

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

VOLKSWAGEN BANK GMBH
PILLAR 3 DISCLOSURE REPORT
IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION
AS OF MARCH 31,

2019

Table of contents

Table of contents	1
Index of tables	2
Foreword	3
Overview	4
Own funds	5
Disclosures on own funds and applicable ratios	5
CRR own funds requirements	6
Disclosure of the leverage ratio	8
Quantitative disclosures on the LCR	9
Contact Information	10
Published by	10
Investor Relations	10

Index of tables

Table 1: Disclosure on own funds (Implementing Regulation 1423 Annex IV)	5
Table 2: Overview of risk-weighted assets (RWAs)	6
Table 3: Regulatory own funds requirements at group level	7
Table 4: Leverage ratio disclosure template.....	8
Table 5: Leverage ratio common disclosure.....	8
Table 6: Disclosure of quantitative information on LCR	9

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

Foreword

The Pillar 3 Disclosure Report for the period ended March 31, 2019 is published in accordance with the supervisory law requirements of the Basel III framework (Regulation (EU) No. 575/2013 – the Capital Requirements Regulation or “CRR” – and Directive 2013/36/EU – the Capital Requirements Directive IV or “CRD IV”), which came into force as of January 1, 2014. This Report is based on the legal requirements in force as of the reporting date.

Volkswagen Bank GmbH is classified as an Other Systemically Important institution (O-SII) in accordance with Article 131(3) of the CRD IV in conjunction with section 10g (2) of the Kreditwesengesetz (KWG – German Banking Act) and the applicable European Banking Authority guidelines (EBA/GL/2014/10).

In accordance with Article 433 of the CRR, the Pillar 3 Disclosure Report is updated quarterly in order to meet the requirements and published shortly thereafter as a separate report on the Volkswagen Bank GmbH website. The scope of the quarterly Pillar 3 Disclosure Report is based on the relevant EBA guidelines (EBA/GL/2014/14 in conjunction with EBA/GL/2016/11 and EBA/GL/2017/01) and Commission implementing regulation (EU) 2016/200.

Following an internal review, Volkswagen Bank GmbH publishes disclosures on the following standards:

Disclosures on own funds and applicable ratios in accordance with Articles 437 and 492 of Regulation (EU) No. 575/2013:

- > Total amount of Common Equity Tier 1 capital
- > Total amount of Additional Tier 1
- > Total amount of Tier 1 capital
- > Total amount of Tier 2 capital
- > Total amount of capital
- > Total regulatory adjustments to each capital aggregate
- > Common Equity Tier 1 ratio
- > Tier 1 ratio
- > Total capital ratio

Disclosures in accordance with points (c) to (f) of Article 438 of Regulation (EU) No. 575/2013:

- > Overview of risk-weighted assets (RWAs)
- > Amount of risk-weighted assets and own funds requirements, classified by risk type and exposure class

Disclosures on the leverage ratio in accordance with Article 451 of Regulation (EU) No. 575/2013:

- > Amount of Tier 1 capital
- > Amount of the leverage ratio total exposure measure
- > Leverage ratio

Disclosures on the liquidity coverage ratio in accordance with Paragraph 16 of EBA/GL/2017/01:

- > Liquidity buffer
- > Total net cash outflows
- > Liquidity coverage ratio

More detailed information about the implementation of the regulatory requirements of the CRR is contained in the Pillar 3 Disclosure Report for the year ended December 31, 2018.

Braunschweig, May 2019

The Management

Overview

of the structure of the prudential scope of consolidation

Volkswagen Bank GmbH together with its subsidiaries and associates constitutes an institution group as defined in section 10a(1) and (2) of the KWG in conjunction with Article 18ff. of the CRR and is the superordinate company within the institution group in accordance with section 10a(1) sentence 2 of the KWG. Entities that qualify under the CRR as institutions (Article 4(1) No. 3 of the CRR), financial institutions (Article 4(1) No. 26 of the CRR), or ancillary services undertakings (Article 4(1) No. 18 of the CRR) are included in the prudential scope of consolidation.

Compared with the Pillar 3 Disclosure Report for the period ended December 31, 2018, the following entities had been removed from the prudential scope of consolidation as of March 31, 2019:

- > Volkswagen Financial Services (UK) Ltd. based in Milton Keynes, United Kingdom
- > Volkswagen Financial Ltd. based in Milton Keynes, United Kingdom
- > Volkswagen Financial Services S.p.A. based in Milan, Italy
- > Volkswagen Serwis Ubezpieczeniowy Sp. z o.o. based in Warsaw, Poland
- > ŠkoFIN s.r.o. based in Prague, Czech Republic
- > Volkswagen Insurance Service (Great Britain) Limited based in Milton Keynes, United Kingdom
- > MAN Financial Services Ltd. based in Swindon (Wiltshire), United Kingdom

Own funds

DISCLOSURES ON OWN FUNDS AND APPLICABLE RATIOS

The own funds in accordance with Article 72 of the CRR, the capital ratios in accordance with Article 92 of the CRR and the capital buffers in accordance with section 10c ff. of the KWG are composed of the following items:

TABLE 1: DISCLOSURE ON OWN FUNDS (IMPLEMENTING REGULATION 1423 ANNEX IV)

€ million as of the reporting date: 03/31/2019		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE
COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES			
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	9.487	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-897	
29	Common Equity Tier 1 (CET1) capital	8.590	
Additional Tier 1 (AT1) capital: Instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	
44	Additional Tier 1 (AT1) capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	8.590	
Tier 2 (T2) capital: instruments and provisions			
51	Tier 2 (T2) capital before regulatory adjustments	28	
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital	0	
58	Tier 2 (T2) capital	28	
59	Total capital (TC = T1 + T2)	8.617	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16,2	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	16,2	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	16,2	92 (2) (c)

CRR OWN FUNDS REQUIREMENTS

The differences in the risk-weighted assets between the reporting periods ended March 31, 2019 and December 31, 2018 are due mainly to the removal of Volkswagen Financial Services (UK) Ltd. based in Milton Keynes, United Kingdom, and ŠkoFIN s.r.o. based in Prague, Czech Republic, from the prudential scope of consolidation.

TABLE 2: OVERVIEW OF RISK-WEIGHTED ASSETS (RWAS)

CRR	€ million	RWAs		Minimum capital requirements
		03/31/2019	12/31/2018	03/31/2019
	1 Credit risk (excluding CCR)	45.967	53.838	3.678
Article 438(c)(d)	2 Of which the standardised approach	45.967	53.838	3.678
Article 438(c)(d)	3 Of which the foundation IRB (FIRB) approach	0	0	0
Article 438(c)(d)	4 Of which the advanced IRB (AIRB) approach	0	0	0
Article 438(d)	5 Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0
Article 107				
Article 438(c)(d)	6 CCR	88	186	7
Article 438(c)(d)	7 Of which mark to market	53	98	4
Article 438(c)(d)	8 Of which original exposure	0	0	0
	9 Of which the standardised approach	0	0	0
	10 Of which internal model method (IMM)	0	0	0
Article 438(c)(d)	11 Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Article 438(c)(d)	12 Of which CVA	34	88	3
Article 438(e)	13 Settlement risk	0	0	0
Article 449(o)(i)	14 Securitisation exposures in the banking book (after the cap)	213	106	17
	15 Of which IRB approach	0	0	0
	16 Of which IRB supervisory formula approach (SFA)	0	0	0
	17 Of which internal assessment approach (IAA)	0	0	0
	18 Of which standardised approach	213	106	17
Article 438(e)	19 Market risk	1.197	2.970	96
	20 Of which the standardised approach	1.197	2.970	96
	21 Of which IMA	0	0	0
Article 438(e)	22 Large exposures	0	0	0
Article 438(f)	23 Operational risk	3.323	4.417	266
	24 Of which basic indicator approach	0	0	0
	25 Of which standardised approach	3.323	4.417	266
	26 Of which advanced measurement approach	0	0	0
Article 437(2), Article 48 and Article 60	27 Amounts below the thresholds for deduction (subject to 250% risk weight)	2.324	2.640	186
Article 500	28 Floor adjustment	0	0	0
	29 Total	53.112	64.157	4.250

As of March 31, 2019, the CRR own funds requirements relating to credit risk, the risk of a credit valuation adjustment (CVA risk), market risk and operational risk were composed as illustrated below in Table 3. The risk-weighted exposure amount for credit risk is calculated including counterparty credit risk (CCR) under the mark-to-market method, securitization positions in the banking book and the amounts below the thresholds for deductions (which are subject to a risk weighting of 250 %).

TABLE 3: REGULATORY OWN FUNDS REQUIREMENTS AT GROUP LEVEL

€ million	Risk-weighted exposure amount (after SME Supporting Factor)	Own funds requirements
Credit risk	48.558	3.885
Exposures to central governments or central banks	2.324	186
Exposures to regional governments or local authorities	0	0
Exposures to public sector entities	8	1
Exposures to multilateral development banks	0	0
Exposures to international organizations	0	0
Exposures to institutions	312	25
Exposures to corporates	16.173	1.294
Retail exposures	26.190	2.095
Exposures secured by mortgages on immovable property	0	0
Exposures in default	1.090	87
Exposures associated with particularly high risk	0	0
Exposures in the form of covered bonds	26	2
Items representing securitisation positions	213	17
Exposures to institutions and corporates with a short-term credit assessment	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0
Equity exposures	21	2
Other items	2.201	176
Credit valuation adjustment risk	34	3
CVA risk (standard method)	34	3
Market risk	1.197	96
Position risk for trading book business		
Large exposures above the limit for trading book business		
Foreign currency risk	1.197	96
Settlement risk		
Commodity position risk		
Capital requirement for currency risks under the standardised approach		
Operational risks	3.323	266
Capital requirement for the standardised approach	3.323	266
Total	53.112	4.250

The data presented above indicates clearly that credit risk is the most prominent exposure, with an own funds requirement of € 3.9 billion.

DISCLOSURE OF THE LEVERAGE RATIO**Description of the processes used to manage the risk of excessive leverage**

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

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Tier 1 capital decreased at Volkswagen Bank GmbH during the reporting period due mainly to the removal of Volkswagen Financial Services (UK) Ltd. based in Milton Keynes, United Kingdom, and ŠkoFIN s.r.o. based in Prague, Czech Republic, from the prudential scope of consolidation. The capital decrease had a negative effect on the leverage ratio.

TABLE 4: LEVERAGE RATIO DISCLOSURE TEMPLATE

Reference date	03/31/2019
Entity name	Volkswagen Bank GmbH
Level of application	Consolidated level

TABLE 5: LEVERAGE RATIO COMMON DISCLOSURE

€ million	Item	CRR leverage ratio exposures
Capital and total exposure measure		
20	Tier 1 capital	8.590
21	Leverage ratio total exposure measure	65.561
Leverage ratio		
22	Leverage ratio	13,1%

Quantitative disclosures on the LCR

The following table discloses quantitative information about the liquidity coverage ratio. The calculation is based on simple averages of the figures reported at the end of the month over the twelve months prior to the end of each quarter.

TABLE 6: DISCLOSURE OF QUANTITATIVE INFORMATION ON LCR

Scope of consolidation (consolidated)		Total unweighted value (average)				Total weighted value (average)			
		Currency and units (€ million)							
Quarter ending on		June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Number of data points used in the calculation of averages		10	12	12	12	10	12	12	12
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					4.855	5.480	6.412	6.890
22	TOTAL NET CASH OUTFLOWS					3.966	4.174	4.776	4.979
23	LIQUIDITY COVERAGE RATIO (%)					124,4 %	131,8 %	133,9 %	139,7 %

The deviation from the Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 is due to the restructuring of the Volkswagen Bank GmbH Group in 2017. As a consequence of this, the second quarter of 2018 only includes ten averages (for the period from September 30, 2017 through June 30, 2018).

Contact Information

PUBLISHED BY

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

INVESTOR RELATIONS

Telephone +49 (0) 531 212-30 71
ir@vwfs.com

Produced in-house with [firesys](#)

This Pillar 3 Disclosure Report is also available in German at www.vwfsag.de/offenlegungsbericht.

VOLKSWAGEN BANK GMBH

Gifhorner Strasse 57 · 38112 Braunschweig · Germany · Telephone +49 (0) 531 212-0
info@vwfs.com · www.vwfs.com · www.facebook.com/vwfsde
Investor Relations: Telephone +49 (0) 531 212-30 71 · ir@vwfs.com