VOLKSWAGEN BANK

GMBH

PILLAR 3 DISCLOSURE REPORT

IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION

As of June 30,

2023

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In the absence of any indication to the contrary, all figures shown in the tables have been rounded in accordance with standard commercial practice. Accordingly, minor discrepancies may arise if they are aggregated. A hyphen "-" in the table denotes the absence of any figure for the item in question. If the figure is less than €1 million after rounding, a zero is inserted.

Foreword

The Pillar 3 Disclosure Report for the period ended June 30, 2023 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 as a separate report on Volkswagen Bank GmbH's website shortly after the date on which the financial report is published or the regulatory disclosures are submitted. 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.

On January 24, 2022, the EBA published the final version of the EBA ITS on Pillar 3 disclosures of ESG risks in accordance with Art. 449a of the CRR (EBA/ITS/2022/01).

The Pillar 3 report complies with applicable legal and regulatory requirements and has been prepared in accordance with the internal policies, procedures, systems and checks.

Management has approved this report for publication and confirmed that Volkswagen Bank GmbH has complied with the requirements of Article 431 (3) of the CRR.

Braunschweig, September 2023

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, 2023 (Column A) and the previous quarters (Columns B to E).

TABLE 1: EU KM1 – KEY METRICS TEMPLATE

		A	B	C	D	E
	in € millions	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	9,237.2	9,255.1	9,220.3	8,669.6	8,799.8
2	Tier 1 capital	9,237.2	9,255.1	9,220.3	8,669.6	8,799.8
3	Total capital	9,240.2	9,259.6	9,226.3	8,677.3	8,809.1
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	52,970.6	50,956.3	50,535.0	48,865.0	49,521.4
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.44%	18.16%	18.25%	17.74%	17.77%
6	Tier 1 ratio (%)	17.44%	18.16%	18.25%	17.74%	17.77%
7	Total capital ratio (%)	17.44%	18.17%	18.26%	17.76%	17.79%
	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%	2.25%	2.25%	2.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.27%	1.27%	1.27%	1.27%	1.27%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.69%	1.69%	1.69%	1.69%
EU 7d	Total SREP own funds requirements (%)	10.25%	10.25%	10.25%	10.25%	10.25%
	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 (%)	0.56%	0.44%	0.06%	0.01%	0.01%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	3.06%	2.94%	2.56%	2.51%	2.51%
EU 11a	Overall capital requirements (%)	13.31%	13.19%	12.81%	12.76%	12.76%

		A	B	C	D	E
	in € millions	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
12	CET1 available after meeting the total SREP own funds requirements (%)	7.19%	7.92%	8.01%	7.51%	7.54%
	Leverage ratio					
13	Total exposure measure	72,607.6	67,026.5	62,797.1	61,862.6	65,934.7
14	Leverage ratio (%)	12.72%	13.81%	14.68%	14.01%	13.35%
	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)	9,690.0	9,712.7	11,845.9	13,567.2	14,383.8
EU 16a	Cash outflows - Total weighted value	7,363.1	7,271.4	7,802.8	8,326.4	8,789.3
EU 16b	Cash inflows - Total weighted value	2,984.4	2,857.3	2,768.1	2,696.3	2,665.0
16	Total net cash outflows (adjusted value)	4,378.6	4,414.1	5,034.7	5,630.0	6,124.3
17	Liquidity coverage ratio (%)	223.47%	221.99%	236.52%	244.59%	239.64%
	Net Stable Funding Ratio					
18	Total available stable funding	60,322.0	52,415.9	54,993.4	55,164.9	55,402.9
19	Total required stable funding	45,021.2	43,961.3	45,479.2	44,946.0	45,197.3
20	NSFR ratio (%)	133.99%	119.23%	120.92%	122.74%	122.58%

Volkswagen Bank GmbH’s total capital of €9,240.2 million is composed of Common Equity Tier 1 (CET1) capital of €9,237.2 million and Tier 2 (T2) capital of €2.9 million. The increase in own funds compared to December 31, 2022 is due to the higher 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 €52,970.6 million increased by €2,435.6 million compared to December 31, 2022 for volume-related reasons in connection with ordinary business operations.

The leverage ratio fell by 1.96 percentage points compared to December 31, 2022 to 12.72%, primarily due to the increase in the total risk exposure amount.

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.

SEPARATE CONSIDERATION FOR EXCLUSION DUE TO MATERIALITY – REGULATORY VIEW

Contrary to the requirements of Art. 433a of the CRR in connection with Art. 434a of the CRR, the following information is not disclosed:

The capital ratios are not calculated with the assistance of own funds components in any other way than on the basis of the CRR. Accordingly, disclosure in accordance with Art. 437 (f) of the CRR can be dispensed with.

As the institution group is not subject to the requirements of Art. 92 or 92b of the CRR, no information is disclosed in accordance with Art. 437a of the CRR.

As there is no specialized lending as defined in Art. 438 (e) of the CRR, no information is disclosed on this (EU CR10).

The information referred to in Art. 438 (f) and (g) of the CRR is not relevant for the institution group. Accordingly, this information is not disclosed (EU INS1, EU INS2).

As no internal models are used for risk-weighted exposure amounts, disclosure in accordance with Art. 438 (h) is dispensed with (EU CR8, EU CCR7, EU MR2-B, EU CCR6).

The Volkswagen Bank GmbH Group institution group does not conduct transactions in credit derivatives. It has not made use of the option to conclude netting agreements for derivatives. Accordingly, disclosure in accordance with Art. 439 (j) of the CRR is dispensed with.

The requirements with respect to the disclosure of information in accordance with Art. 439 (k) of the CRR do not apply. Accordingly, no information is disclosed (EU CCR1).

No information in accordance with Art. 439 (l) of the CRR in connection with Art. 452 of the CRR is disclosed as the institution group does not apply the IRB approach to calculate risk-weighted exposure amounts (EU CCR4, EU CR6, EU CR6-A, EU CR9, EU CR9.1). Accordingly, disclosure in accordance with Art. 453 (j) of the CRR (EU CR7) and Art. 453 (g) of the CRR (CR7-A) is dispensed with.

As Volkswagen Bank GmbH is not a globally system-relevant institution (G-SRI), disclosure in accordance with Art. 441 of the CRR is omitted.

With an NPL ratio of 2.87% (FINREP), Volkswagen Bank GmbH is below the 5% threshold. Accordingly, the quantitative information required under Art. 442 of the CRR is only disclosed in accordance with the disclosure requirements (templates EU CQ7, EU CR2a, EU CQ2, EU CQ6, EU CQ8 not used).

No advanced measurement approach is used; nor is it used in part for operational risks. Accordingly, no information is disclosed in accordance with Art. 446 (b) and (c) of the CRR.

Disclosure in accordance with Art. 449 (k) and (i) of the CRR is omitted for materiality reasons in accordance with Art. 432(1) of the CRR (EU SEC2).

The quantitative data on the remuneration policy in accordance with Art. 450 of the CRR will be published as soon as this data is available (EU REM1, EU REM2, EU REM3, EU REM4, EU REM5).

Disclosure in accordance with Art. 451 (2) of the CRR is not necessary (EU LR2).

As an advanced measurement approach is not used for operational risk, no disclosure in accordance with Art. 454 of the CRR is required (EU OR1). Similarly, disclosure in accordance with Art. 455 of the CRR can be dispensed with as no internal models for market risk are used (EU MR2-A, EU MR3, EU MR4).

Volkswagen Bank GmbH does not provide information on the energy efficiency of the real estate assets pledged as collateral due to the immaterial proportion of real-estate-backed collateral in Volkswagen Bank GmbH’s overall portfolio of collateral (Art. 432 (1) of the CRR – template 2 of EBA/ITS/2022/01).

Volkswagen Bank GmbH does not hold any finance or bonds issued in accordance with standards other than EU standards (i.e. in accordance with the Green Bond Principles, Green Loan Principles, Sustainability Linked Loan Principles, etc.). Accordingly, the disclosure of template 10 of EBA/ITS/2022/01 has been dispensed with.

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 (ECB) 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 capital 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 Pillar 2 requirement calls for the provision of CET1 of at least 56.25%. The remainder of the Pillar 2 requirement can be met with Additional Tier 1 (AT1) capital and Tier 2 (T2) 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

in € millions		A Amounts	B 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	1,858.1	b)
3	Accumulated other comprehensive income (and other reserves)	8,532.6	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	10,390.7	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)	-75.8	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	6.6	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 own CET1 instruments (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
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)	-923.0	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
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	-157.3	n/a
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,153.4	n/a
29	Common Equity Tier 1 (CET1) capital	9,237.2	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

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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
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)	9,237.2	n/a
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	2.9	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
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	2.9	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	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
	does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
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	2.9	n/a
59	Total capital (TC = T1 + T2)	9,240.2	n/a
60	Total risk exposure amount	52,970.6	n/a
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	17.44%	n/a
62	Tier 1	17.44%	n/a
63	Total capital	17.44%	n/a
64	Institution CET1 overall capital requirements	8.83%	n/a
65	of which: capital conservation buffer requirement	2.50%	n/a
66	of which: countercyclical capital buffer requirement	0.56%	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 address the risks other than the risk of excessive leverage	1.27%	n/a
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	7.19%	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)	20.5	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)	1,031.8	n/a

in € millions		A Amounts	B Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	601.4	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 out arrangements	0.0	n/a
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 as defined in IFRS. 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, as the profit and loss transfer agreement between Volkswagen Bank GmbH and Volkswagen AG does not meet the CRR criteria, Volkswagen Bank GmbH's share capital of €318.3 million currently does not count towards CET1. In order to meet the CRR eligibility requirements in the future, Volkswagen Bank GmbH and Volkswagen AG have adjusted the wording of the profit-and-loss transfer agreement accordingly. Consequently, the share capital is eligible again from July 21, 2023.

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 increase of €16.9 million in Common Equity Tier 1 capital compared with December 31, 2022 is primarily due to the CRR requirements with respect to minimum cover for non-performing loans ("NPE backstop"). The purpose of the new rules is to reduce non-performing exposures held by banks on their balance sheets or to ensure that sufficient provisions are taken to cover them. If the minimum coverage requirement is not satisfied, the difference must be deducted from Common Equity Tier 1 capital in accordance with Article 36 (1) (m) of the CRR. The new requirements apply to non-performing exposures arising for the first time on or after April 26, 2019. The amount deducted from Common Equity Tier 1 capital for non-performing exposures fell by €33.3 million compared with December 31, 2022. However, additional deductions from Common Equity Tier 1 capital under Article 3 of the CRR rose by €6.7 million over the previous quarter. A further material effect is related to the deduction amount for intangible assets, which reduced Common Equity Tier 1 capital by a further €8.9 million compared with December 31, 2022.

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 decline in Tier 2 capital compared to December 31, 2022 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. Currently, only two subordinated bonds are included in own funds as Tier 1 instruments (Instrument 1 and 2) at Volkswagen Bank GmbH. 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

DISCLOSURE OF OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

The basis for the provisions concerning own funds requirements is formed by the regulatory provisions contained in Article 92 of the CRR. In this connection, it is necessary to calculate total risk exposure, which is derived from the calculation of the risk-weighted assets (RWA) for the credit risk including the counterparty credit risk as well as operational risk, market risk and for the credit valuation adjustments (CVA). The credit risk excluding the counterparty credit risk accounts for 90.8% 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 ending June 30, 2023 as well as the previous quarter ending March 31, 2023.

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

		RISK WEIGHTED EXPOSURE AMOUNTS (RWEAS)		TOTAL OWN FUNDS REQUIREMENTS
		a	b	c
	in € millions	Jun 30, 2023	Mar 31, 2023	Jun 30, 2023
1	Credit risk (excluding CCR)	48,101.0	46,996.4	3,848.1
2	Of which the standardised approach	48,101.0	46,996.4	3,848.1
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	22.5	16.3	1.8
7	Of which the standardised approach	8.7	8.8	0.7
8	Of which internal model method (IMM)	0.0	0.0	0.0
EU 8a	Of which exposures to a CCP	0.8	0.5	0.1
EU 8b	Of which credit valuation adjustment - CVA	13.0	7.0	1.0
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)	171.9	172.7	13.8
17	Of which SEC-IRBA approach	0.0	0.0	0.0
18	Of which SEC-ERBA (including IAA)	171.9	172.7	13.8
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)	1,146.9	242.6	91.8
21	Of which the standardised approach	1,146.9	242.6	91.8
22	Of which IMA	0.0	0.0	0.0
EU 22a	Large exposures	0.0	0.0	0.0
23	Operational risk	3,528.3	3,528.3	282.3
EU 23a	Of which basic indicator approach	0.0	0.0	0.0
EU 23b	Of which standardised approach	3,528.3	3,528.3	282.3
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)	2,579.4	2,580.4	206.4
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	52,970.6	50,956.3	4,237.6

The credit risk excluding the counterparty credit risk stood at €48,101.0 million as of June 30, 2023 and was therefore up by €1,104.6 million over the previous quarter. Volkswagen Bank GmbH uses the Credit Risk Standardized Approach (CRSA) to quantify credit risks. Further information on the composition of credit risk excluding counterparty credit risk can be seen in tables 13 and 14.

The increase in counterparty credit risk from €16.3 million to €22.5 million is chiefly due to the credit valuation adjustment (CVA). Further information on the composition of counterparty credit risk can be found in Tables 16 through 20.

At €3,528.3 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 CRD IV, 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: EU 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	26,592.5	0.0	0.0	0.0	0.0	26,592.5	1,667.8	0.0	0.0	1,667.8	20,846.9	45.8%	0.8%
	ES	4,308.6	0.0	0.0	0.0	0.0	4,308.6	280.5	0.0	0.0	280.5	3,506.3	7.7%	0.0%
	FR	8,237.8	0.0	0.0	0.0	0.0	8,237.8	557.8	0.0	0.0	557.8	6,973.0	15.3%	0.5%
	GB	2,535.7	0.0	0.0	0.0	496.3	3,032.0	195.4	0.0	13.8	209.2	2,614.4	5.7%	1.0%
	GR	324.0	0.0	0.0	0.0	0.0	324.0	18.6	0.0	0.0	18.6	231.9	0.5%	0.0%
	IT	6,500.1	0.0	0.0	0.0	0.0	6,500.1	391.0	0.0	0.0	391.0	4,888.1	10.7%	0.0%
	NL	3,262.0	0.0	0.0	0.0	0.0	3,262.0	261.3	0.0	0.0	261.3	3,266.3	7.2%	1.0%
	PL	1,215.1	0.0	0.0	0.0	0.0	1,215.1	85.6	0.0	0.0	85.6	1,070.5	2.4%	0.0%
	PT	614.7	0.0	0.0	0.0	0.0	614.7	40.8	0.0	0.0	40.8	510.6	1.1%	0.0%
	SK	616.4	0.0	0.0	0.0	0.0	616.4	42.0	0.0	0.0	42.0	525.5	1.2%	1.0%
	Sonstige	1,479.1	0.0	0.0	0.0	0.0	1,479.1	86.4	0.0	0.0	86.4	1,079.6	2.4%	0.2%
020	**Total**	**55,686.2**	**0.0**	**0.0**	**0.0**	**496.3**	**56,182.4**	**3,627.3**	**0.0**	**13.8**	**3,641.1**	**45,513.2**	**100.0%**	**0.0%**

At 45.8%, the own funds requirements for Germany of €1,667.8 million constitute the greatest proportion in the calculation of the countercyclical capital buffer. The countries listed cover more than 97% 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: EU CCYB2 – AMOUNT OF THE INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

	in € millions	a
1	Total risk exposure amount	52,970.6
2	Institution specific countercyclical capital buffer rate	0.5610%
3	Institution specific countercyclical capital buffer requirement	297.2

Volkswagen Bank GmbH's institution specific countercyclical capital buffer rose from 0.0579% as of December 31, 2022 to 0.5610% as of June 30, 2023 at a consolidated level. This is materially due to the fact that the competent authorities in most countries including Germany had set a countercyclical capital buffer of 0% in response to the COVID-19 pandemic, after which it was duly increased again in various countries in the second half of 2022.

Credit Risk and Credit Risk Mitigation

QUANTITATIVE DISCLOSURE OF CREDIT AND DILUTION RISK

Table EU CR1-A shows the net credit exposure for loans and advances as well as bonds by maturity as of June 30, 2023.

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	165.6	19,639.4	18,410.8	413.5	12,696.3	51,325.7
2	Debt securities	0.0	513.3	2,201.8	658.4	539.8	3,913.4
3	Total	165.6	20,152.8	20,612.6	1,071.9	13,236.1	55,239.0

NONPERFORMING AND FORBORNE EXPOSURES

At 2.87%, 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**	**131.0**	**197.5**	**184.9**	**185.1**	**-53.8**	**-46.6**	**268.2**	**235.2**
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	30.7	0.2	0.1	0.1	-0.1	0.0	30.8	0.1
060	Non-financial corporations	95.9	135.3	123.8	123.8	-29.6	-23.1	201.5	201.5
070	Households	4.4	62.1	61.0	61.2	-24.1	-23.5	35.9	33.6
080	**Debt Securities**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
090	**Loan commitments given**	**8.3**	**113.5**	**112.6**	**112.6**	**0.0**	**0.0**	**0.0**	**0.0**
100	**Total**	**139.3**	**311.0**	**297.5**	**297.7**	**-53.8**	**-46.6**	**268.2**	**235.2**

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**	**11,477.3**	**11,477.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
010	**Loans and advances**	**51,268.4**	**51,092.2**	**176.2**	**1,514.2**	**942.5**	**461.5**	**1.7**	**98.3**	**5.9**	**0.0**	**4.3**	**1,424.4**
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	2.4	2.4	0.0	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
040	Credit institutions	95.7	95.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	536.4	536.4	0.0	3.8	2.5	1.3	0.0	0.0	0.0	0.0	0.0	3.5
060	Non-financial corporations	21,513.4	21,339.2	174.2	694.7	464.2	138.0	0.9	83.4	4.4	0.0	3.7	663.1
070	Of which SMEs	4,246.1	4,243.9	2.2	159.3	118.7	24.4	0.3	12.4	3.4	0.0	0.0	154.8
080	Households	29,120.4	29,118.3	2.1	815.5	475.8	322.0	0.8	14.9	1.5	0.0	0.5	757.6
090	**Debt Securities**	**3,913.4**	**3,913.4**	**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	2,078.3	2,078.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	1,335.2	1,335.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	499.9	499.9	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**	**24,543.4**			**388.1**								**327.0**
160	Central banks	10,711.2			0.0								0.0
170	General governments	1.3			0.2								0.0
180	Credit institutions	154.7			0.0								0.0
190	Other financial corporations	81.6			0.5								0.0
200	Non-financial corporations	5,223.2			32.2								8.4
210	Households	8,371.5			355.3								318.5
220	**Total**	**79,725.1**	**55,005.5**	**176.2**	**1,902.3**	**942.5**	**461.5**	**1.7**	**98.3**	**5.9**	**0.0**	**4.3**	**1,751.4**

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**	**68,173.19**	**1,514.16**	**1,424.43**	**67,162.73**	**-1,456.91**		**0.00**
020	Germany	39,924.76	992.96	919.92	39,419.53	-707.44		0.00
030	Luxenburg	6,899.36	264.77	253.92	6,899.36	-303.28		0.00
040	Italy	6,657.24	40.17	38.65	6,657.24	-85.19		0.00
050	Spain	5,141.40	86.41	86.25	5,141.40	-198.98		0.00
060	France	3,539.02	47.06	47.04	3,539.02	-22.45		0.00
070	Others	6,011.41	82.80	78.64	5,506.18	-139.57		0.00
080	**Off balance sheet exposures**	**24,931.50**	**388.11**	**326.98**			**75.14**	
090	Germany	18,300.50	351.21	318.67			65.45	
100	United States of America	2,057.03	20.29	0.42			2.17	
110	France	1,905.29	0.11	0.11			1.81	
120	The Netherlands	1,046.81	7.87	4.53			1.56	
130	Spain	505.49	2.18	2.18			1.59	
140	Others	1,116.38	6.45	1.06			2.57	
150	**Total**	**93,104.69**	**1,902.27**	**1,751.41**	**67,162.73**	**-1,456.91**	**75.14**	**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	73.1	2.4	2.2	73.1	-2.7	0.0
020	Mining and quarrying	2.3	0.0	0.0	2.3	-0.1	0.0
030	Manufacturing	1,426.9	58.4	56.2	1,426.9	-9.4	0.0
040	Electricity, gas, steam and air conditioning supply	6.6	0.0	0.0	6.6	-0.2	0.0
050	Water supply	23.0	0.9	0.8	23.0	-0.9	0.0
060	Construction	549.2	31.2	29.0	549.2	-33.7	0.0
070	Wholesale and retail trade	16,252.1	508.3	489.3	16,252.1	-358.8	0.0
080	Transport and storage	318.7	28.0	25.5	318.7	-25.1	0.0
090	Accommodation and food service activities	134.0	5.6	4.9	134.0	-6.2	0.0
100	Information and communication	67.7	4.5	4.2	67.7	-4.5	0.0
110	Real estate activities	0.0	0.0	0.0	0.0	0.0	0.0
120	Financial and insurance actvities	148.8	9.2	8.9	148.8	-8.1	0.0
130	Professional, scientific and technical activities	1,382.3	14.9	13.7	1,382.3	-87.6	0.0
140	Administrative and support service activities	1,102.3	18.5	17.4	1,102.3	-25.8	0.0
150	Public administration and defense, compulsory social security	0.0	0.0	0.0	0.0	0.0	0.0
160	Education	60.6	1.8	1.5	60.6	-2.2	0.0
170	Human health services and social work activities	251.3	4.3	3.5	251.3	-5.1	0.0
180	Arts, entertainment and recreation	31.3	0.8	0.7	31.3	-1.2	0.0
190	Other services	377.8	5.8	5.3	377.8	-13.9	0.0
200	**Total**	**22,208.1**	**694.7**	**663.1**	**22,208.1**	**-585.6**	**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	1,505.3
020	Inflows to non-performing portfolios	288.4
030	Outflows from non-performing portfolios	-279.5
040	Outflows due to write-offs	0.0
050	Outflow due to other situations	-279.5
060	Final stock of non-performing loans and advances	1,514.2

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**	**11,477.3**	**11,464.6**	**12.7**	**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**	**51,268.4**	**37,156.0**	**13,930.3**	**1,514.2**	**81.8**	**1,164.3**	**-800.3**	**-345.6**	**-468.5**	**-656.6**	**-16.2**	**-604.9**	**-2.8**	**38,587.3**	**841.9**
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	2.4	1.2	1.3	0.2	0.0	0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	2.0	0.1
040	Credit institutions	95.7	95.1	0.6	0.0	0.0	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.3	0.0
050	Other financial corporations	536.4	419.9	116.5	3.8	0.3	3.1	-4.0	-1.4	-2.6	-2.2	0.0	-2.1	0.0	105.5	1.6
060	Non-financial corporations	21,513.4	15,858.1	5,494.1	694.7	29.7	485.7	-360.5	-192.8	-170.8	-225.1	-3.8	-189.1	-0.2	21,152.9	469.5
070	Of which: SMEs	4,246.1	3,217.2	1,016.8	159.3	3.9	134.2	-65.6	-27.9	-38.0	-40.8	-0.7	-35.0	0.0	3,890.3	118.6
080	Households	29,120.4	20,781.7	8,317.7	815.5	51.8	675.4	-435.6	-151.2	-295.1	-429.2	-12.3	-413.7	-2.6	17,326.6	370.6
090	**Debt Securities**	**3,913.4**	**1,614.8**	**1,798.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**7,826.7**
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	2,078.3	377.8	1,700.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	1,335.2	1,237.0	98.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	499.9	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0
150	**Off-balance sheet exposures**	**2,078.3**	**377.8**	**1,700.4**	**0.0**	**0.0**	**0.0**	**29.0**	**15.8**	**13.2**	**46.1**	**0.0**	**46.1**	**0.0**	**824.7**	**8.4**
160	Central banks	29,120.4	20,781.7	8,317.7	815.5	51.8	675.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
170	General governments	24.3	21.7	2.6	0.9	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
180	Credit institutions	24,429.8	19,020.5	5,392.4	644.4	42.8	531.5	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
		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
190	Other financial corporations	63,282.1	49,040.5	14,059.4	1,518.0	82.1	1,167.4	0.1	0.0	0.1	0.0	0.0	0.0	0.0	7.3	0.0
200	Non-financial corporations	24,926.9	17,472.9	7,292.8	694.7	29.7	485.7	7.5	3.9	3.7	2.1	0.0	2.1	0.0	119.5	5.5
210	Households	4,246.1	3,217.2	1,016.8	159.3	3.9	134.2	21.4	11.9	9.5	44.1	0.0	44.0	0.0	697.8	2.9
220	**Total**	**68,737.3**	**50,613.2**	**17,442.0**	**1,514.2**	**81.8**	**1,164.3**	**-771.3**	**-329.9**	**-455.3**	**-610.4**	**-16.1**	**39,411.9**	**-2.8**	**39,411.9**	**8,677.0**

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	12,326.6	0.0	0.0	0.0	40.2	0.0	11.6	0.0	0.0	2.0	0.0	1,031.8	0.0	0.0	0.0	13,412.2	0.0
2	Regional government or local authorities	985.7	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	987.5	0.0
3	Public sector entities	996.4	0.0	0.0	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,001.8	0.0
4	Multilateral development banks	47.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	47.1	47.1
5	International organisations	99.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	99.1	99.1
6	Institutions	0.0	0.0	0.0	0.0	763.0	0.0	7.3	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	770.7	0.0
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19,961.0	0.3	0.0	0.0	0.0	0.0	19,961.3	19,961.3
8	Retail	0.0	0.0	0.0	0.0	0.0	44.1	0.0	0.0	30,968.9	0.0	0.0	0.0	0.0	0.0	0.0	31,013.0	31,013.0
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	266.1	669.3	0.0	0.0	0.0	0.0	935.4	935.4
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	293.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	293.1	23.3
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	20.5	0.0	0.0	0.0	0.0	0.0	20.5	20.5
16	Other items	1,554.2	0.0	0.0	0.0	122.6	0.0	0.0	0.0	0.0	430.9	0.0	0.0	0.0	0.0	1,361.3	3,469.1	3,469.1
17	**TOTAL**	**16,009.3**	**0.0**	**0.0**	**293.1**	**932.8**	**44.1**	**18.9**	**0.0**	**30,968.9**	**20,681.0**	**669.7**	**1,031.8**	**0.0**	**0.0**	**1,361.3**	**72,010.9**	**55,568.9**

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	13,412.2	1.0	13,412.2	0.0	2,595.2	19.3%
2	Regional government or local authorities	987.5	0.8	987.5	0.0	0.5	0.1%
3	Public sector entities	1,000.3	0.0	1,001.8	0.0	1.1	0.1%
4	Multilateral development banks	47.1	0.0	47.1	0.0	0.0	0.0%
5	International organisations	99.1	0.0	99.1	0.0	0.0	0.0%
6	Institutions	769.4	355.6	769.4	1.3	156.6	20.3%
7	Corporates	20,925.2	9,671.4	19,593.3	368.0	19,296.6	96.7%
8	Retail	30,188.6	3,552.6	30,188.6	824.4	23,167.8	74.7%
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0%
10	Exposures in default	990.2	255.9	926.8	8.6	1,270.1	135.8%
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0%
12	Covered bonds	293.1	0.0	293.1	0.0	29.3	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	20.5	0.0	20.5	0.0	20.5	100.0%
16	Other items	1,793.4	0.0	3,187.2	281.9	1,563.3	45.1%
17	**TOTAL**	**70,526.7**	**13,837.4**	**70,526.7**	**1,484.2**	**48,101.0**	**66.8%**

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 – CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE 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	24,830.6	39,429.2	39,192.5	236.7	0.0
2	Debt securities	3,913.4	0.0	0.0	0.0	0.0
3	Total	28,744.0	39,429.2	39,192.5	236.7	0.0
4	Of which non-performing exposures	672.2	841.9	840.1	1.9	0.0
EU-5	Of which defaulted	98.2	721.3	721.3	0.0	0.0

Counterparty Credit Risk (CCR)

QUANTITATIVE DISCLOSURE OF COUNTERPARTY CREDIT RISK

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	0.0	0.0	177.0	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**	**0.0**	**0.0**	**177.0**	**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 (CCP) are presented separately in Table 17.

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)	5.5	25.5		1.4	43.3	43.3	43.3	8.7
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**					**43.3**	**43.3**	**43.3**	**8.7**

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	16.7	13.0
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	16.7	13.0

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)**		**0.8**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	41.8	0.8
3	(i) OTC derivatives	41.8	0.8
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	30.0	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%	10%	20%	50%	70%	75%	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	41.8	0.0	0.0	43.3	0.0	0.0	0.0	0.0	0.0	0.0	85.1
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**	**41.8**	**0.0**	**0.0**	**43.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**85.1**

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 €91.8 million. Own risk models are not in use at this time.

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 €1,146.9 million as of June 30, 2023, equivalent to 2.2% 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	1,146.9
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**	**1,146.9**

Foreign-currency risks primarily arise from the translation from a foreign currency into euros of the capital resources held by the two branches in Poland and the United Kingdom as well as of loans and derivatives. The increase of €904.3 million in foreign-currency risks from €242.6 million to €1,146.9 million is chiefly due to the transaction and maturity of foreign-currency loans and derivatives, changes in the amount of the capital resources and fluctuations in exchange rates.

Liquidity

QUALITATIVE DISCLOSURE OF LIQUIDITY REQUIREMENTS

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 (ABS) 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 Volkswagen Bank GmbH 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.

QUANTITATIVE DISCLOSURE OF LIQUIDITY REQUIREMENTS

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

TABLE 22: 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)	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2023	31.03.2023	31.12.2022	30.09.2022
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					9,690.0	9,712.7	11,845.9	13,567.2
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	24,907.4	23,902.2	23,988.7	24,039.5	1,415.5	1,330.9	1,335.6	1,327.9
3	*Stable deposits*	15,306.6	15,546.6	15,746.1	15,735.2	765.3	777.3	787.3	786.8
4	*Less stable deposits*	5,571.6	4,764.8	4,725.8	4,676.2	558.2	477.3	473.5	468.7
5	Unsecured wholesale funding	5,396.0	5,243.3	5,543.3	6,032.1	3,603.6	3,529.1	3,885.5	4,385.8
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	*Non-operational deposits (all counterparties)*	5,214.8	5,105.9	5,430.4	5,869.7	3,422.3	3,391.6	3,772.5	4,223.4
8	*Unsecured debt*	181.3	137.4	112.9	162.4	181.3	137.4	112.9	162.4
9	*Secured wholesale funding*					0.0	0.0	0.0	0.0
10	Additional requirements	4,884.4	5,108.8	5,287.5	5,291.0	657.7	694.7	726.3	736.1
11	*Outflows related to derivative exposures and other collateral requirements*	77.1	66.9	74.2	73.9	58.3	55.3	58.5	56.8
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*	4,807.3	5,042.0	5,213.3	5,217.1	599.5	639.4	667.8	679.2
14	Other contractual funding obligations	1,616.2	1,624.9	1,749.9	1,759.4	1,132.4	1,145.5	1,269.5	1,273.0
15	Other contingent funding obligations	10,088.9	10,405.2	10,673.4	10,994.8	553.9	571.2	586.0	603.6
16	TOTAL CASH OUTFLOWS					7,363.1	7,271.4	7,802.8	8,326.4

		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)	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2023	31.03.2023	31.12.2022	30.09.2022
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	3,588.2	3,441.4	3,279.3	3,109.7	1,958.0	1,880.8	1,801.5	1,713.6
19	Other cash inflows	1,658.0	1,470.5	1,393.1	1,364.4	1,026.4	976.5	966.6	982.8
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	5,246.2	4,911.9	4,672.3	4,474.2	2,984.4	2,857.3	2,768.1	2,696.3
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*	5,246.2	4,911.9	4,672.3	4,474.2	2,984.4	2,857.3	2,768.1	2,696.3
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					9,690.0	9,712.7	11,845.9	13,567.2
22	TOTAL NET CASH OUTFLOWS					4,378.6	4,414.1	5,034.7	5,630.0
23	LIQUIDITY COVERAGE RATIO					223.5%	222.0%	236.5%	244.6%

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. HQLAs decreased during the reporting period in the form of central bank balances and of LCR Level 1 securities. At the same time, there was a decline in outflows, while there were virtually no changes in inflows.

TABLE 23: EU LIQ2 – NET STABLE FUNDING RATIO

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**10,390.7**	**0.0**	**0.0**	**0.0**	**10,390.7**
2	Own funds	10,390.7	0.0	0.0	0.0	10,390.7
3	Other capital instruments		0.0	0.0	0.0	0.0
4	**Retail deposits**		**26,935.4**	**2,454.4**	**2,443.1**	**29,790.7**
5	Stable deposits		16,350.4	1,584.8	1,685.0	18,723.4
6	Less stable deposits		10,585.0	869.6	758.1	11,067.3
7	**Wholesale funding:**		**8,216.0**	**4,443.3**	**11,226.1**	**16,356.4**
8	Operational deposits		0.0	0.0	0.0	0.0
9	Other wholesale funding		8,216.0	4,443.3	11,226.1	16,356.4
10	**Interdependent liabilities**		**0.0**	**0.0**	**0.0**	**0.0**
11	**Other liabilities:**	**161.0**	**2,331.7**	**103.1**	**3,732.7**	**3,784.2**
12	NSFR derivative liabilities	161.0				
13	All other liabilities and capital instruments not included in the above categories		2,331.7	103.1	3,732.7	3,784.2
14	**Total available stable funding (ASF)**					**60,322.0**

		A	B	C	D	E
		Unweighted value by residual maturity				Weighted value
	in € millions	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**27.3**
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:**		**13,657.3**	**7,250.3**	**28,267.5**	**35,607.0**
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		293.2	95.0	527.9	604.7
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		9,897.1	4,384.2	19,484.1	23,702.2
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		3,466.9	2,771.1	8,255.5	11,300.1
25	**Interdependent assets**		**0.0**	**0.0**	**0.0**	**0.0**
26	**Other assets:**	-	**2,082.1**	**330.2**	**7,249.2**	**8,476.4**
27	Physical traded commodities				0.0	0.0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		30.1	0.0	0.0	25.6
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		2,052.0	330.2	7,249.2	8,450.9
32	**Off-balance sheet items**		**11,605.5**	**0.0**	**36.8**	**910.5**
33	**Total RSF**					**45,021.2**
34	**Net Stable Funding Ratio (%)**					**133.99%**

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 banking books is calculated on a monthly basis and their impact on the periodic value on a quarterly 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 24: EU IRRBB1 – INTEREST RATE RISKS ON BANKING BOOK ACTIVITIES

		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	-384.0	-264.0	-302.7	-101.1
2	Parallel down	410.2	282.4	262.0	97.8
3	Steepener	97.7	38.1		
4	Flattener	-162.2	-84.2		
5	Short rates up	-265.8	-157.1		
6	Short rates down	283.1	165.6		

The "Last period" presented corresponds to the figures as of December 31, 2022. The material change in net interest income is due to methodological adjustments in deposit-taking business. As well as this, methodological adjustments were made to the net interest view in accordance with amendments made to the RTS on Supervisory Outlier Tests (EBA/RTS/2022/10).

Exposure to Securitization Positions

QUALITATIVE DISCLOSURE OF THE RISK FROM 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, responsibility is assumed for reporting to investors, banks and credit rating agencies as well as for the regulatory disclosure requirements. 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.

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 25: 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**	**11,808.5**	**0.0**	**458.1**	**0.0**	**0.0**	**0.0**	**12,266.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**496.3**	**0.0**	**496.3**
2	Retail (total)	11,808.5	0.0	458.1	0.0	0.0	0.0	12,266.6	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	11,808.5	0.0	458.1	0.0	0.0	0.0	12,266.6	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	496.3	0.0	496.3
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	496.3	0.0	496.3
11	other 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
12	re-securiti-sation	0.0	0.0	0.0	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 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 26: 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 27: 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**	**496.3**	**0.0**	**0.0**	**0.0**	**0.0**	**496.3**	**0.0**	**0.0**	**0.0**	**171.9**	**0.0**	**0.0**	**0.0**	**13.8**	**0.0**	**0.0**
2	Traditional securitisation	0.0	496.3	0.0	0.0	0.0	0.0	496.3	0.0	0.0	0.0	171.9	0.0	0.0	0.0	13.8	0.0	0.0
3	Securitisation	0.0	496.3	0.0	0.0	0.0	0.0	496.3	0.0	0.0	0.0	171.9	0.0	0.0	0.0	13.8	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	496.3	0.0	0.0	0.0	0.0	496.3	0.0	0.0	0.0	171.9	0.0	0.0	0.0	13.8	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 28: 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**	**15,447.9**	**255.3**	**147.1**
2	Retail (total)	15,447.9	255.3	147.1
3	residential mortgage	0.0	0.0	0.0
4	credit card	0.0	0.0	0.0
5	other retail exposures	15,447.9	255.3	147.1
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, 2023. Of this, €255.3 million or 1.7% is classified as in default.

Environmental, Social and Governance Risks (ESG Risks)

QUALITATIVE REPORTING

Both the financial industry and the automotive industry are key sectors in the sustainability-driven transformation of society and the economy. At Volkswagen Bank GmbH (Group), we hold the key role of supporting and accompanying the Volkswagen Group's transformation across Europe and financing it under our business model. This is a challenge but also a major opportunity.

At the same time, the needs and expectations of Volkswagen Group customers are our top priority. Accordingly, in addition to providing transformation finance for business customers or financing zero-emission mobility for private customers, our task continues to be to finance Group vehicles in our classic business. As long as there is demand for new vehicles with conventional combustion engines, we will offer suitable financing solutions. The same thing applies to used-car business. At the same time, we need to meet the expectations of our customers, investors and other stakeholders regarding our own transformation and that of our business model towards climate neutrality.

In line with the targets adopted in the European Union's Green Deal and the interim targets for 2030 set out in the "Fit for 55" package, we as a captive bank are aligning ourselves to the emission-reduction targets for the mobility sector. Under these targets, automobile emissions are to be cut by 55% over 1990 levels by 2030 and no new vehicles fitted with internal combustion engines may be registered in the EU from 2035.

As enshrined in the European Commission's action plan for financing sustainable growth, the financial sector is to play a key role in Green Deal projects. The ECB's expectations for banks provide the preliminary framework for integrating climate and environmental risks within risk management and disclosure. Meeting these expectations is an important step for us to implement climate-relevant aspects in our business strategy and operations. At the same time, it can be expected that regulatory requirements will tend to increase rather than decline.

As our business is closely linked to the Volkswagen Group's sales plans, we are part of the automotive transformation. One challenge for Volkswagen Bank GmbH (Group) is the realignment of the sales strategies for battery electric vehicles (BEV) as well as rising customer demand for leases for BEVs. Accordingly, the proportion of BEVs in the classic financing business of Volkswagen Bank GmbH (Group) will remain small in the medium term. Combined with the gradual phasing-out of internal combustion engines, classic business will therefore shrink in the retail segment. To compensate for this, we will be increasingly engaging in transitory business in which the purpose of the asset being financed is directly linked to the transition to climate neutrality.

As a captive financial services company and provider of sales finance within the Volkswagen Group, Volkswagen Bank GmbH (Group) as a wholly owned subsidiary of Volkswagen AG will align itself to the Group's automotive brands and support them in their market development activities.

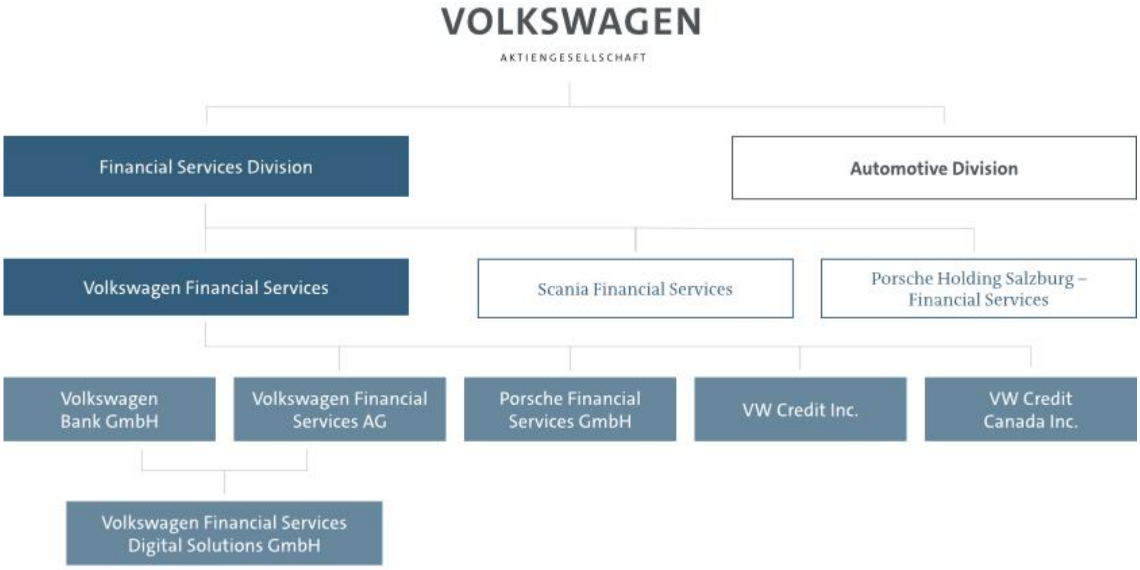

Figure 1: Financial Services Division of the Volkswagen Group

With its NEW AUTO strategy, the Volkswagen Group has defined the roadmap for its transformation into a software-driven mobility company. In this connection, the development and expansion of mobility solutions has been defined as an important core element. As part of this, we at Volkswagen Bank GmbH (Group) are assuming a central role, which is why our MOBILITY2030 strategy is closely linked to the strategic targets of the Volkswagen Group.

For us, sustainability means striving to achieve economic, social and ecological goals simultaneously and with the same priority. We want to create lasting value, offer good working conditions and treat the environment and natural resources with care.

Under our sustainability policy, we want to ensure that we identify environmental, social and governance risks at all stages along the value chain at an early stage. In this way, our corporate social responsibility activities will help to enhance our reputation and our Company's value in the long term.

Sustainability is an integral part of the Group's 2030 NEW AUTO strategy as well as the "Mobility for Generations to Come" Group purpose. Moreover, we are pursuing the goal of aligning the sustainability strategy more and more closely to the United Nations Sustainability Development Goals, SDGs.

The six priorities (decarbonization, circular economy, responsibility for supply chains and business, diversity, people in transformation and integrity) are being backed with goals that are to be achieved by 2030, specific, measurable and deadline-related targets, indicators to measure progress in achieving the targets, measures to reach the targets and the development and implementation of programs and initiatives.

ESG (Environmental, Social, and Governance) refers to the basic principles of doing business sustainably. Group stakeholders (e.g. investors, employees, customers, NGOs) have high expectations of the Company's ESG performance, including decarbonization and integrity. Accordingly, ESG performance directly influences the Group's market capitalization as well as its attractiveness as an employer, for example. Accordingly, the aim of the Group ESG initiative is to improve its ESG performance in order to safeguard its appeal as an investment and to optimize the cost of capital, among other things.

At Volkswagen Bank GmbH (Group), we have defined five strategic thrusts as part of our MOBILITY2030 strategy in order to implement our vision of "We are the key to mobility" and our mission of "We meet our customers' mobility needs with sustainable solutions along the entire vehicle cycle". These are: Customer Loyalty, Vehicle, Performance, Data & Technology and Sustainability.

By expressly including sustainability as a strategic thrust of our overall MOBILITY2030 strategy, we at Volkswagen Bank GmbH (Group) are underscoring the high relevance that it has for our Company as well as for our customers, employees and other stakeholders. We are vigorously driving forward the transition to zero-emission mobility. In doing so, we are particularly concentrating on environmentally friendly products, operations and IT and on achieving zero emissions in the long term.

We are evolving from a provider of sales finance to an enabler of sustainability and sustainable mobility in the Volkswagen Group. Specifically, this means a clear focus on reducing carbon emissions. Our products, operations and IT will be carbon-neutral (including carbon offsetting) by 2030.

Progress towards carbon neutrality is to be measured using a specific key performance indicator (KPI) in order to assess the effectiveness of the measures and initiatives taken. We are using the carbon footprint that has been calculated as a KPI for measuring achievement of carbon-neutral business operations. Across Europe, we aim to reduce the emissions produced by our own business operations and IT by 50% by 2025 compared to 2022 and to achieve overall climate neutrality (including carbon offsetting) here in all our markets by 2030 at the latest.

The measures for achieving carbon neutrality by 2030 are derived from an assessment of the relevant carbon footprints of our classic products as well as our business operations and IT.

Within our traditional products, we draw a distinction between vehicle financing in the retail segment (households and corporate customers) and business customer financing in the corporate segment. In the retail segment, the corresponding carbon footprints are based on the emissions of the vehicles financed and in the corporate segment on the emissions of the financed operations.

A preliminary assessment of the carbon emissions shows that the value chain of our business partners, on the one hand, and vehicle finance for private customers, on the other, account for the two largest proportions of carbon emissions. Accordingly, it is necessary to take a closer look at these two segments in order to define appropriate measures.

Our plans are based on the long-term production and sales planning figures for the Volkswagen Group brands. In classic new and used vehicle financing, we are following the sales targets for both ICE and electric vehicles. The BEVs that we finance do not emit any greenhouse gases. Consequently, they have zero specific carbon emissions. For this reason, we classify these vehicles as zero-emission vehicles in terms of the carbon emissions they produce.

In order to enable mobility for all customer groups, we are continuing to offer finance for new and used ICE (internal combustion engine) vehicles. However, the declining production planning figures for ICEs mean that this portfolio will disappear by 2035 in the case of new vehicles and with a corresponding delay in the case of used vehicles. At the same time, carbon emissions in the retail segment will gradually drop to zero. This means that, if we are to reach our goal of carbon neutrality by 2030, carbon offsets will be required for the carbon emissions of the relevant vehicles until they have been fully phased out.

The carbon intensity of the vehicles financed by Volkswagen Bank GmbH (Group) is on average already below the decarbonization trajectory specified in the IEA's net zero 2050 scenario. Accordingly, the task at hand is to remain on the trajectory that has been adopted by following the Volkswagen Group's sales policies.

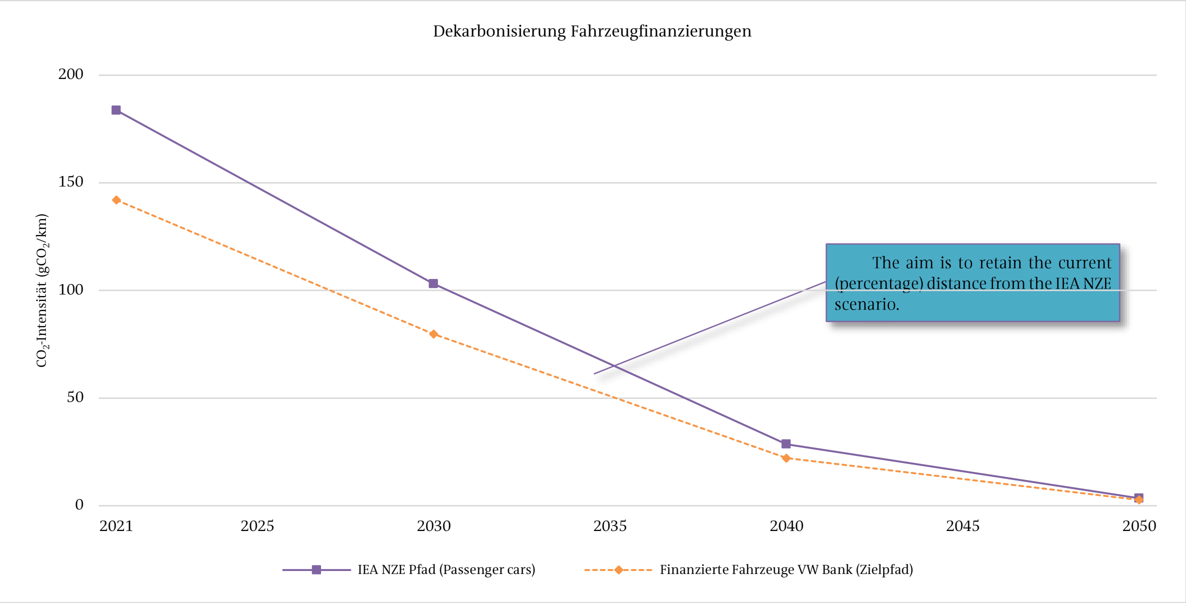

Figure 2: Decarbonization trajectory for passenger cars

We aim to actively support our dealers in their transformation efforts in close alignment with the "goTOzero" environmental mission statement. To help dealers reduce their own carbon footprint, we offer attractive financing for charging infrastructure (including photovoltaic systems) or investments in energy-efficient construction and refurbishment, among other things. We are budgeting for an annual increase in business volumes here. In this way, we will be steadily increasing the proportion of green financing in our classic business.

Looking forward, we will be focusing from the outset on transition products that are as climate-neutral as possible in our new business areas, namely mobility as a service (MaaS), transportation as a service (TaaS) and rental cars. These are grouped together under the term "green products". Further business ideas include SME finance for solar parks, urban and rural charging infrastructures and charging services.

To achieve the target of carbon-neutral operations by 2030 at the latest, we are utilizing an environmental management system (EMS) in accordance DIN EN ISO 14001. Corresponding reporting on carbon emissions is based on ISO 14064.

With respect to our operations, we are concentrating on the following main drivers of carbon emissions:

1. the emissions arising from our electricity consumption,
2. the production of heat at our sites (especially the data center),
3. the emissions from our own fleet of company cars.

Accordingly, we have three primary levers for reducing emissions from our business operations: green power, green heat and green company cars. This has been an established and constant process since 2015, which we are systematically continuing to pursue with our MOBILITY2030 strategy.

The Braunschweig campus, which is the largest property within Volkswagen Bank GmbH (Group), has already switched to natural electricity, resulting in zero carbon emissions for this site. In order to further reduce consumption despite this, other initiatives include the replacement of light bulbs, the modernization of air conditioning systems and the optimization of building automation.

With respect to heating, we were able to significantly reduce our emissions by replacing gas-fueled systems with biomass-powered district heating in 2022. In addition, the building on the campus with the lowest energy efficiency was vacated, the building shell renovated and the lease canceled for the facility that is heated using fuel oil.

To reduce the emissions of our own fleet of company vehicles, we are currently rolling out initiatives that provide incentives for more sustainable employee mobility. Moreover, we are also launching pilot tests for climate-neutral business operations at our operations in the Netherlands, the United Kingdom and Ireland.

As we will be offsetting unavoidable residual emissions as part of the net-zero initiative, we will achieve carbon neutrality in our national and international business operations and IT by 2030 at the latest.

The following initiatives exemplify the range of actions that we are taking to achieve our strategic sustainability goals.

1. Support for the United Nations Sustainable Development Goals
   We are supporting the United Nations Sustainable Development Goals. With our sustainability strategy and our specific internal and external sustainable business activities, we are particularly working towards the following SDGs: 5. Gender equality, 7. Affordable and clean energy, 8. Decent work and economic growth, 11. Sustainable cities and communities and 13. Climate action.

2. Sustainability project
   Launched in mid-2021, the sustainability project is making a decisive contribution to initiating and implementing sustainability-related measures. The focus is on ESG-relevant risk, data and regulatory matters. In particular, the project addresses the integration of ESG-relevant aspects within the business operations of Volkswagen Bank GmbH (Group), e.g. the step-by-step implementation of climate stress tests in the Bank's stress testing program. In order to meet supervisory and regulatory requirements within the requisite period, milestones and core deliverables have been defined for each subproject and the working groups that have been installed on the basis of the project.

3. Carbon footprint task force
   A carbon footprint task force was established in 2022 to address the complex issues relating to the carbon footprint. The task force is responsible for quantifying the financed emissions of Volkswagen Bank GmbH (Group) in accordance with the PCAF standard for the first time. In addition, it aims to develop methods and solutions that cover the different perspectives and requirements from the Bank's point of view in the context of carbon emissions. In addition to the carbon footprint according to the PCAF standard, this particularly entails disclosure requirements and (stakeholder) communications. In addition, the findings of the task force serve as a basis for the planned development of a specific carbon reduction plan in accordance with international standards.

4. Green product management
   As well as this, we are highlighting the relevance of green financing by establishing special green product management within the product development unit at Volkswagen Bank GmbH (Group). The focus is on the (further) development of green financing and deposit-taking products, the expansion of relevant partnerships and the establishment of a framework for achieving our green volume targets.

5. Cooperation with the Volkswagen "goTOzero Retail" initiative
   To support the Volkswagen Group's car dealers in their efforts to reduce carbon emissions, Volkswagen has launched a "goTOzero Retail" initiative specially tailored to retail outlets. Car dealerships are playing a crucial role in the overall transformation process as this is where the journey to a new, climate-friendly mobility world is beginning for more and more people. At Volkswagen Bank GmbH (Group), we support this customer group-specific initiative across Europe particularly by providing finance for medium- and long-term investments, e.g. for the internal production of green electricity, more efficient building technologies or the construction or renovation of buildings and outdoor facilities. In particular, the Netherlands have been advising national dealers since 2020 on tool-based measures for reducing the carbon footprint of the individual dealership operations.

6. Partnership with Naturschutzbund Deutschland e.V. (NABU)
   In addition to our bank-specific initiatives, we are also committed to environmental and climate protection. For this reason, Volkswagen Financial Services and Volkswagen Bank GmbH have been working with NABU since 2008 as part of a project and dialog partnership. Our joint focus is on moorland protection as a highly effective climate protection measure together with the positive impact on biodiversity. Since the partnership was forged, a sum of roughly €6 million has been invested in national and international moorland protection projects. In addition, the #MailfuersMoor initiative alone, which aims to reduce the volume of mail sent, generated more than €100,000 for moorland conservation in 2021 and 2022. Alongside moorland protection, Volkswagen Financial Services and Volkswagen Bank GmbH, together with NABU, are also committed to the renaturation of flowing waters. One specific project, for example, concerns the renaturation of the Aller River near Verden in Lower Saxony. The aim is to improve biodiversity and flood protection. These joint activities have already won several national and international environmental awards.

7. ESG market monitoring through market research and analysis
   We engage in active market research and analysis to keep abreast of the dynamic developments in ESG. In addition to general market observation on matters relating to sustainability and e-mobility, this also involves a differentiated view of strategies, customer expectations, products and advertising initiatives. As well as this, we are gradually incorporating sustainability within our own customer surveys, including at a European level. This market monitoring is supplemented by the activities performed by the “Political Affairs” unit.

In summary, these activities and initiatives underscore our mission as a captive bank to accompany and support our parent in its transformation into a mobility company. From the perspective of Volkswagen Bank GmbH, automotive financing entails mobile assets, for which physical hazards are not a dominant risk driver and therefore play only a subordinate role in the alignment of its business policy. Even so, physical risks are included in risk management.

The transformation of society and the economy towards greater sustainability entails opportunities and also various risks for the financial industry as well as the automotive sector. It is therefore up to Volkswagen Bank GmbH to identify and manage these.

Accordingly, Volkswagen Bank GmbH has integrated ESG risks as a core element of its risk management framework step by step.

As ESG risks exhibit interdependencies with all types of risk and should therefore not be considered in isolation, the management of Volkswagen Bank GmbH has decided to integrate issues relating to ESG risks in its current governance structure and in committee/line responsibility. This avoids duplicate structures and also involves all employees in ESG matters in their existing roles.

Specific ESG topics have been assigned to the Equity and Risk Committee, the Stress Testing Committee and the ALM Committee. Relevant matters are discussed by the regular committees on an ad hoc basis. Strategy operationalization, business and risk management in terms of pricing and strategy implementation and data constitution are located within Market. The Business Strategy and Market unit is responsible for Volkswagen Bank's sustainability strategy. This also includes the development of KPIs. The back office is responsible for developing policies for ESG pricing processes and methodologies. Communications takes care of the Bank's general market perception with regard to ESG aspects. Adjustments to risk strategies, the identification and assessment of ESG risks and corresponding ESG risk reporting are assigned to Risk Management. One aspect of compliance involves regular RADAR screening, also with regard to ESG aspects as well as the monitoring of statutory sustainability requirements and tasks in accordance with MaRisk, MaGo and KAMaRisk. As part of its auditing activities, Internal Audit is responsible for ensuring that sustainability risks are addressed appropriately and incorporates the aspects associated with climate and environmental risks within the audit strategy and the definition of the audit objectives.

In addition, the Chief Risk Officer also acts as the Sustainability Officer. This entrenches the management relevance of sustainability at the highest decision-making level and simultaneously creates the basis for rolling out ESG initiatives on a Group-wide basis and across individual business units. The Sustainability Officer is, for example, responsible for aspects of the ESG taxonomy, corresponding definitions and Volkswagen Bank GmbH's overall ESG strategy. In addition, he sets the framework for consistent and integrated reporting and ensures that regulatory and market developments touching on ESG matters are monitored and that, where necessary, preliminary impact and gap analyses are initiated.

The main focus is on addressing climate and environmental risks and on structuring them by reference to a full list of potential risk drivers based on publicly available information, occurrence of which may have adverse effects on the Bank's net assets, results of operations, financial position and reputation. To gain a full and well-documented overview of the impact of these risk drivers, the transmission channels of the risk drivers are reconciled with the risk types in existence and their potential financial impact. An example of this is shown in the following chart:

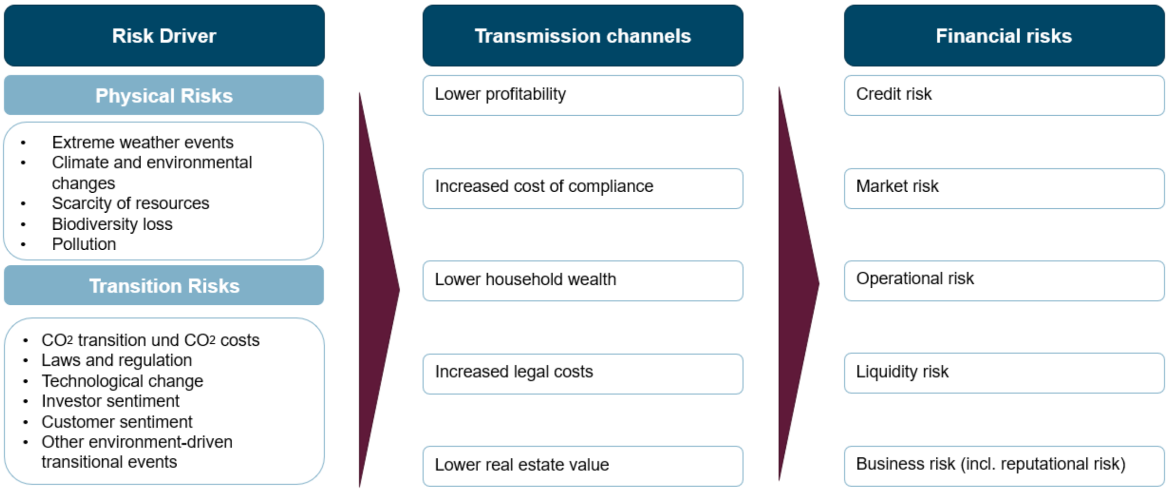

Figure 3: Risk drivers, transmission channels and financial impact

On top of this, the current portfolio structure is analyzed to identify the main portfolios in the light of Volkswagen Bank GmbH's business model and strategy as well the emissions financed. Geographical risks for the individual portfolios are also examined. This information is used to perform a relevance analysis of all risk drivers in the relevant risk types in the light of the transmission channels on the basis of qualitative expert opinions and quantitative information. A general risk assessment is performed for less relevant risk types. Finally, the materiality of the risk drivers is assessed in the short term (< 1 year), medium term (1–5 years) and long term (> 5 years). The materiality assessment for these risk drivers is performed as part of the Management Board's existing annual inventory process.

Volkswagen Bank GmbH has identified the following material transmission channels for physical and transitory risk drivers for the various risk types:

Risk type	Transmission channel of physical risks	Transmission channel of transition risks
Credit risk / residual value risk	atural disasters such as droughts, floods or torms are increasing in frequency under various limate scenarios and cause significant economic amage to homes and automobiles, which would ad to rising repair costs or total loss of assets. The olvency of counterparties would be impaired, articularly those operating in sectors highly ependent on natural resources or in particularly ulnerable locations. The risk of increased damages o passenger cars could be mitigated by (passenger ar) insurance. nvironmental changes and resource scarcity can ad to rising costs for repairing cars and have a egative impact on supply chains.	The solvency and asset value of counterparties could be affected by changes in regulation and by the implementation of measures to reduce greenhouse gas emissions. For example, stricter standards for CO_2 emissions or higher CO_2 prices could lead to rising purchase and maintenance costs for cars or lead to rising fuel costs. The EU regulation to allow only CO_2-free new cars from 2035 may result in a possible decline in the residual values of used cars.
Interest rate risk / other market risk	xtreme events and long-term climate trends such s desertification and sea-level rise could trigger stabilities that affect supply chains and ommodity prices and induce volatility in market ariables.	Expectations regarding new regulatory frameworks, stricter CO_2 guidelines or newly developed green technologies could influence the volatility of market variables such as interest rates.
Liquidity risk		The development of consumer preferences could have a negative impact on the deposit portfolio and lead to higher funding costs for the Group. The enforcement of new regulatory frameworks and strict CO_2 guidelines could have an impact on the value of securities, which could lead to the deposit of additional collateral.
Operational risk	evere weather events could affect the Bank's bility to continue as a going concern and its utsourced operations. The well-being of mployees and their ability to work and access remises could be affected.	Legal risks can result in liability claims in the event of noncompliance with climate laws and regulations.
Business risk		Customer demand could change due to future regulations. This could lead to higher demand for electric cars coupled with lower demand for used cars with internal combustion engines.

With respect to **physical risks**, "extreme weather events" have low relevance for credit risk, residual value risk, liquidity risk, operational risk and business risk in the short, medium and long term. "Environmental changes" (e.g. temperature increases) and "resource scarcity" are rated as having a lower relevance for the dealer portfolio in the short term but medium relevance in the medium and long term. Only minor risks are identified for residual value risk, liquidity risk, operational risk and business risk across all time horizons. Further potential risk drivers (biodiversity and pollution) are not considered to be relevant. These risk drivers are not relevant for the other risk types analyzed.

With respect to **transitory risks**, “carbon transition/costs” in the main risk type credit risk are rated as having medium relevance (medium and long term), while the residual value risk is seen as having minor relevance in the long term.

The risk driver “laws/regulations” is assumed to have a low impact on credit risk (short-term), residual value risk, liquidity risk and operational risk (in the short, medium and long term in each case); in the long-term perspective, however, credit risk is rated as having medium relevance. The risk driver for business risk is also seen as having minor relevance in the medium term and medium relevance in the long term.

Further transitory risk drivers of general relevance are “technological changes” and “customer sentiment”. However, these have minor relevance for credit risk (short, medium and long term). These risk drivers likewise play only a minor role for residual value risk in the medium and long term.

The drivers “customer sentiment” and “investor sentiment” are also rated as having only minor relevance (short, medium and long term) for business risk.

The transitory risk drivers do not have any significance for the other risk types analyzed.

An overall assessment indicates that Volkswagen Bank GmbH is primarily exposed to transitory climate and environmental risk drivers with respect to credit and business risk in the medium and long term.

Looking forward, the risk strategy defines the basic understanding and lays the framework for activities in this area by defining the main elements of the risk strategy. At the same time, the focus area of sustainability has become a further component of the risk culture principles as sustainability risks are handled with greater awareness and employees become actively involved in the process at an early stage. The ECB’s supervisory expectations published in its guide on climate-related and environmental risks are incorporated into the Bank’s methodologies.

Last year, Volkswagen Bank GmbH conducted climate sensitivity analyses as part of its internal stress testing program to analyze climate and environmental risks in greater detail. In this connection, the hypothetical adverse effects of various climate risk drivers and individual effects on the risk profile were investigated. For the purposes of credit risk, declining collateral values as a result of higher carbon prices were assumed. In addition, the impact of rising energy costs and falling sales in new car and service business on dealers’ creditworthiness was simulated. Furthermore, the liquidity situation was stress-tested particularly on the basis of assumptions with respect to changes in the recognition by the ECB of eligible securities. The impact was always within the scope of the usual sensitivity analyses already carried out regularly by Volkswagen Bank GmbH. Accordingly, there were no discernible changes in Volkswagen Bank GmbH’s quantitative risk profile. As well as this, the impact of various scenarios relevant to reputational risk was analyzed. The effects of reputation problems within the Volkswagen Group, the banking sector, climate sanctions, rating downgrades and climate neutrality shortfalls on funding costs and new business were investigated. The results were incorporated in the materiality assessment.

In addition, Volkswagen Bank GmbH took part in the ECB’s climate stress test in 2022. As part of these activities, the carbon emissions of the vehicles financed directly by Volkswagen Bank GmbH or indirectly via the dealers were particularly analyzed on a highly granular basis. The activities support the implementation by Volkswagen Bank GmbH of steps to identify Scope 3 emissions in internal and external carbon accounting and the management of transitory risks.

Moreover, a climate stress-testing framework has been developed and provides for the standardized integration of climate and environmental risks in the stress testing program. The risk drivers and risk transmission channels to be considered are therefore identified and evaluated as part of the risk inventory. Climate scenarios and climate sensitivity analyses are defined on the basis of this analysis. The results are in turn incorporated in the risk inventory. The framework is already being applied in 2023 and thus supporting the systematic analysis of the risk profile including an assessment of the potential impact via a feedback process.

Volkswagen Bank GmbH’s goal when providing finance is to only accept ESG risks that it is able to assess with a high degree of effectiveness on the basis of broad-based expertise in the front office and back office units.

Starting with dealer business, ESG aspects have become an integral component in identifying ESG risks. For this reason, several instruments have been incorporated in the lending and decision-making processes. Thus, for example, an “ESG-Scoring light” questionnaire was introduced in 2022 to address sustainability aspects in the light of the “climate & environment, “social” and “governance” goals. Since then, front office employees have been discussing sustainability aspects with dealer customers and evaluating the ESG scoring system on this basis. The same thing applies to ESG risk evaluation, i.e. the “ESG guide questions”, which are utilized and evaluated within the back office. These “ESG guide questions” initially also apply to significant dealer exposures that must be approved at the “Management Board” and “Supervisory Board” competence levels from November 1, 2022. From April 1, 2023, “ESC-Scoring light” and the “ESG guide questions” must also be used for all risk-relevant corporate customers regardless of the competence level and irrespective of the industry in which they operate. These tools were rolled out across the entire corporate portfolio from April 1, 2023, and it is assumed that all risk-relevant corporate customers will have been assessed using “ESG-Scoring light” and the “ESG guide questions” by the end of March 2024.

“ESG-Scoring light” is not a self-assessment performed by the dealer customers. In line with the approach of supporting dealer customers on their transformation journey, “ESG-Scoring light” is to be used as an opportunity and occasion for intensive discussions with dealer customers on ESG matters and their future orientation and transformation under a sustainability strategy. For this reason, “ESG-Scoring light” must be completed by the responsible key account/relationship manager in the front office. Potential findings can be leveraged in the dealer customers’ transformation process. Volkswagen Bank GmbH requires detailed ESG-relevant information from dealer customers to ensure appropriate risk management and compliance with regulatory expectations. In this connection, each ESG pillar counts. To this end, “ESG-Scoring light” encompasses the three ESG pillars. Within “Climate & Environment” it concentrates on climate protection (emissions reduction and energy supplies), environmental protection and the sparing use of commodities and energy. Within “Social”, it takes account of occupational health and safety as well as employee co-determination. The “Governance” pillar covers aspects related to good corporate governance and compliance.

At the end of March 2023, 46% of the risk-relevant dealers had already been assessed using “ESG-Scoring light”. The proportion of assessed retailers is higher in Germany (52%) than in other markets (43%) due to the later launch date of “ESG-Scoring light” at the foreign subsidiaries. All in all, most dealers have been rated “green” or “amber” in the traffic-light system. Most dealers are rated “green” in the “Social” sub-category and this has a positive impact on the overall rating as it offsets the larger proportion of “amber” ratings in the “Governance” sub-category.

In addition, corresponding “ESG guide questions” for assessing ESG risks are included in the credit rating for dealer customers within Volkswagen Bank GmbH. These “ESG guide questions” cover all ESG pillars in full. The results of “ESG-Scoring light” must be considered and taken into account in the assessment of the “ESG guide questions”.

In addition, sustainability strategies or sustainability reports already published by borrowers are taken into account when loans are granted and lending decisions made.

The guidelines drawn up in connection with these instruments form a basis for employees’ work and have been included in the German and European organization manuals. As part of this integration process, Volkswagen Bank GmbH holds several internal conferences and training sessions for target groups for the three lines of defense, including front office, risk management and back office as well as internal audit. To date, more than 250 employees have participated in these special ESG risk sessions.

Volkswagen Bank GmbH follows high ethical principles in its business activities and complies with applicable German and European laws and regulations, for example on conflict management, anti-money laundering, anti-corruption and conflicts of interest, and also observes other regulatory requirements. In accordance with its ESG criteria, Volkswagen Bank GmbH does not finance companies and projects that involve controversial business and economic practices and consequently excludes these customers.

In this context, new guidelines have been drawn up as a viable basis for issuing work instructions for employees and are included in the German and European organization manual.

As physical risks can result in significant operating losses, all units of Volkswagen Bank GmbH in Europe have been assessed with this in mind. The assessment was based on research into historical events, geographic data and possible future physical events. The study focused solely on first-round effects (loss of buildings). The results were visualized in a heat map which groups the risks by flood/precipitation and heat/fire. Physical risks are monitored through regular updating of the heat map. The process is documented in the operational risk manual.

On the basis of the outside-in perspective and Volkswagen Bank GmbH’s asset structure, no impact from major physical risks is currently expected.

Volkswagen Bank additionally operates a business continuity management system (BCMS) to enable and ensure the continuation of time-critical business processes and the availability of resources required for these in the event of any unexpected disruptions and to avoid regulatory, operational and reputational impacts. In order to ensure appropriate handling and escalation during unexpected interruptions, the following adverse scenarios are considered: loss of building/staff/IT and service provider. Acute physical risks are already factored into this approach, as their impact may also directly trigger one of the above-mentioned adverse scenarios. A supplementary BCM-related risk analysis is carried out at all BCM-relevant locations.

Scenarios that are not covered by a business continuity plan, such as complex combinations of adverse scenarios or previously unplanned scenarios, are addressed with the support of the Crisis Management Team. Active monitoring of the global security situation is a pre-emptive preventive measure and an element of strategic crisis management, supporting the ability of VW Bank GmbH (Group) to operate even in extreme situations threatening its going-concern status.

As Volkswagen Bank's main assets are located in Braunschweig, a second, more detailed analysis has been performed for its head office. Storms and heavy rainfall have been identified as medium hazards for the site in accordance with data from the Federal Institute for Research on Building, Urban Affairs and Spatial Development. Comprehensive insurance cover against physical threats and detailed BCM plans mitigate the risk of significant losses for Volkswagen Bank GmbH in Braunschweig. To further minimize risks, annual inspections of the building substance are now being performed. The annual process has been incorporated in the facility management guideline.

Although the data centers in Braunschweig are not part of the Bank's assets, they are crucial for business continuity. Numerous precautions have been implemented in the past (e.g. technical systems, annual operational risk self-assessments and tests of time-critical IT services). These ensure business continuity in the event of any physical threats. However, should one of the data centers be disrupted, production can be relocated within hours.

In summary, Volkswagen Bank GmbH has currently not identified any fundamental risk of physical loss of its relevant assets or of significant business interruptions. However, in order to adequately address potential developments arising from climate change, physical threats are regularly monitored to ensure the continued appropriateness of the procedures and processes described.

The inclusion in risk reporting of information on the treatment of climate and environmental risks constitutes another key priority in an ESG context. For this reason, the Management Board and the Supervisory Board of Volkswagen Bank GmbH are kept abreast of the current status of activities for the identification, measurement and assessment of climate and environmental risks in separate special risk reports that are currently being prepared every six months. Even though the reports deal primarily with climate and environmental risks, they also address social and governance risks. The Management Board and the Supervisory Board are able to assess the impact of ESG risks on the Bank's risk profile on the basis of the aggregated and updated data contained in these reports. Such information is also being integrated in the existing risk reporting framework. After specific key risk indicators (KRIs) have been defined and integrated in the risk management framework, reporting will be expanded accordingly.

Existing data routes for risk management and reporting are being used to provide the necessary ESG data. This data is supplemented with further ESG information derived from interim queries in the Bank's markets, external sources and sources within the Volkswagen Group. In some cases, interim methods for obtaining data have been developed where information is currently not available.

Looking forward, existing data routes will be supplemented with ESG information and standard processes implemented to collect data. This will replace the interim solutions and substitute methodologically derived data with higher-quality real data. Furthermore, permanent solutions are planned with regard to external data and the integration of group sources, e.g. for dealer and vehicle data.

In addition to the inclusion of sustainability aspects for our customers, these are also relevant aspects for Volkswagen Bank GmbH as an employer. We are seen by our employees as a top employer because we respect their interests and encourage joint activities. We actively contribute to the sustainable development of our employees at our sites. The concept of diversity forms an integral part of our corporate culture and is reflected in the Diversity Charter signed in 2007 as well as our current diversity management initiatives. We have also taken measures to improve female representation in order to manage and sustainably widen the proportion of women at management levels in line with our targets.

Our initiatives to anchor the topics of integrity and compliance in the key HR processes are derived from the Group "Together4Integrity" initiative. Further aspects concerning compliance, conduct and integrity risks are explained under other non-financial risks.

The latest Volkswagen Group Sustainability Report sets out further Group-wide regulations relating to environmental, social and governance matters and provides additional specific guidelines on how these issues area addressed within the Group.

QUANTITATIVE REPORTING

TABLE 29: BANKING BOOK – INDICATORS OF POTENTIAL TRANSITORY RISKS RELATING TO CLIMATE CHANGE: CREDIT QUALITY OF THE EXPOSURES BY SECTOR, EMISSIONS AND REMAINING TERM

	SECTOR/SUBSECTOR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	in € millions		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 nanced emissions						
1	**Exposures towards sectors that highly contribute to climate change***	**18,934.7**	**141.6**	**n/a**	**4,673.6**	**644.1**	**-445.2**	**-146.5**	**-193.8**	**n/a**	**n/a**	**n/a**	**18,819.3**	**103.1**	**12.2**	**0.2**	**1**
2	A - Agriculture, forestry and fishing	73.1	0.0	n/a	22.9	2.4	-2.7	-1.0	-1.4	n/a	n/a	n/a	72.2	0.9	0.0	0.0	3
3	B - Mining and quarrying	2.3	0.4	n/a	0.8	0.0	-0.1	0.0	0.0	n/a	n/a	n/a	2.3	0.0	0.0	0.0	3
4	B.05 - Mining of coal and lignite	0.3	0.3	n/a	0.0	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.3	0.0	0.0	0.0	3
5	B.06 - Extraction of crude petroleum and natural gas	0.1	0.0	n/a	0.0	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.1	0.0	0.0	0.0	2
6	B.07 - Mining of metal ores	0.2	0.0	n/a	0.1	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.2	0.0	0.0	0.0	3
7	B.08 - Other mining and quarrying	1.6	0.0	n/a	0.7	0.0	0.0	0.0	0.0	n/a	n/a	n/a	1.6	0.0	0.0	0.0	3
8	B.09 - Mining support service activities	0.2	0.1	n/a	0.1	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.2	0.0	0.0	0.0	2
9	C - Manufacturing	1,426.9	1.0	n/a	347.9	58.4	-9.4	-6.9	-0.9	n/a	n/a	n/a	1,421.6	5.2	0.2	0.0	1
10	C.10 - Manufacture of food products	28.2	0.0	n/a	11.1	1.2	-0.9	-0.4	-0.5	n/a	n/a	n/a	27.8	0.4	0.0	0.0	3
11	C.11 - Manufacture of beverages	3.0	0.0	n/a	1.3	0.0	-0.1	0.0	0.0	n/a	n/a	n/a	3.0	0.0	0.0	0.0	3
12	C.12 - Manufacture of tobacco products	0.1	0.0	n/a	0.0	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.1	0.0	0.0	0.0	4
13	C.13 - Manufacture of textiles	6.7	0.0	n/a	2.3	0.2	-0.2	-0.1	-0.1	n/a	n/a	n/a	6.6	0.0	0.0	0.0	3
14	C.14 - Manufacture of wearing apparel	9.1	0.0	n/a	2.4	0.6	-0.8	-0.2	-0.6	n/a	n/a	n/a	9.0	0.1	0.0	0.0	3
15	C.15 - Manufacture of leather and related products	3.2	0.0	n/a	1.3	0.0	0.0	0.0	0.0	n/a	n/a	n/a	3.2	0.0	0.0	0.0	3
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	17.4	0.0	n/a	5.4	0.6	-1.0	-0.2	-0.6	n/a	n/a	n/a	17.3	0.1	0.0	0.0	3
17	C.17 - Manufacture of pulp, paper and paperboard	2.0	0.0	n/a	0.8	0.0	0.0	0.0	0.0	n/a	n/a	n/a	2.0	0.0	0.0	0.0	2
18	C.18 - Printing and service activities related to printing	9.1	0.0	n/a	2.9	0.2	-0.2	-0.1	0.0	n/a	n/a	n/a	9.0	0.1	0.0	0.0	2
19	C.19 - Manufacture of coke oven products	0.1	0.0	n/a	0.0	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.1	0.0	0.0	0.0	2
20	C.20 - Production of chemicals	5.0	0.0	n/a	2.2	0.1	-0.2	-0.1	0.0	n/a	n/a	n/a	5.0	0.0	0.0	0.0	2
21	C.21 - Manufacture of pharmaceutical preparations	0.6	0.0	n/a	0.1	0.1	0.0	0.0	0.0	n/a	n/a	n/a	0.6	0.0	0.0	0.0	2
22	C.22 - Manufacture of rubber products	9.5	0.0	n/a	3.6	0.2	-0.3	-0.1	-0.2	n/a	n/a	n/a	9.4	0.1	0.0	0.0	2
23	C.23 - Manufacture of other non-metallic mineral products	9.7	0.0	n/a	3.2	0.1	-0.3	-0.1	-0.1	n/a	n/a	n/a	9.6	0.1	0.0	0.0	3
24	C.24 - Manufacture of basic metals	3.4	0.0	n/a	1.3	0.0	-0.1	-0.1	0.0	n/a	n/a	n/a	3.4	0.0	0.0	0.0	2
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	53.8	0.0	n/a	16.5	1.2	-1.9	-0.7	-0.8	n/a	n/a	n/a	53.3	0.5	0.0	0.0	3
26	C.26 - Manufacture of computer, electronic and optical products	10.2	0.0	n/a	2.7	0.6	-0.7	-0.1	-0.6	n/a	n/a	n/a	10.2	0.1	0.0	0.0	2
27	C.27 - Manufacture of electrical equipment	8.0	0.0	n/a	2.2	0.0	-0.1	-0.1	0.0	n/a	n/a	n/a	7.9	0.1	0.0	0.0	2
28	C.28 - Manufacture of machinery and equipment n.e.c.	24.8	0.0	n/a	9.3	0.2	-0.5	-0.3	-0.1	n/a	n/a	n/a	24.6	0.2	0.0	0.0	2
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	1,170.1	1.0	n/a	257.3	51.5	0.1	-3.6	3.8	n/a	n/a	n/a	1,166.9	3.0	0.1	0.0	0
30	C.30 - Manufacture of other transport equipment	2.8	0.0	n/a	1.0	0.2	-0.1	0.0	-0.1	n/a	n/a	n/a	2.8	0.0	0.0	0.0	3
31	C.31 - Manufacture of furniture	6.4	0.0	n/a	2.5	0.1	-0.3	-0.1	-0.1	n/a	n/a	n/a	6.4	0.0	0.0	0.0	3
32	C.32 - Other manufacturing	15.2	0.0	n/a	4.6	0.6	-0.8	-0.2	-0.5	n/a	n/a	n/a	15.2	0.1	0.0	0.0	2
33	C.33 - Repair and installation of machinery and equipment	28.6	0.0	n/a	13.8	0.7	-0.9	-0.4	-0.4	n/a	n/a	n/a	28.4	0.3	0.0	0.0	3
34	D - Electricity, gas, steam and air conditioning supply	6.6	1.9	n/a	1.6	0.0	-0.2	-0.1	0.0	n/a	n/a	n/a	6.5	0.1	0.0	0.0	3
35	D35.1 - Electric power generation, transmission and	5.8	1.5	n/a	1.4	0.0	-0.1	0.0	0.0	n/a	n/a	n/a	5.7	0.0	0.0	0.0	2

	SECTOR/SUBSECTOR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	in € millions		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 nanced emissions						
	distribution																
36	D35.11 - Production of electricity	2.1	0.4	n/a	0.6	0.0	-0.1	0.0	0.0	n/a	n/a	n/a	2.1	0.0	0.0	0.0	2
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0.5	0.1	n/a	0.1	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.4	0.0	0.0	0.0	2
38	D35.3 - Steam and air conditioning supply	0.4	0.3	n/a	0.2	0.0	0.0	0.0	0.0	n/a	n/a	n/a	0.4	0.0	0.0	0.0	3
39	E - Water supply; sewerage, waste management and remediation activities	23.0	0.0	n/a	14.7	0.9	-0.9	-0.6	-0.2	n/a	n/a	n/a	22.9	0.1	0.0	0.0	3
40	F - Construction	549.2	0.0	n/a	218.8	31.2	-33.7	-10.2	-20.8	n/a	n/a	n/a	544.4	4.6	0.2	0.0	3
41	F.41 - Construction of buildings	153.7	0.0	n/a	41.4	8.4	-8.8	-2.7	-5.4	n/a	n/a	n/a	152.0	1.7	0.1	0.0	3
42	F.42 - Civil engineering	24.3	0.0	n/a	8.5	1.0	-1.2	-0.4	-0.6	n/a	n/a	n/a	24.1	0.3	0.0	0.0	2
43	F.43 - Specialised construction activities	371.1	0.0	n/a	168.9	21.8	-23.8	-7.2	-14.7	n/a	n/a	n/a	368.4	2.7	0.1	0.0	3
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	16,252.1	129.3	n/a	3,766.8	508.3	-358.8	-112.8	-149.3	n/a	n/a	n/a	16,152.4	87.9	11.6	0.1	1
45	H - Transportation and storage	318.7	9.1	n/a	196.3	28.0	-25.1	-8.0	-15.9	n/a	n/a	n/a	316.1	2.5	0.1	0.0	3
46	H.49 - Land transport and transport via pipelines	262.3	8.8	n/a	175.2	23.1	-21.3	-6.5	-13.8	n/a	n/a	n/a	260.2	2.1	0.0	0.0	3
47	H.50 - Water transport	1.3	0.3	n/a	0.5	0.1	-0.1	0.0	-0.1	n/a	n/a	n/a	1.3	0.0	0.0	0.0	3
48	H.51 - Air transport	1.7	0.0	n/a	0.3	0.0	0.0	0.0	0.0	n/a	n/a	n/a	1.7	0.0	0.0	0.0	3
49	H.52 - Warehousing and support activities for transportation	38.2	0.1	n/a	14.2	3.4	-2.4	-1.0	-1.3	n/a	n/a	n/a	37.9	0.3	0.1	0.0	3
50	H.53 - Postal and courier activities	15.1	0.0	n/a	6.2	1.4	-1.3	-0.5	-0.8	n/a	n/a	n/a	14.9	0.1	0.0	0.0	3
51	I - Accommodation and food service activities	134.0	0.0	n/a	51.4	5.6	-6.2	-2.5	-2.9	n/a	n/a	n/a	132.9	1.0	0.0	0.0	3
52	L - Real estate activities	148.8	0.0	n/a	52.3	9.2	-8.1	-4.4	-2.5	n/a	n/a	n/a	148.0	0.8	0.1	0.0	5
53	**Exposures towards sectors other than those that highly contribute to climate change***	**0.0**	**0.0**	**n/a**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0**
54	K - Financial and insurance activities	0.0	0.0	n/a	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
55	Exposures to other sectors (NACE codes J, M - U)	3,273.3	0.0	n/a	846.6	50.6	-140.4	-28.0	-31.4	0.0	0.0	0.0	3,255.5	17.4	0.4	0.0	2
56	**TOTAL**	**22,208.1**	**141.6**	**n/a**	**5,520.2**	**694.7**	**-585.6**	**-174.5**	**-225.1**	**n/a**	**n/a**	**n/a**	**22,074.8**	**120.5**	**12.6**	**0.2**	**1**

* In accordance with Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks - Regulation on climate benchmark standards - Recital 6: Sectors listed in Sections A to H and Section L of Annex 1 to Regulation (EC) No. 1893/2006

Table 29 is required to show those assets that are exposed to ESG risks as a result of the transition to a carbon-neutral economy. The focus is particularly on exposures to non-financial corporates operating in carbon-intensive sectors. Exposures affected by the exclusion of the Paris-aligned EUR benchmarks must also be presented transparently.

To identify these corporates, the Volkswagen Bank GmbH's entire portfolio of financial and non-financial corporates was analyzed at the customer level. Classification based on NACE codes[1] was used to determine the corporates affected by exclusions in connection with the Paris-aligned EU benchmarks in points d) to g) and Art. 12.2. This was generally done on the basis of the two-digit NACE codes, with the four-digit NACE codes applied where necessary. An analysis was performed to determine whether a corporate whose main activities corresponded to this NACE code came within one of the four categories d) to g) or Art. 12.2. Where this was the case, the customer with the corresponding NACE code was classified as affected. If it was not possible to evaluate the criteria on the basis of the NACE code, an expert opinion based on external information was applied to determine whether the customer was affected.

On balance, only a very small proportion of Volkswagen Bank GmbH's business involves sectors that are affected by the exclusion of the Paris-aligned EU benchmarks. The proportion stands at 0.75% in the case of nonfinancial corporates, with the total coming to only 0.64%.

[1]Nomenclature statistique des activités économiques dans la Communauté européenne (NACE) is the system for the statistical classification of economic activities in the European Union. It is a four-digit classification system that provides the framework for the collection and presentation of a wide range of statistical data broken down by economic activity in the economy (e.g. production, employment, national accounts) and from other domains within the European Statistical System (ESS)

TABLE 30: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE RISKS: EXPOSURES TO THE 20 MOST CARBON-INTENSIVE CORPORATES

	A	B	C	D	E
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Average weighted maturity	Number of top 20 polluting firms included
1	0.0	0.00%	n/a	4	1

* For counterparties that are among the world's 20 largest carbon-emitting corporates.

Table 30 discloses Volkswagen Bank GmbH's banking book exposure to the world's largest greenhouse gas emitters. The aim is to provide transparency regarding a possible deterioration in the credit quality of exposures to the largest greenhouse gas emitters due to transition risks as well as possible concentration risks in this context.

An "InfluenceMAP" list was used to identify corresponding counterparties. The list is based on total carbon emissions produced by corporates in 2021 and mainly comprises corporates from the oil sector. On balance, Volkswagen Bank GmbH has almost no exposure at all to these corporates in its banking book. The exposures that were identified entail finance or leases for vehicles.

TABLE 31: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE CHANGE PHYSICAL RISK: EXPOSURES SUBJECT TO PHYSICAL RISK

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Gross carrying amount (Mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Europe		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	73.1	18.5	0.3	0.0	0.0	3	6.6	7.9	4.2	8.4	0.6	-0.9	-0.3	-0.5
2	B - Mining and quarrying	2.3	0.7	0.0	0.0	0.0	3	0.2	0.2	0.3	0.2	0.0	0.0	0.0	0.0
3	C - Manufacturing	1,426.9	492.4	1.0	0.0	0.0	1	291.5	185.6	16.4	106.4	32.6	-4.4	-2.3	-1.7
4	D - Electricity, gas, steam and air conditioning supply	6.6	1.3	0.0	0.0	0.0	3	0.6	0.4	0.3	0.4	0.0	0.0	0.0	0.0
5	E - Water supply; sewerage, waste management and remediation activities	23.0	9.6	0.0	0.0	0.0	4	1.5	3.3	4.9	8.3	0.2	-0.5	-0.4	0.0
6	F - Construction	549.2	150.9	0.9	0.0	0.0	3	39.0	82.7	30.1	96.0	16.0	-16.1	-4.0	-11.7
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	16,252.1	1,863.2	7.3	0.1	0.0	3	317.5	1240.4	312.8	345.5	81.8	-64.4	-13.2	-38.4
8	H - Transportation and storage	318.7	131.9	0.6	0.1	0.0	3	25.0	74.1	33.4	101.8	13.4	-11.8	-3.5	-8.3
9	L - Real estate activities	148.8	52.7	0.3	0.1	0.0	7	20.9	26.2	6.0	22.3	4.2	-2.7	-1.7	-0.7
10	Loans 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
11	Loans collateralised by commercial immovable property	1,529.7	8.0	15.2	58.5	0.0	3	74.5	4.0	3.2	3.6	0.2	-0.7	-0.1	0.0
12	Repossessed collaterals	0.0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Other relevant sectors (breakdown below where relevant)	3,407.3	991.0	5.5	0.1	0.0	3	418.6	482.1	95.9	324.8	26.1	-36.0	-8.1	-15.9

Table 31 requires the disclosure of information on banking book positions (including loans and advances, debt securities, and equity instruments not held for trading or sale) with nonfinancial corporates, loans secured by real estate, and repossessed real estate collateral that are particularly exposed to the physical risks of climate change and related chronic and acute climate-related hazards. The exposures identified are allocated to those economic sectors (NACE sectors) and geographic areas in which the counterparty operates or the asset underlying the collateral is located that are subject to acute and chronic climate change events.

Volkswagen Bank GmbH's activities are for the most part confined to the countries of the European Union as well as the United Kingdom. Although the physical risks differ in the way they impact different locations, they are still similar in the individual countries from a portfolio perspective. Hazards caused by flood, heavy rain, water shortages, heat and fire are generally relevant in all European countries, although fire and heat are assumed to pose somewhat greater hazards in southern regions. On the other hand, the exposure of Volkswagen Bank GmbH's portfolio to tsunamis, hurricanes and earthquakes is considered to be generally low. Accordingly, no distinction is made in the disclosures in table 31 between the individual countries in which Volkswagen Bank GmbH operates.

A physical risk analysis methodology has been developed to assess the exposure of non-financial corporates and real estate to various hazards. This allows the impact of physical risks on the portfolio of Volkswagen Bank GmbH to be analyzed and the non-financial corporates and real estate exposed to physical risks to be identified.

Volkswagen Bank GmbH has identified potential exposure to physical risks on the basis of postcodes. Data provided by GFDRR - ThinkHazard! is mainly used as the input for the analysis. In addition to uniform data and maps on a wide range of physical natural hazards, it also offers an elaborate and transparent approach to homogeneous risk classification. To ensure the broadest possible coverage of hazards, additional scientific data suitable for the purposes relevant here was obtained from various portals or providers. The analysis included hazards arising from river and coastal flooding, tsunamis, earthquakes, hurricanes, fires, heavy rain, heat and water shortages.

It initially examined the exposure of the various portfolios of Volkswagen Bank GmbH to the individual hazards. The situation with respect to the individual hazards in the various locations was assessed on the basis of hazard maps and defined thresholds. The hazards were broken down into different levels depending on the assessed exposure in combination with the assumed probability of the hazard. This gave Volkswagen Bank GmbH granular results on exposure to individual hazards at the postcode level that can be allocated to the individual items in the banking book.

As a distinction is drawn between acute and chronic physical risks in terms of exposure to physical risks, the hazards considered by Volkswagen Bank GmbH were also classified accordingly. To this end, heat and water shortages are classified as chronic risks, while the other hazards are classified as acute physical risks.

The analysis shows that although the exposures in Volkswagen Bank GmbH's banking book are subject to acute and chronic risks, their proportion can be assumed to be moderate. This is due to the fact that exposure to physical risks tends to be lower in the case of vehicle-related financing or leasing business, as vehicles are mobile and are initially not exposed to certain hazards (e.g. heat, water shortages, heavy rain). Overall, no mitigating effects (e.g. insurance) were taken into account in the assessment of exposure to individual hazards.

Leverage

QUALITATIVE DISCLOSURE OF THE LEVERAGE RATIO

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.

QUANTITATIVE DISCLOSURE OF THE LEVERAGE RATIO

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 32: 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	70,425.7
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	1,350.1
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)	-1.6
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	53.1
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)	2,599.2
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	-1,819.0
13	**Total exposure measure**	**72,607.6**

The following table provides an overview of the individual components of the total exposure measure and compares the current reporting period with December 31, 2022.

TABLE 33: EU LR2 – LRCOM – LEVERAGE RATIO COMMON DISCLOSURE

		CRR LEVERAGE RATIO EXPOSURES	
		a	b
	in € millions	Jun 30, 2023	Dec 31, 2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	71,023.0	60,908.5
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)	-1,139.5	-989.0
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**69,883.5**	**59,919.5**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	32.8	127.8
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	92.1	72.5
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**	**124.9**	**200.2**
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	13,936.3	14,905.7
20	(Adjustments for conversion to credit equivalent amounts)	-11,337.1	-12,228.3
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**	**2,599.2**	**2,677.4**
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	Jun 30, 2023	Dec 31, 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	9,237.2	9,220.3
24	**Total exposure measure**	**72,607.6**	**62,797.1**
Leverage ratio			
25	Leverage ratio (%)	12.72%	14.68%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	12.72%	14.68%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.72%	14.68%
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)	72,607.6	62,797.1
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)	72,607.6	62,797.1
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)	12.72%	14.68%
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)	12.72%	14.68%

The leverage ratio excluding the impact of any temporary exclusions for central bank reserves stands at 14.01% 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 34: 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:	71,023.0
EU-2	Trading book exposures	0.0
EU-3	Banking book exposures, of which:	71,023.0
EU-4	Covered bonds	293.1
EU-5	Exposures treated as sovereigns	15,540.6
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	7.2
EU-7	Institutions	769.4
EU-8	Secured by mortgages of immovable properties	0.0
EU-9	Retail exposures	30,188.6
EU-10	Corporates	19,593.3
EU-11	Exposures in default	926.8
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	3,704.0

As a non-trading book institution, Volkswagen Bank GmbH has on-balance-sheet exposures of €71.0 billion that are held solely in the banking book. At 42.5%, retail risk exposures of €30.2 billion constitute the largest item.

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