3,601.5
2	Of which the standardised approach	45,018.4	46,531.6	3,601.5
3	Of which the foundation IRB (FIRB) approach	0.0	0.0	0.0
4	Of which: slotting approach	0.0	0.0	0.0
EU 4a	Of which: equities under the simple riskweighted approach	0.0	0.0	0.0
5	Of which the advanced IRB (AIRB) approach	0.0	0.0	0.0
6	Counterparty credit risk - CCR	88.3	46.2	7.1
7	Of which the standardised approach	47.3	24.3	3.8
8	Of which internal model method (IMM)	0.0	0.0	0.0
EU 8a	Of which exposures to a CCP	4.8	5.8	0.4
EU 8b	Of which credit valuation adjustment - CVA	36.1	16.2	2.9
9	Of which other CCR	0.0	0.0	0.0
10	Empty set in the EU			
11	Empty set in the EU			
12	Empty set in the EU			
13	Empty set in the EU			
14	Empty set in the EU			
15	Settlement risk	0.0	0.0	0.0
16	Securitisation exposures in the non-trading book (after the cap)	188.9	190.5	15.1
17	Of which SEC-IRBA approach	0.0	0.0	0.0
18	Of which SEC-ERBA (including IAA)	188.9	190.5	15.1
19	Of which SEC-SA approach	0.0	0.0	0.0
EU 19a	Of which 1250%/ deduction	0.0	0.0	0.0
20	Position, foreign exchange and commodities risks (Market risk)	362.0	441.4	29.0
21	Of which the standardised approach	362.0	441.4	29.0
22	Of which IMA	0.0	0.0	0.0
EU 22a	Large exposures	0.0	0.0	0.0
23	Operational risk	3,755.2	3,755.2	300.4
EU 23a	Of which basic indicator approach	0.0	0.0	0.0
EU 23b	Of which standardised approach	3,755.2	3,755.2	300.4
EU 23c	Of which advanced measurement approach	0.0	0.0	0.0
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2,592.0	2,593.5	207.4
25	Empty set in the EU			
26	Empty set in the EU			
27	Empty set in the EU			
28	Empty set in the EU			
29	Total	49,412.8	50,965.0	3,953.0

The credit risk excluding the counterparty credit risk stood at €45,018.4 million as of September 30, 2021 and had therefore declined significantly by €1,513 million over the previous quarter. Volkswagen Bank GmbH uses the Credit Risk Standardized Approach (CRSA) to quantify credit risks.

The counterparty credit risk rose from €46.2 million to €88.3 million and is based on the application of the new rules for quantifying counterparty credit risk under the new standardized approach (SA-CCR).

At €3,755.2 million, operational risk was unchanged over the previous quarter due to the application of the static principle. Volkswagen Bank GmbH applies the Standardized Approach in this connection.

Disclosure of key metrics

ARTICLE 447 OF CRR II – DISCLOSURE OF KEY METRICS

The following table summarizes the regulatory key metrics. It sets out information from the COREP report on regulatory own funds, total risk exposure and the capital ratios as well as the combined capital buffer and total capital requirements. In addition, it shows the leverage ratio, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

Volkswagen Bank GmbH is required to publish a quarterly Pillar 3 report. Accordingly, the key metrics presented in the table relate to the current reporting period ending September 30, 2021 (Column a) and the previous quarters (Columns b to e).

TABLE 2: EU KM1 – KEY METRICS

€ million	A	B	C	D	E	
	T	T-1	T-2	T-3	T-4	
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	9,496.5	9,492.9	9,569.5	9,150.2	8,710.3
2	Tier 1 capital	9,496.5	9,492.9	9,569.5	9,150.2	8,710.3
3	Total capital	9,510.5	9,508.9	9,587.1	9,169.4	8,731.7
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	49,412.8	50,965.0	50,619.2	50,556.6	49,627.3
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	19.22%	18.63%	18.90%	18.10%	17.55%
6	Tier 1 ratio (%)	19.22%	18.63%	18.90%	18.10%	17.55%
7	Total capital ratio (%)	19.25%	18.66%	18.94%	18.14%	17.59%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional CET1 SREP requirements (%)	1.13%	1.13%	1.13%	1.13%	1.13%
EU 7b	Additional AT1 SREP requirements (%)	0.38%	0.38%	0.38%	0.38%	0.38%
EU 7c	Additional T2 SREP requirements (%)	0.50%	0.50%	0.50%	0.50%	0.50%
EU 7d	Total SREP own funds requirements (%)	10.00%	10.00%	10.00%	10.00%	10.00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.02%	0.01%	0.01%	0.01%	0.01%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.52%	2.51%	2.51%	2.51%	2.51%
EU 11a	Overall capital requirements (%)	12.52%	12.51%	12.51%	12.51%	12.51%

	A	B	C	D	E	
€ million	T	T-1	T-2	T-3	T-4	
12	CET1 available after meeting the total SREP own funds requirements (%)	4,569.6	4,412.4	4,412.4	4,525.2	4,113.7
	Leverage ratio					
13	Leverage ratio total exposure measure	70,619.0	67,225.1	66,283.8	66,701.7	70,836.5
14	Leverage ratio	13.45%	14.12%	14.44%	13.72%	12.30%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a	Additional CET1 leverage ratio requirements (%)	0.00%	0.00%	n/a	n/a	n/a
EU 14b	Additional AT1 leverage ratio requirements (%)	0.00%	0.00%	n/a	n/a	n/a
EU 14c	Additional T2 leverage ratio requirements (%)	3.00%	3.00%	n/a	n/a	n/a
EU 14d	Total SREP leverage ratio requirements (%)	0.00%	0.00%	n/a	n/a	n/a
EU 14e	Applicable leverage buffer	3.00%	3.00%	n/a	n/a	n/a
EU 14f	Overall leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	14,487.2	10,547.1	10,058.4	10,007.6	14,973.9
EU 16a	Cash outflows - Total weighted value	8,718.6	7,971.2	7,754.5	7,773.5	10,843.4
EU 16b	Cash inflows - Total weighted value	2,295.9	2,884.7	2,898.3	3,605.7	2,725.8
16	Total net cash outflows (adjusted value)	0.0	0.0	0.0	0.0	0.0
17	Liquidity coverage ratio (%)	201.03%	195.06%	207.13%	240.12%	184.46%
	Net Stable Funding Ratio					
18	Total available stable funding	54,812.1	54,996.5	n/a	n/a	n/a
19	Total required stable funding	40,364.7	42,644.4	n/a	n/a	n/a
20	NSFR ratio (%)	135.31%	128.58%	n/a	n/a	n/a

To monitor its capital ratios, Volkswagen Bank GmbH has a capital planning process which ensures compliance with the minimum regulatory ratios including in the event of increasing business volumes. Observance of the liquidity ratios is monitored and safeguarded through liquidity management.

Liquidity

ARTICLE 451A (2+ 3) CRR II – DISCLOSURE OF LIQUIDITY REQUIREMENTS

The calculation of the liquidity coverage ratio (LCR), for quantitative information on the LCR, is based on simple averages of the end-of-month reports over the twelve months prior to the end of each quarter.

TABLE 3: EU LIQ1- QUANTITATIVE DISCLOSURES ON LCR

EU 1a	Quarter ending on	A	B	C	D	E	F	G	H
		Total unweighted value (average)				Total weighted value (average)			
		30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2021	30.06.2021	31.03.2021	31.12.2020
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					11,464.2	11,274.0	11,404.7	10,709.3
CASH- OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	22,117.1	21,825.3	21,718.5	21,103.8	1,173.4	1,152.6	1,147.8	1,148.9
3	Stable deposits	13,820.4	13,760.2	13,741.3	15,010.9	691.0	688.0	687.1	750.5
4	Less stable deposits	3,393.3	3,204.7	3,130.9	3,280.5	340.6	321.7	314.3	329.4
5	Unsecured wholesale funding	5,630.2	5,740.7	5,989.4	6,761.3	3,197.7	2,771.9	2,669.0	2,941.3
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Non-operational deposits (all counterparties)	5,539.3	5,697.1	5,942.9	6,707.5	3,106.8	2,728.3	2,669.0	2,887.5
8	Unsecured debt	90.9	43.6	46.4	53.8	90.9	43.6	46.4	53.8
9	Secured wholesale funding					145.0	145.0	145.0	0.0
10	Additional requirements	4,092.1	4,076.6	4,025.6	4,264.5	628.0	624.7	619.2	662.3
11	Outflows related to derivative exposures and other collateral requirements	100.1	96.8	92.3	97.2	82.6	82.8	81.3	87.3
12	Outflows related to loss of funding on debt products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Credit and liquidity facilities	3,992.0	3,979.8	3,933.4	4,167.3	545.4	542.0	537.9	575.0
14	Other contractual funding obligations	2,891.7	3,634.0	4,070.2	4,225.8	2,508.3	3,295.1	3,739.4	3,874.5
15	Other contingent funding obligations	8,480.5	7,885.2	7,543.0	7,514.7	464.7	432.0	413.2	412.6
16	TOTAL CASH OUTFLOWS					8,117.1	8,421.3	8,779.9	9,039.5

		A	B	C	D	E	F	G	H
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2021	30.06.2021	31.03.2021	31.12.2020
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	Inflows from fully performing exposures	3,256.9	3,414.9	3,300.4	3,230.3	1,873.7	1,978.8	1,910.3	1,852.6
19	Other cash inflows	1,163.6	1,022.8	917.8	797.1	917.4	879.7	838.3	797.1
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0.0	0.0	0.0	0.0
EU-19b	(Excess inflows from a related specialised credit institution)					0.0	0.0	0.0	0.0
20	TOTAL CASH INFLOWS	4,420.5	4,437.7	4,218.2	4,027.4	2,791.1	2,858.5	2,748.6	2,649.7
EU-20a	Fully exempt inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU-20b	Inflows subject to 90% cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU-20c	Inflows subject to 75% cap	4,420.5	4,437.7	4,218.2	4,027.4	2,791.1	2,858.5	2,748.6	2,649.7
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					11457.7	11267.5	11404.7	10709.3
22	TOTAL NET CASH OUTFLOWS					5754.0	5990.7	6507.9	6389.8
23	LIQUIDITY COVERAGE RATIO					206.3%	195.1%	178.2%	167.1%

Contact Information

PUBLISHED BY

Volkswagen Bank GmbH
Gifhorner Strasse 57
38112 Braunschweig
Germany
Telephone + 49 (0) 531 212-0
info@vwfs.com
www.vwfs.de

INVESTOR RELATIONS

Telephone +49 (0)531 212-3071
ir@vwfs.com

Produced in-house with firesys

This Pillar 3 Disclosure Report is also available in German at
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Gifhorner Strasse 57 · 38112 Braunschweig · Germany · Telephone +49 (0) 531 212-0
info@vwfs.com · www.vwfs.com/en.html · www.facebook.com/vwfsde
Investor Relations: Telephone +49 (0) 531 212-30 71 · ir@vwfs.com