VOLKSWAGEN BANK

GMBH

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

2022

Table of Contents

Index of Tables

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 June 30, 2022 is published in accordance with the supervisory law requirements of the Basel III framework (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)).

Effective July 27, 2019, the CRR was updated by CRR Amendment Regulation (EU) 2019/876 As Regulation (EU) 2019/876 is an amendment to Regulation (EU) 575/2013, this document uniformly uses the term CRR. Unless otherwise specified, the term CRR always refers to the most recent version that was amended by Regulation (EU) 2020/873 of the European Parliament and of the Council of June 24, 2020 and has been in force since June 27, 2020.

The Regulation is supplemented with the Implementing Technical Standards issued by the European Banking Authority (EBA) EBA/ITS/2020/04 of June 24, 2020 and the corresponding Commission Implementing Regulation (EU) 2021/637 of March 15, 2021, which provides further information on the tables 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 4 (1) 146 of the CRR and therefore observes the frequency requirements stipulated in Art. 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 in the Investor Relations section. All requisite disclosures are made solely in this report.

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.

The EBA published the final “Guidelines on Covid-19 measures reporting and disclosure” (EBA/GL/2020/07) on June 2, 2020.

Braunschweig, September 2022

The Management Board

Disclosure of Key Metrics

The necessity of regulating the banking sector is derived from the objectives of banking supervision. The main objective of government regulation by supervisory authorities is to ensure the proper functioning of the financial system. In particular, minimum capital and liquidity requirements for banks have been defined in an EU regulation (CRR). In addition, this regulation defines maximum leverage levels.

To monitor its equity 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. Monitoring of the leverage ratio is also embedded in this capital planning process. Observance of the liquidity ratios is safeguarded through liquidity management.

The relevant key parameters for determining the minimum ratios for equity, liquidity and leverage as well as other relevant information are summarized in the table below. This table 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 June 30, 2022 (Column A) and the previous quarters (Columns B to E).

TABLE 1: EU KM1 – KEY METRICS TEMPLATE

		A	B	C	D	E
	in € millions	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	8,799.8	8,893.9	9,460.8	9,496.5	9,492.9
2	Tier 1 capital	8,799.8	8,893.9	9,460.8	9,496.5	9,492.9
3	Total capital	8,809.1	8,904.8	9,473.5	9,510.9	9,508.9
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	49,521.4	49,851.4	49,770.2	49,412.8	50,965.0
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.77%	17.84%	19.01%	19.22%	18.63%
6	Tier 1 ratio (%)	17.77%	17.84%	19.01%	19.22%	18.63%
7	Total capital ratio (%)	17.79%	17.86%	19.03%	19.25%	18.66%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.25%	2.00%	2.00%	2.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.27%	1.27%	1.13%	1.13%	1.13%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.69%	1.50%	1.50%	1.50%
EU 7d	Total SREP own funds requirements (%)	10.25%	10.25%	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 (%)	0.01%	0.02%	0.02%	0.02%	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 (%)	2.51%	2.52%	2.52%	2.52%	2.51%
EU 11a	Overall capital requirements (%)	12.76%	12.77%	12.52%	12.52%	12.51%

		A	B	C	D	E
	in € millions	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
12	CET1 available after meeting the total SREP own funds requirements (%)	7.54%	7.61%	9.03%	9.25%	8.66%
	Leverage ratio					
13	Total exposure measure	65,934.7	70,949.2	70,541.6	70,619.0	67,225.1
14	Leverage ratio (%)	13.35%	12.54%	13.41%	13.45%	14.12%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	10,806.8	15,341.8	14,844.6	14,487.2	10,547.1
EU 16a	Cash outflows - Total weighted value	7,463.4	8,910.9	8,189.5	8,718.6	7,971.2
EU 16b	Cash inflows - Total weighted value	2,848.7	2,599.5	2,780.4	2,295.9	2,884.7
16	Total net cash outflows (adjusted value)	0.0	0.0	0.0	0.0	0.0
17	Liquidity coverage ratio (%)	239.64%	227.44%	213.81%	201.03%	195.06%
	Net Stable Funding Ratio					
18	Total available stable funding	55,402.9	57,367.3	58,283.7	54,812.1	n/a
19	Total required stable funding	45,197.3	43,028.7	42,505.5	40,508.9	n/a
20	NSFR ratio (%)	122.58%	133.32%	137.50%	135.31%	n/a

Volkswagen Bank GmbH's total capital of €8,809.1 million is composed of Common Equity Tier 1 (CET1) capital of €8,799.8 million and Tier 2 (T2) capital of €9.3 million. The reduction in own funds compared to December 31, 2021 is mainly due to the reduction Common Equity Tier 1 capital. The changes in Common Equity Tier 1 capital are described in a separate chapter.

The total risk exposure amount of €49,521.4 million increased by €108.6 million compared to December 31, 2021 for volume-related reasons in connection with stagnation in the loan portfolio.

The leverage ratio shrank by 0.1 percentage points compared to December 31, 2021 to 13.35% due to the decline in Common Equity Tier 1 capital.

The liquidity coverage ratio (LCR) reflects the ratio between existing highly liquid assets and Volkswagen Bank GmbH's net liquidity outflows (difference between cash outflow and cash inflow) over a 30-day horizon. The liquidity coverage ratio must not be any less than 100%. The data contained in the table above shows the amounts applicable on the respective reference dates.

The net stable funding ratio (NSFR) indicates Volkswagen Bank GmbH's funding over a horizon of more than one year. NSFR is the ratio of the available amount of stable funding to the required amount of stable funding. It must not be any less than 100%. The data contained in the table above shows the amounts applicable on the respective reference dates. Following the entry into force of CRR II, there were changes to the calculation of NSFR as of June 30, 2021, which is why these figures are only reported from this reference date.

Own Funds

PILLAR I REQUIREMENTS

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. According to this, a Common Equity Tier 1 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% are required.

In addition, Volkswagen Bank GmbH must comply with the regulatory capital buffer requirements. These provide for a capital conservation buffer of 2.5% and the institution-specific, countercyclical capital buffer. The countercyclical capital buffer is normally between 0% and 2.5%. It is calculated as a weighted average of the countercyclical buffer rates determined in the individual countries in which the relevant exposures are located.

The capital buffers for globally or otherwise systemically important institutions do not apply to Volkswagen Bank GmbH.

PILLAR II REQUIREMENTS

In its capacity as the competent supervisory authority for Volkswagen Bank GmbH, the European Central Bank can decide in the Supervisory Review and Evaluation Process (SREP) to impose a capital add-on that must be satisfied in addition to the statutory minimum ratios and the capital buffer requirements. The legal basis for this capital add-on, or Pillar 2 requirement (P2R), is Art. 16 of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. The decision of the ECB requires Volkswagen Bank GmbH to satisfy, at a consolidated level, a total SREP capital requirement (TSCR) of at least 10.25% and a Pillar II requirement of 2.25%. The ECB decision specifies that the Pillar II requirement must be satisfied with at least 75% Tier 1 capital and/or with at least 56.25% Common Equity Tier 1 capital.

Volkswagen Bank GmbH complied with all minimum requirements at all times in the reporting period, both at individual bank level and at consolidated level.

Structure of Own Funds

DISCLOSURE OF OWN FUNDS

The obligation to disclose own funds with the aim of increasing market discipline is derived from the CRR disclosure requirements. Disclosure of own funds and own funds requirements allows market participants to gain an insight into Volkswagen Bank GmbH's risk profile and capital adequacy.

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.

COMPOSITION OF OWN FUNDS

The individual own funds components as well as the regulatory adjustments as of the latest reporting date are shown in the table.

The information in the table refers to Volkswagen Bank GmbH's institution group and is based on IFRS accounting.

TABLE 2: EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	0.0	a)
	of which: Instrument type 1	0.0	n/a
	of which: Instrument type 2	0.0	n/a
	of which: Instrument type 3	0.0	n/a
2	Retained earnings	1,514.5	b)
3	Accumulated other comprehensive income (and other reserves)	8,655.0	c)
EU-3a	Funds for general banking risk	0.0	n/a
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0.0	n/a
5	Minority interests (amount allowed in consolidated CET1)	0.0	n/a
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0.0	n/a
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,169.5	n/a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-4.0	n/a
8	Intangible assets (net of related tax liability) (negative amount)	-58.5	d)
9	Not applicable	0.0	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0.0	e)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-0.3	n/a
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	n/a
13	Any increase in equity that results from securitised assets (negative amount)	0.0	n/a
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0.0	n/a
15	Defined-benefit pension fund assets (negative amount)	0.0	n/a
16	Direct and indirect holdings by an institution of	0.0	n/a

in € millions		A	B
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.0	n/a
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0.0	n/a
EU-20c	of which: securitisation positions (negative amount)	0.0	n/a
EU-20d	of which: free deliveries (negative amount)	0.0	n/a
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-1,167.9	f)
22	Amount exceeding the 17,65% threshold (negative amount)	0.0	n/a
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0.0	n/a
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences	0.0	n/a
EU-25a	Losses for the current financial year (negative amount)	0.0	n/a

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.0	n/a
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.0	n/a
27a	Other regulatory adjusments	-139.0	n/a
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,369.7	n/a
29	Common Equity Tier 1 (CET1) capital	8,799.8	n/a
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0.0	n/a
31	of which: classified as equity under applicable accounting standards	0.0	n/a
32	of which: classified as liabilities under applicable accounting standards	0.0	n/a
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0.0	n/a
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0.0	n/a
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0.0	n/a
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0.0	n/a
35	of which: instruments issued by subsidiaries subject to phase out	0.0	n/a
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0.0	n/a
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0.0	n/a

		A	B
in € millions		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	n/a
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0.0	n/a
42a	Other regulatory adjustments to AT1 capital	0.0	n/a
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0.0	n/a
44	Additional Tier 1 (AT1) capital	0.0	n/a
45	Tier 1 capital (T1 = CET1 + AT1)	8,799.8	n/a
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	9.3	g)
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	0.0	n/a
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0.0	n/a
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	0.0	n/a
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0.0	n/a

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
49	of which: instruments issued by subsidiaries subject to phase out	0.0	n/a
50	Credit risk adjustments	0.0	n/a
51	Tier 2 (T2) capital before regulatory adjustments	9.3	n/a
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0.0	n/a
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	n/a
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	n/a
54a	Not applicable		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	n/a
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0.0	n/a
EU-56b	Other regulatory adjusments to T2 capital	0.0	n/a
57	Total regulatory adjustments to Tier 2 (T2) capital	0.0	n/a
58	Tier 2 (T2) capital	9.3	n/a
59	Total capital (TC = T1 + T2)	8,809.1	n/a
60	Total risk exposure amount	49,521.4	n/a
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	17.77%	n/a
62	Tier 1	17.77%	n/a
63	Total capital	17.79%	n/a
64	Institution CET1 overall capital requirements	8.28%	n/a
65	of which: capital conservation buffer requirement	2.50%	n/a
66	of which: countercyclical capital buffer requirement	0.01%	n/a
67	of which: systemic risk buffer requirement	0.00%	n/a
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	n/a
EU-67b	of which: additional own funds requirements to	1.27%	n/a

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	address the risks other than the risk of excessive leverage		
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	7.54%	n/a
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	27.5	n/a
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	0.0	n/a
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	1,010.7	n/a
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0.0	n/a
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	565.9	n/a
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0.0	n/a
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0.0	n/a
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0.0	n/a
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0.0	n/a
82	Current cap on AT1 instruments subject to phase out arrangements	0.0	n/a
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0.0	n/a
84	Current cap on T2 instruments subject to phase	0.0	n/a

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0.0	n/a

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. However, the wording of the existing profit-and-loss-transfer agreement (PLTA) between Volkswagen Bank GmbH and Volkswagen AG is currently not accepted by the ECB, so the requirements for the recognition of share capital in the amount of €318.3 million appear to not be met. To indisputably meet the requirements of the CRR, we plan to adjust the wording of the PLTA and to present this adjustment to the Annual General Meeting of Volkswagen AG for approval in May 2023. In the meantime, the share capital in the amount of €318.3 million is excepted from the recognition of Common Equity Tier 1 capital.

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.
The decline of €661.0 million in Common Equity Tier 1 capital compared with December 31, 2021 is primarily due to two effects. First, Common Equity Tier 1 capital decreased due to the current non-recognition of share capital in the amount of €318.3 million. Second, a reduction was carried out in particular within the framework of updating the static components in Tier 1 capital as part of the approval process for the consolidated financial statements. In this context, although retained profits increased by €356.8 million, this was offset by changes in other reserves and deferred tax assets. In other reserves, the update of the static components led to a reduction of Common Equity Tier 1 capital in the amount of €218.4 million. The increase in deferred tax assets, which are based on temporary differences, increased the deduction in Common Equity Tier 1 capital and thus contributed to a further reduction of Common Equity Tier 1 capital in the amount of €339.6 million. Altogether, the changes in retained profits, other reserves and deferred tax assets led to a reduction of Common Equity Tier 1 capital in the amount of €201.2 million.

TIER 2 CAPITAL

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

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 marginal decline in Tier 2 capital compared to December 31, 2021 is due to amortization in accordance with Art. 64 of the CRR.

MAIN CHARACTERISTICS OF OWN FUNDS INSTRUMENTS

The conditions set out in Art. 28 of the CRR must be satisfied for Common Equity Tier 1 instruments to be included. At Volkswagen Bank GmbH, only the share capital is classified as a Common Equity Tier 1 instrument and is duly included (Instrument 1).

In addition to this, two subordinated bonds are included in own funds as Tier 2 instruments (Instrument 2 and 3). The requirements for inclusion specified in Art. 63 of the CRR have been satisfied. These requirements particularly include subordination over insolvency creditors and an original term of at least five years. Both subordinated bonds have been publicly placed and can be identified by reference to their international securities identification number (ISIN).

Own Funds Requirements

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 91.3% 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 June 30, 2022 as well as the previous quarter ending March 31, 2022 (T-1).

TABLE 3: EU OV1 – OVERVIEW OF RISK-WEIGHTED EXPOSURE AMOUNTS

		RISK WEIGHTED EXPOSURE AMOUNTS (RWEAS)		TOTAL OWN FUNDS REQUIREMENTS
		a	b	c
	in € millions	30.06.2022		30.06.2022
1	Credit risk (excluding CCR)	45,235.7	45,621.1	3,618.9
2	Of which the standardised approach	45,235.7	45,621.1	3,618.9
3	Of which the Foundation IRB (F-IRB) 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 (A-IRB) approach	0.0	0.0	0.0
6	Counterparty credit risk - CCR	65.5	56.6	5.2
7	Of which the standardised approach	33.9	24.2	2.7
8	Of which internal model method (IMM)	0.0	0.0	0.0
EU 8a	Of which exposures to a CCP	0.3	13.8	0.0
EU 8b	Of which credit valuation adjustment - CVA	31.3	18.6	2.5
9	Of which other CCR	0.0	0.0	0.0
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	0.0	0.0	0.0
16	Securitisation exposures in the non-trading book (after the cap)	188.8	192.2	15.1
17	Of which SEC-IRBA approach	0.0	0.0	0.0
18	Of which SEC-ERBA (including IAA)	188.8	192.2	15.1
19	Of which SEC-SA approach	0.0	0.0	0.0
EU 19a	Of which 1250%	0.0	0.0	0.0
20	Position, foreign exchange and commodities risks (Market risk)	242.6	192.6	19.4
21	Of which the standardised approach	242.6	192.6	19.4
22	Of which IMA	0.0	0.0	0.0
EU 22a	Large exposures	0.0	0.0	0.0
23	Operational risk	3,788.9	3,788.9	303.1
EU 23a	Of which basic indicator approach	0.0	0.0	0.0
EU 23b	Of which standardised approach	3,788.9	3,788.9	303.1
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)	2,526.7	2,536.8	202.1
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	**49,521.4**	**49,851.4**	**3,961.7**

The credit risk excluding the counterparty credit risk stood at €45,235.7 million as of June 30, 2022 and had therefore declined slightly by €385,4 million over the previous quarter. Volkswagen Bank GmbH uses the Credit Risk Standardized Approach (CRSA) to quantify credit risks.

The change in counterparty credit risk from €56.6 million to €65.5 million is primarily due to the application of the new requirements for quantifying counterparty credit risk under the new Standardized Approach (SA-CCR) in addition to the effects of customary business activities. Further information on the composition of counterparty credit risk can be found in Tables 14 through 18.

At €3,788.9 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.

Further information on market risk and the securitization positions is provided in a separate chapter.

DISCLOSURE OF COUNTERCYCLICAL CAPITAL BUFFERS

The countercyclical capital buffer (CCyB) has been introduced as a macro-prudential instrument for banking supervision. Its purpose is to increase credit institutions’ resilience by stipulating additional capital requirements. To this end, banks are to accumulate an additional capital buffer in times of excessive lending growth which may be used to cover losses arising in a crisis. The accumulation of a capital buffer is intended to slow excessive credit growth and to avert a credit crunch, which would further aggravate a crisis, during a downswing. Accordingly, the capital buffer is determined on a countercyclical basis.

The capital buffer requirements are based on the provisions of the CRD, which have been transposed into German law in Section 10d of the German Banking Act (KWG). The competent authority sets the capital buffer at between 0% and 2.5%. However, it is calculated separately for each individual credit institution. This means that each credit institution calculates the percentage of the institution-specific countercyclical capital buffer as the weighted average of the capital buffer rates for the countries in which the relevant credit risk exposures are located. This is based on the borrower’s domicile and not the credit institution’s domicile.

The following table shows the geographical distribution of the credit exposures relevant for the calculation of the countercyclical capital buffer.

TABLE 4: CCYB1 – GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

		A	B	C	D	E	F	G	H	I	J	K	L	M
	in € millions	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
010	Breakdown by country:	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	GER	26,939.2	0.0	0.0	0.0	0.0	26,939.2	1,709.9	0.0	0.0	1,709.9	21,374.1	51.0%	0.0%
	ES	3,852.7	0.0	0.0	0.0	0.0	3,852.7	236.1	0.0	0.0	236.1	2,951.5	7.0%	0.0%
	FR	6,364.2	0.0	0.0	0.0	0.0	6,364.2	423.0	0.0	0.0	423.0	5,288.1	12.6%	0.0%
	GB	1,598.6	0.0	0.0	0.0	535.0	2,133.6	127.9	0.0	15.1	143.0	1,787.9	4.3%	0.0%
	GR	263.7	0.0	0.0	0.0	0.0	263.7	17.3	0.0	0.0	17.3	216.6	0.5%	0.0%
	IT	6,338.0	0.0	0.0	0.0	0.0	6,338.0	394.2	0.0	0.0	394.2	4,927.8	11.8%	0.0%
	NL	2,427.4	0.0	0.0	0.0	0.0	2,427.4	191.2	0.0	0.0	191.2	2,389.4	5.7%	0.0%
	PL	988.7	0.0	0.0	0.0	0.0	988.7	71.9	0.0	0.0	71.9	899.2	2.1%	0.0%
	PT	459.2	0.0	0.0	0.0	0.0	459.2	27.4	0.0	0.0	27.4	342.2	0.8%	0.0%
	RU	435.5	0.0	0.0	0.0	0.0	435.5	7.2	0.0	0.0	7.2	89.8	0.2%	0.0%
	SK	470.7	0.0	0.0	0.0	0.0	470.7	29.0	0.0	0.0	29.0	362.7	0.9%	1.0%
	Others	1,516.2	0.0	0.0	0.0	0.0	1,516.2	100.6	0.0	0.0	100.6	1,257.0	3.0%	0.1%
020	**Total**	**51,653.9**	**0.0**	**0.0**	**0.0**	**535.0**	**52,188.9**	**3,335.8**	**0.0**	**15.1**	**3,350.9**	**41,886.3**	**100.0%**	

At 51.0%, the own funds requirements for Germany of €1,709.9 million constitute the greatest proportion in the calculation of the countercyclical capital buffer. The countries listed cover more than 97.0% of Volkswagen Bank GmbH’s own funds requirements. A further disaggregation of the countries listed under “Other” has been dispensed with for materiality reasons.

TABLE 5: CCYB2 – AMOUNT OF THE INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

	in € millions	a
1	Total risk exposure amount	49,521.4
2	Institution specific countercyclical capital buffer rate	0.0089%
3	Institution specific countercyclical capital buffer requirement	4.4

Volkswagen Bank GmbH has a marginal institution-specific countercyclical capital buffer of 0.0089% as of June 2022 at a consolidated level. This is due to the fact that the competent authorities in most countries including Germany have set a countercyclical capital buffer of 0% against the backdrop of the Covid-19 pandemic.

Credit Risk and Credit Risk Mitigation

Table EU CR1-A shows the net credit exposure for loans and advances as well as bonds by maturity as of June 30, 2022.

TABLE 6: EU CR1-A – MATURITY OF EXPOSURES

		A	B	C	D	E	F
		Net exposure value					
	in € millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	194.1	20,627.9	12,322.1	0.0	14,513.3	47,657.4
2	Debt securities	0.0	608.1	2,169.9	1,118.0	16,074.8	19,970.8
3	Total	194.1	21,236.1	14,491.9	1,118.0	30,588.2	67,628.3

NONPERFORMING AND FORBORNE EXPOSURES

Volkswagen Bank GmbH observes the requirements of EBA/GL/2018/10 in the disclosure of non-performing and forborne exposures. At 3.44%, Volkswagen Bank GmbH's NPL ratio is below the 5% threshold.

TABLE 7: EU CQ1 – CREDIT QUALITY OF FORBORNE EXPOSURES

		A	B	C	D	E	F	G	H
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
	in € millions	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
010	Loans and advances	310.6	535.6	422.4	422.4	-6.3	-113.0	699.6	0.0
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
040	Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	0.3	1.7	1.3	1.3	0.0	-0.9	1.1	0.0
060	Non-financial corporations	95.2	223.9	193.0	193.0	-4.0	-66.5	228.3	0.0
070	Households	215.0	309.9	228.1	228.1	-2.2	-45.6	470.1	0.0
080	Debt Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
090	Loan commitments given	37.2	104.8	99.3	99.3	0.0	0.0	0.0	0.0
100	**Total**	**347.7**	**640.3**	**521.7**	**521.7**	**-6.3**	**-113.0**	**699.6**	**0.0**

The table provides an overview of the credit quality of the forborne exposures of Volkswagen Bank GmbH. It shows the gross carrying amounts of the exposures as well as the related credit risk adjustments, provisions and collateral received.

TABLE 8: EU CQ3 – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

		A	B	C	D	E	F	G	H	I	J	K	L
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
	in € millions		Not past due or Past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past-due or past-due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**7,546.6**	**7,546.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
010	**Loans and advances**	**46,822.4**	**46,686.0**	**136.4**	**1,670.4**	**1,174.2**	**145.8**	**113.8**	**138.5**	**71.1**	**10.5**	**16.5**	**1,368.2**
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	1.3	1.3	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
040	Credit institutions	94.7	94.7	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	1,403.5	1,403.4	0.2	3.4	2.6	0.2	0.1	0.1	0.4	0.0	0.0	2.7
060	Non-financial corporations	15,460.4	15,434.1	26.3	782.7	628.5	27.2	21.6	62.5	23.4	5.8	13.8	669.6
070	Of which SMEs	5,073.2	5,055.8	17.4	269.5	210.1	13.1	8.2	10.6	13.0	3.4	11.1	204.2
080	Households	29,862.4	29,752.5	109.9	884.1	542.9	118.4	92.1	76.0	47.3	4.7	2.7	696.0
090	**Debt Securities**	**19,980.7**	**19,980.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
100	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	General governments	3,558.8	3,558.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	350.5	350.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	16,071.4	16,071.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	**Off-balance sheet exposures**	**13,987.9**			**381.7**								**99.3**
160	Central banks	0.0			0.0								0.0
170	General governments	0.6			0.3								0.0
180	Credit institutions	0.2			0.0								0.0
190	Other financial corporations	991.6			3.3								0.0
200	Non-financial corporations	10,294.1			358.4								98.8
210	Households	2,701.4			19.7								0.5
220	**Total**	**80,791.0**	**66,666.7**	**136.4**	**2,052.2**	**1,174.2**	**145.8**	**113.8**	**138.5**	**71.1**	**10.5**	**16.5**	**1,467.5**

The table provides an overview of the gross carrying amounts of performing and non-performing risk exposure of Volkswagen Bank GmbH broken down by past due days.

TABLE 9: EU CQ4 – QUALITY OF NON-PERFORMING RISK EXPOSURES BY GEOGRAPHY

		A	B	C	D	E	F	G
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing					
	in € millions			of which: defaulted	of which: subject to impairment			
010	**On balance sheet exposures**	**76,020.18**	**1,670.45**	**1,368.23**	**0.05**	**-845.29**		**0.00**
020	Germany	35,224.67	1,001.98	895.42	35,203.52	-379.36		0.00
030	Luxenburg	12,906.63	0.00	0.00	22.85	0.00		0.00
040	Italy	8,243.58	60.70	55.16	5,885.41	-67.60		0.00
050	Spain	6,595.55	81.02	80.54	5,015.25	-116.81		0.00
060	France	5,406.72	409.08	205.03	5,310.45	-170.32		0.00
070	Others	7,643.03	117.67	132.09	-51,437.42	-111.20		0.00
080	**Off balance sheet exposures**	**13,987.93**	**381.72**	**99.31**			**77.26**	
090	Germany	8,236.60	325.15	97.40			65.20	
100	United States of America	2,214.31	1.12	0.00			1.55	
110	France	346.40	43.15	1.73			1.52	
120	The Netherlands	1,399.53	0.17	0.17			1.13	
130	Spain	650.15	2.70	0.00			2.48	
140	Others	1,140.95	9.43	0.00			5.37	
150	**Total**	**90,008.10**	**2,052.16**	**1,467.54**	**0.05**	**-845.29**	**77.26**	**0.00**

The table sets out non-performing risk exposures by geographical regions. Most of these exposures are related to the Germany region.

TABLE 10: EUR CQ5 – CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

		A	B	C	D	E	F
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
	in € millions			Davon: ausgefallen			
010	Agriculture, forestry and fishing	35.5	1.7	1.0	35.5	-1.1	0.0
020	Mining and quarrying	2.3	0.0	0.0	2.3	-0.1	0.0
030	Manufacturing	291.4	12.1	7.9	291.4	-8.0	0.0
040	Electricity, gas, steam and air conditioning supply	7.9	0.1	0.1	7.9	-0.1	0.0
050	Water supply	29.7	1.5	0.5	29.7	-0.7	0.0
060	Construction	596.2	50.0	30.9	596.2	-23.9	0.0
070	Wholesale and retail trade	12,426.6	542.9	484.0	12,426.6	-287.5	0.0
080	Transport and storage	352.8	69.5	44.6	352.8	-24.6	0.0
090	Accommodation and food service activities	89.2	5.3	3.0	89.2	-3.2	0.0
100	Information and communication	72.1	6.5	5.3	72.1	-3.9	0.0
110	Real estate activities	0.0	0.0	0.0	0.0	0.0	0.0
120	Financial and insurance actvities	296.0	14.4	12.6	296.0	-7.8	0.0
130	Professional, scientific and technical activities	373.4	15.7	10.6	373.4	-10.3	0.0
140	Administrative and support service activities	1,412.5	55.4	31.9	1,412.5	-29.0	0.0
150	Public administration and defense, compulsory social security	0.2	0.0	0.0	0.2	0.0	0.0
160	Education	54.2	2.0	1.0	54.2	-1.4	0.0
170	Human health services and social work activities	107.9	2.3	1.3	107.9	-1.7	0.0
180	Arts, entertainment and recreation	28.5	1.4	0.9	28.5	-1.1	0.0
190	Other services	66.8	2.1	1.5	66.8	-2.6	0.0
200	**Total**	**16,243.2**	**782.7**	**636.9**	**16,243.2**	**-407.0**	**0.0**

With respect to non-financial corporations, the table sets out the proportion of non-performing exposures and corresponding credit risk adjustments by industry. Most of these are attributable to wholesale and retail trade.

The change in the stock of non-performing loans and advances are as follows:

TABLE 11: EU CR2 – CHANGE IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES

		A
	in € millions	Gross carrying amount
010	Initial stock of non-performing loans and advances	1,591.9
020	Inflows to non-performing portfolios	0.2
030	Outflows from non-performing portfolios	-251.6
040	Outflows due to write-offs	0.0
050	Outflow due to other situations	-251.6
060	Final stock of non-performing loans and advances	1,670.4

Volkswagen Bank GmbH's performing and non-performing exposures and related provisions break down as follows:

TABLE 12: EU CR1 – PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
in € millions			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On performing exposures	On non-performing exposures
005	Cash balances at central banks and other demand deposits	**7,546.6**	**7,546.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
010	Loans and advances	**46,822.4**	**33,280.3**	**13,022.9**	**1,670.4**	**302.2**	**1,033.6**	**-382.8**	**-128.4**	**-268.0**	**-452.6**	**-17.2**	**-391.3**	**0.0**	**22,422.5**	**844.9**
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	1.3	0.7	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0
040	Credit institutions	94.7	92.9	1.8	0.1	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
050	Other financial corporations	1,403.5	885.8	86.8	3.4	0.8	2.5	-2.0	-0.7	-1.3	-1.7	0.0	-1.7	0.0	205.0	1.4
060	Non-financial corporations	15,460.4	9,743.4	5,661.6	782.7	113.1	479.3	-165.2	-46.2	-121.2	-241.9	-5.1	-184.8	0.0	10,570.4	437.0
070	Of which: SMEs	5,073.2	2,941.9	2,125.8	269.5	65.3	150.3	-55.1	-17.4	-38.0	-82.0	-3.0	-65.8	0.0	2,702.2	167.8
080	Households	29,862.4	22,557.4	7,272.0	884.1	188.1	551.8	-215.6	-81.5	-145.4	-209.0	-12.0	-204.8	0.0	11,646.4	406.4
090	Debt Securities	19,980.7	2,019.6	1,889.7	0.0	0.0	0.0	-9.9	-6.2	-3.7	0.0	0.0	0.0	0.0	0.0	0.0
100	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	General governments	3,558.8	1,669.0	1,889.7	0.0	0.0	0.0	-9.3	-5.6	-3.7	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	350.5	350.5	0.0	0.0	0.0	0.0	-0.6	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	16,071.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

in € millions		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On performing exposures	On non-performing exposures
140	Non-financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	Off-balance sheet exposures	**13,606.2**	**131.1**	**381.7**	**99.3**	**0.0**	**0.0**	**40.0**	**20.0**	**19.9**	**37.3**	**0.0**	**36.9**	**0.0**	**0.0**	**0.0**
160	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
170	General governments	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
180	Credit institutions	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
190	Other financial corporations	988.3	0.0	3.3	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
200	Non-financial corporations	9,935.7	129.0	358.4	98.8	0.0	0.0	38.6	19.0	19.5	37.3	0.0	36.9	0.0	0.0	0.0
210	Households	2,681.7	2.0	19.7	0.5	0.0	0.0	0.8	0.3	0.4	0.0	0.0	0.0	0.0	0.0	0.0
220	Total	**87,955.9**	**42,977.5**	**15,294.4**	**1,769.8**	**302.2**	**1,033.6**	**-352.7**	**-114.6**	**-251.8**	**-415.3**	**-17.2**	**-354.4**	**0.0**	**22,422.5**	**844.9**

QUANTITATIVE DISCLOSURE OF THE USE OF THE STANDARDIZED APPROACH

The following table provides quantitative information on the use of the Credit Risk Standardized Approach.

For the purpose of determining the risk-weighted assets for quantifying counterparty credit risk, the risk exposures are weighted with a flat-rate risk weight depending on the respective exposure classes in accordance with Article 112 of the CRR. For this purpose, the following table breaks down the credit risk exposures by exposure class and risk weights.

TABLE 13: EU CR5 – STANDARDIZED APPROACH

		RISK WEIGHT																
	in € millions	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Sonstige	Total	Of which unrated
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	9,254.8	0.0	0.0	0.0	459.4	0.0	0.0	0.0	0.0	87.5	0.0	1,010.7	0.0	0.0	0.0	10,812.4	0.0
2	Regional government or local authorities	1,124.6	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,124.9	0.0
3	Public sector entities	1,226.3	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0	0.0	0.0	0.0	1,230.9	0.0
4	Multilateral development banks	47.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	47.2	47.2
5	International organisations	98.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	98.3	98.3
6	Institutions	0.0	0.0	0.0	0.0	537.1	0.0	13.0	0.0	0.0	59.5	0.3	0.0	0.0	0.0	0.0	609.9	0.0
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,905.0	0.4	0.0	0.0	0.0	0.0	13,905.4	13,905.4
8	Retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32,841.2	0.0	0.0	0.0	0.0	0.0	0.0	32,841.2	32,841.2
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	249.5	565.0	0.0	0.0	0.0	0.0	814.4	792.7
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Covered bonds	0.0	0.0	0.0	321.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	321.2	0.0
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Unit or shares in collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.3	0.0	0.0	0.0	0.0	0.0	28.3	28.3
16	Other items	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,307.9	0.0	0.0	0.0	0.0	0.0	3,309.2	3,309.2
17	TOTAL	**11,752.5**	**0.0**	**0.0**	**321.2**	**997.7**	**0.0**	**13.1**	**0.0**	**32,841.2**	**17,641.4**	**565.6**	**1,010.7**	**0.0**	**0.0**	**0.0**	**65,143.4**	**51,022.3**

The following table presents the credit risk and the effect of credit mitigation techniques. To this end, on- and off-balance sheet exposures before credit conversion factors and credit risk mitigation are compared with the corresponding figures after credit conversion factors and credit risk mitigation. This information is supplemented with figures on risk-weighted assets (RWA) and RWA density. RWA density refers to the average risk weight of an exposure per exposure class.

TABLE 14: EU CR4 – STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

		EXPOSURES BEFORE CCF AND BEFORE CRM		EXPOSURES POST CCF AND POST CRM		RWAS AND RWAS DENSITY	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
	in € millions	a	b	c	d	e	f
1	Central governments or central banks	9,403.2	0.6	10,514.5	297.9	2,706.0	25.0%
2	Regional government or local authorities	1,124.9	0.4	1,124.9	0.0	0.1	0.0%
3	Public sector entities	1,229.3	0.8	1,230.9	0.0	3.9	0.3%
4	Multilateral development banks	47.2	0.0	47.2	0.0	0.0	0.0%
5	International organisations	98.3	0.0	98.3	0.0	0.0	0.0%
6	Institutions	577.3	397.4	561.5	48.4	173.9	28.5%
7	Corporates	14,501.2	11,426.1	13,452.6	452.8	13,446.4	96.7%
8	Retail	31,943.2	3,878.3	31,943.2	898.0	24,440.1	74.4%
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0%
10	Exposures in default	858.0	260.9	809.5	4.9	1,096.9	134.7%
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0%
12	Covered bonds	321.2	0.0	321.2	0.0	32.1	10.0%
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0%
14	Collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0%
15	Equity	28.3	0.0	28.3	0.0	28.3	100.0%
16	Other items	3,309.2	0.0	3,309.2	0.0	3,307.9	100.0%
17	TOTAL	**63,441.4**	**15,964.5**	**63,441.4**	**1,702.0**	**45,235.7**	**69.4%**

Credit risk mitigation techniques are only used in specific cases for capital backing purposes. Compliance with the minimum requirements for recognizing this credit risk mitigation technique in accordance with the CRR is ensured in such cases.

At present, credit risk mitigation within the meaning of Article 192ff. of the CRR is applied in the following cases:

Cash on deposit for loan commitments of Volkswagen Bank GmbH within the meaning of Article 197(1)(a) of the CRR.

Collateral or shares in liability towards KfW under express pandemic loans

Limited use is made of the option to enter into netting agreements within the meaning of Article 205 ff. of the CRR for mitigating credit risk in the calculation of own funds.

USE OF CREDIT RISK MITIGATION TECHNIQUES

The following table EU CR3 shows the level of collateralization according to the type of exposure. There is a breakdown by type of collateral.

TABLE 15: EU CR3 – OVERVIEW OF CREDIT RISK MITIGATION TECHNIQUES USE OF CREDIT RISK MITIGATION TECHNIQUES

		UNSECURED CARRYING AMOUNT	SECURED CARRYING AMOUNT			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
	in € millions	a	b	c	d	e
1	Loans and advances	32,772.1	23,267.4	23,129.4	138.0	0.0
2	Debt securities	19,970.8	0.0	0.0	0.0	0.0
3	Total	52,742.9	23,267.4	23,129.4	138.0	0.0
4	Of which non-performing exposures	825.6	844.9	844.9	0.0	0.0
EU-5	Of which defaulted	305.8	671.1	671.1	0.0	0.0

Counterparty Credit Risk (CCR)

Counterparty credit risk is the risk of a business partner being unable to repay amounts of principal or interest owed in accordance with the contract. This risk forms part of credit risk and must be backed by own funds under the CRR requirements.

Volkswagen Bank GmbH hedges its counterparty credit risk from derivative transactions by entering into margin agreements with its business partners. The amount of the initial margins and variation margins are calculated on a daily basis. The necessary cash collateral is made available to or by the business partners on this basis.

The following table shows the composition of the collateral provided or deposited to cover or reduce the counterparty credit risk in connection with derivative transactions.

TABLE 16: EU CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURES

		A	B	C	D	E	F	G	H
		Collateral used in derivative transactions				Collateral used in SFTs			
	in € millions	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	0.0	49.2	0.0	167.2	0.0	0.0	0.0	0.0
2	Cash – other currencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Domestic sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Other sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Government agency debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Equity securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Other collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Total	**0.0**	**49.2**	**0.0**	**167.2**	**0.0**	**0.0**	**0.0**	**0.0**

Under the revised Capital Requirements Regulation (CRR II), the methodology for calculating the risk exposure amount for counterparty credit risk for derivative transactions was applied in accordance with the new Standardized Approach (SA-CCR) among other things. SA-CCR still entails replacement expense and the potential future replacement value as well as a multiplier. In addition, a distinction is drawn between margin and non-margin transactions as well recognized netting, hedging and collateralization. As of June 30, 2021, Volkswagen Bank GmbH applies solely SA-CCR for calculating risk exposure for derivatives. The following table shows the composition of the risk exposure determined in accordance with SA-CCR.

Risk exposures that are cleared via central counterparties (ZGP) are presented separately in Table 7.

TABLE 17: EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

		A	B	C	D	E	F	G	H
	in € millions	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	0.0	0.0		1.4	0.0	0.0	0.0	0.0
EU2	EU - Simplified SA-CCR (for derivatives)	0.0	0.0		1.4	0.0	0.0	0.0	0.0
1	SA-CCR (for derivatives)	92.9	28.3		1.4	169.6	169.6	169.6	33.9
2	IMM (for derivatives and SFTs)			0.0	0.0	0.0	0.0	0.0	0.0
2a	Of which securities financing transactions netting sets			0.0		0.0	0.0	0.0	0.0
2b	Of which derivatives and long settlement transactions netting sets			0.0		0.0	0.0	0.0	0.0
2c	Of which from contractual cross-product netting sets			0.0		0.0	0.0	0.0	0.0
3	Financial collateral simple method (for SFTs)					0.0	0.0	0.0	0.0
4	Financial collateral comprehensive method (for SFTs)					0.0	0.0	0.0	0.0
5	VaR for SFTs					0.0	0.0	0.0	0.0
6	**Total**					**169.6**	**169.6**	**169.6**	**33.9**

The introduction of the new method under SA-CCR for calculating risk exposure for derivatives in connection with counterparty credit risk also changes the basis for calculating the risk arising from a change to a credit valuation adjustment (CVA risk). Risk exposure and the own funds requirements for credit valuation adjustments are shown in the following table:

TABLE 18: EU CCR2 – TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK

		A	B
	in € millions	Exposure value	RWEA
1	Total transactions subject to the Advanced method	0.0	0.0
2	(i) VaR component (including the 3× multiplier)		0.0
3	(ii) stressed VaR component (including the 3× multiplier)		0.0
4	Transactions subject to the Standardised method	157.6	31.3
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0.0	0.0
5	Total transactions subject to own funds requirements for CVA risk	157.6	31.3

Volkswagen Bank GmbH handles part of its interest rate derivatives indirectly via clearing members or via EUREX. EUREX is recognized as a qualifying central counterparty in accordance with Article 4 (88) of the CRR. The scope of these transactions breaks down as follows as of the reporting date:

TABLE 19: EUR CCR8 – EXPOSURES TO CCPS

		A	B
	in € millions	Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**0.3**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	13.6	0.3
3	(i) OTC derivatives	13.6	0.3
4	(ii) Exchange-traded derivatives	0.0	0.0
5	(iii) SFTs	0.0	0.0
6	(iv) Netting sets where cross-product netting has been approved	0.0	0.0
7	Segregated initial margin	0.0	
8	Non-segregated initial margin	88.9	0.0
9	Prefunded default fund contributions	0.0	0.0
10	Unfunded default fund contributions	0.0	0.0
11	**Exposures to non-QCCPs (total)**		**0.0**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0.0	0.0
13	(i) OTC derivatives	0.0	0.0
14	(ii) Exchange-traded derivatives	0.0	0.0
15	(iii) SFTs	0.0	0.0
16	(iv) Netting sets where cross-product netting has been approved	0.0	0.0
17	Segregated initial margin	0.0	
18	Non-segregated initial margin	0.0	0.0
19	Prefunded default fund contributions	0.0	0.0
20	Unfunded default fund contributions	0.0	0.0

All counterparties with which Volkswagen Bank GmbH has transacted derivatives are assigned to the regulatory exposure class “Institutions”. The following table shows risk exposure by credit risk mitigation, broken down by risk weight and regulatory exposure class.

TABLE 20: EU CCR3 – STANDARDIZED APPROACH – CRR RISK EXPOSURES BY REGULATION RISK EXPOSURE CLASS AND RISK WEIGHTS

		RISIKOGEWICHT											
	in € millions	a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	###	20%	50%	###	###	100%	150%	Others	Total exposure value
1	Central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Regional government or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	International organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Institutions	0.0	13.6	0.0	0.0	169.6	0.0	0.0	0.0	0.0	0.0	0.0	183.2
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	**Total exposure value**	**0.0**	**13.6**	**0.0**	**0.0**	**169.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**183.2**

Market Risk

All companies in the Volkswagen Bank GmbH institution group are classified as non-trading book institutions. The institution group does not run a trading book. In the area of market risk, the institution group currently enters into currency risk. Own funds requirements stand at €19.4 million. Own risk models are not in use at this time.

QUANTITATIVE DISCLOSURE OF MARKET RISK

Market risk as part of total risk exposure must be quantified in accordance with Article 92 (3) (c) of the CRR and backed by own funds. With respect to the calculation of own funds requirements for market risk, Volkswagen Bank GmbH is only required to provide backing for foreign-currency risks. As a non-trading book institution, Volkswagen Bank GmbH does not have any trading book transactions that require own-funds backing.

The own funds required for foreign-currency risks multiplied by a factor of 12.5 equal €242.6 million as of June 30, 2021, equivalent to 0.5% of total risk exposure.

TABLE 21: EU MR1 – MARKET RISK UNDER THE STANDARDIZED APPROACH

		A
	in € millions	RWEAs
	Outright products	
1	Interest rate risk (general and specific)	0.0
2	Equity risk (general and specific)	0.0
3	Foreign exchange risk	242.6
4	Commodity risk	0.0
	Options	
5	Simplified approach	0.0
6	Delta-plus approach	0.0
7	Scenario approach	0.0
8	Securitisation (specific risk)	0.0
9	**Total**	**242.6**

Foreign-currency risks primarily arise from the translation of the capital resources held by the two branches in Poland and the United Kingdom from a foreign currency into euros. The increase of €49.9 million in foreign-currency risks from 192.6 million to €242.6 million is mainly due to exchange-rate fluctuations and changes in the amount of the capital resources.

Exposures to Interest Rate Risk on Positions Not Held in the Trading Book

DISCLOSURE OF INTEREST RATE RISK ON POSITIONS NOT HELD IN THE TRADING BOOK

The impact of interest rate shocks on the economic value of the Group's asset books is simulated on a monthly basis in accordance with regulatory requirements. In accordance with the Banking Directive, BaFin and the ECB have, among other things, defined six scenarios for uniform, sudden and unexpected interest rate changes for all institutions (parallel and turnaround scenarios subject to an interest floor) and request quarterly reports on the results.

TABLE 22: EU IRRBB1 – IMPACT OF THE SUPERVISORY INTEREST RATE SHOCK SCENARIOS

		A	B	C	D
Supervisory shock scenarios		Changes of the economic value of equity		Changes of the net interest income	
	in € millions	Current period	Last period	Current period	Last period
1	Parallel up	-264.6	-107.4	-24.4	72.4
2	Parallel down	248.8	41.8	-74.6	-213.3
3	Steepener	54.1	15.1		
4	Flattener	-105.7	-61.8		
5	Short rates up	-177.1	-89.3		
6	Short rates down	152.6	3.0		

Exposure to Securitization Positions

Volkswagen Bank GmbH’s securitization activities in accordance with Article 242ff. of the CRR are limited to the use of asset-backed securities transactions (ABS). Investments in securitizations of Volkswagen Bank GmbH Group are carried out solely via the banking book. The investment policy of the Volkswagen Bank GmbH and members of the institution group precludes taking over or retaining resecuritization positions.

The Volkswagen Bank GmbH Group assumes clearly defined roles in the securitization process in the light of the legal framework for securitization transactions. As the originator, it generates receivables under financing agreements. The structuring and selling process entails selecting and separating the portfolio and contacting external partners as well as the overall coordination of the transaction (attorneys, investment banks, rating agencies, swap partners, auditors, regulatory authorities). The entity also manages the contract pool that has been sold (collection and dunning procedures) and forwards the resulting payments to the special purpose vehicle (SPV, i.e. the servicer). Finally, they also assume responsibility for reporting to investors, banks and credit rating agencies. The Volkswagen Bank GmbH Group also invests in securitization positions related to its own ABS transactions as well as those of the Volkswagen Financial Services AG subgroup so as to be able to use the securities thus created as collateral for funding from the ECB.

All securitization transactions in which the Volkswagen Bank GmbH Group is the originator or the investor are traditional securitizations. The options to reduce the risk-weighted exposure amounts provided for in Article 244 of the CRR are applied to the Driver 15 transaction issued by Volkswagen Bank GmbH.

QUANTITATIVE DISCLOSURE OF THE RISK FROM SECURITIZATION POSITIONS

The following table shows the securitization positions held. The columns for the originator and sponsor roles (a – k) also include amounts from retained exposures for securitizations for which no significant risk transfer (SRT) was achieved. These amounts represent the regulatory retention of our share in the volumes securitized as an originator or sponsor. The amounts shown are nominal amounts where no SRT was achieved and otherwise the regulatory exposure amounts.

TABLE 23: EU SEC1 – SECURITIZATION POSITIONS IN THE NON-TRADING BOOK

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional				Traditional			
		STS		Non-STS									STS	Non-STS	Synthetic	Sub-total
	in € millions		of which SRT		of which SRT		of which SRT		STS	Non-STS	Synthetic	Sub-total				
1	**Total exposures**	**0.0**	**0.0**	**12,062.6**	**0.0**	**0.0**	**0.0**	**12,062.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**535.0**	**0.0**	**535.0**
2	Retail (total)	0.0	0.0	12,062.6	0.0	0.0	0.0	12,062.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	residential mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	other retail exposures	0.0	0.0	12,062.6	0.0	0.0	0.0	12,062.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Wholesale (total)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	535.0	0.0	535.0
8	loans to corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional				Traditional			
		STS		Non-STS									STS	Non-STS	Synthetic	Sub-total
	in € millions		of which SRT		of which SRT		of which SRT		STS	Non-STS	Synthetic	Sub-total				
9	commercial mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	lease and receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	535.0	0.0	535.0
11	other whole-sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The entities of the Volkswagen Bank GmbH institution group determine their own funds requirements using the SACR based on the IFRS consolidated financial statements of Volkswagen Bank GmbH, taking into account the scope of consolidation in accordance with section 10a(1) sentence 2 of the KWG. Models based on internal ratings or the IRBA approach are not used. In the case of SACR, the relevant risk weighting is determined by allocating the external short and long-term ratings to credit assessment levels or is based on the risk weighting stipulations applicable to the relevant exposure classes (Article 114ff. of the CRR). Risk-weighted exposure amounts for counterparty credit risks are determined for the securitization positions. For this purpose, SEC-ERBA is applied in accordance with Article 263 and 264 of the CRR as of the June 30, 2022 reporting date as all securitization positions currently held are externally rated.

The following two tables show the securitization positions which have been retained (originator positions) or acquired (investor positions) broken down by risk weighting bands and regulatory approaches.

TABLE 24: EU SEC3– SECURITIZATION POSITIONS IN THE NON-TRADING BOOK AND ASSOCIATED REGULATORY OWN FUNDS REQUIREMENTS – INSTITUTION ACTING AS AN ORIGINATOR OR SPONSOR

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	in € millions	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
2	Traditional transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Synthetic transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

TABLE 25: EU SEC4 – SECURITIZATION POSITIONS IN THE NON-TRADING BOOK AND ASSOCIATED REGULATORY OWN FUNDS REQUIREMENTS – INSTITUTION ACTING AS AN INVESTOR

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	in € millions	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**0.0**	**535.0**	**0.0**	**0.0**	**0.0**	**0.0**	**535.0**	**0.0**	**0.0**	**0.0**	**188.8**	**0.0**	**0.0**	**0.0**	**15.1**	**0.0**	**0.0**
2	Traditional securitisation	0.0	535.0	0.0	0.0	0.0	0.0	535.0	0.0	0.0	0.0	188.8	0.0	0.0	0.0	15.1	0.0	0.0
3	Securitisation	0.0	535.0	0.0	0.0	0.0	0.0	535.0	0.0	0.0	0.0	188.8	0.0	0.0	0.0	15.1	0.0	0.0
4	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Wholesale	0.0	535.0	0.0	0.0	0.0	0.0	535.0	0.0	0.0	0.0	188.8	0.0	0.0	0.0	15.1	0.0	0.0
7	Of which STS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Synthetic securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Retail underlying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Re-securitisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The following table sets out all outstanding nominal amounts for which the Volkswagen Bank GmbH Group acts as an originator together with the risk exposures classified as in default in accordance with Article 178 of the CRR and the associated specific credit risk adjustments in accordance with Article 110 of the CRR.

TABLE 26: EU SEC5 – EXPOSURES SECURITIZED BY THE INSTITUTION – EXPOSURES IN DEFAULT AND SPECIFIC CREDIT RISK ADJUSTMENTS

		A	B	C
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		
	in € millions		Of which exposures in default	Total amount of specific credit risk adjustments made during the period
1	**Total exposures**	**15,423.3**	**183.5**	**50.9**
2	Retail (total)	15,423.3	183.5	50.9
3	residential mortgage	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0
5	other retail exposures	15,423.3	183.5	50.9
6	re-securitisation	0.0	0.0	0.0
7	Wholesale (total)	0.0	0.0	0.0
8	loans to corporates	0.0	0.0	0.0
9	commercial mortgage	0.0	0.0	0.0
10	lease and receivables	0.0	0.0	0.0
11	other wholesale	0.0	0.0	0.0
12	re-securitisation	0.0	0.0	0.0

The outstanding total nominal amount for securitized exposures in the role as originator stands at €15.4 billion as of June 30, 2022. Of this, €183.5 million or 1.2% is classified as in default.

Leverage

Reporting on changes in the leverage ratio is included in Volkswagen Bank GmbH's capital planning process. The leverage ratio is regularly monitored as part of capital planning.

Reference should be made to the separate chapter for details of the changes in Common Equity Tier 1 capital and Tier 1 capital.

The following table reconciles the assets shown in the annual report published by Volkswagen Bank GmbH on an IFRS basis with the total exposure measure used to calculate the regulatory leverage ratio.

TABLE 27: EU LR1 – LRSUM – SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

		A
	in € millions	Applicable amount
1	Total assets as per published financial statements	64,058.5
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	16,258.8
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0.0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0.0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-1.7
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0.0
7	Adjustment for eligible cash pooling transactions	0.0
8	Adjustments for derivative financial instruments	169.3
9	Adjustment for securities financing transactions (SFTs)	0.0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,986.6
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0.0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0.0
12	Other adjustments	-17,536.8
13	**Total exposure measure**	**65,934.7**

The adjustment for companies which are consolidated for accounting purposes but excluded from the regulatory consolidation group contain effects from the deconsolidation of special-purpose entities in connection with securitization transactions.

The following table provides an overview of the individual components of the total exposure measure and compares the current reporting period with the previous quarter.

TABLE 28: EU LR2 – LRCOM – LEVERAGE RATIO COMMON DISCLOSURE

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
	in € millions	30.06.2022	31.03.2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	63,974.8	68,598.6
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0.0	0.0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.0	0.0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0.0	0.0
5	(General credit risk adjustments to on-balance sheet items)	0.0	0.0
6	(Asset amounts deducted in determining Tier 1 capital)	-1,226.4	-1,218.9
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**62,748.3**	**67,379.7**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	142.3	770.8
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0.0	0.0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	57.5	63.6
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0.0	0.0
EU-9b	Exposure determined under Original Exposure Method	0.0	0.0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0.0	0.0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0.0	0.0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	0.0	0.0
11	Adjusted effective notional amount of written credit derivatives	0.0	0.0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.0	0.0
13	**Total derivatives exposures**	**199.8**	**834.4**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0.0	0.0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.0	0.0
16	Counterparty credit risk exposure for SFT assets	0.0	0.0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0.0	0.0
17	Agent transaction exposures	0.0	0.0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0.0	0.0
18	Total securities financing transaction exposures	0.0	0.0
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	16,029.6	15,071.4
20	(Adjustments for conversion to credit equivalent amounts)	-13,043.0	-12,336.3
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0.0	0.0
22	**Off-balance sheet exposures**	**2,986.6**	**2,735.1**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0	0.0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0.0	0.0

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
	in € millions	30.06.2022	31.03.2022
EU-22c	(-) (Excluded exposures of public development banks (or units) - Public sector investments)	0.0	0.0
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0.0	0.0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0.0	0.0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0.0	0.0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0.0	0.0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0.0	0.0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0.0	0.0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0.0	0.0
EU-22k	**(Total exempted exposures)**	**0.0**	**0.0**
Capital and total exposure measure			
23	Tier 1 capital	8,799.8	8,893.9
24	**Total exposure measure**	**65,934.7**	**70,949.2**
Leverage ratio			
25	Leverage ratio (%)	13.35%	12.54%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	13.35%	12.54%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	13.35%	12.54%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	n/a	n/a
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	0.0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0.0	0.0
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	65,934.7	70,949.2
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	65,934.7	70,949.2
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13.35%	12.54%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13.35%	12.54%

The leverage ratio excluding the impact of any temporary exclusions for central bank reserves stands at 13.35% in the current reporting period. This ratio corresponds to the leverage ratio including the impact of any temporary exclusions for central bank reserves. This is due to the fact that Volkswagen Bank GmbH does not make use of the option to temporarily apply the exemption for central bank reserves.

TABLE 29: EU LR3 – LRSPL – SPLIT-UP OF ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

		A
	in € millions	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	63,974.8
EU-2	Trading book exposures	0.0
EU-3	Banking book exposures, of which:	63,974.8
EU-4	Covered bonds	321.2
EU-5	Exposures treated as sovereigns	13,010.3
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	3.8
EU-7	Institutions	561.5
EU-8	Secured by mortgages of immovable properties	0.0
EU-9	Retail exposures	31,943.2
EU-10	Corporates	13,452.6
EU-11	Exposures in default	809.5
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,872.6

As a non-trading book institution, Volkswagen Bank GmbH has on-balance-sheet exposures of €64.0 billion that are held solely in the trading book. At 50.0%, retail risk exposures of €31.9 billion constitute the largest item.

Liquidity

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 the Volkswagen Bank GmbH Group is to safeguard the ability of the Company to meet its payment obligations at all times. To this end, the Volkswagen Bank GmbH Group holds liquidity reserves in the form of securities deposited in its operational safe custody account with Deutsche Bundesbank. It also has at its disposal standby lines of credit at other banks to protect against unexpected fluctuations in cash flows. There are no plans to make use of these standby lines of credit; their sole purpose is to serve as backup to safeguard liquidity.

When funding the Group companies, the Volkswagen Bank GmbH Group aims to diversify the funding sources. In addition to direct bank deposits at Volkswagen Bank GmbH, these mostly comprise money and capital market programs as well as asset-backed security transactions. This diversification of funding instruments helps to improve the structure of the balance sheet and reduce dependence on individual markets and products.

To reduce the funding risk, the capital that the companies need is largely raised by matching maturities.

If liquidity risk were to materialize, funding risk would result in higher costs and market liquidity risk would result in lower selling prices for assets, both of which would have a negative impact on results of operations. The consequence of illiquidity risk in the worst-case scenario is insolvency caused by illiquidity. Liquidity risk management at the Volkswagen Bank GmbH Group ensures that this situation does not arise.

COMPOSITION OF THE LIQUIDITY BUFFER

The normative liquidity buffer (HQLA) of the VW Bank Group is composed of LCR Level 1 securities and balances held with Deutsche Bundesbank. The economic view includes the unencumbered part of the ECB safe custody account in the liquidity buffer.

CONCENTRATION OF LIQUIDITY AND FUNDING SOURCES

The Volkswagen Bank GmbH Group is funded largely through direct banking deposits and by capital market and asset-backed security programs. Volkswagen Bank GmbH also participates opportunistically in the ECB's targeted longer-term refinancing operations (TLTRO).

In addition to a broadly diversified range of funding, Volkswagen Bank GmbH has two main sources of funding: Deutsche Bundesbank (TLTRO) and sources within the Volkswagen Group (cash collateral and deposits from subsidiaries in its function as a house bank).

In addition to funding as such, the Volkswagen Bank GmbH Group pursues a central approach for creating liquidity reserves to ensure daily solvency and the observance of liquidity risk indicators and regulatory ratios (including LCR, NSFR) at all times.

DERIVATIVE EXPOSURES AND POTENTIAL COLLATERAL CALLS

Interest-rate and currency swaps are traded within the Volkswagen Bank GmbH Group and included in the calculation of the LCR. OTC derivative contracts are hedged via collateral for each individual counterparty. Derivatives handled by a central counterparty (CCP) are collateralized in the form of variation and initial margins.

Derivatives are expected to generate only minor liquidity effects.

CURRENCY MISMATCH IN THE LCR

In accordance with the Commission Delegated Regulation (EU) 2015/61 of October 10, 2014, the Volkswagen Bank GmbH Group is required to hold sufficient high-quality liquid assets (HQLA) in the corresponding currency within the following 30 calendar days to cover the net liquidity outflows calculated for the LCR report. A perfect match between the currency of the HQLAs and the denomination of the net liquidity outflows is not sought. Rather, HQLAs are held in the main currency as well as the regulatory currencies for strategic purposes. Corresponding fluctuations and currencies that are not identified as currencies to be bought are compensated for in euros via HQLAs.

DESCRIPTION OF THE DEGREE OF CENTRALIZATION OF LIQUIDITY MANAGEMENT AND THE INTERACTION BETWEEN THE INDIVIDUAL GROUP INSTITUTIONS

Within the Volkswagen Bank GmbH Group, the LCR is managed centrally by Group Treasury Volkswagen Bank GmbH. The HQLAs for the prudential scope of consolidation of the Volkswagen Bank GmbH Group are held centrally and also managed by Group Treasury.

Other items in the LCR calculation which are not included in the LCR disclosure template but which are considered to be relevant in view of the liquidity profile are planned liquidity inflows (e.g. ABSs or capital market issues) which are not classed as legal cash flows for LCR purposes.

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 30: EU LIQ1 – QUANTITATIVE DISCLOSURES ON LCR

		A	B	C	D	E	F	G	H
	in € millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2022	31.03.2022	31.12.2021	30.09.2021
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					14,383.8	13,888.6	12,208.0	11,457.7
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	23,773.9	23,352.0	22,904.6	22,511.0	1,295.2	1,254.7	1,206.3	1,169.3
3	*Stable deposits*	15,574.6	15,366.8	15,182.4	15,076.3	778.7	768.3	759.1	753.8
4	*Less stable deposits*	4,460.7	4,168.0	3,868.8	3,625.8	447.3	418.1	388.3	364.0
5	Unsecured wholesale funding	6,546.8	6,715.2	6,282.9	6,217.6	4,823.1	4,886.7	4,293.3	3,767.5
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)*	6,403.5	6,552.6	6,119.5	6,104.2	4,679.8	4,724.2	4,130.0	3,654.1
8	*Unsecured debt*	143.3	162.6	163.4	113.4	143.3	162.6	163.4	113.4
9	*Secured wholesale funding*					0.0	0.0	0.0	0.0
10	Additional requirements	5,144.1	4,823.2	4,479.2	4,355.7	732.7	710.6	686.0	672.4
11	*Outflows related to derivative exposures and other collateral requirements*	82.7	100.7	115.6	119.0	64.2	75.7	85.3	93.0
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*	5,061.4	4,722.5	4,363.5	4,236.7	668.5	634.9	600.7	579.4
14	Other contractual funding obligations	1,849.1	1,902.1	2,246.2	2,876.4	1,333.8	1,395.5	1,781.3	2,444.6
15	Other contingent funding obligations	11,008.9	10,697.1	10,153.7	9,362.8	604.4	587.3	557.4	514.0
16	TOTAL CASH OUTFLOWS					8,789.3	8,834.8	8,524.4	8,567.8

		A	B	C	D	E	F	G	H
	in € millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2022	31.03.2022	31.12.2021	30.09.2021
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	3,040.3	3,004.4	3,101.7	3,198.1	1,684.4	1,669.7	1,727.4	1,782.0
19	Other cash inflows	1,331.0	1,315.9	1,304.4	1,213.6	980.6	958.0	948.9	938.1
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	4,371.3	4,320.4	4,406.1	4,411.6	2,665.0	2,627.7	2,676.3	2,720.0
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*	4,371.3	4,320.4	4,406.1	4,411.6	2,665.0	2,627.7	2,676.3	2,720.0
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					14,383.8	13,888.6	12,208.0	11,457.7
22	TOTAL NET CASH OUTFLOWS					6,124.3	6,207.0	5,848.1	5,847.8
23	LIQUIDITY COVERAGE RATIO					239.6%	227.4%	213.8%	201.0%

CHANGES IN LCR OVER TIME

The quarterly averages for LCR are at a high level and significantly exceed the required minimum ratio of 100% on every reference date. This is mainly due to the large portfolio of HQLAs. HQLAs in the form of central bank balances and lower market values in the LCR Level 1 portfolio declined during the reporting period. At the same time, outflows and inflows were hardly changed, resulting in a lower LCR ratio.

TABLE 31: EU LIQ2 – NET STABLE FUNDING RATIO

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**10,169.5**	**0.0**	**0.0**	**9.3**	**10,178.8**
2	Own funds	10,169.5	0.0	0.0	9.3	10,178.8
3	Other capital instruments		0.0	0.0	0.0	0.0
4	**Retail deposits**		**23,265.8**	**83.5**	**1,410.6**	**23,303.4**
5	Stable deposits		17,507.6	60.1	978.3	17,667.6
6	Less stable deposits		5,758.2	23.4	432.3	5,635.8
7	**Wholesale funding:**		**8,875.9**	**789.0**	**14,619.8**	**17,712.7**
8	Operational deposits		0.0	0.0	0.0	0.0
9	Other wholesale funding		8,875.9	789.0	14,619.8	17,712.7
10	**Interdependent liabilities**		**0.0**	**0.0**	**0.0**	**0.0**
11	**Other liabilities:**	**25.2**	**2,120.5**	**60.9**	**4,177.6**	**4,208.0**
12	NSFR derivative liabilities	25.2				
13	All other liabilities and capital instruments not included in the above categories		2,120.5	60.9	4,177.6	4,208.0
14	**Total available stable funding (ASF)**					**55,402.9**

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**24.5**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**0.0**	**0.0**	**0.0**	**0.0**
16	**Deposits held at other financial institutions for operational purposes**		**0.0**	**0.0**	**0.0**	**0.0**
17	**Performing loans and securities:**		**9,007.5**	**3,852.0**	**31,662.1**	**35,074.7**
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		0.0	0.0	0.0	0.0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		411.8	139.4	436.1	547.0
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		8,478.0	3,597.9	15,061.2	18,840.0
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0.0	0.0	0.0	0.0
22	Performing residential mortgages, of which:		0.0	0.0	0.0	0.0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0.0	0.0	0.0	0.0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		117.7	114.7	16,164.8	15,687.7
25	**Interdependent assets**		**0.0**	**0.0**	**0.0**	**0.0**
26	**Other assets:**	-	**2,767.1**	**304.8**	**7,411.1**	**9,050.4**
27	Physical traded commodities				0.0	0.0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		88.9	0.0	0.0	75.5
29	NSFR derivative assets		0.0			0.0
30	NSFR derivative liabilities before deduction of variation margin posted		0.0			0.0
31	All other assets not included in the above categories		2,678.3	304.8	7,411.1	8,974.9
32	**Off-balance sheet items**		**13,711.0**	**0.0**	**34.6**	**1,047.7**
33	**Total RSF**					**45,197.3**
34	**Net Stable Funding Ratio (%)**					**137.12%**

Additional Information on Covid-19 Response

TABLE 32: INFORMATION ON LOANS AND CREDITS SUBJECT TO STATUTORY AND NON-STATUTORY REPAYMENT HOLIDAYS

		GROSS CARRYING AMOUNT							ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK							GROSS CARRYING AMOUNT
			Performing			Non performing				Performing			Non performing			
	in € millions			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	3.8	3.6	0.0	1.3	0.2	0.0	0.1	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
2	of which: Households	0.8	0.7	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	of which: Collateralised by residential immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	of which: Non-financial corporations	2.9	2.9	0.0	1.3	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
5	of which: Small and Medium-sized Enterprises	2.7	2.6	0.0	1.3	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
6	of which: Collateralised by commercial immovable property	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

* Omitted due to the non-availability of information in connection with COVID-19 restrictions.

Governments in numerous European countries have taken initiatives to create and implement the legislative basis for loan-repayment holidays. Numerous customers of Volkswagen Bank GmbH have also made use of these possibilities. In addition, the bank has offered internal support in the form of loan-repayment holidays or extensions to repayment plans (capital and interest payments) of up to three months in the case of private customers and of up to six months in the case of commercial customers. Corporate customers (such as automotive dealers) have received support in the form of additional liquidity, temporary increases in credit in tandem with extended payment periods as well as payment deferrals (interest-free) for a defined period.

All measures were taken solely in response to an active request by customers and subject to a detailed review of their necessity, i.e. difficulties experienced by customers as a result of Covid-19 in meeting payment obligations towards Volkswagen Bank GmbH.

TABLE 33: BREAKDOWN BY RESIDUAL MATURITY OF LOANS AND CREDITS SUBJECT TO STATUTORY AND NON-STATUTORY REPAYMENT HOLIDAYS

			GROSS CARRYING AMOUNT							
						Residual maturity of moratoria				
	in € millions	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	22,481	2,153.2							
2	Loans and advances subject to moratorium (granted)	19,821	1,819.2	143.6	1,815.4	0.4	0.3	0.1	0.2	2.8
3	of which: Households		180.3	87.7	179.5	0.1	0.0	0.1	0.0	0.5
4	of which: Collateralised by residential immovable property		0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0
5	of which: Non-financial corporations		1,632.2	54.7	1,629.3	0.3	0.2	0.0	0.1	2.2
6	of which: Small and Medium-sized Enterprises		303.9	35.2	301.2	0.3	0.2	0.0	0.1	2.1
7	of which: Collateralised by commercial immovable property		1.3	0.2	1.2	0.0	0.0	0.0	0.0	0.2

TABLE 34: INFORMATION ON NEW LOANS AND CREDITS GRANTED UNDER NEW PUBLIC-SECTOR GUARANTEES ISSUED IN RESPONSE TO THE COVID-19 CRISIS.

		GROSS CARRYING AMOUNT		MAXIMUM AMOUNT OF THE GUARANTEE THAT CAN BE CONSIDERED	GROSS CARRYING AMOUNT
	in € millions		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	32.9	0.0	0.0	0.0
2	of which: Households	0.0			0.0
3	of which: Collateralised by residential immovable property	0.0			0.0
4	of which: Non-financial corporations	32.9	0.0	0.0	0.0
5	of which: Small and Medium-sized Enterprises	0.6			0.0
6	of which: Collateralised by commercial immovable property	0.0			0.0

In Spain as well as in Germany, government guarantees were granted in lending business to alleviate the impact of the coronavirus pandemic. Corporate customers of Volkswagen Bank GmbH in both countries made use of these possibilities (e.g. KfW loan backed by government guarantee covering the credit risk).

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