VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

VOLKSWAGEN BANK GMBH

PILLAR 3 DISCLOSURE REPORT

IN ACCORDANCE WITH THE CAPITAL REQUIREMENTS REGULATION

SIX MONTHS ENDED JUNE 30,

2018

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Foreword

The Pillar 3 Disclosure Reports have been 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.

To comply with the requirements of Article 433 of the CRR, the Pillar 3 Disclosure Report is prepared every six months and published shortly thereafter as a separate report on Volkswagen Financial Services website. The scope of the Pillar 3 Disclosure Report for the six-month period is based on the guidelines issued by the European Banking Authority (EBA/GL/2014/14). Following an internal review, Volkswagen Bank GmbH is publishing disclosures on the following Articles of the CRR:

Disclosures on own funds and applicable ratios in accordance with Articles 437 and 492 – if applicable – of Regulation (EU) No. 575/2013, in particular the following information:
> Total Common Equity Tier 1 Capital,
> Total Additional Tier 1 Capital
> Total Tier 1 Capital
> Total Tier 2 Capital
> Total Own Funds
> Total regulatory adjustments for each class of aggregated capital
> Common Equity Tier 1 capital ratio
> Tier 1 capital ratio
> Total capital ratio

Disclosures in accordance with points (c) to (f) of Article 438 of Regulation (EU) No. 575/2013:
> Risk-weighted exposure amounts 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, in particular the following information:
> Amount of Tier 1 capital
> Total risk exposure amount
> Leverage ratio

More comprehensive information on risk management can be found in Volkswagen Bank GmbH's half-yearly financial report for the period ended June 30, 2018. More detailed information about the implementation of the regulatory requirements of the CRR are contained in the Pillar 3 Disclosure Report for the year ended December 31, 2017.

Braunschweig, August 2018

The Management

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 GERMAN BANKING ACT (Kreditwesengesetz – KWG) are composed of the following items:

TABLE 1: TRANSITIONAL OWN FUNDS DISCLOSURE (IMPLEMENTING REGULATION 1423 ANNEX VI) AS OF JUNE 30, 2018

COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 article reference	(C) Amounts subject to EU pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments (€ million)	10,954.6		N/A
Common Equity Tier 1 (CET1): regulatory adjustments				
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) (€ million)	–911.8		N/A
29	Common Equity Tier 1 (CET1) (€ million)	10,042.8		N/A
Additional Tier 1 (AT1) capital: instruments				
36	Additional Tier 1 (AT1) capital before regulatory adjustments (€ million)	0.0		N/A
Additional Tier 1 (AT1) capital: regulatory adjustments				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital (€ million)	0.0		N/A
44	Additional Tier 1 (AT1) capital (€ million)	0.0		N/A
45	Tier 1 capital (T1 = CET1 + AT1) (€ million)	10,042.8		N/A
Tier 2 (T2) capital: instruments and reserves				
51	Tier 2 (T2) capital before regulatory adjustments (€ million)	29.5		N/A
Tier 2 (T2) capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 (T2) capital (€ million)	0.0		N/A
58	Tier 2 (T2) capital (€ million)	29.5		N/A
59	Total capital (TC = T1 + T2) (€ million)	10,072.3		N/A
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.6	92(2)(a), 465	N/A
62	Tier 1 (as a percentage of risk exposure amount)	14.6	92(2)(b), 465	N/A
63	Total capital (as a percentage of risk exposure amount)	14.6	92(2)(c)	N/A

CRR OWN FUNDS REQUIREMENTS

The CRR own funds requirements relating to credit risk, the CVA risk, market risk and operational risk were composed of the following items as of June 30, 2018:

TABLE 2: REGULATORY OWN FUNDS REQUIREMENTS APPLICABLE TO THE INSTITUTION AS OF JUNE 30, 2018

€ million	Risk-weighted exposure amount (after SME Supporting Factor)	Own funds requirements
Credit risk	**61,654**	**4,932**
Exposures to central governments or central banks	2,729	218
Exposures to regional governments or local authorities	0	0
Exposures to public sector entities	25	2
Exposures to multilateral development banks	0	0
Exposures to international organizations	0	0
Exposures to institutions	510	41
Exposures to corporates	17,503	1,400
Retail exposures	30,776	2,462
Exposures secured by mortgages on immovable property	0	0
Exposures in default	1,591	127
Exposures associated with particularly high risk	0	0
Exposures in the form of covered bonds	23	2
Items representing securitization positions	3,970	318
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	4,506	361
Credit valuation adjustment risk	**138**	**11**
CVA risk (standard method)	138	11
Market risk	**2,740**	**219**
Position risk for trading book business	0	0
Large exposures above the limit for trading book business	0	0
Foreign currency risk	2,740	219
Settlement risk	0	0
Commodity position risk	0	0
Capital requirement for currency risks under the standardized approach	0	0
Operational risks	**4,233**	**339**
Capital requirement for the standardized approach	4,233	339
Total	**68,765**	**5,501**

The data presented above indicates clearly that credit risk is the most prominent exposure, with an own funds requirement of €4.9 billion.

DISCLOSURE OF THE LEVERAGE RATIO

TABLE 3: LEVERAGE RATIO COMMON DISCLOSURE AS OF JUNE 30, 2018

Item		CRR leverage ratio exposures
Capital and total exposure measure		
20	Tier 1 capital (€ million)	10,043
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU–19a and EU–19b) (€ million)	77,399
Leverage ratio		
22	Leverage ratio (%)	13.0
Choice on transitional arrangements and amount of derecognized fiduciary items		
EU–23	Choice on transitional arrangements for the definition of the capital measure	Fully phased-in

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

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