

Diferencias contables entre criterios de la CNBV e IFRS (Emisora – Garante)

Volkswagen Financial Services Overseas AG (Garante) reporta sus resultados bajo las Normas Internacionales de Información Financiera (IFRS por sus siglas en inglés-International Financial Reporting Standards) y Volkswagen Bank S. A. Institución de Banca Múltiple. (Emisora) bajo las Disposiciones de carácter general aplicables a las Instituciones de Crédito (DCGAIC), emitidos por la Comisión Nacional Bancaria y de Valores (CNBV) en México, por lo que, a continuación se muestran de forma enunciativa las principales diferencias.

Este resumen no se debe tomar como exhaustivo de todas las diferencias entre los DCGAIC e IFRS. No se ha hecho ninguna tentativa de identificar todas las diferencias del registro, de la presentación o de la clasificación que afectarían las transacciones o los acontecimientos que se presentan en estados financieros, incluyendo las notas a los estados financieros. Se describe a continuación una descripción de las diferencias significativas entre los DCGAIC e IFRS.

Conceptos relevantes del resumen de diferencias entre DCGAIC e IFRS

De conformidad con los Criterios contables, a falta de un criterio contable específico de la CNBV, deberán aplicarse las bases de supletoriedad, conforme a lo establecido en la NIF A-8 “Supletoriedad”, en el siguiente orden, las IFRS aprobadas y emitidas por el Comité de Normas Internacionales de Contabilidad (International Accounting Standards Board, IASB), así como los Principios de Contabilidad Generalmente Aceptados aplicables en los Estados Unidos tanto las fuentes oficiales como no oficiales conforme a lo establecido en el Tópico 105 de la Codificación del Consejo de Normas de Contabilidad Financiera (Financial Accounting Standards Board, FASB), emitidos por el Financial Accounting Standards Board o, en su caso, cualquier norma de contabilidad que forme parte de un conjunto de normas formal y reconocido.

Pensiones (Beneficios a los empleados)

DCGAIC – NIF D 3 “Beneficios a los empleados”

Las obligaciones se reconocen en los resultados de cada ejercicio, con base en cálculos actuariales del valor presente de estas obligaciones basadas en el método de crédito unitario proyectado, utilizando tasas de interés reales.

Bajo las NIF mexicanas todos los beneficios por terminación, incluyendo aquellos que se pagan en caso de terminación involuntaria, son considerados dentro del cálculo actuarial para estimar el pasivo correspondiente por obligaciones laborales.

Al igual que la norma internacional, las NIF mexicanas miden los activos de los planes de pensiones a valor razonable; sin embargo, no especifican la utilización de un precio de oferta como referencia.

Bajo las NIF mexicanas no hay límite en el valor de los activos del plan que se puede reconocer.

Las NIF mexicanas utilizan como fecha de medición de los planes de beneficios definidos, la misma fecha que el balance general o un máximo de 3 meses antes del balance general.

Participación de los Trabajadores en las Utilidades (PTU) Diferida

Bajo las NIF mexicanas la PTU diferida se reconoce con base en el método de activos y pasivos.

IFRS – IAS 19 “Employee Benefits”

El cargo al estado de resultados se determina usando el método de Unidad de Crédito Proyectado con base en cálculos actuariales para cada esquema. Las diferencias actuariales se reconocen en el capital en el momento que suceden. Los costos de servicios tanto actuales como anteriores, junto con el desglose de descuentos menos el retorno esperado de activos planeados, se reconocen en gastos de operación.

Bajo las IFRS, una entidad reconoce los beneficios por terminación como pasivo siempre y cuando la entidad esté obligada a:

- (a) terminar el contrato de empleo de un empleado antes de la fecha de retiro; o
- (b) establecer beneficios por terminación como resultado de ofertas hechas para incentivar renuncias voluntarias.

Sin embargo, la misma norma internacional señala que algunos beneficios a empleados se pagan independientemente de la razón por la cual el empleado salga de la compañía. Sin embargo, los pagos por dichos beneficios se describen como indemnizaciones por terminación y son considerados más bien como beneficios posteriores en vez de beneficios por terminación.

Bajo las IFRS los activos de los planes de pensiones deben medirse a su valor razonable. En el caso de inversiones cotizadas en un mercado activo, el precio de oferta debe ser utilizado como referencia para dicha valuación.

Las IFRS establecen una prueba de “techo” sobre los activos del plan, bajo la cual se tiene que analizar la recuperación de dichos activos y se establece un límite para su reconocimiento.

Bajo las IFRS la fecha de medición de los planes de beneficios definidos (fecha en la cual se valúan los activos y pasivos del plan) es la misma fecha que el balance general.

Participación de los Trabajadores en las Utilidades (PTU) Diferida

Bajo las IFRS la PTU se considera como un beneficio a los empleados dado que se paga basándose en el servicio prestado por el empleado. Se trata como beneficio a corto o largo plazo. No se reconoce el diferido con base en el método de activos y pasivos dado a que ese método sólo se aplica a impuestos a las utilidades.

Costos de generación de contratos de crédito

DCGAIC - Anexo 33 (Circular Única de Bancos) B-6 “Cartera de crédito”

Los costos de transacción, así como de las partidas cobradas por anticipado se reconocerán como un cargo o crédito diferido, según corresponda y deberán amortizarse contra los resultados del ejercicio durante la vida del crédito, conforme a la tasa de interés efectiva.

Los costos de transacción incluyen, entre otros, honorarios y comisiones pagados a agentes, asesores e intermediarios, avalúos, gastos de investigación, así como la evaluación crediticia del deudor, evaluación y reconocimiento de las garantías, negociaciones para los términos del crédito, preparación y proceso de la documentación del crédito y cierre o cancelación de la transacción, incluyendo la proporción de la compensación a empleados directamente relacionada con el tiempo invertido en el desarrollo de esas actividades. Por otra parte, los costos de transacción no incluyen premios o descuentos, los cuales forman parte del valor razonable de la cartera de crédito al momento de la transacción.

IFRS – IFRS 9 “Financial instruments”

Los costos incrementales relacionados con la generación de contratos de administración de inversiones de largo plazo son parte integral de la tasa de interés efectiva de un instrumento financiero y estos se tratan como un ajuste a la tasa de interés efectiva, a menos que el instrumento financiero se mida a valor razonable, reconociendo los cambios en el valor razonable en el resultado del periodo.

Comisiones pagadas y recibidas por la colocación de créditos

DCGAIC - Anexo 33 (Circular Única de Bancos) B-6 “Cartera de crédito”

Los costos de transacción, así como de las partidas cobradas por anticipado se reconocerán como un cargo o crédito diferido, según corresponda y deberán amortizarse contra los resultados del ejercicio durante la vida del crédito, conforme a la tasa de interés efectiva.

IFRS – IFRS 9 “Financial instruments” / IFRS 15 “Revenue from contracts with customers”

Las comisiones cargadas por el servicio de préstamo no son una parte integrante de la tasa de interés efectiva de un instrumento financiero y se contabilizan de acuerdo con la IFRS 15.

IFRS – IFRS 15 “Revenue from contracts with customers”

Los ingresos de actividades ordinarias derivados del uso, por parte de terceros, de activos de la entidad que producen intereses, regalías y dividendos deben ser reconocidos de acuerdo con las bases establecidas, siempre que:

- (a) las partes del contrato lo hayan aprobado (por escrito, oralmente o de conformidad con otras prácticas comerciales habituales) y se hayan comprometido a satisfacer sus obligaciones respectivas;
- (b) la entidad pueda identificar los derechos de cada una de las partes en relación con los bienes o servicios a transferir;
- (c) la entidad pueda identificar las condiciones de pago en relación con los bienes o servicios a transferir
- (d) el contrato tenga carácter comercial (es decir, se espera que el riesgo, el calendario o el importe de los flujos de efectivo futuros de la entidad cambien como resultado del contrato); y
- (e) que sea probable que la entidad vaya a cobrar la contraprestación a que tendrá derecho a cambio de los bienes o servicios que se transferirán al cliente.

Los ingresos de actividades ordinarias deben reconocerse de acuerdo con las siguientes bases:

- (a) los intereses deberán reconocerse utilizando el método del tipo de interés efectivo, como se establece en la IFRS 9;
- (b) las regalías deben ser reconocidas utilizando la base de cumplimiento de obligaciones contractuales

Cuando se cobran los intereses de una determinada inversión, y parte de los mismos se han acumulado (o devengado) con anterioridad a su adquisición, se procederá a distribuir el interés total entre los periodos pre y post adquisición, procediendo a reconocer como ingresos de actividades ordinarias sólo los que corresponden al periodo posterior a la adquisición.

Costo amortizado de un activo financiero o de un pasivo financiero es la medida inicial de dicho activo o pasivo menos los reembolsos del principal, más o menos la amortización acumulada—calculada con el método de la tasa de interés efectiva—de cualquier diferencia entre el importe inicial y el valor de reembolso en el vencimiento, y menos cualquier disminución por deterioro del valor o incobrabilidad (reconocida directamente o mediante el uso de una cuenta correctora).

El método de la tasa de interés efectiva es un método de cálculo del costo amortizado de un activo o un pasivo financieros (o de un grupo de activos o pasivos financieros) y de imputación del ingreso o gasto financiero a lo largo del periodo relevante. La tasa de interés efectiva es la tasa de descuento que iguala exactamente los flujos de efectivo por cobrar o por pagar estimados a lo largo de la vida esperada del instrumento financiero (o, cuando sea adecuado, en un periodo más corto) con el importe neto en libros del activo financiero o pasivo financiero. Para calcular la tasa de interés efectiva, una entidad estimará los flujos de efectivo teniendo en cuenta todas las condiciones contractuales del instrumento financiero (por ejemplo, pagos anticipados, rescates y opciones de compra o similares), pero no tendrá en cuenta las pérdidas crediticias futuras. El cálculo incluirá todas las comisiones y puntos de interés pagados o recibidos por las partes del contrato, que integren la tasa de interés efectiva (ver la NIC 18 *Ingresos de Actividades Ordinarias*), así como los costos de transacción y cualquier otra prima o descuento. Se presume que los flujos de efectivo y la vida esperada de un grupo de instrumentos financieros similares pueden ser estimados con fiabilidad. Sin embargo, en aquellos raros casos en que esos flujos de efectivo o la vida esperada de un instrumento financiero (o de un grupo de instrumentos financieros) no puedan ser estimados con fiabilidad, la entidad utilizará los flujos de efectivo contractuales a lo largo del periodo contractual completo del instrumento financiero (o grupo de instrumentos financieros).

Reconocimiento del valor presente de contratos de seguros a largo plazo

DCGAIC - Anexo 33 (Circular Única de Bancos) B-6 “Cartera de crédito”

No se reconoce el valor presente de las ganancias futuras que se esperan obtener de los contratos de seguro a largo plazo. Las primas se reconocen cuando se cobran y las reservas son calculadas con base en lineamientos establecidos por la entidad reguladora de las empresas de seguro.

IFRS 4 – “Insurance contracts”

Se reconoce el valor de los contratos de seguros clasificados como de largo plazo, vigentes a la fecha de los estados financieros. El valor presente de los contratos de seguro a largo plazo se determina descontando las ganancias futuras que se esperan obtener de los contratos vigentes usando supuestos que toman en cuenta las condiciones económicas y experiencia previa.

Estimación preventiva para riesgos crediticios

DCGAIC - Anexo 33 (Circular Única de Bancos) B-6 “Cartera de crédito”

De acuerdo a las disposiciones relativas, la estimación preventiva para riesgos crediticios se determinará con base en las “Reglas para la Calificación de la Cartera Crediticia de las Instituciones de Banca Múltiple” y las “Reglas para la Calificación de la Cartera Crediticia de las Sociedades Nacionales de Crédito, Instituciones de Banca de Desarrollo” respectivamente, emitidas por la Secretaría de Hacienda y Crédito Público o las que las sustituyan.

El monto de dicha estimación deberá determinarse con base en las diferentes metodologías establecidas o autorizadas por la CNBV para cada tipo de crédito y nivel de riesgo de crédito mediante las Disposiciones, así como por las estimaciones adicionales requeridas en diversas reglamentaciones y las ordenadas y reconocidas por la CNBV, debiéndose registrar en los resultados del ejercicio del periodo correspondiente.

La entidad deberá evaluar periódicamente si un crédito con riesgo de crédito etapa 3 debe permanecer en el balance general, o bien, ser castigado. Dicho castigo se realizará cancelando el saldo del crédito contra la estimación preventiva para riesgos crediticios. Cuando el crédito a castigar exceda el saldo de su estimación asociada, antes de efectuar el castigo, dicha estimación se deberá incrementar hasta por el monto de la diferencia.

Las quitas, condonaciones, bonificaciones y descuentos, es decir, el monto perdonado del pago del crédito en forma parcial o total, se registrará con cargo a la estimación preventiva para riesgos crediticios. En caso de que el importe de estas exceda el saldo de la estimación asociada al crédito, previamente se deberán constituir estimaciones hasta por el monto de la diferencia.

Activos y pasivos financieros – valor razonable

DCGAIC – Boletín C- 2 “Instrumentos financieros”

Boletín C- 3 “Cuentas por cobrar”

NIF C-9 “Pasivos, provisiones, activos y pasivos contingentes y compromisos”

Activos financieros

Bajo las NIF mexicanas la clasificación de los activos financieros es diferente, ya que excluye a los préstamos y cuentas por cobrar cuya guía para el registro, presentación y revelación es el Boletín C-3. El Boletín C-2 de Instrumentos Financieros establece las siguientes 3 categorías de clasificación:

- Mantenedos hasta su vencimiento
- Disponibles para la venta
- Activos para negociación

Los costos de transacción directamente relacionados se registran como activos individuales y se amortizan utilizando el método de interés efectivo.

Las NIF mexicanas no ofrecen una guía en particular en relación con la medición del valor razonable (oferta/demanda).

Pasivos financieros

Bajo las NIF mexicanas no existen diferentes clasificaciones de pasivos. En el caso de préstamos obtenidos en efectivo, el pasivo debe reconocerse por el importe recibido o utilizado.

Los pasivos financieros que devengan intereses por financiamiento, deberán reconocerse por el total y en una cuenta complementaria de pasivo, los intereses por pagar conforme se vayan devengando.

Las NIF no son explícitas respecto a incluir el riesgo crediticio en las mediciones de valor razonable.

IFRS – IFRS 9 “Financial instruments”

Activos financieros

Las IFRS establecen las siguientes 3 categorías para la clasificación de los activos financieros:

- Activos financieros medido a costo amortizado
- Activos financieros medidos a valor razonable con cambios en otro resultado integral
- Activos financieros medidos a valor razonable con cambios en resultados

Bajo las IFRS, los costos de transacción directamente relacionados son capitalizados para todos los activos financieros a menos que sean clasificados en la categoría de activos medidos a valor razonable, en cuyo caso, se llevan a resultados u otro resultado integral en el momento que se originan.

Bajo las IFRS, para la valuación de activos financieros, el precio de mercado apropiado para un activo mantenido es el precio de oferta, y para un activo que va a ser adquirido, es el precio de demanda.

Pasivos financieros

Las IFRS reconocen dos clases de pasivos financieros:

1) Pasivos financieros medidos inicialmente a valor razonable y subsecuentemente a costo amortizado usando el método del interés efectivo.

2) Pasivo financiero designados a valor razonable con cambios en resultados

Una de las principales diferencias respecto de las NIIF versus las NIF es la utilización de ciertas partidas opcionales u obligatorias del valor razonable, el cual se define como el importe por el cual un activo podría ser intercambiado, o un pasivo cancelado, entre partes interesadas y debidamente informadas en condiciones de independencia mutua.

Las NIIF han introducido este concepto en la medición de ciertas partidas de los estados de situación financiera, lo cual también implica que la información debe revisarse cada vez que se presentan estados financieros, puesto que los incrementos en el valor razonable de un activo son ingresos, mientras que los decrementos son gastos.

En 2011, el IASB emitió IFRS 13, Fair Value Measurement misma que entró en vigor a partir del 1 de enero de 2013. Dicha norma establece una sola definición de “valor razonable” y proporciona orientación al respecto.

Contingencias

DCGAIC – NIF C-9 “Pasivos, provisiones, activos y pasivos contingentes y compromisos”

En el caso de medición de múltiples partidas, la mejor estimación corresponderá generalmente al “valor esperado”. También puede utilizarse el valor medio del intervalo, donde exista igualdad de oportunidad para la ocurrencia de cualquier punto en el rango de desenlaces.

La mejor estimación para una sola obligación aislada puede ser el desenlace más probable, no obstante, deben considerar otros desenlaces posibles.

IFRS – IAS 37 “Provisions, contingents liabilities and contingents assets”

Se provisiona la mejor estimación de la obligación. En el caso de mediación de múltiples partidas, la mejor estimación corresponderá generalmente al “valor esperado”. También puede utilizarse el valor medio del intervalo, donde exista igualdad de oportunidad para la ocurrencia de cualquier punto en el rango de desenlaces.

La mejor estimación para una sola obligación aislada puede ser el desenlace más probable, no obstante, deben considerarse otros desenlaces posibles.

Ingresos

El reconocimiento de ingresos bajo las NIF, se debe de llevar a cabo de acuerdo a lo establecido en las siguientes NIF:

DCGAIC – NIF C-2

La NIF C-2, Inversión en instrumentos financieros. - Una entidad debe reconocer una inversión en un instrumento financiero en su estado de situación financiera cuando éste se adquiere. Se considera que la fecha de adquisición es la fecha de transacción, o sea la fecha en que se adquiere el derecho sobre el instrumento financiero y se asume el compromiso de pago, pues el precio de compra queda generalmente fijado en esa fecha, aun cuando la fecha de liquidación sea en días posteriores.

DCGAIC – NIF C-16

La NIF C-16, Deterioro de instrumentos financieros por cobrar (IFC). - Los principales requerimientos de esta norma consisten en establecer que las pérdidas esperadas por deterioro de Instrumentos Financieros por Cobrar (IFC), deben reconocerse cuando al haberse incrementado el riesgo de crédito se concluye que una parte de los flujos de efectivo futuros del IFC no se recuperará.

La aplicación de esta NIF debe realizarse, siempre y cuando se haga en conjunto con la aplicación de la NIF C-2, Inversión en instrumentos financieros, la NIF C-3, Cuentas por cobrar, la NIF C-9, Provisiones, contingencias y compromisos, la NIF C-19, Instrumentos financieros por pagar, y la NIF C-20, Instrumentos financieros para cobrar principal e interés.

DCGAIC – NIF C-20

NIF C-20, Instrumentos financieros por cobrar. - Se refiere a instrumentos de financiamiento por cobrar que se generan por financiamiento de las cuentas por cobrar comerciales a largo plazo y de préstamos que las instituciones de crédito y otras entidades dan a sus clientes, o bien instrumentos de deuda adquiridos en el mercado con el objeto de obtener rendimiento.

DCGAIC – NIF D-1

NIF D-1, Ingresos por contratos con clientes.- Consiste en establecer un modelo de reconocimiento de ingresos basado en: i) la transferencia del control, base para la oportunidad del reconocimiento de ingresos; ii) la identificación de las diferentes obligaciones a cumplir en un contrato; iii) la asignación de los montos de la transacción entre las diferentes obligaciones a cumplir con base en precios de venta independientes; iv) incorporación del concepto de cuenta por cobrar condicionada, al satisfacerse una obligación a cumplir y generarse un derecho incondicional a la contraprestación porque sólo se requiere el paso del tiempo antes de que el pago de esa contraprestación sea exigible; v) el reconocimiento de derechos de cobro, que en algunos casos, se puede tener un derecho incondicional a la contraprestación antes de haber satisfecho una obligación a cumplir y; vi) la valuación del ingreso considerando aspectos como el reconocimiento de componentes importantes de financiamiento, la contraprestación distinta del efectivo y la contraprestación pagadera a clientes.

Ahora bien, el reconocimiento de ingresos bajo IFRS se lleva a cabo con base en la IFRS 15 “Revenue from contracts with customer”.

DCGAIC –IFRS 15 “Revenue from contracts with customers” / IFRS 9 “Financial instruments”

La IFRS 15 “Revenue from contracts with customers” estipula que un contrato debe reconocerse cuando:

- (a) las partes del contrato lo hayan aprobado (por escrito, oralmente o de conformidad con otras prácticas comerciales habituales) y se hayan comprometido a satisfacer sus obligaciones respectivas;
- (b) la entidad pueda identificar los derechos de cada una de las partes en relación con los bienes o servicios a transferir;
- (c) la entidad pueda identificar las condiciones de pago en relación con los bienes o servicios a transferir
- (d) el contrato tenga carácter comercial (es decir, se espera que el riesgo, el calendario o el importe de los flujos de efectivo futuros de la entidad cambien como resultado del contrato); y
- (e) que sea probable que la entidad vaya a cobrar la contraprestación a que tendrá derecho a cambio de los bienes o servicios que se transferirán al cliente.

De conformidad con la NIIF 9, el ingreso por intereses debe reconocerse utilizando el método de interés efectivo, el cual es definido como un método para calcular el costo amortizado del pasivo o activo financiero (o grupo de pasivos o activos) y de cargar ingreso o gasto financiero durante el período relevante.

Consolidación

DCGAIC – NIF B 8 “Estados financieros consolidados o combinados” NIF C-7 “Inversiones en asociadas y otras inversiones permanentes” Criterio C-5 “Consolidación de entidades de propósito específico”

De conformidad con las NIF, y con los criterios contables de la CNBV, se deben consolidar todos los activos y pasivos de las entidades sobre las que la tenedora tiene control e influencia significativa; sin embargo, los criterios contables de la CNBV establecen una excepción en el caso de las sociedades de inversión y otras compañías no pertenecientes al sector financiero, aun cuando la tenedora tenga influencia sobre ellas, no deben consolidarse.

En el caso de las NIF mexicanas no permiten la remedición al valor razonable de la inversión retenida en la fecha en que ocurre la pérdida del control de una entidad.

La NIF B-8 “Estados financieros consolidados y combinados” (“NIF B-8”) estipula que las entidades que opten por presentar estados financieros no consolidados deben reconocer la inversión en las subsidiarias con el método de participación. La NIF C-7 “Inversiones en asociadas y otras inversiones permanentes” (“NIF C-7”) también estipula, como regla general, que la inversión en empresas asociadas deberá reconocerse mediante el método de participación.

Bajo las NIF mexicanas, no es requerido evaluar la existencia de indicadores de deterioro de las inversiones en asociadas al término de cada periodo sobre el que se informa.

La NIF C-7 establece que cuando el valor razonable de la contraprestación pagada es menor que el valor de la inversión en la asociada, este último debe ajustarse al valor razonable de la contraprestación pagada.

IFRS – IFRS 10 “Consolidated Financial Statements” / IAS 28 “Investments in Associates and Joint Ventures”

La IAS 27 “Separate Financial Statements” estipula que las inversiones en subsidiarias, negocios conjuntos y asociadas se contabilicen:

- (a) Al costo o valor razonable;
- (b) De acuerdo con la IFRS 9 Instrumentos Financieros; o
- (c) Utilizando el método de participación tal como se describe en la IAS 28 Inversiones en Asociadas y Negocios Conjuntos

Bajo las IFRS, se le requiere al inversionista evaluar al término de cada periodo sobre el que se informa si existe cualquier evidencia objetiva de que su interés en una asociada está deteriorado. Si el inversionista identifica esta evidencia, el importe total en libros de la inversión debe ser analizado para posible deterioro.

Las IFRS se enfocan en el modelo basado en control, considerando los riesgos y beneficios en donde no existe un control aparentemente, para consolidar a las entidades.

En raras circunstancias bajo IFRS puede existir control sobre una entidad en casos donde se posee menos del 50% de las acciones con derecho a voto y no se tienen derechos legales o contractuales para controlar la mayoría de los poderes de voto o al consejo de administración, es decir, el control de facto es cuando un accionista mayoritario mantiene una inversión en el capital importante con respecto a otros debido a que los accionistas están dispersos entre el público en general.

Bajo las IFRS, si una empresa controladora pierde el control de una entidad, pero retiene una parte de la inversión, se requiere que la inversión retenida sea medida a valor razonable.

Los estados financieros consolidados de la entidad controladora y la subsidiaria, usualmente se realizan a la misma fecha. Las IFRS permiten fechas distintas de reporte proporcionando una diferencia entre las fechas de reporte de tres meses. Bajo las IFRS se hacen ajustes en las operaciones más importantes en que se incurran en ese periodo.

Las IFRS utilizan la presunción refutable de la influencia significativa con una participación del 20% o más. Sin embargo, se requiere efectuar un análisis sobre la existencia de influencia significativa.

La IAS 28 “Investments in Associates” (“IAS 28”) permite el reconocimiento de un ingreso en la adquisición de una inversión en una empresa asociada cuando el neto de valor razonable de los activos y pasivos adquiridos es superior a la contraprestación entregada.

DCGAIC – Anexo 33 (CUB) B 6 “Cartera de crédito”

Reconocimiento inicial

El saldo en la cartera de crédito será el monto efectivamente otorgado al acreditado y se registrará de forma independiente de los costos de transacción, así como de las partidas cobradas por anticipado, los cuales se reconocerán como un cargo o crédito diferido, según corresponda y deberán amortizarse contra los resultados del ejercicio durante la vida del crédito, conforme a la tasa de interés efectiva.

Reconocimiento posterior

La cartera de crédito debe valuarse a su costo amortizado, el cual debe incluir los incrementos por el interés efectivo devengado, las disminuciones por la amortización de los costos de transacción y de las partidas cobradas por anticipado, así como las disminuciones por los cobros de principal e intereses y por la estimación preventiva para riesgos crediticios.

El saldo insoluto de los créditos denominados en VSM o UMA se valorizará con base en el salario mínimo correspondiente o UMA, registrando el ajuste por el incremento como parte del costo amortizado, el cual se reconocerá en los resultados del ejercicio.

Los intereses cobrados por anticipado deberán presentarse junto con la cartera que les dio origen. Se consideran como ingresos por intereses los rendimientos generados por la cartera de crédito, contractualmente denominados intereses, los derivados de los derechos de cobro adquiridos (créditos deteriorados), la amortización de los intereses cobrados por anticipado, el ingreso financiero devengado en las operaciones de arrendamiento financiero, factoraje financiero, descuento y cesión de derechos de crédito, así como por los premios e intereses de otras operaciones financieras propias de las entidades tales como depósitos en entidades financieras, operaciones de préstamos interbancarios pactados a un plazo menor o igual a 3 días hábiles, cuentas de margen, inversiones en instrumentos financieros, operaciones de reporto y de préstamo de valores, operaciones con instrumentos financieros derivados, así como las primas por colocación de deuda.

IFRS

No existe una norma específica para el tratamiento de la cartera de crédito, por lo que se debe de considerar en lo establecido en las normas IFRS 15 “Revenue from contracts with customers” e IFRS 9 “Financial instruments”.

Volkswagen Financial Services Overseas Aktiengesellschaft

(Formerly: Volkswagen Financial Services Aktiengesellschaft)

ANNUAL REPORT

IFRS

2024

Key Figures

VOLKSWAGEN FINANCIAL SERVICES OVERSEAS AG

€ million (as of Dec. 31)	2024	2023 ¹
Total assets	31,378	146,351
Loans to and receivables from customers attributable to		
Retail financing	19,125	21,822
Dealer financing	4,421	4,918
Leasing business	1,124	1,102
Lease assets	2,455	2,347
Equity	3,990	22,863
Operating profit	460	753
Profit before tax	396	915

1 Prior-year figures restated.

in percent (as of Dec. 31)	2024	2023
Overhead Ratio ¹	1.4	–
Equity ratio ²	12.7	15.6
Return on equity ³	9.2	19.8

1 General and administrative expenses less other taxes and income from the reversal of provisions and accrued liabilities/average total assets. The figure was determined using calculated total assets as of January 1, 2024 (December 31, 2023: total assets – assets held for sale (IFRS 5)). The figure was calculated for the first time the 2024 fiscal year..

2 Equity / total assets.

3 Profit before tax / average equity. The figure was determined using calculated equity as of January 1, 2024 (December 31, 2023: equity – assets held for sale (IFRS 5) + liabilities associated with assets held for sale (IFRS 5)).

Number (as of Dec. 31)	2024	2023
Employees	2,930	12,009
Germany	48	5,577
International	2,882	6,432

RATING (AS OF DEC. 31)	STANDARD & POOR' S			MOODY' S INVESTORS SERVICE			FITCH RATINGS LIMITED		
	Short-Term	Long-Term	Outlook	Short-Term	Long-Term	Outlook	Short-Term	Long-Term	Outlook
Volkswagen Financial Services Overseas AG	A-2	BBB+	stable	P-2	A3	negative	F1	A-	stable

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

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Fundamental Information about the Group

Volkswagen Financial Services Overseas AG and its companies are providers of a wide range of mobility services.

BUSINESS MODEL

The companies of the Volkswagen Financial Services Overseas AG Group together provide a wide range of mobility services, offering products such as car subscriptions and a variety of services as well as traditional financing and leasing options. The key objectives of Volkswagen Financial Services Overseas AG in non-European third-party countries are:

- > To promote sales of Group products for the benefit of the Volkswagen Group brands and their distribution partners
- > To strengthen customer loyalty to Volkswagen Financial Services Overseas AG and the Group brands along the automotive industry value chain, including through the targeted use of digital products and mobility solutions
- > To create synergies for the Group by combining Group and brand requirements in the finance and mobility services areas
- > To generate and sustain a high level of return on equity for the Group

Following the completion of the restructuring as of July 1, 2024, the former third-country activities are being continued with otherwise unchanged product offerings.

ORGANIZATION OF THE VOLKSWAGEN FINANCIAL SERVICES OVERSEAS AG GROUP

The companies of the Volkswagen Financial Services Overseas AG Group provide financial services to private, corporate and fleet customers and to the dealer organization of the Volkswagen brands. The close integration of marketing, sales and customer service focused on customers' needs is of central importance for the establishment of lean processes and the efficient implementation of the sales strategy.

Since July 1, 2024, the Board of Management of Volkswagen Financial Services Overseas AG has consisted of two members. Kai Vogler serves as the CEO (Chair of the Board of Management). This role covers functions such as corporate management, sales and marketing, audit and information technology. As CFO, Patrick Welter is responsible for functions such as risk management, controlling, treasury and compliance.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as in accordance with the additional disclosures required by German commercial law under section 315e(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code).

On the basis of the statutory provisions, Volkswagen Financial Services Overseas AG Group makes use of the option to prepare a combined management report.

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

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

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

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

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

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

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

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

In connection with the spin-off of the European operations the associated employment relationships with employees and all employee-related obligations, liabilities and provisions from employment relationships and former employment relationships of Volkswagen Financial Services Overseas AG were transferred to Volkswagen Financial Services AG. Some of these employment relationships that were transferred to Volkswagen Financial Services AG were transferred to Volkswagen Bank GmbH, Volkswagen Leasing GmbH, Volkswagen Versicherung AG, Volkswagen Insurance Brokers GmbH or Vehicle Trading International (VTI) GmbH immediately after the spin-off took effect on the basis of transfer agreements or through business unit transfers in accordance with section 613a of the *Bürgerliches Gesetzbuch* (German Civil Code – BGB).

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

By pooling its activities in a European financial services provider and through the spin-off of Volkswagen Leasing GmbH to Volkswagen Bank GmbH, Volkswagen Bank GmbH can optimally use its funding strength to expand the leasing business in Germany and Europe. The new Group structure takes into account both the expected business growth and the increasing trend away from vehicle financing in favor of leasing. The reorganization will bring to an end the limits on the extension of funds by Volkswagen Bank GmbH to Volkswagen Leasing GmbH. In addition to placing bonds and engaging in ABS transactions, Volkswagen Bank GmbH can now also use the significant increase in customer deposits to fund the planned business growth.

Volkswagen Financial Services AG assumed the bonds of Volkswagen Financial Services Overseas AG that are traded on regulated markets and belong to the European operation. This means that since July 1, 2024, Volkswagen Financial Services AG has been active in the capital markets pursuant to section 264d of the HGB for the first time. The bonds are being used to fund the subsidiaries. As of the reporting date, following completion of the restructuring of the subgroups, Volkswagen Financial Services Overseas AG is not a publicly traded share capital company within the meaning of section 264d of the *Handelsgesetzbuch* (HGB – German Commercial Code) and does not have the status of a public-interest entity pursuant to section 316a of the HGB.

Volkswagen Bank GmbH and Volkswagen Leasing GmbH dominate the subgroup's business focus due to their size. They are regulated companies and must therefore comply with the relevant supervisory requirements. Volkswagen Financial Services AG as the parent company and its subordinate companies make up a financial holding company as defined by section 10a of the *Kreditwesengesetz* (German Banking Act – KWG). In its function as a financial holding company, Volkswagen Financial Services AG is regulated accordingly.

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

MOBILITY2030 STRATEGY

The core mission of Volkswagen Financial Services Overseas AG is to develop and make available a comprehensive mobility platform, together with the brands of the Volkswagen Group, and thus to give customers rapid, digital and flexible access to mobility – from financing and leasing options to car sharing and the Auto Abo car subscription product.

As a provider of mobility solutions, we have formulated a clear growth plan in our MOBILITY2030 strategy and intend to extend our relationship with customer and vehicle throughout the automotive value chain.

Five strategic dimensions for the practical implementation of this growth plan are defined in MOBILITY2030:

- > **Customer loyalty:** “We maximize the loyalty of our customers to our Group brands.”
- > **Vehicle:** “We develop business potential along the entire vehicle cycle together with the Group brands.”
- > **Performance:** “We act in an entrepreneurial manner and strive for the greatest possible success.”
- > **Data and technology:** “We use data and technology as the mainstays of our success.”
- > **Sustainability:** “We drive the transition to zero-emissions mobility in line with the Volkswagen Group’s ESG principles.”

SIGNIFICANT CHANGES IN EQUITY INVESTMENTS

In preparation for the reorganization and transfer as of July 1, 2024, the following material changes in equity investments have occurred:

In February 2024, Volkswagen Finance Overseas B.V., Amsterdam, Netherlands, a wholly owned subsidiary of Volkswagen Financial Services Overseas AG, transferred the following wholly owned equity investments to Volkswagen Finance Europe B.V., Amsterdam, Netherlands, until June 30, 2024 also a wholly owned subsidiary of Volkswagen Financial Services Overseas AG, by way of a spin-off:

- > Volkswagen Renting S.A., Alcobendas, Spain
- > Volkswagen Renting, Unipessoal, Lda., Amadora, Portugal,
- > Volkswagen Finance Belgium S.A., Brussels, Belgium
- > Volkswagen Financial Services (UK) Ltd., Milton Keynes, United Kingdom,
- > Volkswagen Financial Services N.V., Amsterdam, Netherlands
- > Volkswagen Financial Services Polska Sp. z o.o., Warsaw, Poland
- > Volkswagen Serwis Ubezpieczeniowy Sp. z o.o., Warsaw, Poland
- > Volkswagen Finans Sverige AB, Södertälje, Sweden
- > Volkswagen Insurance Services, Correduria de Seguros, S.L., El Prat de Llobregat, Spain
- > Volkswagen Mobility Services S.p.A., Bolzano, Italy
- > Volkswagen Financial Services Ireland Ltd., Dublin, Ireland
- > MAN Financial Services España S.L., Alcobendas, Spain
- > MAN Financial Services GesmbH, Eugendorf, Austria
- > MAN Financial Services Poland Sp. z o.o., Nadarzyn, Poland and
- > ŠkoFIN s.r.o., Prague, Czech Republic.

The restructuring described above, involving the separation of the European and non-European financial services business, came into effect as of July 1, 2024.

In this connection, Volkswagen Financial Services Overseas AG (formerly Volkswagen Financial Services AG) spun off its wholly owned equity investment in Volkswagen Leasing GmbH to Volkswagen Bank GmbH as of July 1, 2024.

Also as of July 1, 2024, Volkswagen Financial Services Overseas AG (formerly Volkswagen Financial Services AG) spun off the following European equity investments (including various subsidiaries of the equity investments) to Volkswagen Financial Services AG (formerly Volkswagen Financial Services Europe AG):

Subsidiaries in Germany:

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

Subsidiaries outside Germany:

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

Also on July 1, 2024, the former “VOLKSWAGEN FINANCIAL SERVICES AG” was renamed “Volkswagen Financial Services Overseas AG”, and the former “Volkswagen Financial Services Europe AG” was renamed “Volkswagen Financial Services AG”.

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

Effective January 18, 2024, Volkswagen Financial Services Overseas AG sold 99.9% and Volkswagen Finance Overseas B.V. sold 0.1% of OOO Volkswagen Group Finanz, Moscow, Russia, and OOO Volkswagen Financial Services RUS, Moscow, Russia, to an external investor. The sale marks the exit from the Russian market.

INTERNAL MANAGEMENT

The Company's key performance indicators are determined on the basis of IFRSs and are presented as part of the internal reporting system. The most important nonfinancial performance indicators are penetration, number of current contracts and new contracts concluded. The financial key performance indicators are the volume of business, operating result, return on equity and the overhead ratio.

KEY PERFORMANCE INDICATORS

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

As of December 31, 2024, customer satisfaction and the external employer ranking were not used as non-financial performance indicators.

Report on Economic Position

The global economy recorded positive growth in 2024. Global demand for vehicles increased slightly as compared with the previous year. The operating result of Volkswagen Financial Services Overseas AG was very much lower than the prior-year level.

OVERALL ASSESSMENT OF THE COURSE OF BUSINESS AND THE GROUP'S ECONOMIC POSITION

As a result of the restructuring described above, spin-offs of shares of subsidiaries, equity investments and other assets and liabilities by Volkswagen Financial Services Overseas AG were made with legal effect as planned as of July 1, 2024. Specifically, this relates to lateral spin-offs of the following previous parts of Volkswagen Financial Services Overseas AG:

- > Spin-off of the shares in the subsidiary Volkswagen Leasing GmbH to Volkswagen Bank GmbH.
- > Spin-off of the European operation of Volkswagen Financial Services Overseas AG, including shares of European subsidiaries and equity investments plus other assets and liabilities, to the new financial holding company, Volkswagen Financial Services AG.

For this reason, the total assets of Volkswagen Financial Services Overseas AG were reduced by around 79% in the fiscal year, mainly due to the derecognition of the "Assets held for sale (IFRS 5)" line item reported the previous year on the assets side of the balance sheet. Correspondingly, on the liabilities side of the balance sheet, the liabilities associated with assets held for sale (IFRS 5) and equity were reduced by the proportions of equity that were reclassified to cover the decrease in assets. As well as the development of the profit after tax from continuing operation, the profit after tax from discontinued operation was reported as an aggregate item in the income statement for the first six months of the fiscal year until implementation of the restructuring. The following explanations of the deviations from the prior year relate to the change in the values of key performance indicators and of performance indicators in the balance sheet and income statement for continuing operation of Volkswagen Financial Services Overseas AG.

The operating result in the 2024 fiscal year was very much lower than the previous year's level, which was mainly due to the very strong increase in the provision for credit risks following the elimination of the prior year's positive one-time items.

New business worldwide was at the previous year's level.

The business volume declined noticeably year on year, accompanied by a decrease in loans to and receivables from customers, especially in China.

The share of financed and leased vehicles in the Group's worldwide deliveries (penetration) stood at 13.5 (15.8)% at the end of 2024.

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

Funding costs were slightly higher than in the previous year.

Margins were slightly below the level of the previous year (–3.7%).

The credit risk situation arising from Volkswagen Financial Services Overseas AG's overall portfolio was largely shaped by macroeconomic factors (chiefly rising consumer prices) and increased competitive pressure in fiscal year 2024. This resulted in a noticeably smaller portfolio and an increased risk situation.

The residual value portfolio is essentially of minor significance to Volkswagen Financial Services Overseas AG because customer demand at present is focused mainly on financial products. Nevertheless, significant growth in the portfolio was achieved, driven especially by the Brazilian market. Changes in residual value risk continue to be closely monitored on an ongoing basis, leading to corresponding measures where required.

The liquidity risk for the Volkswagen Financial Services Overseas AG Group was essentially on a level with the previous year in fiscal year 2024. The existing sources of funding were adequate to enable the growth achieved in the fiscal year. A wide range of funding instruments were used in a number of different currency areas, regions and countries. The funding structure remained broadly diversified in terms of the instruments used. The Group's main sources of funding, comprising money and capital markets, ABSs and funding through banks, continued to be available at Group level and could still be used as required.

The Board of Management of Volkswagen Financial Services Overseas AG considers the course of business to have been positive in 2024 despite the expected year-on-year fall in earnings.

CHANGES IN KEY PERFORMANCE INDICATORS FOR FISCAL YEAR 2024 COMPARED WITH PRIOR-YEAR FORECASTS

	Actual 2023	Forecast for 2024		Actual 2024
Nonfinancial performance indicators				
Penetration (percent)	15.8	> 15.8	significantly up on previous year	13.5
Current contracts (thousands)	4,573	> 4,573	significantly up on previous year	4,646
New contracts (thousands)	1,977	> 1,977	significantly up on previous year	1,940
Financial performance indicators				
Volume of business (€ million)	30,189	> 30,189	slightly up on previous year	27,124
Operating result (€ million)	754	< 754	noticeably below previous year	460
Return on Equity in (percent)	19.8	< 19.8	strongly below previous year	9.2
Overhead ratio (percent) ¹	–			1.4

¹ First-time calculation in the 2024 fiscal year

DEVELOPMENTS IN THE GLOBAL ECONOMY

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

North America

In the USA, gross domestic product in the reporting year grew at a somewhat slower pace than in the previous year. On account of relatively high inflation and a tight labor market, the US Federal Reserve initially maintained its restrictive monetary policy. After the first key rate cut in September, interest rates were reduced twice more before the end of the reporting year. Canada's economic growth was just under the prior-year figure, but in Mexico the slowdown was more pronounced.

South America

In Brazil, economic output grew at an unchanged pace, while there was a stronger decrease in the pace of growth in Argentina compared with the previous year.

Asia-Pacific

In the reporting year, China's economy expanded at a high level compared with other parts of the world, but fell somewhat short of the prior year. There was relatively sharp growth in India's economy, though also at a slower pace than in 2023, while Japan's economic output decreased somewhat.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

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

In Türkiye, inflation continued to fall on the strength of the government's continuous fiscal tightening. The trend towards longer maturities in refinancing continued, giving a boost to the credit-based financing business with private and commercial customers. This development also had a positive effect on the insurance business to some degree. By contrast, the leasing-based fleet business remained under pressure.

Vehicle sales in South Africa declined year-on-year in the reporting year. As a result, the number of financing packages purchased also decreased. The decline was due to domestic political uncertainty, the continuing subdued economic conditions and high energy prices. The economic challenges also led to tightening of lending requirements – a disadvantage for people with lower incomes.

On the whole, the markets for financial services in the North America region developed favorably in 2024 compared with the previous year. In the USA, Canada and Mexico, deliveries, the number of leasing and financing contracts, new vehicle penetration and new contracts for insurance and after-sales products were all up on the prior-year figures.

In the South America region, the market for financial services remained strong. In Brazil, the number of new contracts rose thanks to the range of financial services targeted at specific customer groups, as well as increased deliveries. The number of car subscriptions and fleet management programs entered into also rose. In Argentina, the level of financial services contracts was stable in spite of challenging, though slowly improving macroeconomic conditions.

The Chinese automotive market witnessed a further rise in demand for electrified and used vehicles in the reporting year. In addition, banks were increasingly gaining a foothold in the market with their own products. This, in turn, also affected demand for automotive financial services. In Japan, the financial and insurance market remained relatively stable in the reporting year despite waning vehicle demand and rising interest rates; innovations in the insurance sector provided a source of positive impetus.

The financial services business for heavy commercial vehicles was slightly up on the prior-year level in fiscal year 2024. The long delivery times for commercial vehicles normalized over the course of the year thanks to improvements in supply chains.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In 2024, the volume of the passenger car market worldwide was slightly up on the prior-year figure, with most regions developing favorably. Western Europe was on a level with the previous year, while the Middle East region came in slightly lower. The supply situation continued to return to normal levels and the affordability of vehicles improved in some regions of the world.

The global volume of new registrations of light commercial vehicles in fiscal year 2024 was similar to the previous year.

Sector-specific environment

Along with fiscal policy measures, the sector-specific environment was affected by the economic situation, which contributed to the mixed trends in unit sales in the markets in the fiscal year now ended. The fiscal policy measures included tax cuts or increases, the introduction, expiry and adjustment of incentive programs and sales incentives, as well as import duties. In addition, non-tariff trade barriers to protect the respective domestic automotive industries made the movement of vehicles, parts and components more difficult.

North America

Sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) were up slightly in the North America region in fiscal year 2024. With the availability and affordability of new vehicles improving on average, the volume of the US market was slightly higher than in the previous year. Canada and Mexico both recorded a noticeable improvement year-on-year.

South America

In the South America region, the volume of new vehicle registrations for passenger cars and light commercial vehicles was noticeably higher in the reporting year than for 2023. The number of new registrations in Brazil increased significantly compared with the previous year, while the Argentinian market recorded a noticeable contraction.

Asia-Pacific

In the Asia-Pacific region, the volume of the passenger car market from January to December 2024 was similar to the previous year. The number of new registrations in the Chinese passenger car market was slightly higher than the 2023 figure due to measures including extensive government sales incentives and lower prices. The Indian passenger car market also saw slight growth. In Japan, by contrast, the market declined noticeably and had a dampening effect on growth in the region.

In 2024, the volume of demand for light commercial vehicles in the Asia-Pacific region was slightly below the level for the previous year. Registration volumes in China, the region's dominant market and the largest market worldwide, tapered off noticeably compared with the period one year earlier.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

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

Türkiye recorded a significant drop in new registrations. There was a noticeable fall in demand in the South African market. The truck market in North America is divided into weight classes 1 to 8. In the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier) – the level of new registrations was slightly lower than in the previous year. In contrast, in Brazil, the largest market in the South America region, demand for trucks in the reporting year was significantly up year-on-year.

Demand in the bus markets relevant for the Volkswagen Group was on a level with 2023. The school bus segment in the USA and Canada saw a noticeable decline compared with the prior year, while new registrations of buses in Mexico were significantly higher than in the previous year. Brazil reported a noticeable year-on-year growth in demand for buses.

GLOBAL DELIVERIES TO CUSTOMERS OF THE VOLKSWAGEN GROUP

	DELIVERIES OF VEHICLES		Change in percent
	2024	2023	
Deliveries of passenger cars worldwide¹	8,693,208	8,901,350	-2.3
Volkswagen Passenger Cars	4,796,931	4,866,803	-1.4
ŠKODA	926,567	866,820	+6.9
SEAT/CUPRA	558,159	519,176	+7.5
Volkswagen Commercial Vehicles	408,285	409,418	-0.3
Audi	1,671,218	1,895,240	-11.8
Lamborghini	10,687	10,112	+5.7
Bentley	10,643	13,560	-21.5
Porsche	310,718	320,221	-3.0
Deliveries of commercial vehicles worldwide²	334,216	338,184	-1.2
Scania	102,120	96,568	+5.7
MAN	95,705	115,653	-17.2
Navistar	90,562	88,890	+1.9
Volkswagen Truck & Bus	45,829	37,073	+23.6

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

2 The delivery figures for the prior year have been restated following statistical updates.

FINANCIAL PERFORMANCE

The explanations of the financial performance relate to continuing operation of Volkswagen Financial Services Overseas AG.

The course of business was positive for the companies of Volkswagen Financial Services Overseas AG in fiscal year 2024 despite the fall in earnings, which had been anticipated.

The operating result fell very sharply year-on-year to €460 (753¹) million. This was mainly due to the very strong increase in the provision for credit risks following the elimination of the prior year's positive one-time item.

Profit before tax was down very sharply year-on-year at €396 (915) million.

Return on equity amounted to 9.2² (19.0)%.

Interest income from lending transactions and marketable securities was €2,585 million (+0.5%) and therefore on a level with the previous year.

Net income from leasing transactions amounted to €457 (373) million, a strong increase compared to the previous year's level. This was mainly due to the increased volume of contracts in Brazil. The impairment losses on lease assets of €11 (6) million included in net income from leasing transactions were attributable to current market fluctuations and expectations.

Interest expenses were slightly above the previous year's level at €1,729 (1,652) million.

Net income from service contracts amounted to €19 (18) million and was significantly above the prior-year figure.

At €-233 (76) million, the provision for credit risks was very markedly higher than the prior year's figure and was mainly attributable to Brazil and China. In the previous year, the provision for credit risks was greatly impacted by one-time items caused by the reversal of additional country-specific valuation allowances of €439 million. As of the end of fiscal year 2024, no additional country-specific valuation allowances were necessary.

Net fee and commission income amounted to €55 (58) million, a noticeable decrease on the prior-year figure.

General and administrative expenses were slightly down on the previous year at €447 (469) million.

The overhead ratio was 1.4³%.

Net other operating expenses was slightly below the prior-year level at €208 (217) million. An amount of €22 (21) million was added to the provisions for legal risks and recognized through profit or loss in net other operating income/expenses.

The share of profits and losses of equity-accounted joint ventures saw a strong decrease year-on-year to €-44 (50) million. This was mainly due to the loss after tax of the Turkish joint venture.

The net gain/loss on miscellaneous financial assets €-12 (103) million in the current fiscal year includes impairment losses of €13 million for unconsolidated subsidiaries.

On the basis of these figures, together with the other income and expense components, the Volkswagen Financial Services Overseas AG Group generated profit after tax of €184 (552) million.

Under Volkswagen Financial Services Overseas AG's current control and profit-and-loss transfer agreement, a profit of €207 million reported by Volkswagen Financial Services Overseas AG in its single-entity financial statements prepared in accordance with the HGB was transferred to the sole shareholder, Volkswagen AG.

¹ Changes to prior-year figures in accordance with the explanations in the notes concerning the corrected accounting of provisions for fair value balances under "Changes to Prior-Year Figures"

² The figure was determined using calculated total assets as of January 1, 2024 (December 31, 2023: total assets – assets held for sale (IFRS 5))

+ Liabilities associated with assets held for sale (IFRS 5)).

³ The figure was determined using calculated total assets as of January 1, 2024 (December 31, 2023: total assets – assets held for sale (IFRS 5)).

NET ASSETS AND FINANCIAL POSITION

Lending business

At 27.8 billion in total, loans to and receivables from customers and lease assets – which make up the core business of the Volkswagen Financial Services Overseas AG Group – accounted for approximately 89% of the Group's total assets.

The volume of retail lending decreased by a total of €2.7 billion to 19.1 billion (–12.4%). The decline was mainly attributable to China.

The number of new retail financing contracts came to 699 thousand, which was below the prior-year level (827 thousand). The number of current contracts stood at 1,970 (2,207) thousand at the end of the year.

The overall lending volume in dealer financing – which comprises loans to and receivables from Group dealers in connection with financing for inventory vehicles, as well as working capital and investment loans – decreased to €4.4 billion (–10.1%).

Overall, receivables from leasing transactions were slightly above the previous year's level at €1.1 billion (+2.0%). Lease assets recorded overall growth of €0.1 billion to €2.5 billion (+4.6%).

A total of 143 thousand new leases were entered into in the reporting period. There were 200 thousand lease vehicles in the contract portfolio as of December 31, 2024. The largest contribution came from LM Transp. Interestaduais Serviços e Comércio S.A., Salvador, Brazil, which has a contract portfolio of 91 thousand lease vehicles.

Total assets of the Volkswagen Financial Services AG Overseas Group fell to €31.4 billion year-on-year (–78.6%). This decline was mainly attributable to the restructuring.

There were 2,476 thousand service and insurance contracts at the end of the year. The new business volume of 1,097 thousand contracts was up on the prior-year figure (1,024 thousand).

Deposit business and borrowings

In terms of capital structure, the significant liability items included liabilities to banks in the amount of €14.1 billion (–13.9%), liabilities to customers amounting to €3.3 billion (–13.9%) and notes, commercial paper issued in the amount of €8.6 billion (+8.8%). Further details on the funding and hedging strategy can be found in the Liquidity Analysis and Funding sections and in the disclosures on interest-rate risk and liquidity risk in the risk report.

Subordinated capital

The subordinated capital was strongly below the previous year's level at €0.1 billion (–26.7%).

Equity

The subscribed capital of Volkswagen Financial Services AG remained unchanged at €441 million in fiscal year 2024. Equity in accordance with the IFRSs was €4.0 (22.9) billion. This resulted in an equity ratio (equity divided by total assets) of 12.7% based on total assets of €31.4 billion.

Changes in off-balance-sheet liabilities

Off-balance-sheet liabilities increased by a total of €4,241 million year-on-year to €4,983 million as of December 31, 2024.

Following the spin-off and absorption of the shares of Volkswagen Leasing GmbH by Volkswagen Bank GmbH, the special liability provision of section 133 of the *Umwandlungsgesetz* (German Transformation Act – UmwG) means that there is joint and several liability for the legacy liabilities of the former Volkswagen Financial Services AG, now Volkswagen Financial Services Overseas AG, although this liability is limited to the allocated net assets of VW Leasing GmbH. Since the lion's share of the liabilities of former Volkswagen Financial Services AG, now Volkswagen Financial Services Overseas AG, has been transferred to the present-day financial holding company Volkswagen Financial Services AG by way of a spin-off, the joint and several liability essentially extends to the legacy liabilities that were transferred to the financial holding company Volkswagen Financial Services AG. Volkswagen Financial Services AG has placed a cash deposit with Volkswagen Bank GmbH to ensure compliance with the Volkswagen Bank GmbH Group's large exposure provisions.

KEY FIGURES BY SEGMENT AS OF DECEMBER 31, 2024

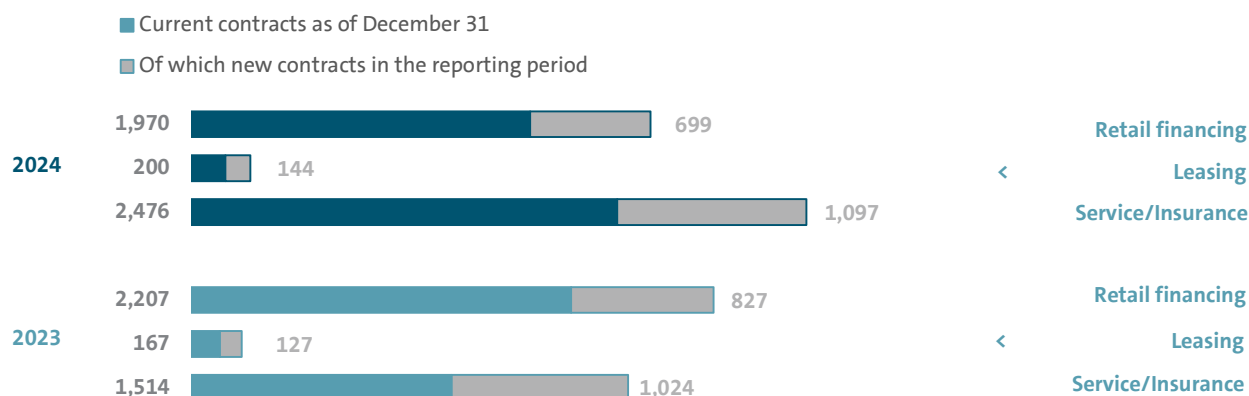
in thousands	Brazil	Mexico	China	Australia	Other companies ¹	VW FS Overseas AG Group
Current contracts	1,550,797	822,387	782,718	191,749	1,298,474	4,646,125
Retail financing	539,931	160,482	767,329	162,196	339,749	1,969,687
of which: consolidated	539,931	160,482	767,329	162,196	171,526	1,801,464
Leasing business	91,146	50,496	15,389	7,719	35,732	200,482
of which: consolidated	91,146	50,496	15,044	7,719	25,116	189,521
Service/insurance	919,720	611,409	–	21,834	922,993	2,475,956
of which: consolidated	919,720	514,296	–	21,834	256,667	1,712,517
New contracts	809,870	347,293	186,128	68,723	528,067	1,940,081
Retail financing	265,783	73,524	162,385	59,838	137,955	699,485
of which: consolidated	265,783	73,524	162,385	59,838	58,638	620,168
Leasing business	77,454	24,252	23,743	3,316	15,126	143,891
of which: consolidated	77,454	24,252	23,511	3,316	6,036	134,569
Service/insurance	466,633	249,517	–	5,569	374,986	1,096,705
of which: consolidated	466,633	189,935	–	5,569	87,318	749,455
€ million						
Loans to and receivables from customers attributable to						
Retail financing	6,561	1,697	5,029	3,279	2,558	19,125
Dealer financing	386	843	860	1,791	540	4,421
Leasing business	97	648	1	64	314	1,124
Lease assets	1,732	144	2	62	515	2,455
Investment ²	1,232	14	2	48	186	1,481
Operating result	197	160	145	47	–90	460
Percent						
Penetration ³	41.2	43.7	4.7	45.6	27.2	13.5
of which: consolidated	41.2	43.7	4.7	45.6	46.6	12.8

1 The other companies include the markets of Japan, Korea and Taiwan, as well as the markets of Argentina, India, South Africa and Türkiye in terms of the number of contracts and the penetration rate. They also include the Volkswagen Financial Services Overseas AG holding company, the holding companies in the Netherlands and consolidation effects.

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

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

NEW AND EXISTING CONTRACTS AS OF DECEMBER 31 AS OF DECEMBER 31, 2024



LIQUIDITY ANALYSIS

Following the restructuring, the companies that remain part of Volkswagen Financial Services Overseas AG are mainly funded in the local markets. The companies are funded primarily through capital market and ABS (asset-backed securities) programs, bank credit lines and loans from companies of the Volkswagen AG Group. Committed and uncommitted credit facilities with companies of the Volkswagen AG Group are also available to protect against unexpected fluctuations in the liquidity position.

Within the context of an outsourcing agreement to ensure that there is appropriate liquidity management, Treasury prepares liquidity maturity balances, carries out cash flow forecasts and takes action as required.

Funding and liquidity management are conducted locally by the subsidiaries of Volkswagen Financial Services Overseas AG. Volkswagen Financial Services Overseas AG has established an internal control system (ICS) to measure the liquidity risk for the subsidiaries. The liquidity risk is managed using a maturity structure for Treasury liabilities. The limits are reviewed each month in a process that acts as an early warning indicator. The central reporting takes place on a quarterly basis.

Various subsidiaries of Volkswagen Financial Services Overseas AG must fulfill a variety of regulatory liquidity requirements at local level.

FUNDING

Strategic principles

In terms of funding, Volkswagen Financial Services Overseas AG pursues a strategy of diversification. This includes optimizing available instruments, currencies, terms and interest rates, taking account of cost and risk aspects.

Funding for the international entities is also intended to be largely procured locally. Bank credit lines, ABSs and unsecured capital market bonds are the strategic funding instruments for this purpose.

Implementation

Implementation of the reorganization has resulted in structural changes and changes under company law in respect of the bonds issued before July 1, 2024, that are commercially attributable to the European companies. Outstanding bonds and guarantees were transferred from Volkswagen Financial Services Overseas AG to Volkswagen Financial Services AG, the new financial holding company in Europe, making the latter the principal debtor and guarantor for these bonds from July 1, 2024.

Bonds of the European issuers such as Volkswagen Financial Services N.V. and Volkswagen Leasing GmbH remain with the entities that issued them. However, from July 1, 2024, Volkswagen Financial Services Aktiengesellschaft became the principal debtor in respect of all obligations or in connection with the guarantees relating to the bonds issued by Volkswagen Leasing GmbH and Volkswagen Financial Services N.V.

The new capital market program of €5 billion for Volkswagen Financial Services Overseas AG was established on September 25, 2024.

Volkswagen Financial Services Overseas AG and its subsidiaries issued 31 bonds in different currencies during the year under review. In addition to euro bonds, bonds denominated in pounds sterling, Swedish krona, Norwegian krone, Japanese yen and, for the first time, Swiss francs were issued under the Volkswagen Financial Services AG's former debt issuance program. Bonds based on local documentation requirements were also issued in Poland, Australia, Brazil, Mexico, Korea and Türkiye.

The following tables show the transaction details:

CAPITAL MARKET TRANSACTIONS IN THE FIRST HALF OF 2024

Issuer	Month	Volume and currency	Maturity	Remarks
Volkswagen Leasing GmbH, Braunschweig ¹	January	850 million EUR	2.75 years	
Volkswagen Leasing GmbH, Braunschweig ¹	January	1,15 billion EUR	4.75 years	
Volkswagen Leasing GmbH, Braunschweig ¹	January	750 million EUR	7.25 years	
Volkswagen Financial Services N.V., Amsterdam ¹	January	300 million CHF	3 years	
Volkswagen Financial Services N.V., Amsterdam ¹	January	300 million CHF	6 years	
Volkswagen Financial Services N.V., Amsterdam ¹	January	350 million SEK	1.89 years	
Volkswagen Financial Services Japan Ltd., Tokyo	January	4 billion JPY	1 year	
Volkswagen Financial Services Australia Pty. Ltd., Chullora	February	500 million AUD	3 years	
Volkswagen Financial Services Japan Ltd., Tokio	February	3 billion JPY	1 year	
LM Transportes Interestaduais Serviços e Comércio S.A., Salvador	March	800 million BRL	3 years	
Volkswagen Financial Services Korea Co., Ltd., Seoul	April	136 billion KRW	3 years	
Volkswagen Financial Services Polska Sp. z o.o., Warsaw ¹	April	200 million PLN	3 years	
Volkswagen Financial Services Polska Sp. z o.o., Warsaw ¹	April	1.5 billion PLN	3 years	
Volkswagen Leasing S.A. de C.V., Puebla	April	1.4 billion MXN	2.5 years	
Volkswagen Leasing S.A. de C.V., Puebla	April	1.1 billion MXN	5 years	
Volkswagen Financial Services N.V., Amsterdam ¹	May	800 million NOK	3 years	
Volkswagen Financial Services Japan Ltd., Tokyo	June	3 billion JPY	2 years	
Volkswagen Doğuş Finansman A.Ş., Istanbul	June	500 million TRY	2 years	
Banco Volkswagen S.A., São Paulo	June	288.1 million BRL	2 years	
Banco Volkswagen S.A., São Paulo	June	337.95 million BRL	3 years	
Banco Volkswagen S.A., São Paulo	June	373.95 million BRL	4 years	
Volkswagen Financial Services AG, Braunschweig	June	800 million EUR	2.25 years	spin-off
Volkswagen Financial Services AG, Braunschweig	June	700 million EUR	3 years	spin-off
Volkswagen Financial Services AG, Braunschweig	June	750 million EUR	6.25 years	spin-off
Volkswagen Financial Services Australia Pty. Ltd., Chullora	June	350 million AUD	4 years	

¹ Transfer to Volkswagen Financial Services AG Group in the course of the restructuring

CAPITAL MARKET TRANSACTIONS IN THE SECOND HALF OF 2024

Issuer	Month	Volume and currency	Maturity	Remarks
Volkswagen Leasing S.A. de C.V., Puebla	September	1.7 billion MXN	3 years	
Volkswagen Leasing S.A. de C.V., Puebla	September	2.3 billion MXN	4.5 years	
Volkswagen Doğuş Finansman A.Ş., Istanbul	October	400 million TRY	2 years	
Volkswagen Doğuş Finansman A.Ş., Istanbul	October	600 million TRY	2 years	
LM Transportes Interestaduais Serviços e Comércio S.A., Salvador	October	1.5 billion BRL	5 years	
Volkswagen Doğuş Finansman A.Ş., Istanbul	November	860 Mio. TRY	2 Jahre	

In addition, asset-backed securities (ABSs) were issued. Through its subsidiaries, Volkswagen Financial Services Overseas AG was active with various ABS transactions in global markets, including Australia, China and Japan.

ABS TRANSACTIONS IN THE FIRST HALF OF 2024

Originator	Transaction name	Month	Country	Volume and currency
Volkswagen Financial Services Japan Ltd., Tokyo	Driver Japan 13	February	Japan	58.8 billion JPY
Volkswagen Financial Services Australia Pty. Ltd., Chullora	Driver Australia 9	May	Australia	750 million AUD
Volkswagen Finance (China) Co., Ltd., Beijing	Driver China 15	May	China	6.0 billion RMB

ABS TRANSACTIONS IN THE SECOND HALF OF 2024

Originator	Transaction name	Month	Country	Volume and currency
Volkswagen Financial Services Australia Pty. Ltd., Chullora	Driver Australia 10	October	Australia	750 million AUD

Ratings

Volkswagen Financial Services Overseas AG is a wholly owned subsidiary of Volkswagen AG and, as such, its credit ratings with Moody's Investors Service (Moody's), Standard & Poor's Global Ratings (S&P) and Fitch Ratings Limited (Fitch) are closely associated with those of the Volkswagen Group. The three aforementioned rating agencies affirmed the ratings of Volkswagen Financial Services Overseas AG (prior to July 1, 2024 under the name Volkswagen Financial Services AG) as of July 1, 2024. S&P affirmed its A-2 (short-term) and BBB+ (long-term) ratings for Volkswagen AG and Volkswagen Financial Services Overseas AG. The outlook for Volkswagen AG and Volkswagen Financial Services Overseas AG remains "stable". Moody's affirmed its P-2 (short-term) and A3 (long-term) ratings for Volkswagen AG and Volkswagen Financial Services Overseas AG. On October 10, 2024, the outlook was reduced from "stable" to "negative", first for Volkswagen AG and then for Volkswagen Financial Services Overseas AG. Fitch affirmed its F1 (short-term) and A- (long-term) ratings for Volkswagen AG and Volkswagen Financial Services Overseas AG. The outlook for Volkswagen AG and Volkswagen Financial Services Overseas AG remains "stable".

Viewed overall, affirmation of the ratings reflects the overall stability of the Volkswagen Group during the current transition phase to electromobility. The negative outlook issued by Moody's mirrors the current challenges faced by the automotive industry as a whole.

Volkswagen Financial Services Overseas AG

(Condensed, in accordance with the HGB)

BUSINESS PERFORMANCE 2024

Due to the restructuring implemented in the reporting period and the associated spin-off of the European operation to Volkswagen Financial Services AG (formerly known as Volkswagen Financial Services Europe AG), there is only limited scope for a meaningful analysis of the differences compared with the prior-year figures. The spin-off was implemented with retrospective effect to January 1, 2024. This resulted in significant reductions in assets, liabilities, expenses and income.

Volkswagen Financial Services Overseas AG reported a result from ordinary activities after tax amounting to a profit of €208 million for fiscal year 2024.

Sales revenue amounted to €2 (766) million, with cost of sales coming to €2 (751) million. These items include the income from cost allocations to group companies and the expenses related to personnel and administrative costs.

Other operating income came to €17 (122) million, with other operating expenses amounting to €3 (54) million. Other operating income mainly comprised income from the reversal of provisions.

Net investment income increased by €79 million to €258 (179) million, primarily because of the dividends distributed by Volkswagen Leasing S.A. de C.V., Mexico (€249 million).

The profit after tax amounted to €208 million. Taking account of an amount of €1 million that is blocked for distribution within the meaning of section 268(8) of the HGB, €207 million will be transferred pursuant to the existing control and profit-and-loss transfer agreement.

Total assets declined by a significant 90.27%, from €31,421 million to €3,058 million.

Receivables from affiliated companies fell by €10,253 million (–90.37%). They largely consist of loan receivables, time deposits and current account balances.

The strong reduction in the number of employees resulted in significantly lower provisions for pensions and other HR-related provisions. The provisions therefore decreased by 97.68% to €21 million.

The company's liabilities declined by 89.1% to €2,539 million. These are mainly accounted for by liabilities to affiliated companies (€2,100 million) and other liabilities (€448 million).

The company's equity was reduced by 93.2%, from €7,132 million to €488 million.

Almost the entire capital reserves of €6,589 million were transferred by the company to the capital reserves of Volkswagen Financial Services AG as part of the restructuring.

The equity ratio was 16.0% (22.7%) as of the reporting date.

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

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

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

€ million	2024	2023
Sales	2	766
Cost of sales	-2	-751
Gross profit on sales	-	15
General and administrative expenses	-27	-273
Other operating income	17	122
Other operating expenses	-3	-54
Net income from long-term equity investments	259	179
of which income under profit and loss transfer agreements	-	410
of which expenses from absorption of losses	-	-533
Financial result	-40	-303
of which income from affiliated companies	66	-
of which expenses from affiliated companies	-60	-
Income tax expense	2	-9
Profit after tax	208	-323
Profits transferred under a profit-and-loss transfer agreement	-207	-
Losses absorbed under a profit-and-loss transfer agreement	-	323
Net income	1	-
Profit brought forward	2	2
Asset reductions due to division	-6,589	-
Equity shares released to cover the reduction in assets	6,589	-
Transfer to other profit reserves	-3	-
Net retained profits	-	2

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

€ million	31.12.2024	31.12.2023
Assets		
A. Fixed assets		
I. Financial assets	1,942	12,440
	1,942	12,440
B. Current assets		
I. Receivables and other assets	1,109	18,959
II. Cash-in-hand and bank balances	–	3
	1,109	18,962
C. Prepaid expenses	7	19
Total assets	3,058	31,421
Equity and liabilities		
A. Equity		
I. Subscribed capital	441	441
II. Capital reserves	–	6,589
III. Retained earnings	47	100
IV. Net retained profits	–	2
	488	7,132
B. Provisions	21	904
C. Liabilities	2,549	23,384
D. Deferred income	0	1
Total equity and liabilities	3,058	31,421

Report on Opportunities and Risks

The active management of opportunities and risks is a fundamental element of the successful business model used by Volkswagen Financial Services Overseas AG.

OPPORTUNITIES AND RISKS

In this section, the opportunities and risks that arise in connection with business activities are presented. The opportunities and risks are grouped into various categories. Unless specifically stated, there were no material year-on-year changes to the individual risks or opportunities.

Analyses of the competitive and operating environment are used, together with market observations, to identify not only risks but also opportunities, which then have a positive impact on the design of products, the success of the products in the marketplace and on the cost structure. Opportunities and risks that are expected to materialize have already been taken into account in the medium-term planning and forecast. The following sections therefore describe fundamental opportunities that could lead to a positive variance from the forecast and also present a detailed description of relevant risks.

Macroeconomic opportunities and risks

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

Declining inflation in major economic regions and the resulting easing of monetary policy are expected to boost consumer demand. We continue to believe that risks will arise from increasing fragmentation of the global economy and protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East, and the increasing uncertainties regarding the political orientation of the USA. We assume that both advanced economies and emerging markets will see slightly weaker momentum on average than in the reporting year.

We also expect the global economy to continue on a path of stable growth until 2029. The macroeconomic environment could, however, also create opportunities for Volkswagen Financial Services AG if inflation takes a more positive path than anticipated, for example, or if geopolitical tensions ease and economic growth proves stronger as a result.

Strategic opportunities and risks

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

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

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

Opportunities from credit risk

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

Opportunities from residual value risk

When vehicles are remarketed, the Volkswagen Financial Services Overseas AG Group may be presented with the opportunity to achieve a price that is higher than the calculated residual value if prices actually achieved from remarketing rise more than anticipated because of an increase in demand for used vehicles or other factors causing supply bottlenecks for new vehicles.

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM AND THE INTERNAL RISK MANAGEMENT SYSTEM AS REGARDS THE FINANCIAL REPORTING PROCESS

The internal control system (ICS) for the accounting system that is used for the consolidated and annual financial statements and management report of Volkswagen Financial Services Overseas AG is defined as the sum of all principles, procedures and activities aimed at ensuring the effectiveness and propriety of the financial reporting and compliance with the relevant legal requirements. The internal risk management system (IRMS) for the accounting system relates to the risk of misstatement in the bookkeeping at a Company and Group level, as well as in external financial reporting. The sections below describe the principal elements of the ICS/IRMS for the accounting process used for the consolidated and annual financial statements and management report of Volkswagen Financial Services Overseas AG.

- > The Board of Management of Volkswagen Financial Services Overseas AG is the governing body with responsibility for the executive management of the business and has concluded a service agreement with the Accounting division of Volkswagen Financial Services AG (service provider) as of July 1, 2024, to ensure that the accounting and financial reporting processes of the individual entities and of the Volkswagen Financial Services AG Group are carried out properly. This agreement describes the services performed by the service provider, including the type of services and the manner in which they are provided, the documentation of the relevant processes and the obligations of Volkswagen Financial Services Overseas AG as the principal to provide assistance. In the context of outsourcing, the services provided by the principal are monitored using the controls implemented.

- > The Board of Management of Volkswagen Financial Services Overseas AG has also integrated an accounting function into its own organization to ensure consultation in respect of the requirements and schedules for the services to be performed by the service provider, the coordination of the service provider and the performance of quality assurance by Volkswagen Financial Services Overseas AG.
- > Group-wide rules and regulations serve as the basis for a standardized, proper and continuous financial reporting process.
- > Accounting regulations including the IFRS Accounting Standards (IFRS) define the accounting policies for the entities included in the consolidated financial statements of the Volkswagen Financial Services Overseas AG Group. Accounting regulations including the accounting standards specified by German commercial law (HGB) define the accounting policies for the single-entity consolidated financial statements of Volkswagen Financial Services Overseas AG.
- > The accounting regulations also stipulate specific formal requirements for the consolidated financial statements. In addition to defining the basis of consolidation, the components of the IFRS reporting packages to be prepared by the Group companies are also defined in detail. Moreover, the accounting regulations contain specific requirements for mapping and processing intragroup transactions and the resulting reconciliation of balances.
- > At the Group level, specific control activities by the service provider aimed at ensuring that the consolidated financial reporting provides a true and fair view include the analysis and possible correction of the IFRS reporting packages prepared by the consolidated entities, taking account of the reports submitted by the auditor or of the audit meetings held in this connection.
- > The service provider's monitoring and review mechanisms are designed with both integrated and independent process components. Automated IT processing controls account for a significant proportion of the integrated process activities alongside manual process controls, such as the Four-eyes-principle.
- > The Internal Audit department of Volkswagen Financial Services Overseas AG is a key component of the monitoring and control system. It carries out regular audits of accounting-related processes as part of its risk-oriented auditing activities and reports on these audits directly to the Board of Management of Volkswagen Financial Services Overseas AG. In addition, as part of its risk-oriented auditing activities, the Internal Audit department of Volkswagen Financial Services AG carries out regular audits of accounting-relevant processes performed by the service provider.

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

No material changes were made to the internal monitoring and control system for the consolidated and annual financial statements and management report of Volkswagen Financial Services Overseas AG after the reporting date.

ORGANIZATIONAL STRUCTURE OF THE RISK MANAGEMENT SYSTEM

At Volkswagen Financial Services Overseas AG, risk is defined as the danger of loss or damage that could occur if an expected future development turns out to be less favorable than planned. Volkswagen Financial Services Overseas AG, including its subsidiaries and equity investments, is exposed to a large number of risks typical for the financial services sector within the scope of its primary operating activities. It accepts these risks to ensure that it can exploit any resulting market opportunities.

The organizational structure of the Volkswagen Group's Risk Management System/Internal Control System is based on the internationally recognized COSO Enterprise Risk Management Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management (COSO-ERM). The structure of the Risk Management System/Internal Control System in accordance with the COSO ERM Integrated Framework also ensures that potential areas of risk in the Volkswagen Financial Services Overseas AG Group are comprehensively covered by the risk management processes. Risk is managed using a risk management system based on a three-lines model. This structure functions as a monitoring and control system for risk. The system comprises a framework of risk principles, organizational structures and processes for assessing and monitoring risks. The individual elements are tightly focused on the activities of the individual divisions. This structure makes it possible to identify at an early stage any trends that could represent a risk to the business as a going concern so that appropriate corrective action can then be initiated.

One of the functions of the Risk Management division is to provide frameworks (second line) for the organization of the Risk Management System. This function includes drawing up and coordinating risk policy guidelines (to be carried out by the risk owner) and developing and maintaining methodologies and processes relevant to risk management, as well as issuing internal framework standards for the procedures to be used around the world.

Risk Management, which is a neutral and independent division, reports directly to the Chief Financial Officer and thus to the full Board of Management of Volkswagen Financial Services Overseas AG. Local risk management (first line) ensures that the requirements applicable to the international subsidiaries are implemented and complied with. On-site local risk management is responsible for the detailed design of models and procedures for measuring and managing risks, and carries out local implementation of processes and technical features.

Appropriate procedures are in place to ensure that risk management is adequate. The relevant risk owner for individual risk categories continuously monitors and manages risks, which are pooled and reported to the Board of Management by Risk Management. The individual elements in the system are regularly verified on a risk-oriented basis by Internal Audit (third line).

The Chief Financial Officer is responsible within Volkswagen Financial Services Overseas AG for overall risk monitoring. In this role, he submits regular reports to the Audit Committee, Supervisory Board and Board of Management on the overall risk position of Volkswagen Financial Services Overseas AG.

An important feature of the risk management system at Volkswagen Financial Services Overseas AG is the clear, unequivocal separation of tasks and areas of responsibility, both organizationally and in terms of personnel, between the holding company (Risk Management division) and the markets (local risk management) to ensure that the system is fully functioning at all times and regardless of the personnel involved.

BUSINESS STRATEGY AND RISK MANAGEMENT

Fundamental decisions relating to strategy and the instruments of risk management are the responsibility of the Board of Management. As part of this overall responsibility, the Board of Management has introduced a strategy process and drawn up a business strategy.

The MOBILITY2030 business strategy sets out the fundamental views of the Board of Management of Volkswagen Financial Services Overseas AG on fundamental matters relating to business policy. It includes the objectives for each key business activity and the strategic areas for action to achieve the relevant objectives.

The main risk management goals and measures for each category of risk provide direction for the business policy and risk appetite.

The focus of the strategy, which is adopted and communicated by the Board of Management and applies throughout the Group, is based on risk appetite and the steering approach for each risk category. Risk appetite and the steering approach are defined on a regular basis for all categories of risk that have been deemed material by the Board of Management. They have an impact on the extent to which risk management measures are implemented by the risk owner for the individual risk categories. Further details and specifics of the individual risk categories are set out in operational requirements as part of the planning round in accordance with management requirements. The attainment of goals is reviewed on a regular basis and any variances are analyzed to establish the causes.

As of July 1, 2024, following implementation of the restructuring, the new Board of Management took the decision to update the risk appetite and the steering approach to reflect the markets and business areas of Volkswagen Financial Services Overseas AG. As a result, the underwriting risk within Volkswagen Financial Services Overseas AG no longer exists and is therefore no longer substantial.

RISK-BEARING CAPACITY

Volkswagen Financial Services Overseas AG has established a system for determining risk-bearing capacity, in which risk is compared with the risk-taking potential. The outcome of an analysis of substantial risks that could jeopardize the continued existence of the business as a going concern forms the basis for inclusion in the calculation of risk-bearing capacity. The Company is deemed to have maintained its risk-bearing capacity if, as a minimum, the substantial risk categories are covered by the risk-taking potential. Risks are quantified using methodologies that reflect an unexpected loss within a certain period of time.

In accordance with the risk tolerance level laid down by the Board of Management of Volkswagen Financial Services Overseas AG, only a portion of the risk-taking potential is specified as the maximum risk that can be assumed (overall risk limit).

RISK CONCENTRATIONS

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

Concentrations of risk can arise from an uneven distribution of activity in which:

- > Just a few borrowers/contracts account for a large proportion of the loans (counterparty concentrations)
- > A small number of sectors account for a large proportion of the loans (sector concentrations)
- > Many of the loans are to businesses within a defined geographical area (regional concentrations)

- > Loans/receivables are secured by just one type of collateral or by a limited range of collateral types (collateral concentrations)
- > Residual values subject to risk are limited to a small number of vehicle segments or models (residual value concentrations), or
- > Volkswagen Financial Services Overseas AG's income is generated from just a few sources (income concentrations).

One of the objectives of Volkswagen Financial Services Overseas AG's risk policy is to reduce such concentrations by means of broad diversification.

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

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

Likewise, a captive cannot avoid collateral concentrations because the vehicle is the predominant collateral asset by virtue of the business model. A broad vehicle diversification means that there is no residual value concentration. Income concentration arises from the very nature of the business model. The special constellation in which the Company serves to promote Volkswagen Group sales results in certain dependencies that directly affect income growth.

SUBSTANTIAL RISK CATEGORIES AND RISK REPORTING

Based on the annual validation of the risk inventory, the following risk categories were assessed as substantial to Volkswagen Financial Services Overseas AG: credit risk, residual value risk, shareholder risk, liquidity risk, interest rate risk, operational risk, strategic risk and reputational risk. The product transparency process, business continuity management, the procurement process, project risks and compliance and integrity risks also receive particular attention as risk processes. The risk categories and the processes involving material risk provide the basis for the earnings risk, which is transparently presented in the planning and management process. Country risk is essentially covered by shareholder risk. Cross-border finance and intercompany loans are of only minor significance for affiliated companies of Volkswagen Financial Services Overseas AG. The currency risk is also not substantial. Hedging transactions are used to mitigate any risks that arise in this respect.

Risks are regularly reported to the Board of Management in the form of a management report. This includes key financial performance indicators and key risk data for selected substantial risk categories. The presentation of aggregated quantitative data for the Volkswagen Financial Services Overseas AG Group is accompanied by a presentation of the changes by market.

Ad hoc reports at risk-category level are generated as needed to supplement the system of regular reporting. These reports are used to ensure that the Board of Management is informed of any impending negative trends.

OVERVIEW OF SUBSTANTIAL RISK CATEGORIES

Financial risks	Nonfinancial risks
Credit risk	Operational risk
Residual value risk	Strategic risk
Shareholder risk	Reputational risk
Liquidity risk	
Interest rate risk	

FINANCIAL RISKS

Credit risk

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

The aim of systematic credit risk monitoring by the international subsidiaries is to identify potential borrower or lessee insolvencies at an early stage, initiate any corrective action to prevent a potential default in good time and anticipate possible losses by recognizing appropriate write-downs or provisions. Significant borrowers or borrower units are also monitored by Risk Management.

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

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

A set of guidelines outlines the requirements for developing and maintaining the rating models. Another set of guidelines specifies the parameters for developing, using and validating the scoring systems in the retail business.

Rating systems for corporate customers

Volkswagen Financial Services Overseas AG Group uses rating systems to assess the creditworthiness of corporate customers if a defined threshold value for the limit/credit amount is exceeded or if a customer belongs to a risk-based group. This evaluation takes into account both quantitative factors (mainly data from annual financial statements) and qualitative factors (such as the prospects for future business growth, quality of management, market and industry environment, and the customer's payment record). When the credit assessment has been completed, the customer is assigned to a rating class, which is linked to a probability of default. A centrally maintained, workflow-based rating application is used for the most part to support this analysis of creditworthiness. The rating determined for the customer serves as an important basis for decisions on whether to grant or renew a loan and for decisions on provisions. The models in use are largely centrally validated and monitored on a regular basis, and are adjusted if required. The scoring systems described in the following section are used for customers below the aforementioned threshold value.

Scoring systems in the retail business

Scoring systems are used in the processes for credit approval and for evaluating the existing portfolio to determine the creditworthiness of the retail customers. These scoring systems provide an objective basis for credit decisions. The systems use information about the borrower available internally and externally and estimate the probability of default for the requested loan, generally with the help of statistical methods based on historical data covering a number of years. An alternative approach adopted for smaller or low-risk portfolios also uses generic, robust scorecards and expert systems to assess the risk involved in credit applications. To classify the risk in the credit portfolio, both behavioral scorecards and simplified estimation procedures are used, depending on portfolio size and the risk inherent in the portfolio. The models and systems in use are regularly monitored, validated, adjusted (where required) and refined at local level.

Collateral

The general rule is that credit transactions are secured by collateral to an extent that is commensurate with the risk. In addition, overarching rules specify the requirements that must be satisfied by collateral, the evaluation procedures and the evaluation bases. Local collateral guidelines with specific values take these rules into account. The values in the collateral policies are based on historical data and experience accumulated by experts over many years. As the operating activities of Volkswagen Financial Services Overseas AG Group are focused on retail financing, dealer financing and the leasing of vehicles, the vehicles themselves are hugely important as collateral assets. For this reason, trends in the market values of vehicles are locally monitored and analyzed; the collateral values based on this data are adjusted, where required.

Provisions

The calculation of provisions is based on the expected loss model in accordance with IFRS 9. Provisions are determined as a function of the results of the rating and scoring processes applied.

Risk Management sets fundamental parameters in the form of golden rules and guidelines for the management of credit risk. These constraints form the mandatory outer framework of the central risk management system, within which the divisions/markets can operate in terms of their business policy activities, planning, decisions, etc. in compliance with their assigned authority. Appropriate processes are used to monitor all lending in relation to financial circumstances, collateral and compliance with limits, contractual obligations and internal and external conditions. As such, commitments are managed according to the degree of risk involved (standard, intensified and problem loan management). Credit risk is also managed using reporting limits determined by Volkswagen Financial Services Overseas AG and specified separately for each individual company. Regular reporting and the yearly planning process are used to monitor credit risk at portfolio level.

CHANGES IN CREDIT RISK

Credit risk ¹	Dec. 31, 2024
Amount utilized (€ million)	29,428
Default rate in %	3.1
Impairment ratio in %	3.5

¹ Including joint ventures (full inclusion) and subsidiaries recognized at cost.

The rating and scoring processes on which the impairment ratio is based include default probabilities of future events. As of the reporting date, the provisions exceeded the actual losses incurred.

Residual value risk

Residual value risk arises from the fact that the actual market value for a lease asset at the time of re-marketing could be lower than the residual value calculated at the inception of the lease. On the other hand, there is an opportunity in that the remarketing could generate proceeds greater than the calculated residual value.

Referring to the bearer of residual value risk, a distinction is made between direct and indirect residual value risks. Direct residual value risk refers to residual value risk borne directly by the Volkswagen Financial Services Overseas AG Group (contractually determined). An indirect residual value risk arises if the residual value risk has been transferred to a third party (such as a dealer) on the basis of a residual value guarantee. In such cases, the initial risk is a counterparty default risk in respect of the residual value guarantor. If the residual value guarantor defaults, the residual value risk reverts to the Volkswagen Financial Services Overseas AG Group.

If a residual value risk materializes, it may be necessary to recognize an impairment loss or a loss on disposal of the asset concerned. This could have a negative impact on financial performance. As stated in the accounting policies for leases described in the notes to the consolidated financial statements, the impairment losses generally lead to a subsequent adjustment of future depreciation rates.

Direct residual value risk is quantified using expected loss, which equates to the difference between the latest forecast as per the remeasurement date of the remarketing proceeds on expiry of the contract and the contractual residual value specified for each vehicle. Other parameters such as remarketing costs are also taken into account in the calculation. The expected loss for the portfolio is determined by aggregating the individual expected losses for all vehicles. The expected losses arising from contracts subject to risk relate to the losses expected at the end of the term of the contracts concerned. These losses are recognized in profit or loss in the consolidated financial statements for the current period or in prior periods. The ratio of the expected losses from contracts subject to risk to the contractually fixed residual values in the overall portfolio is expressed as risk exposure. The results from the quantification of the expected loss and risk exposure are considered in the assessment of the risk situation.

In the case of indirect residual value risk, the risk arising from the determination of residual value is generally quantified using a methodology similar to that applied to direct residual value risk, but the methodology also takes into account further risk parameters (dealer default and other factors specific to this risk category).

CHANGES IN DIRECT RESIDUAL VALUE RISK

Direct residual value risk ¹	Dec. 31, 2024
Number of contracts	168,939
Guaranteed residual values (€ million)	2,981
Risk exposure in %	3.4

¹ Including joint ventures (full inclusion) and subsidiaries recognized at cost.

As part of the management of residual value risk, Volkswagen Financial Services Overseas AG has firstly specified rules for managing residual value. The processes for this include the calculation of the risk exposures of forward-looking residual value forecasts. Secondly, it has established uniform requirements for the Group, which reflect the accounting standards governing the recognition of provisions for credit risks. On the basis of this mandatory outer framework, the divisions/markets monitor and control their business policy activities, planning and decisions in compliance with their assigned authority. Residual value risk is monitored at portfolio level by means of regular reporting and the annual planning process.

Shareholder risk

Shareholder risk refers to the risk that equity investments made by Volkswagen Financial Services AG could potentially lead to losses in connection with capital provided (as a result of lack of dividends, write-downs to going-concern value, losses on disposal or decrease in hidden reserves) or liability risks (for example, in the case of letters of comfort).

In principle, Volkswagen Financial Services Overseas AG only makes such equity investments to help it achieve its corporate objectives. The investments must therefore support its own operating activities and are intended to be held on a long-term basis.

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

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

Liquidity risk

Liquidity risk is the risk of a negative variance between actual and expected cash inflows and outflows. Liquidity risk is defined as the risk of not being able to meet payment obligations in full or when due, or – in the event of a liquidity crisis – the risk of only being able to raise funding at higher market rates or only being able to sell assets at a discount to market prices. If liquidity risk were to materialize, higher costs and lower selling prices for assets could lead to a negative impact on financial performance. The consequence of liquidity risk in the worst-case scenario is insolvency caused by illiquidity. Liquidity risk management ensures that this situation does not arise. The analysis and management of liquidity risk at the entities belonging to Volkswagen Financial Services Overseas AG are outsourced to the Treasury division of Volkswagen Bank GmbH.

The primary objective of liquidity management is to safeguard the ability of the Company to meet its payment obligations at all times. This can be guaranteed through the use of drawdowns under credit facilities available with third-party banks and with Volkswagen AG. To measure liquidity risk, Volkswagen Financial Services Overseas AG has set up a system of limits throughout the Group. This system restricts funding-related cash outflows over a time horizon of 12 months. A broad diversification of funding maturities is therefore necessary to ensure compliance with the limits. To manage liquidity, the Operational Liquidity Committee (OLC) meets at least every four weeks to monitor the current liquidity situation and the range of liquidity coverage. It decides on funding measures and prepares any necessary decisions for the decision-makers. Risk Management communicates the main risk management information and relevant early warning indicators relating to liquidity risk. As of December 31, 2024, 63% of the limit was utilized.

Interest rate risk

Interest rate risk refers to potential losses that could arise as a result of changes in market interest rates. It occurs because of interest rate mismatches between asset and liability items in a portfolio or on the balance sheet. Volkswagen Financial Services Overseas AG is exposed to interest rate risk in its banking book. Changes in interest rates that cause interest rate risk to materialize can have a negative impact on financial performance. Interest rate risk is managed with an interest rate gap analysis based on limits using interest rate derivatives as part of the risk strategy defined by the Board of Management of Volkswagen Financial Services Overseas AG. Monitoring is performed by Treasury on the basis of a service agreement with Volkswagen Bank GmbH. A report on interest rate risk at Volkswagen Financial Services Overseas AG is submitted to the Board of Management each quarter. As of December 31, 2024, 62% of the limit was utilized.

NONFINANCIAL RISKS

Operational risk

Operational risk (OpR) is defined as the risk of loss that could result from inadequate or failed internal processes (process risk), people (HR risk), systems (technological risk), projects (project risk), legal positions or contracts (legal risk), or from external events (catastrophe risk).

The objective of operational risk management is to present operational risks transparently and initiate precautionary and corrective measures with a view to preventing or, when this is not possible, mitigating the risks or losses. If an operational risk materializes, this represents an operational loss with the resulting loss of a business asset, which has a negative impact on net assets, financial position or financial performance, depending on the amount of the loss. Processes and responsibilities are set out in the operational risk manual.

The annual risk self-assessment is used to determine a forward-looking monetary assessment of potential risks. A standardized risk questionnaire is provided for this purpose. The local experts use these questionnaires to determine and record the potential level of risk and the probability that a risk could materialize. The central loss database is used to ensure that information about monetary operational losses is collected in house on an ongoing basis and the relevant data is stored. A standardized loss form is made available to the local experts to aid this process. The experts use this form to determine and record the relevant data, including the amount and cause of the loss.

Operational risk is managed by the companies/divisions (operational risk units) on the basis of the guidelines in force and the requirements laid down by the special operational risk units responsible for specific risk categories. To this end, local management decides whether future risks or losses are to be ruled out (risk prevention), mitigated (risk mitigation), consciously accepted (risk acceptance) or transferred to third parties (risk transfer).

Risk Management checks the plausibility of the information provided by the companies/divisions in the risk self-assessments, reviews the reported loss events and then initiates any necessary corrective action, reviews the operational risk system to ensure it is fully functioning and instigates appropriate modifications as required. This includes the integration of all relevant operational risk units.

Details of operational risk are reported regularly as part of the financial analysis report to the Board of Management. Ad hoc reports are issued in addition to the ongoing reports if the criteria specified for these are met.

Actual losses from operational risk amounted to €7.1 million in the year under review.

Strategic risk

Strategic risk (also referred to as the risk from general business activities) is the risk of a direct or indirect loss arising from strategic decisions that are flawed or based on false assumptions. Strategic risk also includes all risks that result from the integration/reorganization of technical systems, personnel or corporate culture (integration/reorganization risk). These risks may be caused by fundamental decisions about the structure of the business made by the management in relation to the positioning of the Company in the market.

The objective of Volkswagen Financial Services Overseas AG is to manage its acceptance of strategic risk enabling it to systematically leverage earnings potential. In the worst-case scenario, a materialization of strategic risk could jeopardize the continued existence of the Company as a going concern.

Reputational risk

Reputational risk refers to the risk that an event or several successive events could cause reputational damage (in the eyes of the general public), which in turn could limit current and future business opportunities or activities (potential earnings), thereby leading to an indirect adverse financial impact (customer base, sales, funding costs) and direct financial losses such as penalties or litigation costs. The responsibilities of the Corporate Communications division include avoiding negative reports in the press or similar announcements that could inflict damage on the reputation of the Company. If this is unsuccessful, the division is then responsible for assessing the situation and initiating appropriate communications aimed at specific target groups to limit the reputational damage as far as possible. The strategic objective is therefore to prevent or reduce any negative variance between actual reputation and the level of reputation the Company expects. A loss of reputation or damage to the Company's image could have a direct impact on financial performance.

SELECTED OTHER RISKS AND RISK PROCESSES

Compliance and integrity risks

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

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

The separate category of integrity risk encompasses all risks that arise from a failure of employees to conduct themselves in an ethically acceptable manner or act in accordance with the corporate principles and values of Volkswagen Financial Services Overseas AG, thereby presenting an obstacle to the long-term success of the business.

Volkswagen Financial Services Overseas AG addresses the three categories of risk by means of a local compliance and integrity function whose task is to specify and implement risk-mitigating measures in the role of a governance function. To counter compliance and conduct risks, the compliance function is committed to ensuring compliance with laws, other legal requirements, internal rules and the organization's own stated values and to creating and fostering an appropriate compliance culture. It is also the responsibility of the integrity function, on the basis of an integrity management system, to raise awareness of the ethical principles, the code of conduct and the need for compliance, and to help employees choose the right course of action, responsibly and steadfastly, driven by their own personal conviction. Compliance risk and integrity risk are accordingly treated not as separate risk categories, but rather as an inherent risk process of relevance to all risk categories.

The role of the Chief Compliance & Integrity Officer within the Compliance and Integrity function is to work toward implementing effective procedures to ensure compliance with legal rules and requirements, and toward establishing appropriate controls. This is carried out mainly by stipulating binding requirements at Group level. In turn, these then provide a framework for specifying detailed requirements for which local compliance & integrity officers are responsible. Local companies are independently responsible for implementing the centrally defined requirements. Responsibility for complying with any further rules and ethical principles lies with the company concerned. Any deviation from the minimum requirements or guidelines is only possible if accompanied by a description of the reasons (such as local statutory requirements) and only in consultation with, and with the consent of, the Chief Compliance & Integrity Officer.

Overall, the emergence of a compliance and integrity culture is being nurtured by constantly promoting the Volkswagen Group's Code of Conduct and by raising employees' risk-oriented awareness (for example tone from the top, tone at the middle, face-to-face training, e-learning programs, other media-based activities). The compliance and integrity culture is also being consolidated by communication measures, including the distribution of guidelines and other information media, as well as employee participation in compliance and integrity programs.

The Chief Compliance & Integrity Officer supports and advises the Board of Management in matters relating to the avoidance of compliance and integrity risks and reports to the Board at regular intervals. For its part, the Board of Management has entered into its own voluntary undertaking regarding compliance and integrity. This ensures that compliance and integrity aspects will also be discussed and taken into account in all decisions made by the Board of Management.

The areas of antitrust compliance and prevention of money laundering and funding of terrorism have been outsourced to Volkswagen Financial Services AG.

Environmental, social and governance (ESG) risks

Volkswagen Financial Services Overseas AG regards ESG matters as a business responsibility and critical strategic success factor for a captive such as itself operating in the automotive and personal mobility spheres. It actively chooses not to assess ESG risks as a separate category of significant risk in the risk inventory process, however, because their highly heterogeneous nature means they have potential impacts across a large number of risk categories.

Volkswagen Financial Services Overseas AG continues to work intensively on ESG matters, the various aspects of which affect all areas of our business model and have been included as a separate element (governance) in the MOBILITY2030 strategy.

In terms of the environmental dimension, Volkswagen Financial Services Overseas AG is committed to a Group-wide reduction in CO₂ emissions, for example, by using renewable energy sources at the various sites.

In terms of the social dimension, Volkswagen Financial Services Overseas AG has established standards to safeguard occupational health and safety, diversity, equal opportunities, training and professional development. In addition, the subsidiaries are involved in a large number of local social projects. For example, Banco Volkswagen S.A., a subsidiary of Volkswagen Financial Services Overseas AG, supports a range of projects to help socially vulnerable population groups and improve socially marginalized communities.

SUMMARY

Fiscal year 2024 was characterized by increasing competitive pressure coupled with new opportunities (e.g., portfolio growth in the Brazilian market). The more volatile macroeconomic environment in the markets of Volkswagen Financial Services Overseas AG resulted in an anticipated increase in the risk situation.

Interest rate and liquidity risk remains stable.

The residual value risk is still of minor significance because of the currently low penetration of residual value products in the portfolio.

Forecast for credit and residual value risk

The risk situation will remain challenging given the very pronounced economic risks and global political tensions anticipated for 2025. The specific risk situation of Volkswagen Financial Services Overseas AG's portfolios will depend very much on how inflation and purchasing power develop in the various markets.

The Company continues to monitor the risk situation closely so that it can respond proactively to any potential developments by initiating targeted corrective measures.

The volume of contracts in the residual value portfolio especially is projected to continue growing in fiscal year 2025 due to an increasing shift from finance to leasing products. It is expected that this will have a positive impact on the residual value portfolio.

Forecast for liquidity risk

The risk situation is considered to be stable. The established sources of funding remain available despite the prevailing global political uncertainties. Funding diversification continues to be extended and existing sources of funding are being expanded.

It should be noted that the degree of risk for the risk categories forecast may differ from the current risk portfolio once the restructuring program has been implemented.

Report on Expected Developments

The global economy is expected to grow in 2025, albeit at a slightly slower pace than in the reporting year. Global demand for passenger cars will probably vary from region to region and increase slightly year-on-year.

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

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

The assumptions are based on current estimates by third-party institutions. These include economic research institutes, banks, multinational organizations and consulting firms.

DEVELOPMENTS IN THE GLOBAL ECONOMY

Our planning is based on the assumption that global economic output will grow overall in 2025 at a slightly slower pace than in 2024. Declining inflation in major economic regions and the resulting easing of monetary policy are expected to boost consumer demand. We continue to believe that risks will arise from increasing fragmentation of the global economy and protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East, and the increasing uncertainties regarding the political orientation of the USA. We assume that both the advanced economies and the emerging markets will record somewhat weaker momentum on average than that of the reporting year.

We also expect the global economy to continue on a path of stable growth until 2029.

North America

We anticipate continued stable economic growth in the USA in 2025, albeit with slower momentum, accompanied by a corresponding deterioration of the labor market situation. The US Federal Reserve is likely to implement further key interest rate cuts in the course of 2025 even though a slight increase in inflation is expected. Compared with the reporting year, economic growth is likely to be somewhat higher in Canada, while in Mexico it is expected to remain roughly the same.

South America

In all probability, the Brazilian economy will record a positive rate of growth in 2025, although it will be lower than that of the reporting year. Following two years of decline, Argentina is expected to show positive growth in 2025.

Asia-Pacific

Chinese GDP is expected to grow at a relatively high level in 2025, albeit at a lower rate than in 2024. India's economic growth will likely see momentum on a par with the reporting year, while Japan's economic output is expected to grow again compared with 2024.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

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

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

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

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

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

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

North America

The sales volume in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America overall and in the United States in 2025 is forecast to be similar to the level seen in the previous year. Demand will probably remain highest predominantly for models in the SUV and pickup segments. New registrations of all-electric vehicles are also expected to increase very strongly. In Canada, the number of new registrations is likely to remain on a level with the previous year. We expect the volume of new registrations in Mexico to be slightly up year-on-year.

South America

Owing to their dependence on demand for raw materials worldwide, the South American markets for passenger cars and light commercial vehicles are heavily influenced by developments in the global economy. We anticipate a noticeable increase overall in new registrations in the South American markets in 2025 compared with the previous year. The market volume in Brazil is expected to increase slightly compared with 2024, while a strong increase is projected for Argentina.

Asia-Pacific

The passenger car markets in the Asia-Pacific region in 2025 are expected to be similar to the previous year. We estimate that the market volume in China will be on a level with the comparative figure for 2024. Plug-in hybrid models with long ranges are likely to be increasingly in demand. A weaker-than-expected economic recovery or intensifying geopolitical tensions may have adverse effects. In particular, the trade dispute between China and the United States is likely to continue to weigh on business and consumer confidence, as long as there is no resolution in sight. We expect the Indian passenger car market to be slightly higher than in the previous year, with a noticeable increase in demand in Japan.

The volume of new registrations for light commercial vehicles in the Asia-Pacific region in 2025 will probably be in the range of the previous year's figure. We are expecting demand in the Chinese market to be close to the prior-year level. For India, we project that the volume in 2025 will be slightly higher than in the reporting year. In the Japanese market, we estimate that volumes will also be slightly higher year-on-year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

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

We anticipate that new registrations in Türkiye will remain steady. In South Africa, we expect a slight decline in demand compared with the previous year. The truck market in North America is divided into weight classes 1 to 8. In the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier) – we expect new registrations to be slightly lower than in the previous year. After a very positive development in the reporting year, we anticipate steady demand in Brazil for 2025.

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

A noticeable year-on-year increase in demand is anticipated for 2025 in the bus markets relevant for the Volkswagen Group, whereby this will vary depending on the region.

We forecast a strong increase in demand for school buses in the USA and Canada. For the bus market in Mexico, we anticipate a sharp decline in volumes on account of the significantly positive trend in the reporting year. New registrations in Brazil will probably be noticeably lower than the prior-year figure in 2025.

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

INTEREST RATE TRENDS

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

MOBILITY CONCEPTS

Social and political factors have an increasing impact on many people's individual mobility behavior. Among the general public, environmental and climate protection has grown immensely in importance over the last few years and is attracting increasing attention from lawmakers. Especially in large metropolitan areas, new challenges are appearing in connection with the design of an intelligent mobility mix consisting of public transport combined with motorized and non-motorized private transport. In addition, new mobility solutions will change the traditional perception of owning a vehicle. As a result, mobility is being redefined in many respects.

Volkswagen Financial Services Overseas AG closely monitors developments in the mobility market and is working on new models to support alternative marketing approaches and establish new mobility concepts with the goal of securing and expanding its business model. Simple, convenient, transparent, safe, reliable, flexible – these are the standards that the Company has set for itself.

In collaboration with the automotive brands of the Volkswagen Group, Volkswagen Financial Services Overseas AG is aiming to take a leading position in the development of new mobility concepts, as has been the case in the conventional automotive business for many years.

From traditional financing and leasing to long- and short-term rental business and car subscription services, Volkswagen Financial Services Overseas AG is already able to meet a large proportion of customer mobility needs.

Volkswagen Financial Services Overseas AG partners with the Volkswagen Group brands in the marketing for vehicles with internal combustion engines as well as for electric vehicles. An important role in the marketing of the Volkswagen Group's e-vehicles is played in particular by attractive leasing products, supplemented by maintenance and wear-and-tear packages.

In this context, Volkswagen Financial Services Overseas AG continues to serve as a one-stop shop for its customers, remaining true to the essence of its company slogan "The Key to Mobility" in future, too.

NEW MARKETS/INTERNATIONALIZATION/NEW SEGMENTS

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

SUMMARY OF EXPECTED DEVELOPMENTS

Increasing fragmentation of the global economy combined with stronger protectionist tendencies in the US are raising uncertainty as to future development. In addition, growth prospects will be impacted by ongoing geopolitical tensions and conflicts, with the threat of an intensification of hostilities in the Middle East alongside the Russia-Ukraine conflict. Moreover, there is a significant challenge in China due to the tough vehicle sales situation coupled with extremely fierce competition in the finance business.

The business performance of Volkswagen Financial Services Overseas AG will again remain essentially dependent on the unit sales of the Volkswagen Group in 2025. The intention is to step up sales efforts with the brands of the Volkswagen Group, in particular via joint strategic projects. Volkswagen Financial Services Overseas AG also plans to continue its efforts to make optimal use of the potential available along the automotive value chain.

Volkswagen Financial Services Overseas AG aims to meet the requirements and desires of its customers as effectively as possible working together with the Group brands. It is providing the type of flexible mobility services that customers expect through products such as its leasing service. The ongoing spread of digitalization should deliver a boost to this area of business.

The successful product packages and mobility solutions of recent years will be refined in line with customer needs. Volkswagen Financial Services Overseas AG's position in the global competitive environment will continue to be strengthened not only through efforts targeting the market, but also through strategic investments in IT projects and continuous process optimization.

OUTLOOK FOR 2025

The Board of Management of Volkswagen Financial Services Overseas AG expects that global economic output will grow at a somewhat slower rate in 2025 than in 2024. Risks will continue to arise from the increasing fragmentation of the global economy, protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries.

In view of the underlying conditions described here and the trends evident in the market, the overall picture is as follows: expectations assume there will be greater levels of cooperation with the individual Group brands, increased investment in digitalization for the future, potential effects of geopolitical upheaval, and continued uncertainty about macroeconomic conditions in the real economy.

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

New contracts are expected to be significantly above the level of the previous year while penetration is expected to be significantly above the level of the previous year.

Considering the effects described above, operating result for fiscal year 2025 is projected to be up significantly year-on-year.

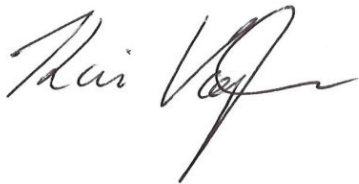
Return on equity is expected to be up strongly year-on-year in 2025 as a result of the forecast earnings performance and stable capital adequacy situation. We expect the overhead ratio to remain at the previous year's level.

Forecast changes in key performance indicators for the next fiscal year compared with prior-year figures

	Actual 2024	Forecast for 2025	
Nonfinancial performance indicators			
Penetration (percent)	13.5	> 13,5	slightly over previous year
Current contracts (thousands)	4,646	> 4.646	significantly over previous year
New contracts (thousands)	1,940	> 1.940	significantly over previous year
Financial performance indicators			
Volume of business (€ million)	27,124	= 27.124	same level as previous year
Operating result (€ million)	460	> 460	significantly over previous year
Return on equity (percent)	9.2	> 9,2	strong above previous year
Overhead-Ratio (percent)	1.4	= 1,4	same level as previous year

Braunschweig, March 2025

Volkswagen Financial Services Overseas AG
The Board of Management



Kai Vogler



Patrick Welter

This annual report contains forward-looking statements on the future business development of Volkswagen Financial Services Overseas AG Group. These statements are based on assumptions relating to changes in the economic, political and legal environment in individual countries, economic regions and markets, in particular, for financial services and the automotive industry; these assumptions have been made on the basis of the information available and Volkswagen Financial Services Overseas AG currently considers them to be realistic. The estimates given entail a degree of risk, and actual developments may differ from those forecast. If material parameters relating to the most important sales markets vary from the assumptions, or material changes arise from the exchange rates, commodity prices or supply of parts relevant to the Volkswagen Group, the performance of the business will be affected accordingly. In addition, expected business performance may vary if the key performance indicators and risks and opportunities presented in this annual report turn out to be different from current expectations, or additional risks and opportunities or other factors emerge that affect the development of the business. We do not update forward-looking statements and assume no obligation beyond that required by law to update the forward-looking statements made in this annual report.

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Income Statement

of the Volkswagen Financial Services Overseas AG Group

€ million	Note	Jan. 1. – Dec. 31, 2024	Jan. 1. – Dec. 31, 2023 restated ¹	Change in percent
Interest income from lending transactions and marketable securities	5, 8, 18, 54	2,585	2,571	0.5
Income from leasing transactions		1,328	1,117	18.9
Depreciation, impairment losses and other expenses from leasing transactions		–871	–744	17.1
Net income from leasing transactions	5, 8, 12 – 13, 19, 65	457	373	22.5
Interest expense	5, 8, 20, 54	–1,729	–1,652	4.7
Income from service contracts		118	100	18.0
Expenses from service contracts		–99	–84	17.9
Net income from service contracts	5, 21	19	16	18.8
Provision for credit risks	8, 22, 54	–233	76	X
Fee and commission income		150	130	15.4
Fee and commission expenses		–95	–72	31.9
Net fee and commission income	5, 23	55	58	–5.2
Net gain or loss on hedges	8, 24	–40	6	X
Net gain/loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	8, 25, 54	1	–8	X
Net gain/loss on derecognition of financial assets measured at amortized cost		–	2	X
General and administrative expenses	5, 10 – 12, 14, 16, 26	–447	–469	–4.7
Other operating income		119	79	50.6
Other operating expenses		–328	–297	10.4
Net other operating income/expenses	5, 27	–208	–217	–4.1
Operating result		460	753	–38.9
Share of profits and losses of equity-accounted joint ventures		–44	50	X
Net gain/loss on miscellaneous financial assets	9, 28	–12	103	X
Other financial gains or losses	29	–9	9	X
Profit before tax		396	915	–56.7
Income tax expense	6, 30	–212	–363	–41.6
Profit from continuing operations, net of tax		184	552	–66.7
Profit from discontinued operations, net of tax	2	298	618	–51.8
Profit after tax		482	1,170	–58.8
Profit after tax attributable to noncontrolling interests		13	14	–7.1
Profit after tax attributable to Volkswagen AG		469	1,156	–59.4

¹ Prior-year changes in the “General and administrative expenses”, “Other financial gains or losses”, “Income tax expense” and “Profit/loss from discontinued operation, net of taxes” income statement items, as explained for the corrected recognition of provisions for Time Assets values under “Changes to Prior-Year Figures”.

Statement of Comprehensive Income

of the Volkswagen Financial Services Overseas AG Group

€ million	Note	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023 restated ¹
Profit after tax		482	1,170
Pension plan remeasurements recognized in other comprehensive income	14, 46		
Pension plan remeasurements recognized in other comprehensive income, before tax		39	–30
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	6, 30	–10	11
Pension plan remeasurements recognized in other comprehensive income, net of tax		30	–18
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	8	–	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax		0	0
Items that will not be reclassified to profit or loss		30	–19
Exchange differences on translating foreign operations	4		–
Gains/losses on currency translation recognized in other comprehensive income		–161	–87
Transferred to profit or loss		304	51
Exchange differences on translating foreign operations, before tax		142	–37
Deferred taxes relating to exchange differences on translating foreign operations	6, 30	–	–
Exchange differences on translating foreign operations, net of tax		142	–37
Hedging transactions	8		–
Fair value changes recognized in other comprehensive income (OCI I)		191	–6
Transferred to profit or loss (OCI I)		–12	–76
Cash flow hedges (OCI I), before tax		179	–83
Deferred taxes relating to cash flow hedges (OCI I)	6, 30	–75	37
Cash flow hedges (OCI I), net of tax		103	–46
Fair value changes recognized in other comprehensive income (OCI II)		–	–
Transferred to profit or loss (OCI II)		–	–
Cash flow hedges (OCI II), before tax		–	–
Deferred taxes relating to cash flow hedges (OCI II)	6, 30	–	–
Cash flow hedges (OCI II), net of tax		–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss	8		–
Fair value changes recognized in other comprehensive income		–3	13
Transferred to profit or loss		8	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax		6	13
Deferred taxes relating to fair value valuation of debt instruments that may be reclassified to profit and loss	6, 30	–2	–4
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax		4	9
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax		105	–18
Items that may be reclassified to profit or loss		355	–91
Other comprehensive income, before tax		471	–154
Deferred taxes relating to other comprehensive income		–86	44
Other comprehensive income, net of tax		385	–109
Total comprehensive income		867	1,060
Total comprehensive income attributable to noncontrolling interests		1	18
Total comprehensive income attributable to Volkswagen AG		866	1,042

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

€ million	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023 restated ¹
Breakdown of total comprehensive income attributable to Volkswagen AG	866	1,042
Continuing operations	308	329
Discontinued operations	559	713

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

Balance Sheet

of the Volkswagen Financial Services Overseas AG Group

€ million	Note	Dec. 31, 2024	Dec. 31, 2023 restated ¹	Change in percent	Jan. 1, 2023 restated ²
Assets					
Cash reserve	7, 32, 54 – 58, 61 – 62	320	2	X	2
Loans to and receivables from banks	8, 33, 54 - 62	1,160	953	21.7	3,406
Loans to and receivables from customers attributable to					
Retail financing		19,125	21,822	-12.4	23,907
Dealer financing		4,421	4,918	-10.1	5,536
Leasing business		1,124	1,102	2.0	41,235
Other loans and receivables		658	153	X	16,177
Total loans to and receivables from customers	8, 12, 34, 54 – 60, 62	25,327	27,995	-9.5	86,855
Value adjustment on portfolio fair value hedges		–	–	–	-156
Derivative financial instruments	8, 35, 54 – 58, 62 – 63	277	58	X	1,488
Marketable securities	8, 54 – 60, 62	0	0	0.0	268
Equity-accounted investments	2, 36	95	99	-4.0	722
Miscellaneous financial assets	9, 9, 54 – 58	87	99	-12.1	626
Intangible assets	10, 37	230	273	-15.8	105
Property and equipment	11 – 12, 38	45	57	-21.1	364
Lease assets	12, 65	2,455	2,347	4.6	34,927
Investment property	12 – 13, 39, 65	1	1	0.0	71
Deferred tax assets	6, 40	500	612	-18.3	1,236
Income tax assets	6, 54 – 58, 60	186	164	13.4	278
Other assets	12, 41, 45, 54 – 58, 60	694	659	5.3	2,607
Assets held for sale (IFRS 5)	2	–	113,031	X	577
Total		31,378	146,351	-78.6	133,377

€ million	Note	Dec. 31, 2024	Dec. 31, 2023 re-stated ¹	Change in percent	Jan. 1, 2023 re-stated ²
Equity and Liabilities					
Liabilities to banks	8, 43, 54 – 58, 61 – 62	14,075	16,343	–13.9	17,242
Liabilities to customers	8, 43, 54 – 58, 61 – 62	3,315	3,450	–3.9	24,219
Notes, commercial paper issued	8, 44, 54 – 58, 59, 61 – 62	8,599	7,901	8.8	63,078
Derivative financial instruments	8, 45, 54 – 58, 61 – 63	21	104	–79.8	2,424
Provisions for pensions and other post-employment benefits	14, 46	11	8	37.5	291
Underwriting provisions and other provisions	15 – 16, 47, 66	131	184	–28.8	1,016
Deferred tax liabilities	6, 48	173	91	90.1	980
Current tax liabilities	6, 54 – 58	650	252	X	767
Other liabilities	49, 54 – 58, 61	306	267	14.6	2,388
Subordinated capital	8, 50, 54 – 58, 61 – 62	107	146	–26.7	2,909
Liabilities associated with assets held for sale (IFRS 5)	2	–	94,741	X	478
Equity	52	3,990	22,863	–82.5	17,584
Subscribed capital		441	441	0.0	441
Capital reserves		2	6,589	X	2,816
Retained earnings		4,265	16,907	–74.8	15,439
Other reserves		–822	–1,189	–30.9	–1,115
Equity attributable to noncontrolling interests		103	115	–10.4	3
Total		31,378	146,351	–78.6	133,377

1 Prior-year changes in the "Deferred tax assets", "Assets held for sale (IFRS 5)", "Underwriting provisions and other provisions", "Liabilities associated with assets held for sale (IFRS 5)" and "Retained earnings" balance sheet items as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

2 January 1, 2023 is equivalent to December 31, 2022 following changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

Statement of Changes in Equity

of the Volkswagen Financial Services Overseas AG Group

€ million	OTHER RESERVES									Total equity
	Subscribed capital	Capital reserves	Retained earnings	Currency translation	Hedging transactions		Equity and debt instruments	Equity-accounted investments	Non-controlling interests	
					Cash flow hedges (OCI I)	Deferred hedging costs (OCI II)				
Balance as of Jan. 1, 2023	441	2,816	15,462	-1,028	-9	-	-14	-64	3	17,607
Changes due to the corrected recognition of provisions for Time Assets ¹	-	-	-23	-	-	-	-	-	-	-23
Balance as of Jan. 1, 2023 after corrections	441	2,816	15,439	-1,028	-9	-	-14	-64	3	17,584
Profit after tax ¹	-	-	1,156	-	-	-	-	-	14	1,170
Other comprehensive income, net of tax	-	-	-18	-41	-46	-	9	-18	4	-109
Total comprehensive income	-	-	1,138	-41	-46	-	9	-18	18	1,060
Capital increases	-	3,773	-	-	-	-	-	-	3	3,777
Profit transferred to/loss assumed by Volkswagen AG ²	-	-	323	-	-	-	-	-	-	323
Other changes	-	0	7	21	-	-	-	0	91	119
Balance as of Dec. 31, 2023 ¹	441	6,589	16,907	-1,048	-55	-	-4	-82	115	22,863
Balance as of Jan. 1, 2024	441	6,589	16,934	-1,048	-55	-	-4	-82	115	22,891
Changes due to the corrected recognition of provisions for Time Assets values ¹	-	-	-27	-	-	-	-	-	-	-27
Balance as of Jan. 1, 2024 after corrections	441	6,589	16,907	-1,048	-55	-	-4	-82	115	22,863
Profit after tax	-	-	469	-	-	-	-	-	13	482
Other comprehensive income, net of tax	-	-	30	159	98	-	4	105	-12	385
Total comprehensive income	-	-	499	159	98	-	4	105	1	867
Capital increases	-	-	-	-	-	-	-	-	2	2
Profit transferred to/loss assumed by Volkswagen AG ²	-	-	-207	-	-	-	-	-	-	-207
Distributions of noncash assets due to the derecognition of discontinued operations	-	-6,587	-12,943	0	-	-	-	0	-	-19,530
Other changes	-	-	9	-	-	-	-	0	-14	-6
Balance as of Dec. 31, 2024	441	2	4,265	-889	43	-	-	24	103	3,990

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

² The figures are the share of earnings attributable to Volkswagen AG in accordance with the HGB.

Further information on equity is presented in note (52).

Cash Flow Statement

of the Volkswagen Financial Services Overseas AG Group

€ million	Jan. 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2023 restated ¹
Profit before tax	1,007	1,796
Depreciation, amortization, impairment losses and reversals of impairment losses	3,312	5,503
Change in provisions	–41	77
Change in other noncash items	–29	–300
Loss on disposal of financial assets and items of property and equipment	256	–118
Net interest expense and dividend income	–1,012	–1,249
Other adjustments	–10	–3
Change in loans to and receivables from banks	32	569
Change in loans to and receivables from customers	894	–8,634
Change in lease assets	–4,938	–9,125
Change in other assets related to operating activities	119	–1,469
Change in liabilities to banks	–521	2,933
Change in liabilities to customers	–444	2,506
Change in notes, commercial paper issued	2,939	1,966
Change in other liabilities related to operating activities	63	14
Interest received	4,775	6,272
Dividends received	7	18
Interest paid	–3,770	–5,041
Income taxes paid	–236	–424
Cash flows from operating activities	2,404	–4,708
Proceeds from disposal of investment property	6	–
Acquisition of investment property	–	–
Proceeds from disposal of subsidiaries and joint ventures	56	358
Acquisition of subsidiaries and joint ventures	–343	–293
Proceeds from disposal of other assets	–52	8
Acquisition of other assets	–43	–77
Change in investments in marketable securities	30	–179
Cash flows from investing activities	–347	–183
Proceeds from changes in capital	–	3,773
Distribution to Volkswagen AG	–	–
Profit transferred to/loss assumed by Volkswagen AG	311	1,697
Change in cash funds attributable to subordinated capital	–47	0
Repayment of liabilities arising from leases	–14	–23
Cash flows from financing activities	251	5,447
	–	–
Cash and cash equivalents at end of prior period²	3,457	2,996
Changes in basis of consolidation ³	–4,256	–
Cash flows from operating activities	2,404	–4,708
Cash flows from investing activities	–347	–183
Cash flows from financing activities	251	5,447
Effect of exchange rate changes	–54	–94
Cash and cash equivalents at end of period²	1,455	3,457

1 Prior-year changes as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures” and due to the amended definition of cash and cash equivalents as explained in note (67) Cash flow statement.

2 The change in cash and cash equivalents at end of prior period contained cash and cash equivalents attributable to disposal groups (IFRS 5).

3 Change in cash and cash equivalents due to the spin-off of the shares to Volkswagen Leasing GmbH and the spin-off of the European operation of Volkswagen Financial Services Overseas AG (see “Restructuring of the Volkswagen Financial Services Overseas AG and Volkswagen Bank GmbH subgroups”).

Disclosures on the cash flow statement are presented in note (67).

Notes to the Consolidated Financial Statements

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

General Information

Volkswagen Financial Services Overseas Aktiengesellschaft (VW FS Overseas AG; until June 30, 2024, Volkswagen Financial Services Aktiengesellschaft) has the legal form of an *Aktiengesellschaft* (German stock corporation). It has its registered office at Gifhorner Strasse, Braunschweig, Germany, and is registered in the Braunschweig commercial register (HRB 3790).

With the implementation of the restructuring (see next section), the object of the Company was amended to a focus outside Europe. The object of the Company is to develop, sell and settle its own and third-party financial services, with a focus outside Europe, that are designed to promote the business of Volkswagen AG and its affiliated companies.

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

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

Restructuring of the Volkswagen Financial Services Overseas AG and Volkswagen Bank GmbH Subgroups

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

As of July 1, 2024, the shares of the German and European companies, including their subsidiaries, plus other assets and liabilities of the European operation of VW FS Overseas AG were spun off to Volkswagen Financial Services Europe AG and the shares of the subsidiary Volkswagen Leasing GmbH were spun off to Volkswagen Bank GmbH, which then became part of the European financial holding company. The former Volkswagen Financial Services AG was renamed Volkswagen Financial Services Overseas Aktiengesellschaft as of July 1, 2024. VW FS Overseas AG is the holding company responsible for managing the non-European subsidiaries. It remains an integral part of the Volkswagen Group as a wholly-owned subsidiary of Volkswagen AG and focuses on the international markets outside Europe. The newly established European financial holding company, which continued to operate under the name Volkswagen Financial Services Europe AG until June 30, 2024, was renamed Volkswagen Financial Services AG on July 1, 2024.

The scope of the spun-off assets and liabilities and the accounting policies applied are described in note (2) Basis of consolidation.

In connection with the spin-off of the European operation, the employment contracts of employees as well as all employee-related obligations, liabilities and provisions arising from employment contracts and earlier employment contracts of VW FS Overseas AG were also transferred to Volkswagen Financial Services AG.

Basis of Presentation

As of the reporting date, following completion of the restructuring of the subgroups, VW FS Overseas AG is not a publicly traded share capital company within the meaning of section 264d of the *Handelsgesetzbuch* (HGB – German Commercial Code) and does not have the status of a public-interest entity pursuant to section 316a of the HGB. Therefore, VW FS Overseas AG has voluntarily applied international accounting standards in preparing its consolidated financial statements pursuant to section 315e(3) of the HGB. VW FS Overseas AG prepared its consolidated financial statements for the year ended December 31, 2024 in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as in accordance with the additional disclosures required by German commercial law under section 315e(3) sentence 2 in conjunction with section 315e(1) of the HGB. All IFRSs issued by the International Accounting Standards Board (IASB) up to December 31, 2024 for which mandatory application was required in fiscal year 2024 in the EU have been taken into account in these consolidated financial statements.

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

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

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

Changes to Prior-Year Figures

CORRECTED RECOGNITION OF PROVISIONS FOR TIME ASSETS

In the reporting year, it was discovered that obligations for granting ancillary benefits had not been considered in full when calculating the provisions for Time Assets. The error was corrected in compliance with IAS 8 by adjusting the affected items in the previous years' consolidated financial statements. The retrospective correction resulted in changes to equity as of December 31, 2023 / January 1, 2024 and as of January 1, 2023. This is attributable to the increase in other provisions in the "Underwriting provisions and other provisions" and "Liabilities associated with assets held for sale (IFRS 5)" balance sheet items and the recognition of deferred tax assets in the "Deferred tax assets" and "Assets held for sale (IFRS 5)" balance sheet items. The effects on the comparison periods in the income statement, balance sheet and cash flow statement are shown below.

Due to the corrected recognition of provisions for Time Assets, the consolidated income statement for the prior year was restated as follows:

€ million	Jan. 1 – Dec. 31, 2023 before restate- ment	Changes due to the corrected recognition of provisions for Time Assets ¹	Jan. 1 – Dec. 31, 2023 restated
General and administrative expenses	–469	0	–469
Operating result	754	0	753
Other financial gains or losses	9	0	9
Profit before tax	915	0	915
Income tax expense	–363	0	–363
Profit/loss from continuing operations, net of tax	552	0	552
Profit/loss from discontinued operations, net of tax	622	–4	618
Profit/loss after tax	1,174	–4	1,170
Profit after tax attributable to Volkswagen AG	1,160	–4	1,156

Due to the corrected recognition of provisions for Tima Assets, the income statement for discontinued operations of the Group for the prior year was restated as follows:

€ million	Jan. 1 – Dec. 31, 2023 before restate- ment	Changes due to the corrected recognition of provisions for Time Assets ¹	Jan. 1 – Dec. 31, 2023 restated
General and administrative expenses	–2,038	–4	–2,043
Operating result from discontinued operations	983	–4	978
Other financial gains or losses	–41	–2	–43
Profit before tax from discontinued operations	887	–6	881
Income tax expense	–265	2	–263
Profit/loss from discontinued operations, net of tax	622	–4	618

Due to the corrected recognition of provisions for Time Assets, the balance sheet as of the reporting date of January 1, 2023, was restated as follows:

€ million	Jan. 1, 2023 before restate- ment	Changes due to the corrected recognition of provisions for Time Assets ¹	Jan. 1, 2023 restated
Assets	–	–	–
Deferred tax assets	1,226	10	1,236
Total	133,367	10	133,377
Equity and liabilities	–	–	–
Underwriting provisions and other provisions	983	33	1,016
Equity	17,607	–23	17,584
Retained earnings	15,462	–23	15,439
Total	133,367	10	133,377

Due to the corrected recognition of provisions for Time Assets, the balance sheet as of the reporting date of December 31, 2023, was restated as follows:

€ million	Dec. 31, 2023 before restate- ment	Changes due to the corrected recognition of provisions for Time Assets ¹	Dec. 31, 2023 restated
Assets	–	–	–
Deferred tax assets	612	0	612
Assets held for sale (IFRS 5)	113,020	12	113,031
Total	146,340	12	146,351
Equity and liabilities	–	–	–
Underwriting provisions and other provisions	184	0	184
Liabilities associated with assets held for sale (IFRS 5)	94,703	39	94,741
Equity	22,891	–27	22,863
Retained earnings	16,934	–27	16,907
Total	146,340	12	146,351

Due to the corrected recognition of provisions for Time Assets, the cash flows from operating activities reported in the prior-year cash flow statement were restated as follows:

€ million	Jan. 1 – Dec. 31, 2023 before restate- ment	Changes due to the corrected recognition of provisions for Time Assets ¹	Jan. 1 – Dec. 31, 2023 restated
Profit before tax	1,802	–6	1,796
Change in provisions	71	6	76
Change in other noncash items	–300	–	–300
Cash flows from operating activities	–5,659	–	–5,659

Effects of New and Revised IFRSs

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

Since January 1, 2024, amendments to IAS 1 had to be applied which clarified the classification of liabilities as current or non-current. In particular, this affects liabilities with a maturity tied to certain terms (covenants). A critical factor in the classification is whether the contractual option to postpone fulfillment for at least 12 months exists on the reporting date.

Also since January 1, 2024, amendments to IAS 7/IFRS 7 had to be implemented, resulting in additional disclosures in the notes concerning supply chain financing arrangements – especially reverse factoring. This is intended to make their effects on liabilities, cash flows and liquidity risks more transparent.

Amendments to IFRS 16 also had to be applied from January 1, 2024. In the context of a sale-and-leaseback transaction, the primary goal of these amendments is to recognize variable lease payments that are not based on an index or interest rate as lease liabilities.

The amended provisions referred to above do not materially affect the VW FS Overseas AG Group's financial position and financial performance.

New and Revised IFRSs Not Applied

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

Standard / interpretation		Published by the IASB	Application requirement ¹	Adopted by EU	Expected impact
IFRS 9 / IFRS 7	Classification and Measurement of Financial Instruments	May 30, 2024	Jan. 1, 2026	No	No material impact
IFRS 9 / IFRS 7	Contracts Referencing Nature-dependent Electricity	Dec. 18, 2024	Jan. 1, 2026	No	No material impact
IFRS 18	Presentation and Disclosure in Financial Statements	April 9, 2024	Jan. 1, 2027	No	Case-by-case adjustment of the presentation of income and expenses in the income statement; additional disclosures
IFRS 19	Subsidiaries without Public Accountability: Disclosures	May 9, 2024	Jan. 1, 2027	No	No impact
IAS 21	Lack of Exchangeability	Aug. 15, 2023	Jan. 1, 2025	Yes	No material impact
	Annual Improvements to IFRS Accounting Standards – Volume 11 ²	July 28, 2024	Jan. 1, 2026	No	No material impact

¹ Requirement for initial application from the VW FS Overseas AG perspective

² Slight amendments to a number of IFRS standards (IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7).

Accounting Policies

1. Basic principles

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

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

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

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

2. Basis of consolidation

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

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

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

COMPOSITION OF THE VW FS OVERSEAS AG GROUP

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

	2024	2023
VW FS Overseas AG and consolidated subsidiaries		
Germany	1	8
International	28	59
Subsidiaries recognized at cost		
Germany	–	5
International	14	36
Associates, equity-accounted joint ventures		
Germany	–	2
International	2	5
Associates, joint ventures and equity investments recognized at cost		
Germany	–	6
International	4	11
Total	49	132

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

CHANGE IN BASIS OF CONSOLIDATION AS OF JULY 1, 2024 AS A RESULT OF THE RESTRUCTURING, INCLUDING DISCLOSURES IN ACCORDANCE WITH IFRS 5

Spin-offs of shares of subsidiaries, equity investments and other assets and liabilities by VW FS Overseas AG were made in connection with the implementation of the restructuring program. Specifically, this relates to lateral spin-offs of the following former core parts of VW FS Overseas AG:

- a) Spin-off of the shares of the subsidiary Volkswagen Leasing GmbH to Volkswagen Bank GmbH,
- b) Spin-off of the European operation of Volkswagen Financial Services Overseas AG, which includes the shares in European subsidiaries and other investees and other assets and liabilities, to the new financial holding company Volkswagen Financial Services AG

All the aforementioned spin-offs were completed as planned with legal effect from July 1, 2024. As a result, the VW FS Overseas AG Group lost control of the subsidiaries, joint control of the joint ventures, significant influence over the associates and disposal of equity investments.

Each of the lateral spin-offs were carried out without any purchase price being paid to Volkswagen Financial Services Overseas AG by Volkswagen Bank GmbH or the Volkswagen Financial Services AG. The spin-offs will therefore have to be accounted for on the completion date as distributions of noncash assets to the parent company, Volkswagen AG.

The subsidiaries and equity investments whose shares were spun off by VW FS Overseas AG and the subsidiaries and equity investments of the subsidiaries and equity investments concerned (jointly referred to as “entities”) were recognized in the consolidated financial statements of VW FS Overseas AG until June 30, 2024. Specifically, entities were consolidated either as subsidiaries, with their assets and liabilities, or as joint ventures using the equity-accounting method. Other entities were recognized as unconsolidated subsidiaries, joint ventures, associates, or equity investments under Miscellaneous financial assets. The existing companies of the VW FS Overseas AG Group listed below are therefore affected by the spin-off processes.

Consolidated subsidiaries and ABS special purpose entities:

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

Equity-accounted joint ventures:

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

Unconsolidated subsidiaries:

- INIS International Insurance Service s.r.o., Mladá Boleslav
- LOGPAY Charge & Fuel Slovakia s.r.o., Bratislava
- LOGPAY Consorzio, Bolzano
- LOGPAY Financial Services GmbH, Eschborn
- LogPay Fuel Czechia s.r.o., Prague
- LOGPAY Fuel Italia S.r.l., Bolzano
- LogPay Fuel Spain S.L., Barcelona
- LOGPAY Transport Services GmbH, Eschborn
- Mobility Trader France S.A.S., Neuilly-sur-Seine
- Mobility Trader GmbH, Berlin
- Mobility Trader Holding GmbH, Berlin
- Mobility Trader Spain S.L., Barcelona
- Mobility Trader UK Ltd., London
- Softbridge - Projectos Tecnológicos S.A., Porto Salvo
- The Key to Mobility Services GmbH, Eschborn
- VOLKSWAGEN COMPANY DAC, Dublin
- Volkswagen Financial Services Hellas A.E., Athens
- Volkswagen Financial Services Schweiz AG, Wallisellen
- Volkswagen Insurance Brokers, Agente de Seguros y de Fianzas, S.A. de C.V., Puebla
- Volkswagen Insurance Company DAC, Dublin
- Volkswagen Insurance Service (Great Britain) Ltd., Milton Keynes
- Volkswagen Insurance Services Korea Co., Ltd., Seoul
- Volkswagen Service Sverige AB, Södertälje
- Volkswagen Serwis Ubezpieczeniowy Sp. z o.o., Warsaw
- VTXRM - Software Factory Lda., Porto Salvo
- VTXRM Software Factory US LLC, Wilmington

Unconsolidated joint ventures, associates and equity investments:

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

The spin-off process regarding b) the European operation referred to above included the spin-off of other assets and liabilities, such as receivables from funding activities, pro rata pension obligations and commercial paper issued of VW FS Overseas AG, in addition to the aforementioned entities.

The two spin-off processes referred to above, covering a) the shares of the subsidiary Volkswagen Leasing GmbH and b) the European operation of VW FS Overseas AG, comprising the shares of European subsidiaries and equity investments, and other assets and liabilities, created two disposal groups within the VW FS Overseas AG Group that are considered further below.

All of the conditions defined in IFRS 5 for classification as disposal groups held for distribution to owners were cumulatively satisfied for the two disposal groups as of the December 31, 2023 and June 30, 2024 reporting dates and the entities spun off and the other assets and liabilities were classified as disposal groups held for distribution to owners.

Neither of the two disposal groups constituted in its entirety a reportable segment in the VW FS Overseas AG Group. The assets and liabilities of the disposal group resulting from the spin-off of the shares of Volkswagen Leasing GmbH were included in the Germany segment. The assets and liabilities of the disposal group resulting from the spin-off of the European operation were allocated to the Germany, UK, Sweden and Other segments. The two disposal groups thus encompassed the whole of the former Germany, Sweden and UK reportable segments plus parts of Other segments and parts of the reconciliation.

The entities spun off as part of the disposal groups and the other assets and liabilities of VW FS Overseas AG nevertheless constitute overarching discontinued operations ("Europe"). Presentation in the form of a discontinued Europe operation creates an adequate distinction between continuing operations and discontinued operations of the VW FS Overseas AG Group. The discontinued "Europe" operation thus encompasses the two disposal groups in full.

Discontinued operations is reported in accordance with the requirements described in the standard. The income statement items are divided into continuing operations and discontinued operations, and the necessary disclosures are made in this section.

Consolidation between the continuing operations and the discontinued operations is recognized in the income statement under either the items of the continuing operations or the profit after tax of the discontinued operations to ensure that the continuing operations are appropriately presented.

The spin-off processes at VW FS Overseas AG are to be regarded as transactions under common control, as the subsidiaries transferred are still controlled by the ultimate parent company, Volkswagen AG, and are therefore not subject to the requirements of IFRS 3. Moreover, the spin-off processes are required to be reported as distributions of noncash assets to the parent company, Volkswagen AG, making use of the exemption for transactions under common control in accordance with IFRIC 17.5, meaning that the assets transferred are derecognized from retained earnings. IAS 8.10 specifies that an accounting policy must be applied to ensure such matters that are exempted from the IFRSs and thus not covered by the regulations are presented in a way that is relevant and reliable. The predecessor accounting method was applied as the policy for accounting for the spin-offs and distributions of noncash assets. The same method was similarly applied to the transfers of joint ventures and associates so that the spin-off of these entities is also appropriately presented.

The following table explains the changes in the consolidated balance sheet due to the assets and liabilities spun off and the equity of discontinued operations on the spin-off date of July 1, 2024:

€ million	July 1, 2024
Assets	
Cash reserve	0
Loans to and receivables from banks	-5,255
Loans to and receivables from customers attributable to	-
Retail financing	-1,705
Dealer financing	-2,343
Leasing business	-47,743
Other loans and receivables	-14,272
Total loans to and receivables from customers	-66,063
Value adjustment on portfolio fair value hedges	-59
Derivative financial instruments	-487
Marketable securities	-438
Equity-accounted investments	-689
Miscellaneous financial assets	-571
Intangible assets	-79
Property and equipment	-305
Lease assets	-38,276
Investment property	-61
Deferred tax assets	-876
Income tax assets	-71
Other assets	-2,718
Total	-115,950
€ million	July 1, 2024
Equity and Liabilities	
Liabilities to banks	-5,091
Liabilities to customers	-23,500
Notes, commercial paper issued	-58,884
Derivative financial instruments	-1,525
Provisions for pensions and other post-employment benefits	-277
Underwriting provisions and other provisions	-826
Deferred tax liabilities	-1,230
Current tax liabilities	-268
Other liabilities	-2,075
Subordinated capital	-2,745
Equity	-19,530
Total	-115,950

In the previous year, the disposal groups classified as held for distribution to owners that were reported in the separate asset and liability items of the balance sheet together comprised the following balance sheet items:

€ million	Dec. 31, 2023
Assets	
Cash reserve	0
Loans to and receivables from banks	2,805
Loans to and receivables from customers attributable to	–
Retail financing	1,694
Dealer financing	2,293
Leasing business	45,577
Other loans and receivables	16,863
Total loans to and receivables from customers	66,426
Value adjustment on portfolio fair value hedges	263
Derivative financial instruments	903
Marketable securities	467
Equity-accounted joint ventures	686
Miscellaneous financial assets	240
Intangible assets	62
Property and equipment	319
Lease assets	37,005
Investment property	69
Deferred tax assets	569
Income tax assets	66
Other assets	3,053
Total	112,935

€ million	Dec. 31, 2023
Liabilities	
Liabilities to banks	4,481
Liabilities to customers	23,652
Notes, commercial paper issued	57,078
Derivative financial instruments	1,873
Provisions for pensions and other post-employment benefits	318
Underwriting provisions and other provisions	838
Deferred tax liabilities	959
Current tax liabilities	535
Other liabilities	2,166
Subordinated capital	2,776
Total	94,677

Moreover, discontinued operations had obligations under off-balance-sheet irrevocable credit commitments and financial guarantees amounting to €1,306 million on the disposal date of July 1, 2024.

The composition of the gain from the disposal of discontinued operations on July 1, 2024, is shown in the following table:

€ million	July 1, 2024
Income from the realization of differences between the consolidated carrying amounts reported in the consolidated financial statements of the superordinate parent company and in the consolidated financial statements of the group spinning off the operation	93
Reclassification adjustment for foreign exchange differences	-76
Reclassification adjustment for cash flow hedges (OCI I)	-1
Reclassification adjustment relating to fair value valuation of debt instruments that may be reclassified to profit or loss	-8
Reclassification adjustment for the share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss	-65
Spin-off costs	-1
Profit/loss from the disposal of discontinued operations, before tax	-59
Current income tax expense on the income from the spin-off of discontinued operations	-11
Profit/loss from the disposal of discontinued operations, net of tax	-69

Spin-off costs are the additional costs incurred by VW FS Overseas AG that are directly attributable to spin-off processes or which were incurred to ensure that the object of the spin-off was in a suitable condition for spin-off. Examples of such costs are registration and notary fees and fees paid to consultants advising on, for example, the company law, regulatory and tax aspects of the spin-off.

In the income statement of the VW FS Overseas AG Group, the profit/loss of discontinued operations until spin-off is reported separately from the income and expenses of continuing operations and recognized separately together with the profit/loss from the disposal of discontinued operations, net of tax, in the “Profit/loss from discontinued operations, net of tax” income statement item. The following table presents the income statement for the discontinued operation, including the profit/loss from the disposal of the discontinued operation:

€ million	Jan. 1 – Jun. 30, 2024	Jan. 1 – Dec. 31, 2023 restated ¹
Interest income from lending transactions and marketable securities	421	655
Income from leasing transactions	12,847	24,620
Depreciation, impairment losses and other expenses from leasing transactions	–10,239	–19,764
Net income from leasing transactions	2,608	4,856
Interest expense	–2,032	–3,388
Income from service contracts	1,363	2,571
Expenses from service contracts	–1,219	–2,374
Net income from service contracts	144	197
Income from insurance transactions	138	262
Expenses from insurance transactions	–95	–132
Net income from insurance business	43	130
Provision for credit risks	–61	107
Fee and commission income	297	533
Fee and commission expenses	–173	–342
Net fee and commission income	124	191
Net gain or loss on hedges	–13	–61
Net gain/loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	–56	–342
General and administrative expenses	–966	–2,043
Other operating income	937	1,125
Other operating expenses	–568	–450
Net other operating income/expenses	369	675
Operating result from discontinued operations	582	978
Net gain or loss on equity-accounted investments	33	76
Net gain or loss on miscellaneous financial assets	–11	–130
Other financial gains or losses	5	–43
Profit before tax from discontinued operations	609	881
Income tax expense	–242	–263
Profit/loss from discontinued operations, net of tax	368	618
Profit/loss from the disposal of discontinued operation, before tax	–59	–
Current income tax expense on the income from the spin-off of the discontinued operation	–11	–
Profit/loss from the disposal of discontinued operations, net of tax	–69	–
Profit/loss from discontinued operations	298	618
Profit after tax from discontinued operations attributable to Volkswagen AG	298	618

1 Prior-year changes in the “General and administrative expenses”, “Other financial gains or losses” and “Income tax expense” income statement items, as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures”.

The cash flows shown in the VW FS Overseas AG Group cash flow statement include the discontinued operation. The condensed cash flow statement below shows the cash flows of the discontinued operation.

€ million	Jan. 1 – June. 30, 2024	Jan. 1 – Dec. 31, 2023
Cash flows from operating activities	70	–4,988
Cash flows from investing activities	–440	–1,308
Cash flows from financing activities	565	6,306

The explanations in respect of the income statement and the balance sheet essentially relate only to the continuing operation. Any exceptions to this principle are identified clearly.

The disclosures in notes (15), (17) and (66) concerning insurance contracts in accordance with IFRS 17, the disclosures in note (8) concerning portfolio hedge accounting and derivative financial instruments in the form of derivatives in connection with early termination rights embedded in finance leases and in the explanations of financial instruments, and the disclosures in notes (12) and (65) concerning buyback transactions relate entirely to contracts of the discontinued operation.

IFRS 5 DISPOSAL GROUP “VW FS OVERSEAS AG ENTITIES IN RUSSIA”

In accordance with the requirements of IFRS 5, the consolidated subsidiaries OOO Volkswagen Group Finanz, Moscow, Russia, OOO Volkswagen Group Financial Services RUS, Moscow, Russia, and OOO Volkswagen Bank RUS, Moscow, Russia, have been classified since fiscal year 2022 as a disposal group held for sale. Impairment losses of €186 million were recognized in fiscal year 2023 in this context.

The shares of OOO Volkswagen Group Finanz, Moscow, Russia, and OOO Volkswagen Financial Services RUS, Moscow, Russia, were sold to an external investor on January 18, 2024. The deconsolidation of the two companies resulted in a loss of €62 million, due, in particular, to the reclassification of currency translation differences to the income statement, which is reported in “Other operating expenses”.

In addition, impairment losses of €29 million were recognized for OOO Volkswagen Bank RUS, Moscow, Russia, in fiscal year 2024. The company was deconsolidated as of June 30, 2024 and a carrying amount of €1 was recognized as an equity investment. A deconsolidation loss of € 182 million was reported under “Other operating expenses”, which includes, in particular, the reclassification of foreign exchange differences to the income statement. Because of the immateriality of the carrying amount recognized for the equity investment, the IFRS 5 classification has been discontinued and the carrying amount of the equity investment is reported as part of continuing operations under “Miscellaneous financial assets”.

OTHER CHANGES IN THE BASIS OF CONSOLIDATION

The consolidated subsidiary Volkswagen Financial Services France S.A., Villers-Cotterêts, was liquidated in the reporting period and hence deconsolidated. The company was a holding company with no active financing business.

On February 28, 2024, Volkswagen Finance Europe B.V., Amsterdam, a subsidiary in the VW FS Overseas AG Group until its spin-off as part of the European operation as of July 1, 2024, acquired 49% of the shares of Bike Mobility Services Group B.V., Amersfoort, from Pon Bicycle Holding B.V., Almere. As part of the European operation of VW FS Overseas AG disposal group, the 49% interest in Bike Mobility Services Group B.V. was spun off to Volkswagen Financial Services AG as of July 1, 2024 (see also “Change in basis of consolidation as of July 1, 2024 as a result of the restructuring, including disclosures in accordance with IFRS 5”). Until the spin-off, the interest was reported in the separate “Assets held for sale (IFRS 5)” balance sheet item.

The subsidiary Carizy S.A.S., Puteaux, which was previously not consolidated, and the joint venture Fleet Company GmbH, Oberhaching, which was also previously not consolidated, were sold in the reporting period without any significant disposal gains or losses

The additions and disposals of special purpose entities in 2024 were as follows:

Additions:

- > Driver Australia Master Trust 2, Sydney
- > Driver Australia nine Trust, Chullora
- > Driver Australia ten Trust, Chullora
- > Driver China Fifteen Auto Loan Securitisation Trust, Beijing

Disposals:

- > Driver Brasil Five Banco Volkswagen Fundo de Investimento em Direitos Creditórios Financiamento de Veículos, Osasco
- > Driver China Eleven Auto Loan Securitization Trust, Beijing
- > Driver China Thirteen Auto Loan Securitization Trust, Beijing
- > Driver China Twelve Auto Loan Securitization Trust, Beijing

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

OTHER DISCLOSURES ON JOINT VENTURES UNDER IFRS 12

Some subsidiaries hold assets in the form of cash, usability of which within the Group is limited on account of contractual or regulatory provisions. These assets are reported as “Restricted cash” under the “Other assets” balance sheet item.

JOINT VENTURE DISCLOSURES PURSUANT TO IFRS 12

In the course of restructuring the subgroups, the interest in the equity-accounted joint ventures Volkswagen Pon Financial Services B.V., Volkswagen D'Ieteren Finance S.A. and Volkswagen Møller Bilfinans A/S, which were formerly classified as material and requiring separate presentation, were spun off with the European operation of VW FS Overseas AG as of July 1, 2024. As part of the European operation disposal group, the three joint ventures were already classified under "Available for disposal (IFRS 5)" as of December 31, 2023. Disclosures about material equity-accounted joint ventures, including the prior-year figures, are therefore not made for these joint ventures.

The remaining equity-accounted joint ventures VDF Servis ve Ticaret A.S., Istanbul, and Volkswagen Financial Services South Africa (Pty) Ltd., Sandton, were classified as material joint ventures of the VW FS Overseas AG Group as of December 31, 2024. For this reason, they are presented separately in the following disclosures concerning material joint ventures, including the prior-year values. They ran the financial services business in the respective countries and thus help to promote vehicle sales in the Volkswagen Group.

VDF Servis ve Ticaret A.S.

The VDF Servis ve Ticaret A.S. Group, with registered office in Istanbul, Türkiye, is a financial services provider offering financing, leasing and insurance products for Volkswagen Group vehicles to business and private customers in Türkiye. The VW FS Overseas AG Group and its partner in this joint venture, Doğuş Otomotiv Servis ve Ticaret A.S., have entered into an agreement for a long-term strategic partnership.

Volkswagen Financial Services South Africa (Pty) Ltd.

Volkswagen Financial Services South Africa (Pty) Ltd., with registered office in Sandton, South Africa, is a financial services provider offering financing and leasing products for Volkswagen Group vehicles to business and private customers in South Africa. The VW FS Overseas AG Group and its partner in this joint venture, FirstRand Investments Holdings Proprietary Limited, have entered into an agreement for a long-term strategic partnership.

Summarized financial information for the material joint ventures on a 100% basis:

€ million	VDF SERVIS VE TİCARET A.Ş. (TÜRKİYE)		VOLKSWAGEN FINANCIAL SERVICES SOUTH AFRICA (PTY) LTD. (SOUTH AFRICA)	
	2024	2023	2024	2023
Shareholding (percent)	51%	51%	51%	51%
Loans to and receivables from banks	77	81	171	185
Loans to and receivables from customers	752	412	1,879	1,697
Lease assets	336	285	1	–
Other assets	79	260	60	55
Total	1,243	1,039	2,111	1,936
of which: noncurrent assets	562	344	1,179	853
of which: current assets	681	694	932	1,084
of which: cash	77	81	171	185
Liabilities to banks	789	575	544	513
Liabilities to customers	85	105	19	17
Notes, commercial paper issued	–	–	1,370	1,233
Other liabilities	61	38	27	28
Equity	308	321	150	146
Total	1,243	1,039	2,111	1,936
of which: noncurrent liabilities	37	35	1,235	1,116
of which: noncurrent financial liabilities	17	19	1,223	1,109
of which: current liabilities	899	683	726	675
of which: current financial liabilities	858	661	683	653
Revenue	837	632	264	227
of which: interest income	467	304	246	212
Expenses	–923	–506	–244	–208
of which: interest expense	–333	–220	–178	–160
of which: depreciation and amortization	–6	–4	0	0
Profit/loss from continuing operations, before tax	–85	126	20	20
Income tax expense or income	–16	–24	–3	–7
Profit/loss from continuing operations, net of tax	–102	102	16	13
Profit/loss from discontinued operations, net of tax	–	–	–	–
Other comprehensive income, net of tax	–5	4	–	–
Total comprehensive income	–107	106	16	13
Dividends received	–	–	9	–

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

€ million	VDF SERVIS VE TİCARET A.Ş. (TÜRKİYE)	VOLKSWAGEN FINANCIAL SERVICES SOUTH AFRICA (PTY) LTD. (South Africa)
2023		
Equity of the joint venture as of Jan. 1, 2023	216	150
Profit/loss	92	13
Other comprehensive income	25	–
Change in share capital	30	–
Exchange differences on translating foreign operations	–43	–18
Dividends	–	–
Equity of the joint venture as of Dec. 31, 2023	321	146
Share of equity	164	74
Impairment/other	–118	–21
Carrying amount of the share of equity as of Dec. 31, 2023	46	53
2024		
Equity of the joint venture as of Jan. 1, 2024	321	146
Profit/loss	–102	16
Other comprehensive income	103	–
Change in share capital	–	–
Exchange differences on translating foreign operations	–13	6
Dividends	–	18
Equity of the joint venture as of Dec. 31, 2024	308	150
Share of equity	157	77
Impairment/other	–118	–21
Carrying amount of the share of equity as of Dec. 31, 2024	39	56

The disclosures on joint ventures include the joint venture VDF Servis ve Ticaret A.Ş., Türkiye, the equity of which as defined by the IFRSs at December 31, 2024 and December 31, 2023 was determined in line with the provisions of IAS 29.

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

Cash attributable to joint ventures amounting to €141 million (previous year: €150 million) was pledged as collateral in connection with ABS transactions and was therefore not available to the VW FS Overseas AG Group.

There are no irrevocable credit commitments and financial guarantees to joint ventures (previous year: €82 million). In the previous year, the articles of incorporation or partnership agreements specified obligations to provide loans to joint ventures – the interests in which were spun off to VW FS Overseas AG with the European operation – for the funding of the entities, where required.

3. Consolidation methods

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

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

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

The acquisition method described above is not applied when subsidiaries are established or not acquired; no goodwill or negative goodwill can arise when newly established subsidiaries are included in the consolidation. The assets and liabilities of the subsidiaries are recognized at their values on the date of initial consolidation. Any possible difference between the carrying amount of the shareholding in the previously unconsolidated subsidiary and the equity of the subsidiary at the time of its inclusion in the consolidation will be recognized at fair value in retained earnings upon initial consolidation.

If subsidiaries that are being consolidated for the first time result from a business combination under joint control with a superordinate parent company such as Volkswagen AG, the acquisition method defined by IFRS 3 is not applied. Instead, the Group applies the predecessor accounting method for the recognition of assets and liabilities. For this reason, the consolidation of these subsidiaries cannot result in either goodwill or badwill. A difference between the acquired net assets and any transferred considerations is recognized in equity at the time of inclusion in the consolidation process.

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

4. Currency translation

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

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

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

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

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

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

		BALANCESHEET , MIDDLE SPOT RATE ON DEC. 31		INCOME STATEMENT , AVERAGE RATE	
	€1 =	2024	2023	2024	2023
Australia	AUD	1.67610	1.62920	1.64013	1.62859
Brazil	BRL	6.43140	5.37495	5.82618	5.40306
Denmark ¹	DKK	–	7.45300	7.45805	7.45098
United Kingdom ¹	GBP	–	0.86910	0.85455	0.87001
Japan	JPY	163.23000	156.79000	163.82257	151.93821
Mexico	MXN	21.58915	18.76890	19.82192	19.19575
Poland ¹	PLN	–	4.34090	4.31739	4.54402
Republic of Korea	KRW	1,534.32000	1,440.71500	1,475.43597	1,413.50465
Russia ¹	RUB	–	99.96610	98.08337	92.29940
Sweden ¹	SEK	–	11.08735	11.39137	11.47160
Taiwan	TWD	34.10110	33.92110	34.74228	33.69924
Czech Republic ¹	CZK	–	24.71800	25.02057	24.00353
People’s Republic of China	CNY	7.59860	7.87000	7.78612	7.65984

¹ For these currencies, the average rates quoted for 2024 correspond to the unweighted average rates for the first half of 2024.

5. Revenue and expense recognition

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

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

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

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

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

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

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

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

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

6. Income taxes

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

Deferred tax assets are recognized if it is probable that in the future sufficient taxable profits will be generated in the same tax unit against which the deferred tax assets can be utilized. No deferred tax assets are recognized in the year of formation if their recovery is not likely within a reasonable period. If it is no longer likely that deferred tax assets recognized in previous years will be recovered within a reasonable period, valuation allowances are applied.

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

The VW FS Overseas AG Group will not be subject to any impacts from the introduction of the global minimum level of taxation (Pillar 2). Consequently, no current tax expense in connection with Pillar 2 income taxes is incurred. The VW FS Overseas AG Group has applied the exemption from the recognition and disclosure of deferred taxes in connection with Pillar 2 income taxes.

7. Cash reserve

The cash reserve is carried at the nominal amount.

8. Financial instruments

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

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

IFRS 9 breaks down financial assets into the following categories:

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

Financial liabilities are classified using the following categories:

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

In the VW FS Overseas AG Group, the categories shown above are allocated to the classes “financial assets and liabilities measured at amortized cost” and “financial assets and liabilities measured at fair value”.

The fair value option for financial assets and financial liabilities is not applied in the VW FS Overseas AG Group.

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

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

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

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

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

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

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

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

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

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

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

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

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

LOANS AND RECEIVABLES

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

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

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

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

The accounting policies relating to receivables from customers attributable to the leasing business in the VW FS Overseas AG Group are described in note (12) Leases.

MARKETABLE SECURITIES

Shares/units in investment funds reported in the “Marketable securities” balance sheet item and in the prior year in the “Assets held for sale (IFRS 5)” balance sheet item are allocated to the measurement category “Financial assets measured at fair value through profit or loss”. Gains and losses arising from the remeasurement of shares/units in investment funds are recognized in profit or loss under gains and losses on financial instruments measured at fair value.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments comprise derivatives designated as hedging instruments and derivatives not designated as hedging instruments. All derivatives are measured at fair value and are presented separately in notes (35) and (45).

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

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

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

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

In the prior year, the VW FS Overseas AG Group had portfolio fair value hedges that were attributable in full to discontinued operations and for which changes in hedged fair value of the hedged items were recognized in the “Assets held for sale (IFRS 5)” balance sheet item. Portfolio fair value hedges report transactions to hedge the risk of changes in the interest rates of hedged items (receivables from finance leases) on a portfolio basis. The hedged interest rate risk for the hedged items was based on the 3-month EURIBOR/SONIA. The VW FS Overseas AG Group exercised the option afforded in the provisions of IAS 39 regarding hedge accounting in its portfolio fair value hedge accounting treatment.

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

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

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

PROVISION FOR CREDIT RISKS

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

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

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

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

The provision for credit risks is calculated on the basis of the individual financial asset. The parameters required for this calculation are established by assessing portfolios in which individual

financial assets of a similar type are brought together. Such homogeneous portfolios are created, for example, on the basis of customer group (e.g. dealer), product (e.g. financing or leasing), or type of collateral (e.g. vehicle). In the case of significant financial assets (e.g. dealer financing loans/receivables and fleet customer business loans/receivables) with objective evidence of impairment, the measurement parameters are determined on the basis of the individual contract.

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

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

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

A financial asset for which the credit risk is determined to be very low at the reporting date can normally be allocated to Stage 1. In the VW FS Overseas AG Group, largely in the capital markets business, a very low credit risk can be assumed if the financial asset is classified as investment grade.

According to the definition of default used by the VW FS Overseas AG Group, there is deemed to be objective evidence of impairment if a number of situations arise, such as payment delayed by more than 90 days, the initiation of enforcement measures, the threat of insolvency or over-indebtedness, application for or the initiation of insolvency proceedings, or the failure of restructuring measures.

If necessary, additional valuation allowances (post-model adjustments) are recognized on a country-specific basis in the provision for credit risks where certain standard models and processes implemented – including the credit risk parameters applied – do not fully reflect the uncertainties in the global economy and it is judged appropriate to include other aspects in making assessments about the future. In these cases, all available sufficiently reliable information and the macroeconomic factors relevant to the assessment are factored in to establish the additional country-specific valuation allowances due to global economic uncertainties.

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

Uncollectible loans or receivables that are already subject to a remediation for which all collateral has been recovered and all further options for recovering the loan or receivable have been exhausted are

written off directly. Any valuation allowances previously recognized are utilized. Income subsequently collected in connection with loans or receivables already written off is recognized in profit and loss.

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

Disclosures relating to the provision for credit risks are presented separately in notes (22) and (60).

MODIFICATIONS

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

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

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

LIABILITIES

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

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

9. Miscellaneous financial assets

Shares in unconsolidated subsidiaries and interests in unconsolidated joint ventures are reported as miscellaneous financial assets.

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

10. Intangible assets

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

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

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

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

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

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

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

The interest rate used is based on the long-term market interest rate relevant to each cash-generating unit (regions or markets). If necessary, the standard cost of equity rate for the Group is also adjusted using discount factors specific to the country and business concerned. The interest rates used are disclosed in note (37).

11. Property and equipment

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

Depreciation on assets reported under property and equipment is based mainly on the following useful lives:

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

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

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

The property and equipment line item on the balance sheet also includes right-of-use assets in connection with leases in which the VW FS Overseas AG Group is the lessee. The accounting policies for these right-of-use assets are set out in note (12) Leases within the subsection covering the Group as lessee.

12. Leases

GROUP AS LESSOR

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

Lease income and lease expenses that the Group generates or incurs as a lessor are recognized under income from leasing transactions and depreciation, impairment losses and other expenses from leasing transactions in the income statement and are explained in note (21) Net Income from Leasing Transactions. Net income from leasing transactions largely consists of the following components: revenue from operating leases, interest income from finance leases, gains and expenses from the disposal of used ex-lease vehicles, and depreciation and impairment losses in respect of lease assets.

A finance lease is a lease that transfers substantial risks and rewards to the lessee. Where residual value guarantees are agreed, residual value risks are passed to the residual value guarantor. In the consolidated balance sheet, receivables from finance leases are reported within loans to and receivables from customers and the net investment in the lease generally equates to the cost of the lease asset. Interest income from these transactions is reported under leasing income in the income statement. The interest paid by the customer is allocated so as to produce a constant periodic rate of interest on the remaining balance of the lease receivable.

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

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

The VW FS Overseas AG Group takes full account of the credit risk arising in connection with lease receivables by recognizing loss allowances in accordance with the provisions specified in IFRS 9. The accounting policies covering loss allowances for the credit risk on lease receivables are included in note (8) Financial Instruments in the subsection addressing the provision for credit risks.

GROUP AS LESSEE

The right-of-use asset for leases in which the VW FS Overseas AG Group is the lessee is depreciated on a straight-line basis over the term of the lease. The depreciation expense is reported under general and administrative expenses. The allocation of the depreciation amounts for right-of-use assets to the categories "Right of use on land, land rights and buildings incl. buildings on third party land" and "Right of use on other equipment, operating and office equipment" is shown in note (65) Leases. In the subsequent measurement of the lease liability, the carrying amount is updated using the effective interest method and taking into account the lease payments made. The interest expenses arising from the application of the effective interest method are reported under interest expenses in the income statement.

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

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

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

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

BUYBACK TRANSACTIONS

The buyback transactions of the VW FS Overseas AG Group were fully spun off as part of Volkswagen Leasing GmbH and with the European operation of VW FS Overseas AG as of July 1, 2024. For this reason, the following information relates only to the recognition of discontinued operations until the time of transfer.

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

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

13. Investment property

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

14. Provisions for pensions and other post-employment benefits

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

The VW FS Overseas AG Group provides occupational pensions in the form of both defined contribution and defined benefit plans. In the case of defined contribution plans, the Company makes contributions to state or private pension schemes based on statutory or contractual requirements, or on a voluntary basis. Once the contributions have been paid, the VW FS Overseas AG Group has no further obligations. Current contributions are recognized as pension expenses of the period concerned. In 2024, they amounted to a total of €28 million (previous year: €52 million) in the VW FS Overseas AG Group. Contributions to the compulsory state pension system in Germany amounted to €21 million (previous year: €41 million).

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

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

Detailed disclosures on provisions for pensions and other post-employment benefits are set out in note (46).

15. Insurance business

The insurance business of the VW FS Overseas AG Group was fully spun off to Volkswagen Financial Services AG as of July 1, 2024, with the European operation that also included Volkswagen Versicherung AG. For this reason, the following information relates only to the recognition of discontinued operations until the time of transfer.

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

Insurance contracts are recognized in accordance with IFRS 17. They included warranty insurance products for end customers and repair cost insurance for dealers, importers, etc. Obligations also existed in the active reinsurance business from automobile liability insurance, GAP insurance, comprehensive insurance and residual debt insurance. Obligations of other Group companies for which there was an option to apply IFRS 17 were, however, measured in each case according to the relevant IFRS, as required by Group regulations.

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

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

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

Investment components were measured in line with the applicable cases by determining the payments to be made to the policyholder given an entirely claim-free term.

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

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

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

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

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

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

Percent	UP TO 1 YEAR		1 – 5 YEARS		MORE THAN 5 YEARS		MORE THAN 10 YEARS	
	from	to	from	to	from	to	from	to
EUR	3.34	3.49	2.42	2.57	2.29	2.44	2.39	2.55
GBP	4.82	4.82	–	–	–	–	–	–
JPY	0.23	0.23	0.44	0.44	0.61	0.61	–	–
TRY	49.87	49.87	30.78	30.78	25.97	25.97	–	–
SEK	3.58	3.58	2.60	2.60	2.34	2.34	–	–
CZK	5.34	5.34	3.82	3.82	3.56	3.56	–	–
PLN	5.43	5.51	4.48	4.55	4.21	4.29	–	–
CHF	1.49	1.57	1.18	1.25	1.16	1.24	–	–

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

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

16. Other provisions

Under IAS 37, provisions are recognized if a present legal or constructive obligation to a third party has arisen as a result of a past event, it is probable that settlement in the future will result in an outflow of resources embodying economic benefits and the amount of the obligation can be estimated reliably. If an outflow of resources is neither probable nor improbable, the amount concerned is deemed to be a contingent liability. In accordance with IAS 37, this contingent liability is not recognized but disclosed in note (68).

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

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

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

Provisions that are not associated with an outflow of resources within one year are recognized at their settlement amount discounted to the reporting date using market discount rates. An average discount rate of 2.61% (previous year: 2.87%) was used in the eurozone. The settlement amount also includes expected cost increases.

17. Estimates and assumptions by management

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

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

The planning assumption in respect of global economic development is that global economic output will grow at a somewhat slower rate in 2025 than in 2024. The declining level of inflation in key economic regions and the resulting relaxation of monetary policy are expected to have a positive impact on consumer spending. We continue to believe that risks will arise from increasing fragmentation of the global economy and protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. Growth prospects are also being depressed by ongoing geopolitical tensions and conflicts. Risks are associated in particular with the Russia-Ukraine conflict, hostilities in the Middle East and uncertainties in connection with the political direction in the US. It is assumed that both advanced economies and emerging markets will see slightly weaker momentum on average than in the reporting year. The general expectation is that the global economy will continue on a path of stable growth through 2029.

These assumptions suggest that automotive financial services – coupled with vehicle market trends – will prove highly important to global vehicle sales in 2025. Demand is expected to rise in emerging markets where market penetration has so far been low. Regions with established automotive financial services markets will probably see a continuation of the trend towards enabling mobility at the lowest possible total cost. Integrated end-to-end solutions that include mobility-related service modules such as insurance and innovative packages of services are likely to become increasingly important. Additionally, demand is expected to increase for new forms of mobility, such as rental and car subscription (Auto-Abo) services, and for integrated mobility services including refueling and charging. Dealers continue to be key strategic partners. The seamless integration of financial services into the online vehicle offering will become increasingly important. We assume that this trend will also persist in the years 2026 to 2029.

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

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

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

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

Social and political factors have an increasing impact on many people's individual mobility behavior. Among the general public, environmental and climate protection has grown immensely in importance over the last few years and is attracting increasing attention from lawmakers. Especially in large metropolitan areas, new challenges are appearing in connection with the design of an intelligent mobility mix consisting of public transport combined with motorized and non-motorized private transport. In addition, new mobility solutions will change the traditional perception of owning a vehicle. As a result, mobility is being redefined in many respects.

Volkswagen Financial Services Overseas AG closely monitors developments in the mobility market and is working on new models to support alternative marketing approaches and establish new mobility concepts with the goal of securing and expanding its business model.

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

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

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

RECOVERABLE AMOUNT OF LEASE ASSETS

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

The mix of drive types in the portfolio of the VW FS Overseas AG Group will change over time as the transition to zero-emissions mobility progresses. The implications of this transition for residual values in the portfolio are monitored continuously using an appropriate method for the analysis and evaluation of ESG factors, including technological and regulatory changes and CO₂ transition costs. The defined residual values of vehicles of different drive types are updated in line with the results of this monitoring at regular intervals for the purposes of both new business and residual value forecasting. Customer behavior and the structure of the market are also key determining factors in this context alongside the aforementioned elements. No additional estimation uncertainty arising from ESG/sustainability considerations that would materially affect existing estimates, for example of the recoverable amount of leased assets, in the consolidated financial statements is apparent as of the current reporting date. Possible future effects of ESG/sustainability factors on existing estimates are considered continuously.

LEASE TERM IN LESSEE ACCOUNTING

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

FINANCIAL INSTRUMENTS

The procedure for determining the recoverability of financial assets requires estimates about the extent and probability of occurrence of future events. When possible, these estimates take into account the latest market data as well as rating classes and scoring information derived from empirical values and combined with forward-looking parameters. Estimates and assumptions by management of future events are required for the determination of country-specific additional valuation allowances due to global economic uncertainties. Further information on determining valuation allowances can be found in the disclosures on the provision for credit risks (notes 8 and 60).

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

INCOME FROM SERVICE CONTRACTS

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

PROVISIONS

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

The measurement of pension provisions is based on actuarial assumptions regarding discount rates, salary and pension trends, and employee turnover rates, which are determined for each group company depending on the economic environment. Further information about the assumptions applied in relation to provisions for pensions and other post-employment benefits can be found in notes (14) and (46).

In the case of other provisions, expected values are used as the basis for measurement, which means that changes are made on a regular basis, involving either additions to the provisions or the reversal of unused provisions. Changes in the estimates of the amounts for other provisions are always recognized in profit or loss. The recognition and measurement of provisions for litigation and legal risks included within other provisions requires making predictions with regard to court decisions and the outcome of legal proceedings. Each case is individually assessed on its merits based on developments in the proceedings, the company's past experience in comparable situations and evaluations made by experts and lawyers. Further information about the assumptions applied in relation to other provisions can be found in note (16).

INSURANCE BUSINESS

The measurement of underwriting items in discontinued operations (see note (15)) depended to a certain extent on the use of estimates and/or assumptions. This of course applied in particular to future events that had to be considered in calculating the liabilities, but also to the aggregation and simplification steps necessary to make the calculations feasible. The use of estimates and judgment-based decisions thus had a material impact on the measurement of insurance liabilities, appropriate aggregation to create calculation groups and the allocation of cash flows occurring. This was particularly true of new business taken on for which there is no historical data and for liabilities grouped in less refined calculation units in compliance with the standards that were created prior to the transition to IFRS 17.

RECOVERABLE AMOUNT OF NONFINANCIAL ASSETS AND JOINT VENTURES

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

DEFERRED TAX ASSETS AND UNCERTAIN INCOME TAX ITEMS

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

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

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

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

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

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

Income Statement Disclosures

The following income statement disclosures in principle relate to the income statement items that are allocated to continuing operations in the income statement. Any disclosures relating to both continuing operations and discontinued operations are clearly identified as such.

18. Interest income from lending transactions and marketable securities

Interest income from lending transactions and marketable securities includes interest income from dealer financing transactions, interest income and expenses on derivatives used to hedge financial assets outside the leasing business and other interest income such as interest income from fixed-income securities.

Interest income and interest expense related to derivatives not designated as hedging instruments for hedging financial assets outside the leasing business came to €– million (previous year: €– million). Interest income and expenses on derivatives designated as hedging instruments for hedging financial liabilities outside of the leasing business amount to €–2 million (previous year: €– million).

19. Net income from leasing transactions

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

€ million	2024	2023
Leasing income from operating leases	591	448
Interest income from finance leases	158	128
Gains from the disposal of used ex-lease vehicles	570	527
Miscellaneous income from leasing transactions	10	13
Income from leasing transactions	1,328	1,117
Lease assets depreciation and impairment losses	–243	–208
Expenses from the disposal of used ex-lease vehicles	–600	–511
Miscellaneous expenses from leasing transactions	–28	–25
Depreciation, impairment losses and other expenses from leasing transactions	–871	–744
Total	457	373

20. Interest expense

Interest expenses include funding expenses for lending and leasing business. Interest income and expenses on derivatives not designated as hedging instruments for hedging financial liabilities amount to €–4 million (previous year: €–3 million). Interest income and expenses on derivatives designated as hedging instruments for hedging financial liabilities amount to €67 million (previous year: €37 million).

The disclosures relating to the interest expenses for lease liabilities reported under the interest expense line item in the income statement can be found in note (65) Leases.

21. Net income from service contracts

Of the total income recognized for service contracts in continuing operations in the reporting year, an amount of €118 million (previous year: €100 million) related to service contracts requiring the recognition of income at a specific point in time.

Of the income from service contracts from continuing operations recognized in the reporting period, income of €42 million had been included in the contractual liabilities for service contracts as of January 1, 2024. Of the income from continuing operations recognized in the prior year, income of €12 million had been included in the contractual liabilities for service contracts as of January 1, 2023.

22. Provision for credit risks

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

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

€ million	2024	2023
Additions to provision for credit risks	–655	–498
Reversals of provision for credit risks	575	690
Direct write-offs	–207	–165
Income from loans and receivables previously written off	53	50
Net gain or loss from significant modifications	0	0
Total	–233	76

Additional valuation allowances were recognized on a country-specific basis in the provision for credit risks for the VW FS Overseas AG Group because, in some instances, the standard models and processes implemented, including the credit risk parameters used, did not fully capture the risks from global economic uncertainties and critical situations. In the reporting period, income of €135 million was recognized for continuing operations in the reporting period as a result of reversals of additional valuation allowances (previous year: income of €439 million as a result of reversals).

23. Net fee and commission income

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

€ million	2024	2023
Fee and commission income	150	130
of which commissions from insurance broking	99	87
Fee and commission expenses	-95	-72
of which sales commission from financing business	-64	-51
Total	55	58

24. Net gain or loss on hedges

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

The details of the gains and losses are as follows:

€ million	2024	2023
Fair-Value-Hedges		
Gains/losses from micro fair value hedges		–
Gains/losses on hedging instruments	146	41
Gains/losses on hedged items	-186	-36
Gains/losses from micro fair value hedges	-40	6
of which ineffectiveness of micro fair value hedges	-40	6
Cash flow hedges		
Gains/losses from the reclassification of cash flow hedge reserves	12	–
Gains/losses from the conversion of foreign currency loans/receivables and liabilities in cash flow hedges	-12	–
Gains/losses from the ineffective portion of hedging instruments in cash flow hedges	-1	–
Total	-40	6

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

This item includes the gain/loss on derivatives not designated as hedging instruments and the gain/loss on marketable securities and loans/receivables measured at fair value through profit or loss. Gains and losses arising from changes in the fair value of derivatives that do not satisfy the requirements of IFRS 9 for hedge accounting at the micro level are recognized under gains and losses on derivatives not designated as hedging instruments.

The details of the gains and losses are as follows:

€ million	2024	2023
Gains/losses on derivatives not designated as hedging instruments	1	-8
Gains/losses on marketable securities measured at fair value through profit/loss	-	-
Gains/losses on loans/receivables measured at fair value through profit/loss	0	0
Total	1	-8

26. General and administrative expenses

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

€ million	2024	2023 restated ¹
Personnel expenses	-153	-147
Non-staff operating expenses	-249	-274
Advertising, public relations and sales promotion expenses	-5	-8
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	-38	-40
Other taxes	-8	-9
Income from the reversal of provisions and accrued liabilities	7	8
Total	-447	-469

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

The disclosures relating to the expenses from the depreciation of right-of-use assets included in general and administrative expenses and to the expenses from short-term leases and leases in which the underlying asset is of low value can be found in note (65) Leases.

The breakdown and explanation of personnel expenses is set out in the separate note (71) Personnel expenses. The disclosures concerning the total fees paid to the auditor of the consolidated financial statements in accordance with section 314(1) no. 9 of the HGB are made in note (70) Total fees paid to the auditor of the consolidated financial statements.

27. Net other operating income/expenses

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

€ million	2024	2023
Gains on the measurement of non-hedge foreign currency loans/receivables and liabilities	1	2
Income from cost allocations to other entities in the Volkswagen Group	3	1
Income from the reversal of provisions and accrued liabilities	41	25
Income from claims for damages	1	0
Income from the disposal of vehicles under loan agreements and finance leases	0	0
Income from non-significant modifications	15	13
Miscellaneous operating income	59	38
Losses on the measurement of non-hedge foreign currency loans/receivables and liabilities	-1	-2
Litigation and legal risk expenses	-22	-21
Expenses from the disposal of vehicles under loan agreements and finance leases	-1	0
Expenses from non-significant modifications	-13	-10
Miscellaneous operating expenses	-291	-263
Total	-208	-217

28. Net gain or loss on miscellaneous financial assets

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

29. Other financial gains or losses

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

30. Income tax expense

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

€ million	2024	2023 restated ¹
Current tax income/expense, Germany	6	-17
Current tax income/expense, foreign	-322	-475
Current income tax expense	-316	-492
of which income (+)/expense (-) related to prior periods	5	-20
Deferred tax income (+)/expense (-), Germany	-49	56
Deferred tax income (+)/expense (-), foreign	-89	-190
Deferred tax income (+)/expense (-)	-138	-134
Income tax expense	-454	-626
of which: Income tax expense from continuing operations	-212	-363
of which: Income tax expense from discontinued operations	-242	-263

1 Prior-year changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

The reported tax expense for continuing and discontinued operations in 2024 of €454 million (previous year restated: €626 million) is €152 million higher (previous year: €87 million) than the expected tax expense of €302 million (previous year restated: €539 million) calculated by applying the tax rate of 30.0% (previous year: 30.0%) to the consolidated profit before tax.

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

€ million	2024	2023 restated ¹
Profit before tax from continuing operations	396	915
Profit before tax from discontinued operations	609	881
Profit before tax	1,006	1,796
multiplied by the domestic income tax rate of 30.0 % (previous year: 30.0 %)		
= Imputed income tax expense in the reporting period at the domestic income tax rate	-302	-539
+ Effects from different foreign tax rates	11	60
+ Effects from tax-exempt income	112	105
+ Effects from non-deductible operating expenses	-162	-103
+ Effects from loss carryforwards	-23	9
+ Effects from permanent differences	-78	-140
+ Effects from tax credits	0	4
+ Taxes attributable to prior periods	5	-10
+ Effects from changes in tax rates	-	-8
+ Effects from non-deductible withholding taxes	-13	-1
+ Other variances	-5	-4
= Current income tax expense	-454	-626
Effective tax rate in %	45.2	34.9

1 Prior-year changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

The statutory corporation tax rate in Germany for the 2024 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 30.0%.

In the German tax group, a tax rate of 30.0% (previous year: 30.0%) was used to measure deferred taxes.

The effects from different income tax rates outside Germany arise because of the different income tax rates in the individual countries in which the Group companies are domiciled compared with the rates in Germany. These rates outside Germany vary between 20.0% and 45.0% (previous year: 12.5% and 45.0%).

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

€ million	UNUSED TAX LOSS CARRYFORWARDS		OF WHICH UNUSABLE TAX LOSS CARRYFORWARDS	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Usable indefinitely	91	150	89	147
Usable within the next 5 years	20	20	16	15
Usable within 5 – 10 years	269	65	–	–
Usable within more than 10 years	–	0	–	–
Total	380	236	105	163
thereon deferred tax assets recognized	93	25	–	–

The tax credits granted by various countries led to the recognition of a tax benefit in an amount of €1 million (previous year: €3 million).

The income taxes for continuing and discontinued operations were reduced by €4 million in the previous year using previously unrecognized tax losses and tax credits. In the reporting year, there was no deferred tax expense arising from impairment losses on deferred tax assets for continuing and discontinued operations (previous year: €3 million) and no deferred tax income from the reversal of impairment losses on deferred tax assets for continuing and discontinued operations (previous year: €14 million). No deferred tax assets were recognized in respect of deductible temporary differences of €32 million (previous year: €71 million).

The Group has recognized deferred tax assets of €82 million (previous year: €82 million) against which there are no deferred tax liabilities in an equivalent amount. The companies involved are expecting to generate profits in the future following losses in the reporting or in the prior period.

In accordance with IAS 12.39, deferred tax liabilities of €42 million (previous year: €52 million) have not been recognized for temporary differences and undistributed profits of subsidiaries because VW FS Overseas AG has the relevant control.

Of the deferred taxes recognized in the balance sheet, an amount of €31 million (previous year: €67 million) relates to transactions reported in other comprehensive income. A breakdown of the changes in deferred taxes is presented in the statement of comprehensive income.

31. Further income statement disclosures

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

€ million	2024	2023
Income from fees and commissions	32	30
Expenses from fees and commissions	0	–
Total	32	30

Income of €0 million (previous year: €30 million) that had been included in the contractual liabilities as of January 1 of the reporting period was recognized in the reporting year.

Balance Sheet Disclosures

32. Cash reserve

The cash reserve primarily includes credit balances of €320 million (previous year: €2 million) held with foreign central banks.

33. Loans to and receivables from banks

Loans to and receivables from banks mainly include credit balances and term deposits with banks in the amount of €1,133 million (previous year: €693 million).

34. Loans to and receivables from customers

The “Loans to and receivables from customers” item includes deductions arising from the provision for credit risks recognized to cover the expected credit risk. The provision for credit risks is presented in notes (22) and (60).

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

Receivables from leasing transactions include due receivables amounting to €126 million (previous year: €101 million). Of this amount, €26 million (previous year: €28 million) is attributable to finance leases and €100 million (previous year: €73 million) to operating leases. The due lease receivables are payable within one year.

At the beginning of the fiscal year, additional valuation allowances for credit risks on a country-specific basis of €209 million were recognized on the balance sheet under Loans to and receivables from customers because, in some instances, the standard models and processes implemented did not fully capture the risks from global economic uncertainties and critical situations. During the fiscal year, a reversal of €135 million was made, as well as a derecognition of €74 million in connection with the deconsolidation of the companies in Russia. No additional valuation allowances remained in the portfolio at the end of the fiscal year.

35. Derivative financial instruments

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

€ million	Dec. 31, 2024	Dec. 31, 2023
Transactions to hedge against		–
currency risk on assets using fair value hedges	–	–
currency risk on liabilities using fair value hedges	–26	9
interest-rate risk using fair value hedges	64	5
interest-rate risk using cash flow hedges	249	27
currency risk on future cash flows using cash flow hedges	–29	–
Total hedging transactions	258	41
Assets arising from nonhedge derivatives that are not	18	17
Total	277	58

36. Equity-accounted investments and other financial assets

In variance to the previous year, the disclosures concerning the change in equity-accounted investments and other financial assets were separated. The amended presentation shows only those types of change that are relevant for the respective balance sheet item. In addition, the net carrying amounts as of December 31 can be reconciled directly to the balance sheet, thus ensuring transparency.

Equity-accounted investments

€ million	2024	2023
Cost		
as of Jan. 1,	238	989
Foreign exchange differences	–	–
Changes in basis of consolidation	0	–8
Additions	–	70
Reclassifications	–	–
Assets held for sale (IFRS 5)	–	–839
Disposals	–	8
Changes/remeasurements recognized in profit or loss	–44	130
Dividends	–9	–74
Other changes recognized in other comprehensive income	48	–21
Balance as of Dec. 31,	234	238
Impairment losses as of Jan. 1,	138	267
Foreign exchange differences	–	–
Changes in basis of consolidation	–	–8
Additions	–	62
Reclassifications	–	–
Assets held for sale (IFRS 5)	–	–153
Disposals	–	–
Reversal of impairment losses	–	30
Balance as of Dec. 31,	138	138
Net carrying amount as of Dec. 31,	95	99
Net carrying amount as of Jan. 1,	99	722

The presentation of the equity-accounted investments relates entirely to joint ventures.

Miscellaneous financial assets

€ million	2024	2023
Cost		
as of Jan. 1,	210	855
Foreign exchange differences	2	–4
Changes in basis of consolidation	–	–77
Additions	0	192
Reclassifications	–	–
Assets held for sale (IFRS 5)	–	–516
Disposals	–	239
Balance as of Dec. 31,	212	210
Amortization and impairment losses as of Jan. 1,	111	228
Foreign exchange differences	1	–1
Changes in basis of consolidation	–	95
Additions	13	146
Reclassifications	–	–
Assets held for sale (IFRS 5)	–	–275
Disposals	–	74
Reversal of impairment losses	–	7
Balance as of Dec. 31,	125	111
Net carrying amount as of Dec. 31,	87	99
Net carrying amount as of Jan. 1,	99	626

During the fiscal year, impairment losses of €13 million were recognized in respect of one unconsolidated subsidiary recognized in the “Miscellaneous financial assets” balance sheet item. In the previous year, impairment losses of €146 million were recognized in the “Miscellaneous financial assets” and “Assets held for sale (IFRS 5)” balance sheet items for one unconsolidated subsidiary.

The reclassifications shown in the “Assets held for sale (IFRS 5)” lines are the result of the reclassification of assets on the balance sheet to Assets held for sale (IFRS 5).

The amount of the impairment losses equated to the amount by which the determined recoverable amount fell below the carrying amount before recognition of the impairment losses. The methodology used to determine the recoverable amount was substantially the same as the methodology described in note (10) to determine impairment losses on goodwill.

37. Intangible assets

€ million	Internally generated software	Brand name, customer base	Goodwill	Other intangible assets	Total
Cost					
as of Jan. 1, 2024	30	54	171	121	376
Foreign exchange differences	0	-9	-28	-6	-42
Changes in basis of consolidation	-	-	-	-	-
Additions	5	-	-	25	30
Reclassifications	-	-	-	-	-
Disposals	8	-	-	23	31
Balance as of Dec. 31, 2024	27	45	143	118	333
Amortization and impairment losses					
as of Jan. 1, 2024	13	9	-	82	103
Foreign exchange differences	0	-2	-	-3	-4
Changes in basis of consolidation	-	-	-	-	-
Additions to cumulative amortization	7	5	-	12	23
Additions to cumulative impairment losses	-	-	-	-	-
Reclassifications	-	-	-	-	-
Disposals	6	-	-	13	19
Reversal of impairment losses	-	-	-	-	-
Balance as of Dec. 31, 2024	14	11	-	77	103
Net carrying amount as of Dec. 31, 2024	13	34	143	41	230
Net carrying amount as of Jan. 1, 2024	17	46	171	40	273

€ million	Internally generated software	Brand name, customer base	Goodwill	Other intangible assets	Total
Cost					
as of Jan. 1, 2023	91	23	5	209	328
Foreign exchange differences	0	-1	-5	-6	-13
Changes in basis of consolidation	-	52	171	-1	222
Additions	24	-	-	24	48
Reclassifications	-	-	-	-	-
Assets held for sale (IFRS 5)	-61	-9	-	-101	-170
Disposals	25	11	-	3	39
Balance as of Dec. 31, 2023	29	54	171	122	376
Amortization and impairment losses					
as of Jan. 1, 2023	35	22	-	166	223
Foreign exchange differences	0	1	-	-5	-5
Changes in basis of consolidation	-	1	-	-2	-1
Additions to cumulative amortization	8	5	-	14	27
Additions to cumulative impairment losses	6	-	-	-	6
Reclassifications	-	-	-	-	-
Assets held for sale (IFRS 5)	-11	-9	-	-89	-108
Disposals	25	11	-	2	38
Reversal of impairment losses	-	-	-	-	-
Balance as of Dec. 31, 2023	13	9	-	82	103
Net carrying amount as of Dec. 31, 2023	16	46	171	40	273
Net carrying amount as of Jan. 1, 2023	56	1	5	43	105

The reclassifications shown in the “Assets held for sale (IFRS 5)” lines were the result of the reclassification of assets on the balance sheet to Assets held for sale (IFRS 5).

The goodwill of €143 million (previous year: €171 million) in Brazil included on the balance sheet under Intangible assets has an indefinite useful life. The indefinite useful life arises because the goodwill is linked to the relevant cash-generating unit and will therefore remain in existence for as long as this unit remains in existence.

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

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

An interest rate of 15.9% (previous year: 16.1%) was used for Brazil in the impairment test in the reporting year.

The customer base in Brazil in the amount of €34 million (previous year: €46 million) is being amortized over a useful life of eleven years. The remaining amortization period for the customer base in Brazil is eight years.

38. Property and equipment

€ million	Land and buildings	Operating and office equipment	Total
Cost			
as of Jan. 1, 2024	88	51	139
Foreign exchange differences	–3	–2	–5
Changes in basis of consolidation	–	–	–
Additions	10	3	14
Reclassifications	1	–1	0
Disposals	17	2	18
Balance as of Dec. 31, 2024	81	49	130
Depreciation and impairment losses			
as of Jan. 1, 2024	45	37	82
Foreign exchange differences	–1	–1	–2
Changes in basis of consolidation	–	–	–
Additions to cumulative depreciation	9	5	14
Additions to cumulative impairment losses	–	–	–
Reclassifications	1	–1	0
Disposals	8	1	9
Reversal of impairment losses	–	–	–
Balance as of Dec. 31, 2024	46	38	84
Net carrying amount as of Dec. 31, 2024	34	11	45
Net carrying amount as of Jan. 1, 2024	44	13	57

€ million	Land and buildings	Operating and office equipment	Total
Cost			
as of Jan. 1, 2023	513	139	651
Foreign exchange differences	–3	0	–4
Changes in basis of consolidation	6	–3	3
Additions	43	18	61
Reclassifications	–1	1	0
Assets held for sale (IFRS 5)	–440	–93	–533
Disposals	29	10	40
Balance as of Dec. 31, 2023	88	51	139
Depreciation and impairment losses			
as of Jan. 1, 2023	193	95	288
Foreign exchange differences	–2	–1	–3
Changes in basis of consolidation	–1	–2	–3
Additions to cumulative depreciation	29	14	43
Additions to cumulative impairment losses	0	–	0
Reclassifications	–	–	–
Assets held for sale (IFRS 5)	–151	–62	–213
Disposals	23	7	30
Reversal of impairment losses	0	–	0
Balance as of Dec. 31, 2023	45	37	82
Net carrying amount as of Dec. 31, 2023	44	13	57
Net carrying amount as of Jan. 1, 2023	320	44	364

The reclassifications shown in the “Assets held for sale (IFRS 5)” lines are the result of the reclassification of assets on the balance sheet to Assets held for sale (IFRS 5).

The “Property and equipment” balance sheet item includes land charges of €– million (previous year: €0 million) pledged as collateral for financial liabilities related to land and buildings.

Assets under construction with a carrying amount of €0 million (previous year: €0 million) are included in land and buildings.

39. Investment property

The following table shows the changes in investment property assets:

€ million	2024	2023
Cost		
as of Jan. 1,	2	107
Foreign exchange differences	0	0
Changes in basis of consolidation	–	4
Additions	0	–
Reclassifications	–	–
Assets held for sale (IFRS 5)	–	–109
Disposals	0	–
Balance as of Dec. 31	1	2
Depreciation and impairment losses		
as of Jan. 1	1	36
Foreign exchange differences	0	0
Changes in basis of consolidation	–	0
Additions to cumulative depreciation	0	5
Additions to cumulative impairment losses	–	–
Reclassifications	–	–
Assets held for sale (IFRS 5)	–	–40
Disposals	0	–
Reversal of impairment losses	–	–
Balance as of Dec. 31	0	1
Net carrying amount as of Dec. 31	1	1
Net carrying amount as of Jan. 1	1	71

The reclassifications shown in the “Assets held for sale (IFRS 5)” lines are the result of the reclassification of assets on the balance sheet to Assets held for sale (IFRS 5).

The fair value of investment property amounts to €1 million (previous year: €1 million). The fair value is determined using an income approach based on internal calculations (Level 3 of the fair value hierarchy). The main input factors in this calculation are future rental income and the cost of capital. Operating expenses in an immaterial amount were incurred for the maintenance of investment property for continuing operations in both the reporting period and the previous year.

In the reporting year, expenses for short-term leases in continuing operations were €1 million (previous year: €1 million).

40. Deferred tax assets

The breakdown of the deferred tax assets is as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023 re-stated ¹
Deferred tax assets	774	8,721
Tax loss carryforwards, net of valuation allowances	93	31
Value before offset	867	8,752
of which: Noncurrent assets and liabilities	431	5,723
Offset (with deferred tax liabilities)	–367	–7,553
Total	500	1,199
of which: Deferred tax assets on the balance sheet	500	612
of which: Assets held for sale (IFRS 5) on the balance sheet	–	586

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures”.

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

€ million	Dec. 31, 2024	Dec. 31, 2023 re-stated ¹
Loans, receivables and other assets	553	548
Held for sale (IFRS 5)	–	7,001
Marketable securities and cash	–	–
Intangible assets/property and equipment	5	5
Lease assets	118	130
Liabilities and provisions	98	143
Liabilities associated with assets held for sale (IFRS 5)	–	911
Valuation allowances for deferred assets on temporary differences	–	–18
Total	774	8,721

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures”.

41. Other assets

The details of other assets are as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023
Vehicles returned for disposal	51	51
Restricted cash	78	84
Prepaid expenses and accrued income	175	130
Other tax assets	151	145
Miscellaneous	240	250
Total	694	659

As of December 31, 2024, deferred contract origination costs of €14 million (previous year: €0 million) were reported under Other assets on the balance sheet. In 2024, amortization charges on capitalized contract origination costs reported under Other assets on the balance sheet amounted to €1 million (previous year: €0 million). No impairment losses were recognized in respect of capitalized contract origination costs.

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

42. Noncurrent assets

€ million	Dec. 31, 2024	of which noncurrent	Dec. 31, 2023	of which noncurrent
Cash reserve	320	–	2	–
Loans to and receivables from banks	1,160	26	953	38
Loans to and receivables from customers	25,327	12,498	27,995	13,654
Derivative financial instruments	277	193	58	57
Marketable securities	0	–	0	–
Equity-accounted investments	95	95	99	99
Miscellaneous financial assets	87	87	99	99
Intangible assets	230	230	273	273
Property and equipment	45	45	57	57
Lease assets	2,455	2,306	2,347	2,204
Investment property	1	1	1	1
Current tax assets	186	38	164	69
Other assets	694	409	659	363
Total	30,878	15,928	32,707	16,914

43. Liabilities to banks and customers

To cover the capital requirements for the leasing and financing activities, the entities in the VW FS Overseas AG Group make use of, among other things, credit and loans provided by the entities in the Volkswagen Group. These items are included in the liabilities to customers. Such transactions are explained in note (73) Related party disclosures.

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

€ million	2024	2023
Contractual liabilities as of Jan. 1	43	1,663
Additions and disposals	18	303
Changes in consolidated Group	0	–
Foreign exchange differences	–7	12
Liabilities associated with assets held for sale (IFRS 5)	–	–1,935
Contractual liabilities as of Dec. 31	55	43

It is expected that income will be realized under contractual liabilities in the amount of €55 million (previous year: €43 million) in the next fiscal year and in the amount of €– million (previous year: €0 million) in the subsequent fiscal years.

44. Notes, commercial paper issued

This item comprises bonds and commercial papers.

€ million	Dec. 31, 2024	Dec. 31, 2023
Bonds issued	4,736	4,806
Commercial paper issued	3,863	3,094
Total	8,599	7,901

45. Derivative financial instruments

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

€ million	Dec. 31 2024	Dec. 31 2023
Transactions to hedge against		
currency risk on assets using fair value hedges	3	–
currency risk on liabilities using fair value hedges	3	34
interest-rate risk using fair value hedges	3	27
interest-rate risk using cash flow hedges	0	33
currency risk on future cash flows using cash flow hedges	0	–
Total hedging transactions	9	95
Liabilities arising from nonhedge derivatives	12	10
Total	21	104

46. Provisions for pensions and other post-employment benefits

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

€ million	Dec. 31 2024	Dec. 31 2023
Present value of funded obligations	10	382
Fair value of plan assets	9	328
Funded status (net)	1	54
Present value of unfunded obligations	9	271
Amount not recognized as an asset because of the ceiling in IAS 19	1	0
Net liability recognized in the balance sheet	10	326
of which provisions for pensions	11	8
of which provisions for pensions in liabilities related to assets held for sale (IFRS 5)	–	318
of which provisions for pensions in assets held for sale (IFRS 5)	1	0

The following information in respect of the previous year relates to total provisions for pensions and other post-employment benefits irrespective of the fact that some are presented as of December 31, 2023 as part of an IFRS 5-classified disposal group.

Key pension arrangements in the VW FS OVERSEAS AG Group:

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

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

German pension plans funded solely by recognized provisions

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

German pension plans funded by external plan assets

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

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

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

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

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

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

Percent	GERMANY		INTERNATIONAL	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Discount rate	3.40	3.30	6.31	4.38
Pay trend	2.15	3.46	3.59	3.08
Pension trend	2.00	2.20	–	2.80
Staff turnover rate	1.21	1.10	6.04	4.13

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

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

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

In connection with the spin-off of the European operation, the employment contracts of employees as well as all employee-related obligations, liabilities and provisions arising from employment contracts and earlier employment contracts of VW FS Overseas AG were also transferred to Volkswagen Financial Services AG. In the following tables, the corresponding transfers of provisions for pensions and other post-employment benefits are included in the changes in the basis of consolidation. Additionally, the reversals of provisions, which result from the spin-offs under company law of subsidiaries of the VW FS Overseas AG Group as of July 1, 2024, are included in the changes in the basis of consolidation.

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

€ million	2024	2023
Net liability recognized in the balance sheet as of January 1	326	290
Current service cost	14	28
Net interest expense	2	10
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	0	0
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	-1	47
Actuarial gains (-)/losses (+) arising from experience adjustments	13	-3
Income/expenses from plan assets not included in interest income	8	14
Change in amount not recognized as an asset because of the ceiling in IAS 19	0	0
Employer contributions to plan assets	12	24
Employee contributions to plan assets	-	-
Pension payments from company assets	4	7
Past service cost (including plan curtailments)	-	0
Gains (-) or losses (+) arising from plan settlements	-	-
Changes in basis of consolidation	-319	0
Other changes	0	0
Foreign exchange differences from foreign plans	0	0
Net liability recognized in the balance sheet as of December 31	10	326

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

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

€ million	2024	2023
Present value of obligations as of January 1	653	551
Current service cost	14	28
Interest cost (unwinding of discount on obligations)	10	20
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	0	0
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	-1	47
Actuarial gains (-)/losses (+) arising from experience adjustments	13	-3
Employee contributions to plan assets	-	-
Pension payments from company assets	4	7
Pension payments from plan assets	1	3
Past service cost (including plan curtailments)	-	0
Gains (-) or losses (+) arising from plan settlements	-	-
Changes in basis of consolidation	-673	0
Other changes	9	20
Foreign exchange differences from foreign plans	0	0
Present value of obligations as of December 31	19	653

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

		DEC. 31, 2024		DEC. 31, 2023	
Present value of defined benefit obligation if		€ million	Change in percent	€ million	Change in percent
Discount rate	is 0.5 percentage points higher	17	–7.58	595	–8.87
	is 0.5 percentage points lower	20	8.61	720	10.20
Pension trend	is 0.5 percentage points higher	19	3.73	676	3.58
	is 0.5 percentage points lower	18	–3.38	632	–3.26
Pay trend	is 0.5 percentage points higher	19	0.31	655	0.33
	is 0.5 percentage points lower	19	–0.29	650	–0.52
Longevity	increases by one year	19	2.01	669	2.49

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

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

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

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

€ million	2024	2023
Active members with pension entitlements	17	446
Members with vested entitlements who have left the Company	1	46
Retirees	1	161
Total	19	653

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

€ million	2024	2023
Payments due within the next fiscal year	0	10
Payments due between two and five years	3	59
Payments due in more than five years	15	584
Total	19	653

Changes in plan assets are shown in the following table:

€ million	2024	2023
Fair value of plan assets as of January 1	328	262
Interest income on plan assets determined using the discount rate	8	10
Income/expenses from plan assets not included in interest income	8	14
Employer contributions to plan assets	12	24
Employee contributions to plan assets	–	–
Pension payments from plan assets	1	3
Gains (+) or losses (–) arising from plan settlements	–	–
Changes in basis of consolidation	–354	–
Other changes	9	21
Foreign exchange differences from foreign plans	0	1
Fair value of plan assets as of December 31	9	328

The investment of the plan assets to cover future pension obligations resulted in a net result of €16 million (previous year: net result of €24 million).

Employer contributions to plan assets are expected to amount to €1 million (previous year: €23 million) in the next fiscal year.

Plan assets are invested in the following asset classes:

€ million	DEC. 31, 2024			DEC. 31, 2023		
	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	0	–	0	8	–	8
Equity instruments	–	–	–	–	–	–
Debt instruments	1	–	1	–	–	–
Direct investments in real estate	–	–	–	–	0	0
Derivatives	0	0	0	2	0	2
Equity funds	3	–	3	120	–	120
Bond funds	5	–	5	155	–	155
Real estate funds	0	–	0	6	–	6
Other funds	0	–	0	22	0	22
Asset-backed securities	–	–	–	–	–	–
Structured debt	–	–	–	–	–	–
Other	–	–	–	13	2	15

Of the total plan assets, 33% (previous year: 48%) are invested in German assets, 7% (previous year: 15%) in other European assets and 60% (previous year: 37%) in assets in other regions. Investments of plan assets in debt instruments issued by the Volkswagen Group are of minor significance.

The following amounts have been recognized in the income statement:

€ million	2024	2023
Current service cost	14	28
Net interest on the net defined benefit liability	2	10
Past service cost (including plan curtailments)	–	0
Gains (–) or losses (+) arising from plan settlements	–	–
Net income (–) and expenses (+) recognized in profit or loss	17	38

47. Underwriting provisions and other provisions

€ million	December 31, 2024	Dec. 31, 2023 restated ¹	Jan. 1, 2023 restated ¹
Underwriting provisions	–	–	363
Other provisions	131	184	653
Total	131	184	1,016

¹ Prior-year changes to other provisions as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures”.

As of December 31, 2023, the underwriting provisions previously recognized in the “Underwriting provisions and other provisions” balance sheet item were reclassified in full to the “Liabilities associated with assets held for sale (IFRS 5)” balance sheet item and spun off with the European operation of VW FS Overseas AG to Volkswagen Financial Services AG as of July 1, 2024.

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

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

€ million	Employee expenses ¹	Litigation and legal risks	Miscellaneous provisions	Total restated ¹
Balance as of Jan. 1, 2023	154	245	220	620
Changes due to the corrected recognition of provisions for Time Assets values ¹	33	–	–	33
Balance as of Dec. 31, 2023 after changes	187	245	220	653
Foreign exchange differences	0	10	0	9
Changes in basis of consolidation	–1	1	3	3
Utilization ¹	73	21	106	200
Additions/new provisions ¹	84	45	149	278
Unwinding of discount/effect of change in discount rate ¹	6	4	–	10
Liabilities associated with assets held for sale (IFRS 5) ¹	–179	–93	–226	–498
Reversals	9	47	15	71
Balance as of Dec. 31, 2023¹	15	144	25	184
of which current	13	3	19	35
of which noncurrent ¹	2	141	5	149
Balance as of Jan. 1, 2024 before changes	15	144	25	184
Changes due to the corrected recognition of provisions for Time Assets values ¹	0	–	–	0
Balance as of Jan. 1, 2024 after changes	15	144	25	184
Foreign exchange differences	0	–19	–1	–21
Changes in basis of consolidation	–35	–	0	–35
Utilization	15	28	2	45
Additions/new provisions	56	22	4	83
Unwinding of discount/effect of change in discount rate	0	8	–	8
Liabilities associated with assets held for sale (IFRS 5)	–	–	–	–
Reversals	3	24	15	42
Balance as of Dec. 31, 2024	18	103	11	132
of which current	14	3	6	23
of which noncurrent	3	100	5	108

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures”.

The reclassification of other provisions on the balance sheet to Liabilities in connection with assets held for sale (IFRS 5) is presented in the table in the line of the same name.

Other provisions for employee expenses are recognized primarily for annually recurring bonuses such as long-term-service awards and other employee expenses.

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

The timing of the cash outflows in connection with other provisions is expected to be as follows: 18% in the next year, 80% in the years 2026 to 2029 and 2% thereafter.

48. Deferred tax liabilities

The breakdown of the deferred tax liabilities is as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023
Deferred tax liabilities	540	8,603
of which: Noncurrent assets and liabilities	455	5,818
Offset (with deferred tax assets)	-367	-7,553
Total	173	1,050
of which: Deferred tax liabilities on the balance sheet	173	91
of which: Liabilities associated with assets held for sale (IFRS 5) on the balance sheet	–	960

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

€ million	Dec. 31, 2024	Dec. 31, 2023
Loans, receivables and other assets	356	237
Held for sale (IFRS 5)	–	6,711
Marketable securities and cash	–	–
Intangible assets/property and equipment	115	25
Lease assets	9	73
Liabilities and provisions	61	13
Liabilities associated with assets held for sale (IFRS 5)	–	1,544
Total	540	8,603

49. Other liabilities

The details of other liabilities are as follows:

€ million	Dec. 31, 2024	Dec. 31, 2023
Prepaid expenses and accrued income	67	57
Other tax liabilities	92	145
Social security and payroll liabilities	28	27
Miscellaneous	120	38
Total	306	267

50. Subordinated capital

The subordinated capital of €107 million (previous year: €146 million) was issued and raised by Banco Volkswagen S.A.

51. Noncurrent liabilities

€ million	Dec. 31, 2024	of which noncurrent	Dec. 31, 2023	of which noncurrent
Liabilities to banks	14,075	6,329	16,343	6,242
Liabilities to customers	3,315	1,100	3,450	1,855
Notes, commercial paper issued	8,599	3,232	7,901	2,355
Derivative financial instruments	21	16	104	55
Current tax liabilities	650	261	252	140
Other liabilities	306	41	267	18
Subordinated capital	107	83	146	112
Total	27,073	11,061	28,463	10,777

52. Equity

The subscribed capital of VW FS Overseas AG is divided into 441,280,000 fully paid up no-par-value bearer shares, each with a notional value of €1, which are all held by Volkswagen AG, Wolfsburg. There are no preferential rights or restrictions in connection with the subscribed capital.

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

The retained earnings comprise the profits from previous fiscal years that have not been distributed. The retained earnings include a legal reserve of €44 million (previous year: €44 million).

In the reporting year, material changes in equity resulted from the distribution of noncash assets of €19,530 million to owner Volkswagen AG due to the spin-off of the shares in Volkswagen Leasing GmbH to Volkswagen Bank GmbH and to the spin-off of the European operation of VW FS Overseas AG to Volkswagen Financial Services AG.

On the basis of the control and profit-and-loss transfer agreement with the sole shareholder, Volkswagen AG, the profit transferred in accordance with German GAAP of €207 million (previous year: loss absorption of €323 million) by VW FS Overseas AG has been reported as a decrease of equity.

EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS

Equity attributable to noncontrolling interests amounted to €103 million (previous year: €115 million) as of December 31, 2024. The equity attributable to noncontrolling interests was accounted for mainly by Brazilian entity LM Transportes Interestaduais Serviços e Comércio S.A., Salvador.

The table below presents summarized financial information for LM Transportes Interestaduais Serviços e Comércio S.A.

€ million	Dec. 31, 2024	Dec. 31, 2023
Noncontrolling interests in %	40.00	40.00
Noncontrolling interests	98	109
Loans to and receivables from banks	325	298
Loans to and receivables from customers	91	62
Intangible assets	183	222
Lease assets	1,732	1,545
Other assets	393	188
Total	2,724	2,315
Liabilities to banks	1,856	1,212
Liabilities to customers	271	520
Other liabilities	217	145
Equity	380	437
Total	2,724	2,315
Profit after tax	36	33
Other comprehensive income, net of tax	-63	20
Dividend paid to noncontrolling interest shareholders	12	17
Cash flows from operating activities	33	49
Cash flows from investing activities	-4	-4
Cash flows from financing activities	-30	-44

53. Capital management

In this context, capital is generally defined as equity in accordance with the IFRSs. As a consequence of the restructuring due to the spin-offs, equity in accordance with the IFRSs was reported as distributions of noncash assets to the parent company, Volkswagen AG, and reduced to €19,530 million, €6,587 million of which was recognized in the capital reserve and €12,943 million in retained earnings.

The aims of capital management in the VW FS Overseas AG Group are to support the Company's credit rating by ensuring that the Group has adequate capital backing and is able to obtain capital for the planned growth over the next few years. Generally speaking, corporate action implemented by the parent company of VW FS Overseas AG has an impact on VW FS Overseas AG's equity in accordance with the IFRSs. The parent company had implemented corporate action in the amount of €3,773 million in the previous year.

As of December 31, 2024, the equity ratio was 12.7% (previous year: 15.6%).

Financial Instrument Disclosures

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

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

€ million	Dec. 31, 2024	Dec. 31, 2023
Financial assets measured at fair value through profit or loss	68	574
Financial assets measured at fair value through other comprehensive income (debt instruments)	–	441
Financial assets measured at fair value through other comprehensive income (equity instruments)	–	0
Financial assets measured at amortized cost	25,759	52,500
Financial liabilities measured at fair value through profit or loss	12	476
Financial liabilities measured at amortized cost	26,526	114,071

Receivables from leasing transactions amounting to €1,124 million (previous year: €46,679 million) and lease liabilities (as a lessee) amounting to €27 million (previous year: €119 million) are not allocated to any IFRS 9 measurement category. Moreover, the previous year's associated value adjustments on portfolio fair value hedges of receivables from finance leases amounting to €263 million were also not allocated to any IFRS 9 measurement category.

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

€ million	2024	2023
Financial assets measured at amortized cost	2,419	3,225
Financial instruments measured at fair value through profit or loss	–3	–274
Financial liabilities measured at amortized cost	–1,795	–4,224
Financial assets measured at fair value through other comprehensive income (debt instruments)	–	4

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

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

The interest income from financial assets measured at amortized cost or at fair value through other comprehensive income included in interest income from lending transactions and marketable securities is calculated using the effective interest method and amount to €2,581 million (previous year: €3,306 million).

The interest expenses in an amount of €1,793 million (previous year: €4,984 million) related to financial instruments not measured at fair value through profit or loss.

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

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

55. Classes of financial instruments

Financial instruments are divided into the following classes in the VW FS Overseas AG Group:

- > Measured at fair value
- > Measured at amortized cost
- > Derivative financial instruments designated as hedges
- > Not allocated to any measurement category
- > Credit commitments and financial guarantees (off-balance-sheet)

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

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

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

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

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

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

Financial instruments that are part of disposal groups are shown in the table below as of December 31, 2023 in the “Assets held for sale (IFRS 5)” and “Liabilities associated with assets held for sale (IFRS 5)” balance sheet items.

Description	CLASS OF FINANCIAL INSTRUMENTS								NOT ALLOCATED TO ANY MEASUREMENT CATEGORY	NOT ALLOCATED TO ANY CLASS OF FINANCIAL INSTRUMENTS		
	BALANCE SHEET ITEM		MEASURED AT AMORTIZED COST		MEASURED AT FAIR VALUE		DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES					
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023		Dec. 31, 2024	Dec. 31, 2023	
Reserve	320	2	320	2	–	–	–	–	–	–	–	
Loans and receivables from banks	1,160	953	1,160	953	–	–	–	–	–	–	–	
Loans and receivables from customers	25,327	27,995	24,154	26,785	49	108	–	–	1,124	1,102	0	
Adjustment on portfolio value hedges	–	–	–	–	–	–	–	–	–	–	–	
Derivative financial instruments	277	58	–	–	18	17	258	41	–	–	–	
Available-for-sale securities	0	0	–	–	0	0	–	–	–	–	–	
Unaccounted joint ventures	95	99	–	–	–	–	–	–	–	95	99	
Other miscellaneous financial assets	87	99	–	–	–	–	–	–	–	87	99	
Deferred tax assets	186	164	15	–	–	–	–	–	–	171	164	
Other assets	694	659	110	113	–	–	–	–	–	585	547	
Assets held for sale (IFRS 5)	–	113,020	–	24,647	–	890	–	502	–	45,839	–	
Total assets	28,147	142,950	25,759	52,500	68	1,015	258	543	1,124	46,942	938	
Liabilities and liabilities	–	–	–	–	–	–	–	–	–	–	–	
Liabilities to banks	14,075	16,343	14,075	16,343	–	–	–	–	–	–	–	
Liabilities to customers	3,315	3,450	3,234	3,372	–	–	–	–	27	32	55	
Commercial paper	8,599	7,901	8,599	7,901	–	–	–	–	–	–	–	
Derivative financial instruments	21	104	–	–	12	10	9	95	–	–	–	
Deferred tax liabilities	650	252	423	–	–	–	–	–	–	–	227	
Other liabilities	306	267	89	41	–	–	–	–	–	–	226	
Undistributed capital	107	146	107	146	–	–	–	–	–	–	–	
Liabilities associated with assets held for sale (IFRS 5)	–	94,703	–	86,269	–	466	–	1,407	–	87	6,474	
Total liabilities	27,073	123,166	26,526	114,072	12	476	9	1,502	27	119	6,997	

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56. Fair values of financial assets and liabilities

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

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

€ million	FAIR VALUE		CARRYING AMOUNT		DIFFERENCE	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	49	108	49	108	–	–
Derivative financial instruments	18	17	18	17	–	–
Marketable securities	0	0	0	0	–	–
Miscellaneous financial assets	–	–	–	–	–	–
Assets held for sale (IFRS 5)	–	890	–	890	–	–
Measured at amortized cost						
Cash reserve	320	2	320	2	–	–
Loans to and receivables from banks	1,160	953	1,160	953	–	–
Loans to and receivables from customers	24,465	27,094	24,154	26,785	311	309
Current tax assets	15	–	15	–	–	–
Other assets	110	113	110	113	–	–
Assets held for sale (IFRS 5)	–	24,692	–	24,647	–	45
Derivative financial instruments designated as hedges						
Derivative financial instruments	258	41	258	41	–	–
Assets held for sale (IFRS 5)	–	502	–	502	–	–
Not allocated to any measurement category						
Loans to and receivables from customers	1,260	1,235	1,124	1,102	136	133
Assets held for sale (IFRS 5)	–	45,492	–	45,839	–	–347
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	12	10	12	10	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	466	–	466	–	–
Measured at amortized cost						
Liabilities to banks	14,023	16,341	14,075	16,343	–52	–3
Liabilities to customers	3,233	3,355	3,234	3,372	–1	–17
Notes, commercial paper issued	8,597	7,920	8,599	7,901	–2	20
Current tax liabilities	423	–	423	–	–	–
Other liabilities	89	41	89	41	–	–
Subordinated capital	77	138	107	146	–30	–7
Liabilities associated with assets held for sale (IFRS 5)	–	85,678	–	86,269	–	–590
Derivative financial instruments designated as hedges						
Derivative financial instruments	9	95	9	95	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	1,407	–	1,407	–	–

The fair value of irrevocable credit commitments is affected by changes in the credit quality of the borrower and in the market conditions for the relevant credit product between the commitment date and the measurement date. Because of the short period between commitment and drawdown and the variable interest rate tied to the market interest rate, market conditions only have a very minor impact. The fair value of irrevocable credit commitments was therefore largely determined by the change in the credit quality of the borrower, which was established as part of the process for calculating expected credit losses from irrevocable credit commitments and reported under Other liabilities in the balance sheet as a liability in the amount of €0 million (previous year: €0 million) and for the previous year also under Liabilities associated with assets held for sale (IFRS 5). The fair value of financial guarantees also largely reflects the amount of expected credit losses and was reported in the balance sheet as a liability in the amount of €0 million (previous year: €0 million) under Other liabilities and for the previous year also under Liabilities associated with assets held for sale (IFRS 5). Both expected credit losses are disclosed as a consolidated figure in note (60) Default Risk in the “Credit commitments and financial guarantees” class.

The fair values of financial instruments were determined on the basis of the following risk-free yield curves, which are based on, for example, overnight index swaps, zero coupon rates and interest rate swaps in the respective currency area such as overnight index swaps on €STER for euros:

Percent	EUR	GBP	JPY	BRL	MXN	SEK	CZK	AUD	CNY	PLN	INR	RUB	KRW	DKK
Interest rate for six months	2.384	4.561	0.393	14.162	10.632	2.577	3.792	4.266	1.579	5.928	6.580	22.300	3.217	2.331
Interest rate for one year	2.123	4.457	0.515	15.386	10.240	2.423	3.603	4.044	1.452	5.641	6.520	21.993	2.890	2.246
Interest rate for five years	2.062	4.049	0.796	15.612	10.001	2.505	3.663	4.049	1.415	4.997	6.205	15.930	2.725	2.357
Interest rate for ten years	2.227	4.071	1.056	–	10.449	2.715	3.808	4.344	1.535	5.155	6.230	13.640	2.775	2.486

57. Measurement levels of financial assets and liabilities

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

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

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

Level 3 fair values are measured using valuation techniques incorporating at least one input that is not directly observable in an active market. The fair values of loans to and receivables from customers measured at amortized cost and at fair value through profit or loss are largely allocated to Level 3 because these fair values are measured using inputs that are not observable in active markets (see note 56). In the previous year, an equity investment measured at fair value through other comprehensive income and using inputs that were not observable in the market had also been reported under Level 3. The main inputs used to measure this equity investment were strategic planning and cost of equity rates.

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

As in the previous year, there was no need to reclassify instruments to different hierarchy levels in the reporting period.

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

€ million	LEVEL 1		LEVEL 2		LEVEL 3	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	49	108
Derivative financial instruments	–	–	18	17	–	–
Marketable securities	–	0	–	–	0	–
Miscellaneous financial assets	–	–	–	–	–	–
Assets held for sale (IFRS 5)	–	385	–	484	–	21
Measured at amortized cost						
Cash reserve	320	2	–	–	–	–
Loans to and receivables from banks	505	691	655	262	–	–
Loans to and receivables from customers	–	–	385	128	24,080	26,966
Current tax assets	–	–	15	–	–	–
Other assets	78	–	28	113	4	–
Assets held for sale (IFRS 5)	–	488	–	5,149	–	19,055
Derivative financial instruments designated as hedges						
Derivative financial instruments	–	–	258	41	–	–
Assets held for sale (IFRS 5)	–	–	–	502	–	–
Total	904	1,566	1,359	6,696	24,133	46,150
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	–	–	12	10	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	–	–	371	–	94
Measured at amortized cost						
Liabilities to banks	–	–	14,023	16,341	–	–
Liabilities to customers	–	–	3,233	3,355	–	–
Notes, commercial paper issued	302	163	8,296	7,758	–	–
Current tax liabilities	–	–	423	–	–	–
Other liabilities	–	–	83	21	6	20
Subordinated capital	–	–	77	138	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	43,859	–	41,819	–	0
Derivative financial instruments designated as hedges						
Derivative financial instruments	–	–	9	95	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	–	–	1,407	–	–
Total	302	44,022	26,156	71,316	6	115

The following table shows the changes in receivables from customers and equity investments (previous year only) measured at fair value and allocated to Level 3. In the previous year, some of these financial assets were reported under Assets held for sale (IFRS 5).

€ million	2024	2023
Balance as of Jan. 1	129	202
Foreign exchange differences	-3	-7
Changes in basis of consolidation	-21	-
Portfolio changes	-56	-66
Measured at fair value through profit or loss	0	0
Measured at fair value through other comprehensive income	-	-
Balance as of Dec. 31	49	129

The amounts of €0 million (previous year: €0 million) recognized in profit or loss for receivables are reported in the income statement under net gain or loss on financial instruments measured at fair value; in the previous year, they were recognized in the income statement under profit/loss from discontinued operations, net of tax. Of the remeasurements recognized in profit or loss, a net loss of €1 million (previous year: €0 million) was attributable to receivables as of the reporting date.

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

If risk-adjusted interest rates as of December 31, 2024 had been 100 basis points higher, profit after tax would have been €2 million (previous year: €3 million) lower. If risk-adjusted interest rates as of December 31, 2024 had been 100 basis points lower, profit after tax would have been €1 million (previous year: €2 million) higher.

In the previous year, the growth rate was within the range contained in strategic planning and the cost of equity rates matched the risk variables relevant to the fair value of the equity investment. If a 10% change had been applied to the financial performance (which takes into account the relevant risk variables) of the equity investments measured at fair value through other comprehensive income, there would have been no material change to equity.

The table below shows the changes in the derivative financial instruments measured at fair value, which had been recognized in the balance sheet under Liabilities associated with assets held for sale (IFRS 5) until June 30, 2024, based on Level 3 measurement.

€ million	2024	2023
Balance as of Jan. 1	94	84
Foreign exchange differences	2	2
Changes in basis of consolidation	-86	-
Portfolio changes	-	-
Measured at fair value through profit or loss	-10	8
Measured at fair value through other comprehensive income	-	-
Balance as of Dec. 31	-	94

The amounts recognized in profit or loss resulting in a net loss of €10 million (previous year: net gain of €8 million) are reported in the income statement under Profit/loss from discontinued operations, net of tax. Of the remeasurements recognized in profit or loss, a net gain of €- million (previous year: €8 million) was attributable to derivative financial instruments held as of the reporting date.

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

In the previous year, the market prices for used cars were the main risk variables in the fair value of the derivatives in connection with the risk of early termination. A sensitivity analysis was used to quantify the impact of changes in used vehicle prices on profit or loss after tax. If the used vehicle prices of the vehicles included in the derivatives in connection with the risk of early termination had been 10% higher as of the previous year's reporting date, profit after tax in the previous year would have been €36 million higher. If the used vehicle prices of the vehicles included in the derivatives in connection with the risk of early termination had been 10% lower as of the previous year's reporting date, profit after tax would have been €67 million lower.

58. Offsetting of financial assets and liabilities

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

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

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

€ million	AMOUNTS NOT OFFSET IN THE BALANCE SHEET											
	Gross amount of recognized financial assets/liabilities		Gross amount of recognized financial assets/liabilities offset in the balance sheet		Net amount of financial assets/liabilities reported in the balance sheet		Financial Instruments		Collateral received/pledged		Net amount	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Assets												
Cash reserve	320	2	–	–	320	2	–	–	–	–	320	2
Loans to and receivables from banks	1,160	953	–	–	1,160	953	–	–	–	–	1,160	953
Loans to and receivables from customers	25,327	27,995	–	–	25,327	27,995	–	–	–63	–68	25,265	27,927
Derivative financial instruments	277	58	–	–	277	58	–3	–14	–	–	273	44
Marketable securities	0	0	–	–	0	0	–	–	–	–	0	0
Miscellaneous financial assets	–	–	–	–	–	–	–	–	–	–	–	–
Income tax assets	15	–	–	–	15	–	–	–	–	–	15	–
Other assets	110	113	–	–	110	113	–	–	–	–	110	113
Assets held for sale (IFRS 5)	–	71,886	–	–8	–	71,878	–	–741	–	–	–	71,137
Total	27,209	101,007	–	–8	27,209	100,999	–3	–755	–63	–68	27,143	100,176
Equity and liabilities												
Liabilities to banks	14,075	16,343	–	–	14,075	16,343	–	–	–	–	14,075	16,343
Liabilities to customers	3,260	3,405	–	–	3,260	3,405	–	–	–	–	3,260	3,405
Notes, commercial paper issued	8,599	7,901	–	–	8,599	7,901	–	–	–65	–67	8,534	7,833
Derivative financial instruments	21	104	–	–	21	104	–3	–14	–	–	18	91
Income tax liabilities	423	–	–	–	423	–	–	–	–	–	423	–
Other liabilities	89	41	–	–	89	41	–	–	–	–	89	41
Subordinated capital	107	146	–	–	107	146	–	–	–	–	107	146
Liabilities associated with assets held for sale (IFRS 5)	–	88,237	–	–8	–	88,229	–	–741	–	–680	–	86,807
Total	26,574	116,177	–	–8	26,574	116,169	–3	–755	–65	–748	26,506	114,666

59. ABS transactions

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

€ million	Dec. 31, 2024	Dec. 31, 2023
Bonds issued	2,824	2,992
Subordinated liabilities	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	26,676
Total	2,824	29,668

The following information relates to total liabilities and corresponding assets from ABS transactions irrespective of the fact that some were presented in the previous year as part of an IFRS 5-classified disposal group.

Of the total amount of liabilities arising in connection with ABS transactions, an amount of €2,824 million (previous year: €20,460 million) is accounted for by ABS transactions with financial assets. The corresponding carrying amount of the securitized loans and receivables from retail financing and leasing business is €3,391 million (previous year: €25,888 million). As of December 31, 2024, the fair value of the liabilities amounted to €2,817 million (previous year: €20,536 million). The fair value of the assigned loans/receivables, which continued to be recognized, amounted to €3,400 million as of December 31, 2024 (previous year: €25,727 million).

Collateral totaling €3,455 million (previous year: €39,057 million) has been pledged in connection with ABS transactions, of which €3,455 million (previous year: €26,358 million) is accounted for by collateral in the form of financial assets. In these arrangements, the expected payments are assigned to special purpose entities or separate pools of assets and the ownership of the collateral in the financed or leased vehicles is transferred, if applicable. These cannot at the same time be used as collateral again. The rights of the bond holders are limited to the transferred loans/receivables and the corresponding collateral, and the payment receipts arising from these loans/receivables are used to repay the corresponding liability.

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

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

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

60. Default risk

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

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

In the case of financial assets with an objective indication of impairment as of the reporting date, the collateral reduced the risk by €287 million (previous year: €465 million). For financial assets in the “Measured at fair value” class to which the IFRS 9 impairment requirements are not applied, the maximum credit and default risk was reduced by collateral with a value of €0 million (previous year: €0 million).

For financial assets on which impairment losses were recognized during the fiscal year and that are subject to enforcement measures, the contractually outstanding amounts total €83 million (previous year: €175 million).

As a consequence of the international distribution of business activities and the resulting diversification, there are no material concentrations of default risk in individual counterparties or individual markets. Sector concentrations in the dealership business are a natural part of the business for a captive financial services provider in the automotive industry and these concentrations are individually analyzed in the existing risk management processes. The loans and receivables from dealership business subject to the inherent sector concentrations described above are included in the loans to and receivables from customers arising from dealer financing and, in the previous year, in the loans and receivables within the “Assets held for sale (IFRS 5)” balance sheet item.

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

For further qualitative information, please refer to the “Risk concentrations” and “Credit risk” sections of the risk report, which forms part of the management report.

PROVISION FOR CREDIT RISKS

Please refer to the provision for credit risks section in note (8) for disclosures on the accounting policies relating to the provision for credit risks.

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

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance as of Jan. 1, 2024	502	263	327	43	35	1,169
Exchange differences on translating foreign operations	-24	-17	-49	0	-8	-98
Changes in basis of consolidation	-55	-8	-14	-38	0	-114
Newly extended/purchased financial assets (additions)	307	–	–	13	41	361
Other changes within a stage	-112	-71	181	0	-13	-15
Transfers to						
Stage 1	6	-35	-2	–	–	-30
Stage 2	-26	198	-8	–	–	165
Stage 3	-14	-20	191	–	–	157
Financial instruments derecognized during the period (derecognitions)	-261	-126	-143	-12	-7	-548
Utilizations	–	–	-135	0	-1	-136
Model or risk parameter changes	4	-11	0	–	–	-7
Balance as of Dec. 31, 2024	326	173	349	6	48	902

The change in the provision for credit risks due to the disposal of financial assets in the course of restructuring the subgroups (see note (2) Basis of consolidation) is reported in the Changes in basis of consolidation line.

€ million	Stage 1	Stage 2	Stage 3	Simplified approach restated	Stage 4	Total restated
Balance as of Jan. 1, 2023	626	361	333	38	25	1,381
Exchange differences on translating foreign operations	-5	2	12	0	1	11
Changes in basis of consolidation	0	–	–	0	–	0
Newly extended/purchased financial assets (additions)	218	–	–	13	9	241
Other changes within a stage	-189	-158	48	-1	6	-293
Transfers to	–	–	–	–	–	–
Stage 1	7	-40	-5	–	–	-38
Stage 2	-48	119	-10	–	–	62
Stage 3	-15	-18	140	–	–	107
Financial instruments derecognized during the period (derecognitions)	-104	-37	-46	-7	-6	-199
Utilizations	–	–	-150	0	0	-151
Model or risk parameter changes	11	33	4	–	–	48
Balance as of Dec. 31, 2023	502	263	327	43	35	1,169

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

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Balance as of Jan. 1, 2024	45,314	3,680	503	4,267	91	53,855
Exchange differences on translating foreign operations	-1,293	-323	-81	-121	-20	-1,838
Changes in basis of consolidation	-20,837	-491	-22	-3,467	-1	-24,818
Changes	39	-1,114	-177	653	60	-540
Modifications	3	0	-1	0	0	2
Transfers to						
Stage 1	411	-407	-4	-	-	0
Stage 2	-1,562	1,575	-13	-	-	0
Stage 3	-239	-131	370	-	-	0
Balance as of Dec. 31, 2024	21,834	2,790	575	1,333	130	26,661

The change in the gross carrying amounts due to the disposal of financial assets in the course of restructuring the subgroups (see note (2) Basis of consolidation) is reported in the Changes in basis of consolidation line.

€ million	Stage 1	Stage 2	Stage 3	Simplified approach restated	Stage 4	Total restated
Balance as of Jan. 1, 2023	44,176	3,375	510	3,539	57	51,657
Exchange differences on translating foreign operations	-915	44	21	-5	3	-852
Changes in basis of consolidation	-56	-	-	-5	-	-61
Changes	3,360	-757	-264	738	31	3,109
Modifications	3	0	0	-	0	2
Transfers to						
Stage 1	426	-424	-2	-	-	0
Stage 2	-1,521	1,526	-5	-	-	0
Stage 3	-160	-84	244	-	-	0
Balance as of Dec. 31, 2023	45,314	3,680	503	4,267	91	53,855

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

The undiscounted expected credit losses on the initial recognition of purchased or originated credit-impaired financial assets that were recognized for the first time in the reporting period amounted to €22 million (previous year: €20 million).

The provision for credit risks in respect of financial assets measured at fair value through other comprehensive income is allocated to Stage 1 and was subject to change in the reporting period only as part of other changes within Stage 1. The amount of the provision for these financial assets both in terms of the balance as of the reporting date and the prior-year reporting date and in terms of the changes in the reporting year is not material and is therefore not presented in a separate table.

The gross carrying amount of the assets measured at fair value through other comprehensive income decreased by €441 million in 2024 (previous year: increase of €196 million) to €– million (previous year: €441 million). As in the previous year, these assets were allocated to Stage 1 in the reporting year. The decrease is attributable to the restructuring of the subgroups (see note (2) Basis of consolidation).

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

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

The change in the provision for credit risks due to the disposal of default risk exposures for irrevocable credit commitments and financial guarantees in the course of restructuring the subgroups (see note (2) Basis of consolidation) is reported in the “Changes in basis of consolidation” line.

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

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

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Balance as of Jan. 1, 2024	1,904	2	–	–	1,906
Foreign exchange differences	–118	0	–	–	–118
Changes in consolidated group	–1,212	–	–	–	–1,212
Changes	152	0	–	–	152
Modifications	–	–	–	–	–
Transfers to					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Balance as of Dec. 31, 2024	726	2	–	–	728

The change in the default risk exposures for irrevocable credit commitments and financial guarantees in the course of restructuring the subgroups (see note (2) Basis of consolidation) is reported in the “Changes in basis of consolidation” line.

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Balance as of Jan. 1, 2023	1,503	2	2	–	1,508
Foreign exchange differences	–12	0	0	–	–12
Changes in consolidated group	–135	–	–	–	–135
Changes	547	0	–2	–	545
Modifications	–	–	–	–	–
Transfers to					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Balance as of Dec. 31, 2023	1,904	2	–	–	1,906

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

€ million	SIMPLIFIED APPROACH	
	2024	2023
Balance as of Jan. 1	871	1,184
Exchange differences on translating foreign operations	–4	15
Changes in basis of consolidation	–809	0
Newly extended/purchased financial assets (additions)	237	379
Other changes	–12	–349
Financial instruments derecognized during the period (derecognitions)	–183	–246
Utilizations	–21	–64
Model or risk parameter changes	–19	–47
Balance as of Dec. 31	61	871

The change in the provision for credit risks due to the disposal of lease receivables in the course of restructuring the subgroups (see note (2) Basis of consolidation) is reported in the “Changes in basis of consolidation” line.

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

€ million	SIMPLIFIED APPROACH	
	2024	2023
Balance as of Jan. 1	47,813	42,263
Exchange differences on translating foreign operations	358	488
Changes in basis of consolidation	-48,612	-25
Changes	1,622	5,079
Modifications	4	8
Balance as of Dec. 31	1,185	47,813

The change in the gross carrying amounts due to the disposal of lease receivables in the course of restructuring the subgroups (see note (2) Basis of consolidation) is reported in the “Changes in basis of consolidation” line.

MODIFICATIONS

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

In the case of financial assets for which the provision for credit risks was measured in the amount of the lifetime expected credit losses, the amortized cost before contractual modifications amounted to €14 million (previous year: €87 million). In the reporting period, the contractual modifications of these financial assets gave rise to an overall net gain of €1 million (previous year: €2 million). In the case of trade receivables and lease receivables, which are all included in the simplified approach, the only modifications that are taken into account are those in which the underlying receivables are more than 30 days past due.

At the reporting date, the gross carrying amount of financial assets that had been modified since initial recognition and that, in the reporting period, had also been transferred from Stage 2 or Stage 3 to Stage 1 amounted to €21 million (previous year: €57 million). As a consequence, the measurement of the provision for credit risks for these financial assets was switched from the lifetime expected credit loss to a twelve-month expected credit loss.

MAXIMUM CREDIT RISK

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

€ million	Dec. 31, 2024	Dec. 31, 2023
Financial assets measured at amortized cost	25,759	52,500
Financial assets measured at fair value	–	441
Not allocated to any measurement category	1,124	46,942
Financial guarantees and credit commitments	728	1,905
Total	27,610	101,788

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

The maximum credit risk associated with the financial guarantees in accordance with IFRS 7.B10 in the class credit commitments and financial guarantees amounts to €2 million (previous year: €783 million).

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

€ million	Dec. 31, 2024	Dec. 31, 2023
Vehicles	54	98
Real estate	–	–
Other movable assets	–	–
Total	54	98

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

DEFAULT RISK RATING CLASSES

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

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

FISCAL YEAR 2024

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Default risk rating class 1	21,491	1,861	–	2,339	8
Default risk rating class 2	338	929	–	43	16
Default risk rating class 3	–	–	575	140	105
Total	21,829	2,790	575	2,522	130

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€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Default risk rating class 1	44,148	2,501	–	50,003	7
Default risk rating class 2	1,607	1,179	–	1,403	12
Default risk rating class 3	–	–	503	673	73
Total1	45,755	3,680	503	52,080	91

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

FISCAL YEAR 2024

€ million	Stage 1	Stage 2	Stage 3	Stage 4
Default risk rating class 1	726	2	–	–
Default risk rating class 2	–	–	–	–
Default risk rating class 3	–	–	–	–
Total	726	2	–	–

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€ million	Stage 1	Stage 2	Stage 3	Stage 4
Default risk rating class 1	1,904	2	–	–
Default risk rating class 2	0	–	–	–
Default risk rating class 3	–	–	–	–
Total	1,904	2	–	–

61. Liquidity risk

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

Local cash funds in certain countries (e.g. China, Korea) are only available to the Group for cross-border transactions subject to exchange controls. Foreign exchange controls are not relevant to liquidity risk because the cash from credit lines subject to exchange controls is not used in the VW FS Overseas AG Group to safeguard the supply of liquidity other than within the countries concerned. There are otherwise no significant restrictions.

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

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

€ million	ASSETS		REPAYABLE ON DEMAND		UP TO 3 MONTHS		3 MONTHS TO 1 YEAR		1 TO 5 YEARS		MORE THAN 5 YEARS	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Cash reserve	320	2	320	2	–	–	–	–	–	–	–	–
Loans to and receivables from banks	1,160	953	1,040	691	94	224	0	–	26	38	–	–
Assets held for sale (IFRS 5)	–	3,059	–	2,788	–	116	–	59	–	92	–	3
Total	1,480	4,014	1,360	3,481	94	341	0	59	26	130	–	3

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

€ million	REMAINING CONTRACTUAL MATURITIES									
	Cash outflows		up to 3 months		3 months to 1 year		1 to 5 years		more than 5 years	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Liabilities to banks	15,778	17,762	3,415	3,885	5,348	6,881	6,901	6,827	113	170
Liabilities to customers	3,794	3,689	1,920	956	605	654	398	1,698	870	382
Notes, commercial paper issued	9,626	8,341	2,336	2,145	3,911	3,606	3,378	2,591	–	–
Derivative financial instruments	1,300	704	378	52	298	304	624	348	0	–
Other liabilities	89	41	52	16	36	25	0	–	0	0
Subordinated capital	140	211	5	8	52	41	83	163	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	103,817	–	15,124	–	20,586	–	57,876	–	10,230
Irrevocable credit commitments	726	537	726	479	–	58	–	–	–	–
Total	31,453	135,103	8,834	22,666	10,251	32,153	11,385	69,502	983	10,783

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

Financial guarantees with a maximum possible drawdown of €2 million (previous year: €783 million) are always assumed to be payable on demand.

62. Market risk

For qualitative information, please refer to the disclosures on interest-rate risk in the management report risk report.

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

This approach has produced the following values:

€ million	Dec. 31, 2024	Dec. 31, 2023
Interest rate risk	82	759
Currency translation risk	87	122
Total market risk	79	703

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

63. Hedging policy disclosures

HEDGING POLICY AND FINANCIAL DERIVATIVES

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

MARKET RISK

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

Interest rate risk

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

The hedging contracts entered into by the Group mainly comprise interest rate swaps and cross-currency interest rate swaps. Interest rate risk is hedged using fair value hedges and cash flow hedges at micro level; portfolio fair value hedges were also used until their transfer as part of the spin-off of Volkswagen Leasing GmbH and the European operation of VW FS Overseas AG as of July 1, 2024. Fixed-income assets and liabilities included in micro fair value hedges are recognized with the addition of a hedge adjustment based on the hedged fair value of the hedged item rather than at amortized cost, the method used in their original subsequent measurement. The resulting effects in the income statement are generally offset by the opposite effects from the corresponding gains and losses on the interest rate hedging instruments (swaps).

Currency risk

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

DESCRIPTION OF HEDGES AND METHODOLOGIES FOR MONITORING HEDGE EFFECTIVENESS

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

In the VW FS Overseas AG Group, hedges to which micro-hedge accounting is applied are normally held to maturity. Hedge effectiveness in the VW FS Overseas AG Group is measured prospectively using the critical terms match method. Hedge effectiveness is analyzed retrospectively by testing for ineffectiveness using the dollar offset method. The dollar offset method compares the changes in the value of the hedged item expressed in monetary units with the changes in the value of the hedging instrument expressed in monetary units. The volume represented by the hedging instruments is generally the same as the volume represented by the designated hedged items. Hedge ineffectiveness in micro-hedge accounting largely results from differences between the mark-to-market (fair value) measurement of hedged items and that of hedging instruments. Individual yield curves are used when determining forward interest rates and prices and also when discounting future cash flows for hedged items and hedging instruments in order to obtain a measurement in line with the market. Other factors (e.g. in relation to counterparty risk) are only of minor significance as regards hedge ineffectiveness. As of the previous year's reporting date, the hedges to which micro-hedge accounting is applied also included hedged items and hedging instruments that were reported separately as part of a disposal group. These hedged items and hedging instruments were transferred in the course of restructuring the subgroups as of July 1, 2024 (see note (2) Basis of consolidation), and therefore no longer existed as of the reporting date.

The following information about the hedges to which portfolio hedge accounting is applied relates only to hedged items and hedging instruments that were reported separately as part of a disposal group as of the previous year's reporting date and transferred in the course of restructuring the subgroups as of July 1, 2024. In portfolio hedge accounting, derivatives for interest rate hedging were designated in a quarterly cycle. Effectiveness was checked by maturity band as part of this process. The designation proportions for the derivatives were determined on the basis of the volumes of the hedged item portfolios in the maturity bands. Derivatives were only considered for a hedging period in portfolio hedge accounting if a high prospective and retrospective effectiveness level was determined using regression tests. Ineffectiveness in portfolio hedge accounting was usually the result of changes in the fair values of hedging instruments and the hedged fair values of hedged items that do not fully offset each other.

DISCLOSURES ON GAINS AND LOSSES FROM FAIR VALUE HEDGES

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

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

€ million	2024	2023
Interest rate risk hedging	12	-43
Currency risk hedging	-38	-17
Combined interest rate and currency risk hedging	0	1

Continuing operations account for €-1 million (previous year: €6 million) of the total ineffectiveness in interest rate risk hedging, discontinued operations for €13 million (previous year: €-48 million). Continuing operations account for €-39 million (previous year: €- million) of the total ineffectiveness in currency risk hedging, discontinued operations for €0 million (previous year: €-17 million). All of the €0 million (previous year: €1 million) total ineffectiveness in combined interest rate and currency risk hedging is accounted for by discontinued operations.

DISCLOSURES ON GAINS AND LOSSES FROM CASH FLOW HEDGES

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

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

€ million	2024	2023
Hedging interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	82	-54
Recognized in profit or loss	0	0
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	-	-
Due to realization of the hedged item	-4	0
Hedging currency risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	-3	-12
Recognized in profit or loss	-1	4
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	-	-
Due to realization of the hedged item	10	4
Combined interest rate and currency risk hedging		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	28	72
Recognized in profit or loss	-	-
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	-	-
Due to realization of the hedged item	-10	-56

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

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

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

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

FISCAL YEAR 2024

€ million	RESIDUAL MATURITY			TOTAL NOTIONAL AMOUNT
	Up to 1 year	1 – 5 years	More than 5 years	Dec. 31, 2024
Notional amounts of hedging instruments in hedge accounting				
Interest rate risk hedging				
Interest rate swaps	1,413	3,344	1,554	6,311
Currency risk hedging				
Currency forwards/cross-currency swaps AUD	117	176	–	293
Currency forwards/cross-currency swaps TRY	267	–	–	267
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps USD	469	368	–	837
Cross-currency interest rate swaps JPY	–	94	–	94
Notional amounts of other derivatives				
Interest rate risk hedging				
Interest rate swaps	31	22	334	387
Currency risk hedging				
Currency forwards/cross-currency swaps	–	–	–	–
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	–	–	–	–

FISCAL YEAR 2023

€ million	RESIDUAL MATURITY			TOTAL NOTIONAL AMOUNT
	Up to 1 year	1 – 5 years	More than 5 years	Dec. 31, 2023
Notional amounts of hedging instruments in hedge accounting				
Interest rate risk hedging				
Interest rate swaps	8,721	32,439	4,292	45,452
Currency risk hedging				
Currency forwards/cross-currency swaps DKK	986	255	–	1,241
Currency forwards/cross-currency swaps PLN	609	162	–	771
Currency forwards/cross-currency swaps CZK	535	174	–	709
Currency forwards/cross-currency swaps other currencies	893	125	86	1,104
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps NOK	723	267	–	990
Cross-currency interest rate swaps, other foreign currencies	451	622	–	1,073
Notional amounts of other derivatives				
Interest rate risk hedging				
Interest rate swaps	15,149	30,435	15,859	61,443
Currency risk hedging				
Currency forwards/cross-currency swaps	422	19	0	441
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	50	980	–	1,030

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

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

In the reporting period, the average exchange rates used in the measurement of hedging instruments were as follows for the following currencies with significant notional amounts: EUR/AUD 1.6109, EUR/TRY 38.0097, USD/BRL 6.1923 and JPY/BRL 0.395. The average interest rates used for interest rate swaps and cross-currency interest rate swaps in cash flow hedges in the reporting year were as follows for the following currencies: AUD 4.79%, BRL 12.17%, JPY 4.48% and USD 6.33%. In the previous year, the average exchange rates used in the measurement of hedging instruments were as follows for the following currencies with significant notional amounts: NOK 11.0003, CZK 24.3063, PLN 4.4842 and DKK 7.4491. The average interest rates used for interest rate swaps and cross-currency interest rate swaps in cash flow hedges in the previous year were as follows for the following currencies: NOK 3.06%, DKK 1.33%, EUR 3.79%, AUD 5.52% and BRL 12.35%.

DISCLOSURES ON HEDGING INSTRUMENTS USED IN HEDGE ACCOUNTING

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

The following overviews show the notional amounts, fair values and changes in fair value used to determine ineffectiveness in hedging instruments used in fair value hedges to hedge the risk arising from changes in fair value: The information relates to total financial assets and liabilities from derivative financial instruments, irrespective of the fact that some are presented as of December 31, 2023 as part of an IFRS 5-classified disposal group. The allocation of amounts in “Derivative financial instruments – assets” and “Derivative financial instruments – liabilities” to balance sheet items and thus in some cases to separate presentation on the balance sheet as part of an IFRS 5-classified disposal group is shown in the classes of financial instruments table in note (54).

FISCAL YEAR 2024

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	3,051	3	3	3
Currency risk hedging				
Currency forwards/cross-currency swaps	257	–	3	–3
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	271	35	3	–3

FISCAL YEAR 2023

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	41,604	440	1,347	–1,205
Currency risk hedging				
Currency forwards/cross-currency swaps	2,763	9	14	–5
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	790	8	67	–55

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

The following tables set out the notional amounts, fair values and changes in fair value to determine ineffectiveness in hedging instruments used in cash flow hedges: The information relates to total financial assets and liabilities from derivative financial instruments, irrespective of the fact that some are presented as of December 31, 2023 as part of an IFRS 5-classified disposal group. The allocation of amounts in “Derivative financial instruments – assets” and “Derivative financial instruments – liabilities” to balance sheet items and thus in some cases to separate presentation on the balance sheet as part of an IFRS 5-classified disposal group is shown in the classes of financial instruments table in note (55).

FISCAL YEAR 2024

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	3,260	88	0	79
Currency risk hedging				
Currency forwards/cross-currency swaps	303	21	0	14
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	659	112	–	11

FISCAL YEAR 2023

€ million	Notional amount	Derivative financial instruments – assets	Derivative financial instruments – liabilities	Fair value change to determine ineffectiveness
Interest rate risk hedging				
Interest rate swaps	3,848	27	33	–76
Currency risk hedging				
Currency forwards/cross-currency swaps	1,062	10	26	–7
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	1,273	49	15	26

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

DISCLOSURES ON HEDGED ITEMS TO WHICH HEDGE ACCOUNTING IS APPLIED

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

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

FISCAL YEAR 2024

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/fiscal year	Cumulative hedge adjustments from terminated hedges
Interest rate risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	1,146	–2	35	–
Subordinated capital	–	–	–	–
Currency risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	257	3	2	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–
Combined interest rate and currency risk hedging:				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Liabilities to banks	756	44	10	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–

FISCAL YEAR 2023

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/fiscal year	Cumulative hedge adjustments from terminated hedges
Interest rate risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Assets held for sale (IFRS 5) including change in fair value from portfolio fair value hedges	16,807	263	195	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	931	–5	0	–
Subordinated capital	–	–	–	–
Liabilities associated with assets held for sale (IFRS 5)	26,978	–1,047	661	–
Currency risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Assets held for sale (IFRS 5)	1,169	2	2	–
Liabilities to banks	–	–	–	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–
Liabilities associated with assets held for sale (IFRS 5)	–	–	–	–
Combined interest rate and currency risk hedging				
Loans to and receivables from banks	–	–	–	–
Loans to and receivables from customers	–	–	–	–
Assets held for sale (IFRS 5)	36	0	0	–
Liabilities to banks	585	33	33	–
Liabilities to customers	–	–	–	–
Notes, commercial paper issued	–	–	–	–
Subordinated capital	–	–	–	–
Liabilities associated with assets held for sale (IFRS 5)	446	81	43	–

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

FISCAL YEAR 2024

€ million	Fair value change to determine ineffectiveness	RESERVE FOR	
		Existing cash flow hedges	Terminated cash flow hedges
Interest rate risk hedging			
Designated components	59	59	0
Deferred taxes	–	–27	0
Total interest rate risk	59	32	0
Currency risk hedging			
Designated components	14	2	–
Non-designated components	–	–	–
Deferred taxes	–	–1	–
Total hedging currency risk	14	2	–
Combined interest rate and currency risk hedging			
Designated components	22	22	–
Deferred taxes	–	–8	–
Total combined interest rate and currency risk	22	14	–

FISCAL YEAR 2023

€ million	Fair value change to determine ineffectiveness	RESERVE FOR	
		Existing cash flow hedges	Terminated cash flow hedges
Interest rate risk hedging			
Designated components	–82	–82	0
Deferred taxes	–	36	0
Total interest rate risk	–82	–46	0
Currency risk hedging			
Designated components	–11	–7	–
Non-designated components	–	–	–
Deferred taxes	–	2	–
Total hedging currency risk	–11	–5	–
Combined interest rate and currency risk hedging			
Designated components	26	–7	–
Deferred taxes	–	2	–
Total combined interest rate and currency risk	26	–5	–

CHANGES IN THE CASH FLOW HEDGE RESERVE

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

The following tables show a reconciliation for the cash flow hedge reserve (OCI I):

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance as of Jan. 1, 2024	-46	-5	-5	-55
Gains or losses from effective hedging relationships	82	-3	28	107
Reclassifications due to changes in whether the hedged item is expected to occur	-	-	-	-
Reclassifications due to realization of the hedged item	-4	10	-10	-4
Balance as of Dec. 31, 2024	33	2	14	48

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance as of Jan. 1, 2023	8	3	-21	-9
Gains or losses from effective hedging relationships	-53	-12	72	7
Reclassifications due to realization of the hedged item	0	4	-56	-53
Balance as of Dec. 31, 2023	-45	-5	-5	-55

In the tables above, the effects on equity from the cash flow hedge reserve (OCI I) are reduced by deferred taxes. In the cash flow hedge reserve (OCI I), the deferred taxes on gains or losses from effective hedges amounted to a loss of €80 million (previous year: gain of €13 million) and the deferred taxes on reclassifications resulting from the recovery of the hedged item came to a gain of €8 million (previous year: €24 million).

Segment Reporting

64. Breakdown by geographical market

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

Due to the implementation of the restructuring of the subgroups as of July 1, 2024 (see note (2) Basis of consolidation) and the shift in focus of VW FS Overseas AG to managing the international markets outside Europe, the reporting segments for the reporting year and the previous year were redefined. In addition, the breakdown by geographical market was supplemented with further material income and expense data that are included in the operating result key performance indicator. The prior-year figures were restated accordingly.

Internal management continues to apply a market-based geographical breakdown. The geographical markets of Brazil, China, Mexico and Australia are the segments that are subject to reporting requirements under IFRS 8. Subsidiaries in the VW FS Overseas AG Group are aggregated within these segments. All other companies that can be allocated to geographical markets are brought together under "Other segments".

Companies that are not allocated to any geographical market are reported in the reconciliation. This also includes the holding VW FS Overseas AG and the holding companies in the Netherlands. In the internal reporting structure, this presentation ensures that there is a separation between market activities on one side and typical holding company functions on the other side. Effects from consolidation between the segments and from the provision for country risks in the previous year are additionally included in the reconciliation.

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

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

BREAKDOWN BY GEOGRAPHICAL MARKET 2024:

€ million	JAN. 1 – DEC. 31, 2024							Group
	Brazil	China	Mexico	Australia	Other segments	Segments total	Reconciliation	
Interest income from lending transactions and marketable securities in respect of third parties	1,161	488	387	331	143	2,510	75	2,585
Intersegment interest income from lending transactions and marketable securities	–	–	–	–	–	–	–	–
Income from leasing transactions with third parties	711	0	298	56	262	1,328	–	1,328
of which reversals of impairment losses in accordance with IAS 36	–	–	2	–	0	3	–	3
Intersegment income from leasing transactions	–	–	–	–	–	–	–	–
Depreciation, impairment losses and other expenses from leasing transactions	–462	–1	–158	–23	–227	–871	–	–871
of which impairment losses in accordance with IAS 36	–3	0	–3	–3	–1	–11	–	–11
Net income from leasing transactions	249	0	140	34	35	457	–	457
Interest expense	–939	–158	–259	–265	–61	–1,682	–47	–1,729
Income from service contracts with third parties	103	–	15	1	0	118	–	118
of which over-time income	–	–	–	–	–	–	–	–
of which at a point in time income	103	–	15	1	0	118	–	118
Intersegment income from service contracts	–	–	–	–	–	–	–	–
Expenses from service contracts	–84	–	–15	0	0	–99	–	–99
Net income from service contracts	19	–	–1	0	0	19	–	19
Provision for credit risks	–189	–92	–67	–15	–4	–367	134	–233
Fee and commission income from third parties	83	4	51	3	9	150	–	150
Intersegment fee and commission income	–	–	–	–	–	–	–	–
Fee and commission expenses	–51	–4	–12	–1	–24	–93	–2	–95
Net fee and commission income	32	1	38	2	–15	58	–2	55
General and administrative expenses	–161	–95	–76	–40	–49	–421	–26	–447
of which: Other amortization, depreciation and impairment losses	–11	–16	–1	–3	–5	–37	–1	–38
Operating result	197	145	160	47	74	624	–164	460

BREAKDOWN BY GEOGRAPHICAL MARKET 2023:

€ million	JAN. 1 – DEC. 31, 2023						Recon- ciliation restated ^{1,3}	Group restated ³
	Brazil ¹	China ¹	Mexico ¹	Australia ¹	Other segments ¹	Segments total ¹		
Interest income from lending transactions and marketable securities in respect of third parties ¹	1,043	719	320	289	137	2,509	62	2,571
Intersegment interest income from lending transactions and marketable securities	–	–	–	–	–	–	–	–
Income from leasing transactions with third parties	528	3	231	19	322	1,104	13	1,117
of which reveals of impairment losses in accordance with IAS 36	–	–	6	–	1	6	–	6
Intersegment income from leasing transactions	–	–	–	–	–	–	–	–
Depreciation, impairment losses and other expenses from leasing transactions	–337	–3	–108	–12	–284	–744	–1	–744
of which impairment losses in accordance with IAS 36	–	–	–4	–2	0	–6	–	–6
Net income from leasing transactions	191	0	123	8	38	361	12	373
Interest expense	–899	–256	–178	–206	–53	–1,592	–61	–1,652
Income from service contracts with third parties	92	–	7	0	0	100	0	100
of which over-time income	–	–	–	–	–	–	–	–
of which at a point in time income	92	–	7	0	0	100	0	100
Intersegment income from service contracts	–	–	–	–	–	–	–	–
Expenses from service contracts ²	–77	–	–7	0	0	–84	0	–84
Net income from service contracts ²	16	–	0	0	0	16	0	16
Provision for credit risks ²	–109	–171	–65	–18	–4	–367	442	76
Fee and commission income from third parties	69	–	48	2	9	128	1	130
Intersegment fee and commission income	–	–	–	–	–	–	–	–
Fee and commission expenses ²	–37	–5	–7	–1	–21	–71	–1	–72
Net fee and commission income ²	31	–5	41	1	–12	57	1	58
General and administrative expenses ²	–140	–120	–88	–39	–54	–441	–28	–469
of which: Other amortization, depreciation and impairment losses	–10	–16	–1	–2	–6	–35	–5	–40
Operating result	159	170	156	36	55	577	177	753

1 Prior-year figures restated due to the redefinition of the reporting segments.

2 Prior-year figures restated due to the inclusion of further material income and expense data.

3 Prior-year changes as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures”.

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

The breakdown of “Income from service contracts with third parties” into “of which over-time income” and “of which at a point in time income” in note 21 “Net income from service contracts” has been carried over to and continued in the tables above.

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

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

€ million	JAN. 1 – DEC. 31, 2024			
	Brazil	China	Mexico	Australia
Noncurrent Assets	2,309	73	67	85
Additions to lease assets classified as noncurrent assets.	1,232	2	14	48

€ million	JAN. 1 – DEC. 31, 2023			
	Brazil ¹	China ¹	Mexico ¹	Australia ¹
Noncurrent Assets	2,181	86	60	61
Additions to lease assets classified as noncurrent assets.	1,077	2	16	34

1 Prior-year figures restated due to the redefinition of the reporting segments.

Investment recognized under other assets was of minor significance.

The following table shows the reconciliation to consolidated revenue, operating result of continuing operations and profit before tax of continuing operations:

€ million	2024	2023 restated ¹
Segment revenue	4,106	3,841
Other companies	4,997	8,392
Consolidation	–4,922	–8,315
Group revenue	4,182	3,917
Segment profit or loss (operating result)	624	577
Other companies	183	184
Contribution to operating profit by included companies	–	–226
Consolidation between segments	–347	219
Operating result from continuing operations	460	753
Net gain or loss on equity-accounted investments	–44	50
Net gain or loss on miscellaneous financial assets	–12	103
Other financial gains or losses	–9	9
Profit before tax from continuing operations	396	915

1 Prior-year figures restated due to the redefinition of the reporting segments, the inclusion of further material income and expense data and prior-year changes as explained for the corrected recognition of provisions for Time Assets under “Changes to Prior-Year Figures”.

Other Disclosures

65. Leases

LESSOR ACCOUNTING FOR FINANCE LEASES

Interest income from the net investment in the lease amounting to €1,509 million (previous year: €2,437 million) was generated from finance leases in the reporting year, of which €158 million (previous year: €128 million) was accounted for by continuing operations and €1,351 million (previous year: €2,309 million) was accounted for by discontinued operations. There was no income from variable lease payments that was not taken into account in the measurement of the net investment in the lease where finance leases were concerned.

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

€ million	Dec. 31, 2024	Dec. 31, 2023
Non-discounted lease payments	1,337	51,898
Non-guaranteed residual value	–	93
Unearned interest income	–235	–4,928
Loss allowance on lease receivables	–78	–793
Other	–	–
Net investment	1,024	46,270
of which under Receivables from customers attributable to the leasing business on the balance sheet	1,024	1,030
of which under Assets held for sale (IFRS 5) on the balance sheet	–	45,240

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

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

€ million	2025	2026	2027	2028	2029	From 2030	Total
Finance lease payments	468	259	260	165	30	154	1,337

In the previous year, the following payments were anticipated over the subsequent years from expected, outstanding, non-discounted lease payments under finance leases.

€ million	2024	2025	2026	2027	2028	From 2029	Total
Finance lease payments	16,889	13,616	12,744	7,902	512	234	51,898
of which from finance leases under Receivables from customers attributable to the leasing business on the balance sheet	487	187	184	214	98	164	1,335
of which from finance leases under Assets held for sale (IFRS 5) on the balance sheet	16,402	13,429	12,559	7,688	414	70	50,563

LESSOR ACCOUNTING FOR OPERATING LEASES

Income generated from operating leases is included in the income statement in income from leasing transactions, other operating income and profit/loss from discontinued operations, net of tax. The table below shows a breakdown between income from leases without variable lease payments and income from leases with variable lease payments.

€ million	2024	2023
Lease income	4,352	7,512
Income from variable lease payments	–	–
Total	4,352	7,512

Continuing operations account for €592 million (previous year: €451 million) of the total income generated from operating leases, discontinued operations for €3,760 million (previous year: €7,061 million).

The impairment losses recognized as a result of the impairment test on lease assets amounted to €371 million (previous year: €743 million) and are included in the amount of €11 million (previous year: €6 million) for continuing operations in the depreciation, impairment losses and other expenses from leasing transactions. Discontinued operations accounted for impairment losses of €359 million (previous year: €737 million). Impairment losses are based on continuously updated internal and external information, which is then fed into the forecasts of residual values for vehicles.

Income from reversals of impairment losses on lease assets applied in prior years amounted to €77 million (previous year: €38 million) and is included in the amount of €3 million (previous year: €6 million) for continuing operations in income from leasing transactions. Discontinued operations accounted for income from reversals of €74 million (previous year: €32 million).

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

€ million	Movable lease assets
Cost	
as of Jan. 1, 2024	2,833
Foreign exchange differences	–397
Changes in basis of consolidation	–
Additions	1,645
Reclassifications	–
Disposals	1,084
Balance as of Dec. 31, 2024	2,997
Depreciation and impairment losses	
as of Jan. 1, 2024	486
Foreign exchange differences	–46
Changes in basis of consolidation	–
Additions to cumulative depreciation	232
Additions to cumulative impairment losses	11
Reclassifications	–
Disposals	138
Reversal of impairment losses	3
Balance as of Dec. 31, 2024	542
Net carrying amount as of Dec. 31, 2024	2,455
Net carrying amount as of Jan. 1, 2024	2,347

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

€ million	2025	2026	2027	2028	2029	From 2030	Total
Lease payments	262	110	60	20	6	–	457

The following table shows the changes in the prior year for assets leased out under operating leases: The reclassifications shown in the “Assets held for sale (IFRS 5)” line are the result of the reclassification of leased assets on the balance sheet to Assets held for sale (IFRS 5):

€ million	Movable lease assets
Cost	
as of Jan. 1, 2023	44,869
Foreign exchange differences	108
Changes in basis of consolidation	1,098
Additions	22,904
Reclassifications	0
Assets held for sale (IFRS 5)	-47,566
Disposals	18,580
Balance as of Dec. 31, 2023	2,833
Depreciation and impairment losses	
as of Jan. 1, 2023	9,942
Foreign exchange differences	21
Changes in basis of consolidation	92
Additions to cumulative depreciation	5,090
Additions to cumulative impairment losses	742
Reclassifications	-
Assets held for sale (IFRS 5)	-10,561
Disposals	4,801
Reversal of impairment losses	38
Balance as of Dec. 31, 2023	486
Net carrying amount as of Dec. 31, 2023	2,347
Net carrying amount as of Jan. 1, 2023	34,927

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

In the previous year, the outstanding, undiscounted lease payments from operating leases expected for subsequent years were as follows:

€ million	2024	2025	2026	2027	2028	From 2029	Total
Lease payments	4,836	3,189	1,686	711	128	10	10,561
of which from operating leases under Lease assets on the bal- ance sheet	215	110	77	30	8	-	440
of which from operating leases under Assets held for sale (IFRS 5) on the balance sheet	4,622	3,079	1,609	680	120	10	10,121

LESSEE ACCOUNTING

The VW FS Overseas AG Group is a party to leases as a lessee in various aspects of the business. These leases mainly involve the leasing of land and buildings and operating and office equipment. The accounting treatment of buyback transactions as leases also meant that the VW FS Overseas AG Group was the lessee in the primary leases with the vehicle sellers, who are entities in the Volkswagen Group. Buyback transactions are allocated only to discontinued operations that were transferred as of July 1, 2024 in the course of the spin-off of Volkswagen Leasing GmbH and the European operation of VW FS Overseas AG.

Leases outside of buyback transactions

Leases outside of buyback transactions are of only minor significance for the VW FS Overseas AG Group and the following information accordingly relates exclusively to leases in continuing operations that were not transferred in the course of restructuring the subgroups and not recognized in the previous year as part of a disposal group in accordance with IFRS 5.

In the reporting year, interest expenses of €1 million (previous year: €1 million) were recognized under the interest expenses line item in the income statement in respect of lease liabilities of €27 million (previous year: €32 million) reported under liabilities to customers on the balance sheet.

In the reporting year, subleases outside of buyback transactions gave rise to income of €2 million (previous year: €– million).

No right-of-use assets are recognized for short-term leases or leases in which the underlying asset is of low value. In the reporting year, expenses for leases in which the underlying assets are of low value amounted to €5 million (previous year: €7 million). Expenses for short-term leases in the reporting year were €0 million (previous year: €0 million). There were no variable lease expenses in the reporting year or in the previous year that were not taken into account in the measurement of the lease liabilities.

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

€ million	Land and buildings	Operating and office equipment	Total
Gross carrying amount (or cost) as of Jan. 1, 2024	68	2	70
Foreign exchange differences	–1	0	–1
Changes in basis of consolidation	–	–	–
Additions	10	0	11
Reclassifications	–	–	–
Disposals	13	0	13
Balance as of Dec. 31, 2024	64	2	66
Depreciation and impairment losses as of Jan. 1, 2024	36	2	38
Foreign exchange differences	0	0	0
Changes in basis of consolidation	–	–	–
Additions to cumulative depreciation	9	0	9
Additions to cumulative impairment losses	–	–	–
Reclassifications	0	0	–
Disposals	6	0	6
Reversal of impairment losses	–	–	–
Balance as of Dec. 31, 2024	39	2	41
Net carrying amount as of Dec. 31, 2024	25	0	25
Net carrying amount as of Jan. 1, 2024	31	0	32

€ million	Land and buildings	Operating and office equipment	Total
Gross carrying amount (or cost) as of Jan. 1, 2023	208	4	212
Foreign exchange differences	–3	0	–3
Changes in basis of consolidation	–42	0	–42
Additions	33	0	33
Reclassifications	–	–	–
Assets held for sale (IFRS 5)	–108	–1	–109
Disposals	21	0	21
Balance as of Dec. 31, 2023	68	2	70
Depreciation and impairment losses as of Jan. 1, 2023	75	3	78
Foreign exchange differences	–2	0	–2
Changes in basis of consolidation	–6	–	–6
Additions to cumulative depreciation	19	1	20
Additions to cumulative impairment losses	0	–	0
Reclassifications	–	–	–
Assets held for sale (IFRS 5)	–34	–1	–35
Disposals	17	0	17
Reversal of impairment losses	–	–	–
Balance as of Dec. 31, 2023	36	2	38
Net carrying amount as of Dec. 31, 2023	31	0	32
Net carrying amount as of Jan. 1, 2023	133	1	134

The reclassifications shown in the Assets held for sale (IFRS 5) lines are the result of the reclassification of right-of-use assets on the balance sheet to Assets held for sale (IFRS 5).

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

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

€ million	REMAINING CONTRACTUAL MATURITIES			TOTAL
	Up to 1 year	1 – 5 years	more than 5 years	
Lease liabilities as of Dec. 31, 2024	7	21	0	28
Lease liabilities as of Dec. 31, 2023	10	25	1	35

Overall, leases in which the VW FS Overseas AG Group is a lessee gave rise to total cash outflows of €14 million (previous year: €17 million) in the reporting year.

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

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

Leases forming part of buyback transactions

All the following buyback transaction disclosures relate to discontinued operations.

The right-of-use assets recognized from primary leases as part of buyback transactions were reported either as finance leases, and therefore as receivables from finance leases, or as operating leases, and therefore as lease assets, in the “Assets held for sale (IFRS 5)” balance sheet item.

Subleases in connection with buyback transactions gave rise in the reporting year to income of €82 million (previous year: €220 million), which were derived from both finance leases and operating leases and was accounted for in full by discontinued operations.

In the case of assets leased as part of buyback transactions, the total cash outflows were reported in an amount equal to the value of the right of use recognized in the reporting year. Overall, this resulted in total cash outflows of €14 million (previous year: €37 million) in the reporting year.

66. Insurance contract disclosures

All the following insurance contract disclosures relate to discontinued operations. As of July 1, 2024, all these insurance contracts were spun off to Volkswagen Financial Services AG with the European operation of VW FS Overseas AG.

RECONCILIATION OF INSURANCE CONTRACTS

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

Analysis by remaining coverage and claims incurred

Insurance contracts issued

€ million	Excluding loss components	Loss components	Liability for incurred claims (LIC)	Total
Balance as of Jan. 1, 2024				
Assets from insurance contracts	3	–	–1	2
Liabilities for insurance contracts	–287	–25	–68	–379
Net balance of assets from and liabilities for insurance contracts	–284	–25	–68	–377
Insurance income	139			139
Insurance services expenses	–2	–5	–88	–95
Claims expenses and other expenses from insurance contracts		3	–79	–76
Amortization of costs incurred in concluding contracts	–2			–2
Losses and reversals for contracts in deficit		–8		–8
Changes in liability for incurred claims (LIC)			–9	–9
Investment components	6		–6	–
Technical insurance result	0	–1	1	0
Finance income and expenses from insurance contracts	–1	–1	1	–2
Currency translation	1	0	0	2
Net gain or loss from insurance business	143	–5	–93	44
Cashflow	145		–83	61
Premiums received	158			158
Payments for claims and other insurance services			–83	–83
Acquisition costs paid	–13			–13
Other changes	4	–	–	–
Changes in basis of consolidation	289	30	78	398
Balance as of Dec. 31, 2024	–	–	–	–
Assets from insurance contracts	–	–	–	–
Liabilities for insurance contracts	–	–	–	–
Net balance of assets from and liabilities for insurance contracts	–	–	–	–

€ million	LIABILITY FOR REMAINING COVERAGE (LRC)		Liability for in- curred claims (LIC)	Total
	Excluding loss components	Loss components		
Balance as of Jan. 1, 2023				
Assets from insurance contracts	0	–	0	0
Liabilities for insurance contracts	–261	–12	–91	–363
Net balance of assets from and liabilities for insurance contracts	–260	–12	–91	–363
Insurance income	263	–	–	263
Insurance services expenses	–14	–13	–84	–112
Claims expenses and other expenses from insurance contracts	–	4	–112	–108
Amortization of costs incurred in concluding contracts	–14	–	–	–14
Losses and reversals for contracts in deficit	–	–17	–	–17
Changes in liability for incurred claims (LIC)	–	–	28	28
Investment components	7	–	–7	–
Technical insurance result	–11	0	–2	–13
Finance income and expenses from insurance contracts	–8	0	–2	–10
Currency translation	–3	0	0	–3
Net gain or loss from insurance business	246	–13	–94	139
Cashflow	269	–	–136	133
Premiums received	292	–	–	292
Payments for claims and other insurance services	–	–	–136	–136
Acquisition costs paid	–24	–	–	–24
Other changes	–	–	–20	–20
Balance as of Dec. 31, 2023	–284	–25	–68	–377
Assets from insurance contracts	3	–	–1	2
Liabilities for insurance contracts	–287	–25	–68	–379
Net balance of assets from and liabilities for insurance contracts	–284	–25	–68	–377

Reinsurance contracts held

€ million	ASSET FOR REMAINING COVER- AGE			Total
	Excluding loss cover components	Loss cover compo- nents	Asset for incurred claims	
Balance as of Jan. 1, 2024				
Assets from reinsurance contracts	3	–	21	25
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets from and liabilities for reinsurance contracts	3	–	21	25
Expenses from reinsurance services	0			0
Reimbursable amounts from reinsurance companies	–	–	–1	–1
Reimbursable amounts for claims made and other costs in the period	–	–	–	–
Loss recovery for losses and reversals from underlying insurance contracts in deficit	–	–	–	–
Adjustment to reimbursable amounts for claims made and other costs in prior periods	–	–	–1	–1
Investment components	–	–	–	–
Changes in credit risk of reinsurance company	–	–	–	–
Net income/expenses from reinsurance contracts held	0	–	–1	–1
Finance income and expenses from insurance contracts	0	–	–1	–1
Currency translation	–	–	–	–
Net gain or loss from reinsurance services	0	–	–2	–2
Cashflow	–	–	–	–
Paid expenses from outward reinsurance	–	–		–
Reimbursements received		–	–	–
Other changes	–	–	–	–
Changes in basis of consolidation	–3	–	–20	–23
Balance as of Dec. 31, 2023	–	–	–	–
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets and liabilities / insurance contracts	–	–	–	–

€ million	ASSET FOR REMAINING COVER- AGE			Total
	Excluding loss cover components	Loss cover compo- nents	Asset for incurred claims	
Balance as of Jan. 1, 2023				
Assets from reinsurance contracts	3	–	22	25
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets from and liabilities for reinsurance contracts	3	–	22	25
Expenses from reinsurance services	0	–	–	0
Reimbursable amounts from reinsurance companies	–	–	–2	–2
Reimbursable amounts for claims made and other costs in the period	–	–	–	–
Loss recovery for losses and reversals from underlying insurance contracts in deficit	–	–	–	–
Adjustment to reimbursable amounts for claims made and other costs in prior periods	–	–	–2	–2
Investment components	–	–	–	–
Changes in credit risk of reinsurance company	–	–	–	–
Net income/expenses from reinsurance contracts held	0	–	1	1
Finance income and expenses from insurance contracts	0	–	1	1
Currency translation	–	–	–	–
Net gain or loss from reinsurance services	0	–	–1	–1
Cashflow	–	–	–	–
Paid expenses from outward reinsurance	–	–	–	–
Reimbursements received	–	–	–	–
Other changes	–	–	–	–
Balance as of Dec. 31, 2023	3	–	21	25
Assets from reinsurance contracts	3	–	21	25
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets and liabilities / insurance contracts	3	–	21	25

Analysis by measurement components

Insurance contracts issued

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2024				
Assets from insurance contracts	9	0	-7	2
Liabilities for insurance contracts	-230	-35	-115	-379
Net balance of assets and liabilities / insurance contracts	-221	-35	-121	-377
Changes relating to current services	7	-1	55	61
Contractual service margin recognized in profit or loss	-	-	55	55
Risk adjustment for expired risks	-	-1	-	-1
Experience adjustments	7	-	-	7
Changes relating to future services	118	-14	-112	-8
Contracts recognized for the first time	82	-17	-70	-5
Changes in accounting estimates that affect CSM	41	1	-42	0
Change in losses and reversals of losses for contracts in deficit	-4	2	-	-2
Changes relating to past services	-18	9	-	-9
Technical insurance result	2	0	-2	0
Finance income and expenses from insurance contracts	1	-	-3	-2
Currency translation	1	0	0	2
Net gain or loss from insurance business	109	-5	-60	44
Cashflow	61	-	-	61
Premiums received	158	-	-	158
Payments for claims and other insurance services	-83	-	-	-83
Acquisition costs paid	-13	-	-	-13
Other changes	4	-	-	-
Changes in basis of consolidation	177	40	181	398
Balance as of Dec. 31, 2024	-	-	-	-
Assets from insurance contracts	-	-	-	-
Liabilities for insurance contracts	-	-	-	-
Net balance of assets and liabilities / insurance contracts	-	-	-	-

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2023				
Assets from insurance contracts	0	0	0	0
Liabilities for insurance contracts	-181	-35	-147	-363
Net balance of assets and liabilities / insurance contracts	-181	-35	-147	-363
Changes relating to current services	51	2	88	141
Contractual service margin recognized in profit or loss	-	-	88	88
Risk adjustment for expired risks	-	2	-	2
Experience adjustments	51	-	-	51
Changes relating to future services	64	-24	-58	-17
Contracts recognized for the first time	122	-19	-106	-3
Changes in accounting estimates that affect CSM	-46	-3	49	-
Change in losses and reversals of losses for contracts in deficit	-12	-2	-	-14
Changes relating to past services	6	22	-	28
Technical insurance result	-9	0	-4	-13
Finance income and expenses from insurance contracts	-7	-	-4	-10
Currency translation	-2	0	-1	-3
Net gain or loss from insurance business	113	0	26	139
Cashflow	133	-	-	133
Premiums received	292	-	-	292
Payments for claims and other insurance services	-136	-	-	-136
Acquisition costs paid	-24	-	-	-24
Other changes	-20	-	-	-20
Balance as of Dec. 31, 2023	-221	-35	-121	-377
Assets from insurance contracts	9	0	-7	2
Liabilities for insurance contracts	-230	-35	-115	-379
Net balance of assets and liabilities / insurance contracts	-221	-35	-121	-377

Reinsurance contracts held

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2024				
Assets from reinsurance contracts	23	1	–	25
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets and liabilities / insurance contracts	23	1	–	25
Changes relating to current services	0	0	–	0
Contractual service margin recognized in profit or loss	–	–	–	–
Risk adjustment for expired risks	–	0	–	0
Experience adjustments	0	–	–	0
Changes relating to future services	–	0	–	0
Contracts recognized for the first time	–	–	–	–
Changes in accounting estimates that affect CSM	–	–	–	–
Changes in accounting estimates that do not affect CSM	–	0	–	0
Changes in reimbursable amounts relating to past services	–1	0	–	–1
Finance income and expenses from insurance contracts	–1	–	–	–1
Changes in default risk of reinsurance companies	–	–	–	–
Currency translation	–	–	–	–
Net gain or loss from outward reinsurance business	2	0	–	2
Cashflow	–	–	–	–
Paid expenses from outward reinsurance	–	–	–	–
Reimbursements received	–	–	–	–
Other changes	–	–	–	–
Changes in basis of consolidation	22	1	–	23
Balance as of Dec. 31, 2024	–	–	–	–
Assets from reinsurance contracts	–	–	–	–
Liabilities for reinsurance contracts	–	–	–	–
Net balance of assets from and liabilities for reinsurance contracts	–	–	–	–

€ million	Estimated present value for future cash flows	Risk adjustment for nonfinancial risk	Contractual service margin (CSM)	Total
Balance as of Jan. 1, 2023				
Assets from reinsurance contracts	24	1	–	25
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets and liabilities / insurance contracts	24	1	–	25
Changes relating to current services	0	0	0	0
Contractual service margin recognized in profit or loss	–	–	0	0
Risk adjustment for expired risks	–	0	–	0
Experience adjustments	0	–	–	0
Changes relating to future services	0	0	0	0
Contracts recognized for the first time	0	–	0	–
Changes in accounting estimates that affect CSM	0	–	0	–
Changes in accounting estimates that do not affect CSM	0	0	–	0
Changes in reimbursable amounts relating to past services	–2	0	–	–2
Finance income and expenses from insurance contracts	1	–	0	1
Changes in default risk of reinsurance companies	–	–	–	–
Currency translation	–	–	–	–
Net gain or loss from outward reinsurance business	1	0	0	1
Cashflow	–	–	–	–
Paid expenses from outward reinsurance	–	–	–	–
Reimbursements received	–	–	–	–
Other changes	–	–	–	–
Balance as of Dec. 31, 2023	23	1	–	25
Assets from reinsurance contracts	23	1	–	25
Liabilities for reinsurance contracts	0	–	–	0
Net balance of assets from and liabilities for reinsurance contracts	23	1	–	25

EFFECTS OF INSURANCE CONTRACTS RECOGNIZED FOR THE FIRST TIME

The effects on the assets and provisions of insurance contracts recognized for the first time prior to transfer on July 1, 2024 are as follows:

€ million	INSURANCE CONTRACTS ISSUED FOR THE FIRST TIME		INSURANCE CONTRACTS ACQUIRED FOR THE FIRST TIME		Total
	Not in deficit	In deficit	Not in deficit	In deficit	
Expected present value of future cash outflows (excluding costs incurred in concluding contracts)	–136	–16	–	–	–153
Expected present value of costs incurred in concluding contracts	–8	–4	–	–	–12
Expected present value of future cash outflows	228	18	–	–	246
Risk adjustment for nonfinancial risk	–14	–3	–	–	–17
Contractual service margin (CSM)	–70	–	–	–	–70
Total	0	–5	–	–	–6

The insurance contracts recognized for the first time had no material effect on assets from reinsurance contracts held.

EFFECTS OF RISK ON INSURANCE CONTRACTS

In the previous year, insurance business was subject to underwriting risk and financial risk as explained in the following.

Maximum credit risk

€ million	Dec. 31, 2023
Balance as of Dec. 31., 2023	
Cash and cash equivalents	121
Debt instruments (FVOCI)	336
Debt instruments (amortized cost)	64
Assets from reinsurance contracts held	25
Other	2
Maximum credit risk	547

All insurance contracts fell within rating class 1.

Insurance risk

€ million	Dec. 31, 2023
Catastrophe risk	13
Premium risk	290
Reserve risk	24
Total	327

The effects of insurance risk on the profit after tax of discontinued operations and on the previous year's equity are presented below with a sensitivity analysis:

€ million	Loss ratio (increase of 10 percentage points)	Loss ratio (decrease of 10 percentage points)
Balance as of Dec. 31., 2023		
Profit/loss from discontinued operations, net of tax		
Effect before reinsurance	-70	71
Effect after reinsurance	-66	65
Equity		
Effect before reinsurance	71	-70
Effect after reinsurance	66	-65

Currency risk – sensitivity analysis:

The sensitivity analysis of the previous year's currency risk yielded the following result:

€ million	PROFIT/LOSS AFTER TAX		EQUITY	
	10%	-10%	10%	-10%
Dec. 31., 2023				
Currency relations				
EUR/GBP	0	0	0	0
EUR/JPY	1	-1	-1	1
EUR/CHF	1	-1	-1	1
EUR/SEK	0	0	0	0
EUR/CZK	0	0	0	0
EUR/PLN	1	-1	-1	1
EUR/TRY	0	0	0	0

Interest rate risk – sensitivity analysis:

The sensitivity analysis of the previous year's interest rate risk yielded the following result:

€ million	PROFIT/LOSS AFTER TAX		EQUITY	
	10%	-10%	10%	-10%
Dec. 31., 2023				
Insurance and reinsurance contracts	-5	5	5	-5

In the previous year, the effects of risks in connection with currencies and interest rates had no material impact on the profit after tax of discontinued operations or on equity.

Liquidity risk

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

€ million	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years	Total
Liabilities for insurance contracts issued	-5	13	47	23	85	216	379
Liabilities for reinsurance contracts held	0	–	–	–	–	–	0

€ million	2023	
	Amount callable immediately	Carrying amount
Liabilities for insurance contracts issued	-234	-234
Liabilities for reinsurance contracts held	0	0

CONTRACTUAL SERVICE MARGIN

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

€ million	2024	2025	2026	2027	2028	After 2028	Total
Insurance contracts issued	–	1	6	12	14	88	121
Reinsurance contracts held	–	–	–	–	–	–	–

TECHNICAL INSURANCE INCOME

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

€ million	2024	2023
Technical insurance income		
Change in liability for remaining coverage	137	249
Contractual service margin recognized in profit or loss	55	88
Risk adjustment for nonfinancial risk (current coverage)	8	15
Other changes	2	10
Expected expenses for claims incurred and other costs	72	136
Amortization of costs incurred in concluding contracts	2	14
Total	139	263

67. Cash flow statement

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

The definition of the cash and cash equivalents of the VW FS Overseas AG Group was amended in the reporting year in the course of implementing a voluntary change in accounting policy. The previous tight restriction of cash and cash equivalents to just the cash reserve was lifted to include the cash and cash equivalents reported in the "Loans to and receivables from banks" balance sheet item. As a result, the cash flow statement of the VW FS Overseas AG Group provides a more meaningful presentation of cash and cash equivalents that reflects their actual management.

Therefore, the newly defined cash and cash equivalents as of December 31, 2024 now include the entire cash reserve, mainly comprising balances held with foreign central banks, as well as the cash and cash equivalents reported under “Loans to and receivables from banks”.

Moreover, as of December 31, 2023 and January 1, 2023, the cash and cash equivalents were increased to include the cash and cash equivalents reported in the “Assets held for sale” balance sheet item. In addition, as of January 1, 2023, cash equivalents from the cash pooling arrangement with a nonbank of the Volkswagen Group were reported under loans to and receivables from customers within other loans and receivables.

The “Cash reserve”, “Loans to and receivables from banks” and “Loans to and receivables from customers within other loans and receivables” balance sheet items are reconciled to cash and cash equivalents by adjusting the balance sheet items for those items which are not cash or cash equivalents. The figures as of December 31, 2023 and January 1, 2023 additionally include the reconciliation of the “Assets held for sale” balance sheet item to the cash and cash equivalents included in the balance sheet item.

€ million	Dec. 31, 2024	Dec. 31, 2023	Jan. 1, 2023
Cash reserve	320	2	2
Loans to and receivables from banks	1,160	953	3,406
Loans to and receivables from customers attributable to other receivables	658	153	16,177
Assets held for sale	–	113,020	577
Sum of cash reserve and loans to and receivables from banks	2,138	114,128	20,162
Receivables from loans and commercial paper in loans to and receivables from banks	–26	–260	–795
Trade receivables and other receivables in loans to and receivables from banks	–1	0	–246
Loan receivables in loans to receivables from customers attributable to other receivables	–274	–27	–10,456
Receivables from leasing transactions with repurchase agreements in loans to and receivables from customers within other loans and receivables	–	–	–2,226
Trade receivables in loans to and receivables from customers attributable to other receivables	–356	–85	–1,639
Receivables in profit and loss transfer agreements from customers attributable to other receivables	–	–	–1,696
Other receivables in loans to and receivables from customers attributable to other receivables	–27	–36	–88
Other assets held for sale	–	–110,261	–19
Cash and cash equivalents	1,455	3,457	2,996

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

The following tables show the breakdown of the changes in the subordinated capital (as part of financing activities) reported on the balance sheet under Subordinated capital and, in the previous year, Liabilities associated with assets held for sale (IFRS 5) into cash and noncash transactions for the reporting year and the prior year.

€ million	Balance as of Jan. 1, 2024	Cash changes	NONCASH TRANSACTIONS			Balance as of Dec. 31, 2024
			Exchange rate changes	Changes in basis of consolidation	Measurement changes	
Subordinated capital	2,922	-47	-23	-2,745	–	107

€ million	Balance as of Jan. 1, 2023	Cash changes	NONCASH TRANSACTIONS			Balance as of Dec. 31, 2023
			Exchange rate changes	Changes in basis of consolidation	Measurement changes	
Subordinated capital	2,909	0	13	–	–	2,922

68. Off-balance-sheet liabilities

CONTINGENT LIABILITIES

Contingent liabilities in continuing operations in the amount of €309 million (previous year: €374 million) largely related to legal disputes concerning income tax and other tax matters in which the criteria for the recognition of a provision in accordance with IAS 12 and IAS 37 are not satisfied. After an analysis of the individual cases covered by the contingent liabilities, it is expected that the disclosure of further detailed information on individual proceedings, legal disputes and legal risks could seriously prejudice the course of those proceedings.

VW FS Overseas AG, as a legal entity participating in the spin-off of the European operation to Volkswagen Financial Overseas AG (operating at that time under the name Volkswagen Financial Services AG), is liable as a joint and several debtor in accordance with section 133 (1) sentence 1 of the *Umwandlungsgesetz* (German Transformation Act – UmwG) for the liabilities incurred by the transferring legal entity, VW FS Overseas AG, up to the effective date of the spin-off on July 1, 2024. The liabilities incurred by VW FS Overseas AG prior to July 1, 2024 and not transferred to Volkswagen Financial Services AG with the European operation are recognized in the balance sheet of the VW FS Overseas AG Group and are not included for the purposes of determining contingent liabilities. The liabilities incurred by VW FS Overseas AG prior to July 1, 2024 that were transferred with the spin-off of the European operation and remained within Volkswagen Financial Services AG as of the reporting date are included for the purposes of determining contingent liabilities. In accordance with section 133 (3) sentence 2 of the UmwG, the joint and several liability of VW FS Overseas AG is restricted to the fair value of the net assets (Overseas operation) assigned to VW FS Overseas AG following the spin-off of the shares in Volkswagen Leasing GmbH and the spin-off of the European operation as the liability cap. This resulted in contingent liabilities of €3,942 million for the VW FS Overseas AG Group. In the unlikely event of a claim on the joint and several liability, it is possible that claims for reimbursement in the same amount will be made against Volkswagen Financial Services AG.

OTHER FINANCIAL OBLIGATIONS

The disclosures of other financial obligations relate to continuing operations.

€ million	DUE 2025	DUE 2026 – 2029	DUE From 2030	TOTAL Dec. 31, 2024
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	0	–	–	0
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	726	–	–	726
Long-term leasing and rental contracts	2	2	–	5
Miscellaneous financial obligations	0	–	–	0

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

€ million	DUE 2024	DUE 2025 – 2028	DUE From 2029	TOTAL Dec. 31, 2023
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	0	–	–	0
Investment property	–	–	–	–
Obligations from				
Irrevocable credit commitments to customers	365	–	–	365
Long-term leasing and rental contracts	2	–	–	2
Miscellaneous financial obligations	0	–	–	0

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

The remuneration system of the Board of Management comprises non-performance-related and performance-related components. The variable remuneration consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI). The LTI is a backward-looking long-term bonus with a three-year assessment basis and a maximum payout amount of 250%. The payout amount for the long-term bonus is determined by multiplying the target amount with the degree of target achievement for the annual result for each Volkswagen preferred stock and the ratio between the closing reference price at the end of the term plus a dividend equivalent and the initial reference price.

The variable remuneration of all other members of the management and of selected participants below the management level is composed of a performance-related annual bonus with a one-year assessment period and a backward-looking long-term bonus with a three-year assessment period. This long-term bonus functions in the same way as that granted to members of the Board of Management.

The variable remuneration for some members of top management consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI). This LTI is based on a performance share plan with a forward-looking three-year term (share-based remuneration). Each performance period of the performance share plan has a term of three years. The annual target amount under the LTI is converted, at the time the LTI is granted, on the basis of the initial reference price of Volkswagen's preferred shares into performance shares of Volkswagen AG, which are allocated to the beneficiaries purely for calculation purposes. The number of performance shares is determined definitively on the basis of a three-year forward-looking performance period according to the degree of target attainment for the annual earnings per Volkswagen preferred share. Settlement is in cash at the end of the performance period. The payment amount corresponds to the number of determined performance shares, multiplied by the closing reference price at the end of the period plus a dividend equivalent. The maximum payment amount is limited to 250%.

MEMBERS OF THE BOARD OF MANAGEMENT AND TOP MANAGEMENT

€ million	Dec. 31, 2024	Dec. 31, 2023
Total expense for the period (Jan. 1 – Dec. 31)	0	3
Total carrying amount of the obligation	1	7
Intrinsic value of the liabilities	0	3
Fair value at grant date	0	3
Number of performance shares granted	10,268	61,671
of which: number granted in the reporting period	2,720	24,031

MANAGEMENT MEMBERS AND SELECTED BENEFICIARIES BELOW MANAGEMENT LEVEL

In the reporting year, all other beneficiaries were granted a target amount, based on target attainment of 100%, of €2 million (previous year: €28 million). As of December 31, 2024, the total carrying amount of the obligation, which equated to the intrinsic value of the liabilities, amounted to €7 million (previous year: €42 million). A total expense of €8 million (previous year: €43 million) was recognized in the reporting period for this commitment.

70. Total audit fees of the Group auditors

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

€ million	2024	2023
Financial statement audit services	2	4
Other attestation services	0	0
Tax consulting services	–	–
Other services	–	0
Total	2	4

The fees paid to the auditor for audit services in the year under review were mostly attributable to the audit of the consolidated financial statements and annual financial statements of VW FS Overseas AG. These expenses are included in the income statement under general and administrative expenses and profit/loss from discontinued operation, net of tax.

71. Personnel expenses

The personnel expenses of continuing operations of the VW FS Overseas AG Group are reported in the income statement under general and administrative expenses and explained below.

€ million	2024	2023 restated ¹
Wages and salaries	122	106
Social security benefits	25	33
Post-employment and other employee benefit costs	6	8
Total	153	147

¹ Prior-year changes as explained for the corrected recognition of provisions for Time Assets under "Changes to Prior-Year Figures".

72. Average number of employees during the reporting period

	2024	2023
Salaried employees	2,878	11,577
Vocational trainees	50	198
Sum	2,928	11,775
Employees with the Volkswagen Pon Financial Services B.V., Amersfoort, Volkswagen D'leteren Finance S.A., Brussels, Volkswagen Møller Bilfinans A/S, Oslo, joint ventures	–	800
Employees with the VDF Servis ve Ticaret A.S., Istanbul, and Volkswagen Financial Services South Africa (Pty) Ltd., Sandton, joint ventures	164	–
Total	3,092	12,575

The decline in the average number of employees during the reporting period resulted from the transfer of employees or the transfer of undertakings in the course of restructuring the subgroups (see note (2) Basis of consolidation).

73. Related party disclosures

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

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

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

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

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

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

FISCAL YEAR 2024

€ million	Supervisory Board	Board of Management	Volkswagen AG	Porsche SE	Other related parties in the consolidated entities	Non consolidated subsidiaries	Joint ventures	Associates
Loans and Receivables	–	–	16	–	917	15	263	–
Valuation allowances on impaired loans and receivables	–	–	–	–	–	–	–	–
of which additions in current year	–	–	–	–	–	–	–	–
Obligations	–	–	733	–	3,412	11	–	–
Interest income	–	–	1	–	101	1	50	–
Interest expense	–	–	–24	–	–639	0	–	–
Goods and services provided	–	–	–	–	62	2	1	–
Goods and services received	–	–	2,936	–	3,859	33	–	–

FISCAL YEAR 2023

€ million	Supervisory Board	Board of Management	Volkswagen AG	Porsche SE	Other related parties in the consolidated entities	Non consolidated subsidiaries	Joint ventures	Associates
Loans and Receivables	–	–	3,712	0	8,647	131	8,467	0
Valuation allowances on impaired loans and receivables	–	–	–	–	–	–	–	–
of which additions in current year	–	–	–	–	–	–	–	–
Obligations	–	–	5,591	–	23,284	93	106	–
Interest income	–	–	106	–	310	5	261	–
Interest expense	–	–	–55	–	–808	–2	–3	–
Goods and services provided	0	–	1,099	0	4,923	72	419	1
Goods and services received	–	–	13,080	–	8,919	66	465	0

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

VW FS Overseas AG received capital contributions of €– million (previous year: €3,773 million) from Volkswagen AG. However, VW FS Overseas AG and its subsidiaries provided capital contributions of €– million (previous year: €254 million) to related parties.

In the reporting year, noncash assets of €19,530 million were distributed to the shareholder Volkswagen AG due to the spin-off of the shares in Volkswagen Leasing GmbH to Volkswagen Bank GmbH and to the spin-off of the European operation of VW FS Overseas AG to Volkswagen Financial Services AG.

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

During the course of the reporting period, standard short-term bank loans amounting to an average total of €37 million (previous year: €185 million) were granted to related parties as part of dealer financing.

BOARD OF MANAGEMENT REMUNERATION IN ACCORDANCE WITH IAS 24

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

€ million	2024	2023
Short-term benefits	3	5
Benefits based on performance shares	1	1
Termination benefits	–	–
Post-employment benefits	0	1
Total benefits	4	7

The post-employment benefits relate to additions to pension provisions for current members of the Board of Management.

BOARD OF MANAGEMENT REMUNERATION

In the reporting year, the total remuneration of the Board of Management in accordance with section 314(1) no. 6 of the HGB amounted to €3 million (previous year: €7 million); 2,720 performance shares were granted in the reporting period (previous year: 15,900), the fair value of which was €0 million (previous year: €2 million) on the grant date.

Advances granted to the members of the Board of Management under the performance share plan amounted to €0 million (previous year: €0.1 million) in the previous year. A total of €0.1 million (previous year: €0.1 million) of the advances paid to the members of the Board of Management was offset against payments under the performance share plan in the reporting year.

The total payments made to former members of the Board of Management and their surviving dependants amounted to €– million (previous year: €1 million). The provisions recognized for this group of people to cover current pensions and pension entitlements amounted to €– million (previous year: €23 million).

SUPERVISORY BOARD REMUNERATION

In accordance with a resolution passed by the Annual General Meeting, the members of the Supervisory Board are entitled to an annual allowance. This allowance is independent of the performance of the Company. Various members of the Supervisory Board are also members of the supervisory boards of other Volkswagen AG subsidiaries. The amounts received for these functions are deducted from the allowance entitlement from VW FS Overseas AG. As a result, a total amount of €0.1 million (previous year: €0.05 million) was paid out to the members of the Supervisory Board in fiscal year 2024.

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

74. Governing bodies of Volkswagen Financial Services Overseas AG

The members of the Board of Management are as follows:

KAI VOGLER (AS OF JULY 1, 2024)

Chair of the Board of Management
Front Office

PATRICK WELTER (AS OF JULY 1, 2024)

Back Office

DR. CHRISTIAN DAHLHEIM (UNTIL JUNE 30, 2024)

Chair of the Board of Management
Corporate Management of Volkswagen Financial Services AG
China region, South America region
International region, Mexico region
Human Resources and Organization (as of April 1, 2024)

ANTHONY BANDMANN (UNTIL JUNE 30, 2024)

Sales and Marketing
Europe region (incl. Germany)

DR. ALEXANDRA BAUM-CEISIG (UNTIL MARCH 31, 2024)

Human Resources and Organization

FRANK FIEDLER (UNTIL JUNE 30, 2024)

Finance, Purchase and Risk Management

DR. ALENA KRETZBERG (UNTIL JUNE 30, 2024)

Information Technology and Processes, Operations (until March 31, 2024)
IT and Digitalization (as of April 1, 2024)

The members of the Supervisory Board are as follows

DR. CHRISTIAN DAHLHEIM (AS OF JULY 1, 2024)

Chair
Chair of the Board of Management of Volkswagen
Financial Services AG

TORSTEN BECHSTÄDT (AS OF JULY 1, 2024)

Head of Supervisory Board Matters for the Chair of
the Group Works Council of Volkswagen AG

RAINER SEIDL (AS OF JULY 1, 2024)

Head of Group Controlling of Volkswagen AG

DR. WOLF-STEFAN SPECHT (AS OF JULY 1, 2024)

Head of Wholesale & Business Steering of
Volkswagen AG

DR. ARNO ANTLITZ (UNTIL JUNE 30, 2024)

Chair
Member of the Board of Management of Volkswagen AG
Finance

DANIELA CAVALLO (UNTIL JUNE 30, 2024)

Deputy Chair
Chair of the General and
Group Works Council of Volkswagen AG

DR. HANS PETER SCHÜTZINGER (UNTIL JUNE 30, 2024)

Deputy Chair
Chief Executive Officer
of Porsche Holding GmbH Salzburg

GARNET ALPS (UNTIL JUNE 30, 2024)

Principal Representative of IG Metall Braunschweig

SARAH AMELING-ZAFFIRO (UNTIL JUNE 30, 2024)

Deputy Chair of the Joint Works Council of
Volkswagen Financial Services AG and Volkswagen
Bank GmbH

DIRK HILGENBERG (UNTIL JUNE 30, 2024)

Head of Group Digital Car & Services of
Volkswagen AG

ANDREAS KRAUß (UNTIL JUNE 30, 2024)

Chair of the Joint Works Council
of Volkswagen Financial Services AG
and Volkswagen Bank GmbH

PATRIK ANDREAS MAYER (UNTIL JUNE 30, 2024)

Member of the Volkswagen AG
Brand Board of Management Finance

LIESBETH RIGTER (UNTIL JUNE 30, 2024)

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

HOLGER SIEDENTOPF (UNTIL JUNE 30, 2024)

Head of Data & Analytics, Group Data Officer
of Volkswagen Financial Services AG

MIRCO THIEL (UNTIL JUNE 30, 2024)

Executive Director of the Joint Works Council
of Volkswagen Financial Services AG
and Volkswagen Bank GmbH

HILDEGARD WORTMANN (UNTIL JUNE 30, 2024)

Member of the Board of Management of AUDI AG
Sales and Marketing

The members of the Audit Committee are as follows

MEMBERS OF THE AUDIT COMMITTEE

Rainer Seidl (Chair) (as of July 1, 2024)
Thorsten Bechstädt (as of July 1, 2024)
Dr. Christian Dahlheim (as of July 1, 2024)
Dr. Hans Peter Schützinger (Chair) (until June 30, 2024)
Andreas Krauß (until June 30, 2024)
Patrik Andreas Mayer (until June 30, 2024)

MEMBERS OF THE CREDIT COMMITTEE

Dr. Christian Dahlheim (Chair) (as of September 23, 2024)
Dr. Wolf-Stefan Specht (as of September 23, 2024)
Rainer Seidl (as of September 23, 2024)
Dr. Arno Antlitz (Chair) (until June 30, 2024)
Liesbeth Rigter (until June 30, 2024)
Holger Siedentopf (until June 30, 2024)

75. Letter of Comfort of our affiliated companies

With the exception of political risks, Volkswagen Financial Services Overseas AG hereby declares that, as the shareholder of its affiliated companies, over which it has managerial control and/or in which it holds a direct or indirect majority share of the share capital, it will exert its influence to ensure that the latter meet their liabilities to lenders in the agreed manner. Moreover, Volkswagen Financial Services Overseas AG confirms that, for the term of the loans, it will make no changes to the share structures of these companies which would adversely affect the letter of comfort without informing the lenders. This comfort also applies to holders of unguaranteed bonds issued by the following affiliated companies: Banco Volkswagen S.A., São Paulo, Brazil; LM Transportes Interestaduais Serviços e Comércio S.A., Salvador, Brazil; Volkswagen Finance (China) Co., Ltd., Beijing, China; Volkswagen Doğuş Finansman A.Ş., Istanbul, Türkiye; VDF Filo Kiralama A.Ş., Istanbul, Türkiye; VDF Faktoring A.Ş., Istanbul, Türkiye.

76. Events after the balance sheet date

Following the conclusion of the collective bargaining negotiations at Volkswagen AG, VW FS AG entered into their own collective bargaining negotiations with IG Metall, which were concluded on January 31, 2025. Volkswagen AG's collective bargaining agreement also applies to VW FS Overseas AG through the supplementary collective bargaining agreement. VW FS AG has partially amended or supplemented Volkswagen AG's collective bargaining agreement in certain respects. VW FS Overseas AG adopted the outcome of the negotiations by VW FS AG as of January 31, 2025. No material impact on the consolidated financial statements as of December 31, 2025 is expected.

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

Shareholdings

Shareholdings of VW FS Overseas AG and the VW FS Overseas AG Group in accordance with sections 285 and 313 of the HGB and presentation of the companies included in the consolidated financial statements of the W FS Overseas AG Group in accordance with IFRS 12 as of December 31, 2024.

		EXCHANGE RATE (1 EURO =)	VW FS AG'S INTEREST IN CAPITAL IN %			EQUITY IN THOU- SANDS	PROFIT/ LOSS IN THOU- SANDS		
Name and registered office of company	Currency	Dec. 31, 2024	Direct	Indirect	Total	local currency	local currency	Footnote	Year
I. PARENT COMPANY									
Volkswagen Financial Services Overseas AG									
II. SUBSIDIARIES									
A. Consolidated companies									
1. Germany									
2. International									
Banco Volkswagen S.A.	BRL	6.4314	–	100.00	100.00	3,819,468	121,489		2023
Consórcio Nacional Volkswagen - Administradora de Consórcio Ltda.	BRL	6.4314	–	100.00	100.00	525,461	82,272		2023
Driver Australia eight Trust	AUD	1.6761	–	–	–	–3,729	–3,729	1)	2023
Driver Australia Master Trust	AUD	1.6761	–	–	–	39,516	378	1)	2023
Driver Australia Master Trust 2	AUD	1.6761	–	–	–	–	–	1), 2), 3)	2024
Driver Australia nine Trust	AUD	1.6761	–	–	–	–	–	1), 2), 3)	2024
Driver Australia seven Trust	AUD	1.6761	–	–	–	5,992	–8,335	1)	2023
Driver Australia ten Trust	AUD	1.6761	–	–	–	–	–	1), 2), 3), 4)	2024
Driver Brasil Six Banco Volkswagen Fundo de Investimento em Direitos Creditórios Financiamento de Veículos	BRL	6.4314	–	–	–	488,911	37,460	1), 2)	2023
Driver China Fifteen Auto Loan Securitisation Trust	CNY	7.5986	–	–	–	–	–	1), 2), 3), 4)	2024
Driver China Fourteen Auto Loan Securitization Trust	CNY	7.5986	–	–	–	3,226,363	159,271	1)	2023
LM Transportes Interestaduais Serviços e Comércio S.A.	BRL	6.4314	–	60.00	60.00	2,355,244	160,371	5)	2023
Private Driver Australia 2023-1 Trust	AUD	1.6761	–	–	–	–4,272	–4,716	1), 2)	2023
Simple Way Locações e Serviços S.A.	BRL	6.4314	–	100.00	100.00	1,120,943	20,897		2023
Volkswagen Bank S.A., Institución de Banca Múltiple	MXN	21.5892	100.00	–	100.00	3,073,000	336,000		2023
Volkswagen Corretora de Seguros Ltda.	BRL	6.4314	–	100.00	100.00	66,855	66,306		2023
Volkswagen Finance (China) Co., Ltd.	CNY	7.5986	100.00	–	100.00	17,153,001	1,640,167		2023
Volkswagen Finance Overseas B.V.	EUR	–	100.00	–	100.00	787,948	1,004,505		2023
Volkswagen Finance Overseas HoldCo B.V.	EUR	–	–	100.00	100.00	15,019	–1	2)	2023
Volkswagen Financial Leasing (Tianjin) Co., Ltd.	CNY	7.5986	–	98.22	98.22	1,813,408	–447,158		2023
Volkswagen Financial Services Australia Pty. Ltd.	AUD	1.6761	100.00	–	100.00	398,552	51,192	5)	2023
Volkswagen Financial Services Japan Ltd.	JPY	163.2300	–	100.00	100.00	28,207,044	3,217,438		2023
Volkswagen Financial Services Korea Co., Ltd.	KRW	1,534.3200	100.00	–	100.00	390,833,000	25,904,000		2023
Volkswagen Financial Services Taiwan Ltd.	TWD	34.1011	–	100.00	100.00	1,604,075	112,533		2023
Volkswagen Leasing S.A. de C.V.	MXN	21.5892	100.00	–	100.00	14,373,273	1,990,700		2023
Volkswagen New Mobility Services Investment Co., Ltd.	CNY	7.5986	100.00	–	100.00	2,662,338	–428,226		2023
Volkswagen Participações Ltda.	BRL	6.4314	–	100.00	100.00	3,899,600	192,722		2023
Volkswagen Serviços Ltda.	BRL	6.4314	–	100.00	100.00	10,812	–2,788		2023

Name and registered office of the company	Currency	EXCHANGE RATE (1 EURO =)	VW FS OVERSEAS AG'S INTEREST IN CAPITAL IN %			EQUITY IN THOU- SANDS	PROFIT/ LOSS IN THOU- SANDS	Footnote	Year
		December 31, 2024	Direct	Indirect	Total	Local currency	Local currency		
B. Unconsolidated companies									
1. Germany									
2. International									
Kuwy Technology Service Pvt. Ltd.	INR	89.1080	–	84.02	84.02	529,800	–223,200	6)	2024
LM Comércio de Veículos Seminovos Ltda.	BRL	6.4314	–	100.00	100.00	–	–	7), 7)	2024
São Bernardo Administração de Créditos Ltda.	BRL	6.4314	–	100.00	100.00	2,628	–463		2023
VAREC Ltd.	JPY	163.2300	–	100.00	100.00	983,915	118,390		2023
Volkswagen Administradora de Negócios Ltda.	BRL	6.4314	–	100.00	100.00	9	4		2023
Volkswagen Brokers Argentina S.A.	ARS	1,073.2711	–	96.00	96.00	2,454,429	–380,965		2023
Volkswagen Fiduciary Services Private Limited	INR	89.1080	91.00	9.00	100.00	8,575,240	–374,813	6)	2023
Volkswagen Financial Services Holding Argentina S.R.L.	ARS	1,073.2711	99.99	0.01	100.00	13,431,950	316,829		2023
Volkswagen International Insurance Agency Co., Ltd.	TWD	34.1011	–	100.00	100.00	137,505	51,944		2023
Volkswagen Leasing (Beijing) Co., Ltd.	CNY	7.5986	–	100.00	100.00	15,155	8,207		2023
Volkswagen Leasing (Guangzhou) Co., Ltd.	CNY	7.5986	–	100.00	100.00	2,297	4,033		2023
Volkswagen Leasing (Shanghai) Co., Ltd.	CNY	7.5986	–	100.00	100.00	–25,022	10,032		2023
Volkswagen New Mobility Services Consulting (Beijing) Co., Ltd.	CNY	7.5986	–	100.00	100.00	31,217	6,152		2023
Volkswagen Servicios, S.A. de C.V.	MXN	21.5892	–	100.00	100.00	49,365	14,881		2023
III. JOINT VENTURES									
A. Equity-accounted companies									
1. Germany									
2. International									
VDF Servis ve Ticaret A.S.	TRY	36.8107	51.00	–	51.00	11,160,370	3,211,769	5)	2023
Volkswagen Financial Services South Africa (Pty) Ltd.	ZAR	19.6255	51.00	–	51.00	–1,097,376	83,512		2023
B. Companies accounted for at cost									
1. Germany									
2. International									
Lenkrad Invest (Pty) Ltd.	ZAR	19.6255	51.00	–	51.00	22,589	22,174		2023
Porsche Volkswagen Servicios Financieros Chile S.p.A.	CLP	1,034.6000	50.00	–	50.00	11,541,952	2,025,204		2023
Volkswagen Financial Services Compañía Financiera S.A.	ARS	1,073.2711	–	49.00	49.00	22,647,458	1,581,792		2023
IV. ASSOCIATES									
A. Equity--accounted associates									
1. Germany									
2. International									
B. Associates accounted for at cost									
1. Germany									
2. International									
V. EQUITY INVESTMENTS									
1. Germany									
2. International									
OOO Volkswagen Bank RUS	RUB	112.4384	99.00	–	99.00	21,763,274	1,681,435	8)	2023

1) Structured company in accordance with IFRS 10 and IFRS 12

2) Short fiscal year

3) Newly established company/Spin-off

4) Profit-and-loss transfer agreement as of [year]

5) Consolidated financial statements

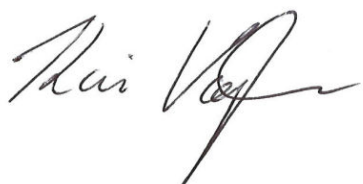
6) Different fiscal year

7) Values are included in the consolidated financial statement of the parent company

8) Figures in accordance with IFRSs

Braunschweig, March 24, 2025

Volkswagen Financial Services Overseas AG
The Board of Management

A handwritten signature in black ink, appearing to read 'Kai Vogler', with a stylized, flowing script.

Kai Vogler

A handwritten signature in black ink, appearing to read 'Patrick Welter', with a stylized, flowing script.

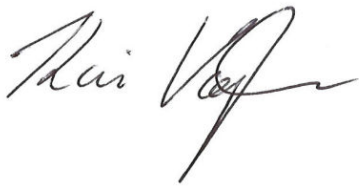
Patrick Welter

Responsibility Statement

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

Braunschweig, March 24, 2025

Volkswagen Financial Services Overseas AG
The Board of Management



Kai Vogler



Patrick Welter

Independent auditor's report¹

To Volkswagen Financial Services Overseas Aktiengesellschaft,
Braunschweig

OPINIONS

We have audited the consolidated financial statements of Volkswagen Financial Services Overseas Aktiengesellschaft, Braunschweig, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2024 to 31 December 2024, and the consolidated balance sheet as at 31 December 2024, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January 2024 to 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Volkswagen Financial Services Overseas Aktiengesellschaft, which is combined with the Company's management report, for the fiscal year from 1 January 2024 to 31 December 2024.

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

- > the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) and adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2024 and of its financial performance for the fiscal year from 1 January 2024 to 31 December 2024, and
- > the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

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

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the “Responsibility Statement,” “Human Resources Report” and “Report of the Supervisory Board” sections to be included in the annual report, of which we obtained a copy prior to issuing this auditor’s report, but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- > is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- > otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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

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

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

- > Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control and of such arrangements and measures.
- > Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- > Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- > Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and review of the work performed for the group audit. We remain solely responsible for our audit opinions.
- > Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- > Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information

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

Eschborn/Frankfurt am Main, 28 March 2025

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Koch

Hölscher

Wirtschaftsprüfer
[German Public Auditor]

Wirtschaftsprüfer
[German Public Auditor]

Human Resources Report

Mission HR: business driven – people focused.

EMPLOYEES

The Volkswagen Financial Services Overseas AG Group had a total workforce of 2,930 (12,009) employees as of December 31, 2024. Of these, 48 (5,577) were employed in Germany and 2,882 (6,432) at international sites. Owing to economic considerations, 245 (248) employees of Volkswagen Servicios, S.A. de C.V., Puebla, Mexico, which is an unconsolidated company, are included in the overall workforce figures.

Due to extensive restructuring within the Volkswagen Financial Services AG Group, the aforementioned employees are now assigned to the Volkswagen Financial Services Overseas Group. The differences compared with the prior-year figures also result from the restructuring.

HUMAN RESOURCES STRATEGY

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

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

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

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

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

Skilled, committed employees are the cornerstone of success and Volkswagen Financial Services Overseas AG accordingly enables its employees to develop their skills continuously. Knowledge and experience are becoming more critical all the time, especially in the field of digitalization. Accordingly, the focus of professional development in the reporting year was on teaching digital, data and AI skills,

delivered through a variety of learning opportunities, from self-service learning, through the use of an AI-based learning platform, down to customized training and degree programs for selected target groups. The vocational training and dual study programs were also realigned with the future profiles and with a focus on digital/IT degree programs. This approach is supported by the rollout of the digital learning platform in European markets, with the aim of creating a new, cross-border learning culture and promoting global knowledge transfer.

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

Line managers have a particular responsibility in this regard to enable and encourage the employees under them to contribute their ideas and expertise in a modern, diverse and flexible working environment.

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

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

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

WORK-LIFE BALANCE

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

Report of the Supervisory Board

of Volkswagen Financial Services Overseas AG

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

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

Up to and including June 30, 2024, the Supervisory Board comprised 12 members; it has comprised four members since July 1, 2024. Changes in the reporting period are disclosed in the information on governing bodies.

The Supervisory Board held three regular meetings and one extraordinary meeting in the reporting year. The average attendance rate was 96%. Decisions were made on three matters by means of a written resolution circulated to each of the members for approval; the Chair of the Supervisory Board also made one urgent decision using the written procedure.

The focuses of the meetings of the Supervisory Board and its committees are presented below.

COMMITTEE ACTIVITIES

To ensure the efficient execution of its duties, the Supervisory Board of Volkswagen Financial Services Overseas AG has established committees. The duties and responsibilities of the individual committees are governed in their respective rules of procedure.

Audit Committee

The Audit Committee held two regular meetings in the reporting year. The attendance rate was 100%. There were no urgent matters in the reporting year that required decisions to be made by circulation of written resolutions. In this regard, the Audit Committee held detailed discussions in the reporting period, addressing the annual financial statements, the supervision of the internal control, risk management and internal audit systems as well as the monitoring of the financial reporting and auditing process.

Credit Committee

The Supervisory Board of Volkswagen Financial Services Overseas AG dissolved the Credit Committee on July 1, 2024. Effective September 23, 2024, the Supervisory Board of Volkswagen Financial Services Overseas AG established a new Credit Committee. The Credit Committee is responsible for approving issues that the Supervisory Board has to deal with by law and under the Articles of Association and rules of procedure relating to loan commitments, the assumption of sureties, guarantees and similar liabilities, Bank borrowings, the purchasing of receivables (factoring) and for master agreements governing the assumption of receivables. The Credit Committee is composed of three members of the Supervisory Board and makes its decisions by circulation of written resolutions.

The Credit Committee decided on nine loan commitments in the reporting year. The activities of the committees were reported at the plenary meetings of the Supervisory Board.

MATTERS DISCUSSED BY THE SUPERVISORY BOARD

At its meeting on February 24, 2024, following reports submitted by the auditor, the Supervisory Board examined in detail and then approved both the consolidated financial statements of the Volkswagen Financial Services AG Group prepared by the Board of Management as well as the annual financial statements and management report of Volkswagen Financial Services AG for 2023 prepared by the Board of Management. The Supervisory Board also issued a recommendation regarding the appointment of the auditor for 2024.

The Board of Management also reported to the Supervisory Board on the current status of the wide-ranging internal restructuring program, under which the subgroups of Volkswagen Financial Services Aktiengesellschaft and Volkswagen Bank GmbH were reorganized to separate European and non-European financial services activities. Under a further agenda item, the Supervisory Board received information on the main topics for 2024 in the various regions, the collaboration with NABU and the implementation of the corporate strategy. The Board of Management informed the Supervisory Board about the objectives and latest implementation status regarding diversity at the meeting on February 24, 2024.

At the meetings on June 13, 2024, and September 23, 2024, the Board of Management presented the Supervisory Board with comprehensive reports about the economic and financial position of the Company and the Volkswagen Financial Services Overseas AG subgroup and the Company's latest position. Moreover, at the meeting on September 23, 2024, the Board of Management informed the Supervisory Board about the new structures, internal responsibilities and initiation of market management, which was implemented in line with the restructuring program.

At the meetings on February 24, 2024 and September 23, 2024, the Audit Committee reported to the Supervisory Board on the contents of its committee meetings. At the meeting on September 23, 2024, the Audit Committee informed the Supervisory Board about matters including the quality of the audit of the annual financial statements for 2023 and the preparation of the audit of the annual financial statements for 2024 (key audit matters). It also presented the internal audit and compliance functions. Focuses included the mandates and organization, structure and methods, and regular and ad hoc reporting.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee and Supervisory Board had no reservations after their reviews of the consolidated financial statements and the annual financial statements, including the management reports. The auditors were present when this agenda item was addressed at the Supervisory Board meeting and they reported on the main findings of their audit and were available for questions.

At its meeting on March 7, 2025, the Audit Committee commented on the consolidated financial statements and annual financial statements of Volkswagen Financial Services Overseas AG prepared by the

Board of Management and, following a detailed examination, recommended to Supervisory Board to approve the annual financial statements for 2024 and to approve the consolidated financial statements. At its meeting on March 7, 2025, the Supervisory Board approved both the consolidated financial statements prepared by the Board of Management as well as the annual financial statements of Volkswagen Financial Services Overseas AG. The consolidated financial statements and annual financial statements have thus been adopted.

On the basis of the current control and profit-and-loss transfer agreement, the profit reported by Volkswagen Financial Services Overseas AG in accordance with the HGB for fiscal year 2024 was transferred to Volkswagen AG.

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

Braunschweig, March 31, 2025



Dr. Christian Dahlheim
Chair of the Supervisory Board

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This annual report is also available in German at <https://www.vwfs-overseas.com/gbvwfsoag24>.