VOLKSWAGEN BANK

GMBH

The key to mobility.

ANNUAL REPORT 2009 (HGB)

Volkswagen Bank GmbH at a glance (HGB)

in € million (as at 31.12.)	2009	2008	2007	2006	2005
Total assets	32,647	30,868	23,325	21,023	19,084
Receivables arising from					
Retail financing	14,571	11,110	11,334	10,943	9,792
Leasing business	978	923	290	253	232
Dealer financing	6,373	7,586	7,411	5,827	5,583
Customer deposits	18,266	12,829	9,620	8,827	8,735
Equity	3,579	2,979	2,979	2,679	2,649

in % (as at 31.12.)	2009	2008	2007	2006	2005
Equity ratio	11.0	9.7	12.8	12.8	13.9
Return on equity	6.7	6.9	11.6	13.3	13.0
Core capital ratio[1]	14.9	12.8	14.2	13.4	14.2
Overall ratio[1]	18.0	18.8	20.8	20.1	20.4

in € million (as at 31.12.)	2009	2008	2007	2006	2005
Result from ordinary business activities	210	204	329	354	309
Taxes on income and earnings, other taxes	84	70	105	119	101
Profits transferred under a profit transfer agreement	126	134	224	235	208
Net income	—	—	—	—	—

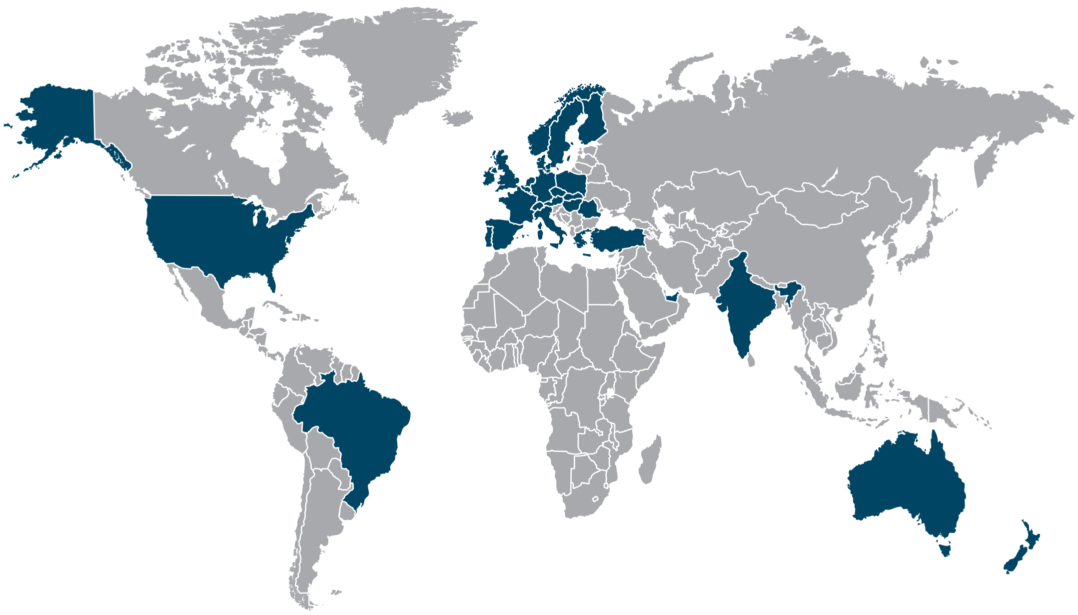
Number (as at 31.12.)	2009	2008	2007	2006	2005
Employees	644	669	585	3,855	3,820

Rating (as at 31.12.2009)	Standard & Poor's			Moody's Investors Service		
	short-term	long-term	outlook	short-term	long-term	outlook
Volkswagen Bank GmbH	A–2	A–	negative	Prime-1*	A2*	stable*
Volkswagen Financial Services AG	A–2	A–	negative	Prime-2	A3	stable

* Ratings currently subject to monitoring in light of a possible downgrade

1 The regulatory core capital ratio/overall ratio of Volkswagen Bank GmbH has been calculated since 2007 in accordance with the standardised approach to credit and operational risks based on the Solvency Regulations that took effect on 1 January 2007. The figures for 2005 and 2006 were calculated in accordance with the old Principle I.

Volkswagen Bank GmbH in 2009



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BELGIUM
BRAZIL
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DENMARK
FINLAND
FRANCE
GERMANY
GREECE
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INDIA
IRELAND
ITALY
LUXEMBOURG
THE NETHERLANDS
NEW ZEALAND
NORWAY
POLAND
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ROMANIA
SLOVAKIA
SPAIN
SWEDEN
SWITZERLAND
TURKEY
UNITED KINGDOM
USA
UNITED ARAB EMIRATES

Table of contents

Management report (HGB)

Management report (HGB)

ECONOMIC ENVIRONMENT

Global economy

Many countries started to recover in the months following the collapse of the global economy at the start of 2009, supported by the continuation of expansive monetary and fiscal policies. Inflation rates remained relatively low in most countries although the improving economic outlook caused prices for commodities and energy to rise substantially again. The global economy contracted by 2.0 % on an annualised basis, after growing by 1.9 % the previous year.

There was a sharp decline in Western Europe's GDP by 3.9 % after positive growth of 0.5 % in the previous year. The unemployment rate in the euro zone rose from 8.2 % at the start of the year to 10.0 % at year's end. In November, the euro climbed to new highs for the year against the US dollar. Central and Eastern Europe posted an average GDP growth rate of – 5.4 % (+ 4.1 %).

Although the recession already ended in the second quarter of 2009, Germany's annualised GDP was down 5.0 % year on year. In 2008, growth had been 1.3 %. Exports and the build-up of inventories generated the greatest economic momentum in the year's second half. While private consumption remained relatively stable due to the government's stimulus measures, the unemployment rate continued to rise.

Financial markets and competitive situation

The bailout programmes that were enacted worldwide during the 2009 financial year with the aim of injecting liquidity into the banking system and consolidating it as well as the attendant economic stimulus packages sparked a noticeable recovery of the global economy by year's end. The bond issuing business also benefited from the change in the economic climate. There were also signs that the securitisation market would recover, among other things, in regards to asset-backed securities.

The easing of conditions in the capital markets as well as the liquidity infusions made available by the European Central Bank (ECB) helped to substantially improve refinancing options in the banking sector. Moreover, the captives, which in their capacity as direct banks also engage in the deposit business, recorded a substantial increase in deposit volume as a result of returning customer confidence, providing them with additional liquidity.

The development of mobility service providers is closely linked to the automobile market. The private customer segment posted strong growth in those countries where scrapping bonuses stimulated sales of new vehicles, which had an immediate effect on the financing business too. Mobility services for small- and medium-size vehicles benefited the most from these measures.

The sharp decline in the commercial automotive segment had an adverse effect especially on the number of new contracts that non-captive mobility services providers were able to close. This development affected the leasing companies of the non-captives in particular. Owing to their close ties to the automotive brands, captives, on the other hand, were not only able to utilise their position of trust vis-à-vis both dealers and commercial customers but also turned out to be a stabilising factor for the automobile industry in this market segment.

Automobile markets

Sales of passenger cars fell by 6.0 % to 52.4 million vehicles in 2009. The sales volume largely stabilised in the last few months thanks in particular to government programmes aimed at supporting sales as well as manufacturers' lucrative incentive packages. Demand rose only in the Region Asia Pacific as a result of the sharp increase in the number of new car registrations in China as well as in the Region Western Europe due mainly to high growth in Germany. The markets in Central and Eastern Europe as well as in North America and South Africa experienced dramatic declines. The negative growth in South America was much lower, thanks especially to the positive effects of governmental measures in Brazil. In the reporting period, worldwide automobile production fell by 13.2 % to 60.0 million units, of which passenger cars accounted for 49.4 million (– 14.0 %).

In Western Europe, demand for passenger cars rose slightly by 0.5 % to 13.7 million vehicles. All signs pointed to a steep downturn at the start of the year but governmental stimulus packages aimed at promoting sales helped to avoid this scenario in most of the region's auto-producing countries. Of the major markets, France posted double-digit growth (+ 10.7 %) whilst Spain (– 17.9 %), the United Kingdom (– 6.4 %) and Italy (– 0.2 %) had to contend with declines. At approximately 46 %, the share of diesel vehicles was down in Western Europe, mainly due to the shift in demand to the mini- and small-vehicle segment. New car registrations plunged in Central and Eastern Europe. Especially the large-volume markets Russia (– 49.9 %), Ukraine (– 74.0 %), Romania (– 51.7 %) and Hungary (– 50.5 %) had to contend with a dramatic downturn. However, growth was recorded in Slovakia (+ 6.7 %). Sales of passenger cars in Turkey were substantially higher year on year (+ 19.0 %) due to temporary tax rebates.

In Germany, automotive demand soared by 18.2 % to 4.0 million vehicles in 2009. At 3.8 million units (+ 23.2 %), the passenger car market reached its highest level since 1992 thanks especially to the scrapping bonus. In contrast, the muted investment climate caused new registrations of commercial vehicles to drop to 242,000 units (– 27.7 %) – the lowest level since reunification. At 170,000 vehicles, new registrations of trucks up to a total weight of six tons were down 24.4 %. Weak foreign demand for both passenger cars and commercial vehicles caused declines in German manufacturers' domestic production (– 13.9 % to 5.2 million units) and exports (– 20.7 % to 3.6 million units).

The Volkswagen Group managed to further expand its market leadership in Germany by increasing its market share to 34.2 % (previous year: 33.6 %).

TASKS AND ORGANISATION OF VOLKSWAGEN BANK GMBH

Key objectives

As part of the Volkswagen Group's Financial Services division, Volkswagen Bank GmbH performs the operational tasks required for the banking transactions of private and business customers. This involves the following areas of activity:

- Financing business
  Volkswagen Bank GmbH finances private and business customers, as well as Group dealers. Its principal function is automobile financing.

- Leasing transactions
  In addition, Volkswagen Bank GmbH has been operating its finance leasing business through its branch in Italy since 2000.
  Volkswagen Bank GmbH has offered both finance and operating leasing through its French branch since 1 January 2008.

- Direct banking business
  Volkswagen Bank *direct* offers private customers the entire portfolio of a direct bank, from account management and instalment loans to savings and investment products. Volkswagen Bank *direct* provides its business customers with overnight deposit accounts, as well as wide-ranging payment transaction services.

- Agency business
  Volkswagen Bank GmbH performs insurance agency services in connection with automobile financing. As part of its direct banking operations, it arranges loans secured by charges entered in the land register and other long-term forms of financing, as well as investments in funds and the stock market.

One of the ways in which Volkswagen Bank GmbH pursues its objectives is by carrying out joint customer relationship management activities, which has led to constant improvements in customer loyalty, quality of service and the product portfolio.

For refinancing, Volkswagen Bank GmbH actively leverages the opportunities provided on the global capital markets through private placements, bond issues and transactions based on asset-backed securities (ABS).

The business activities of Volkswagen Bank GmbH are closely integrated with those of the manufacturers and the dealer organisations of the Volkswagen Group.

Organisational changes in Volkswagen Bank GmbH

Mr Torsten Zibell was appointed Managing Director of Volkswagen Bank GmbH effective 1 July 2009. He succeeds Mr Klaus-Dieter Schürmann and will be responsible for Direct Banking and Treasury.

We launched a customer-focused realignment for the German market in 2009. There will be joint responsibility per customer group for marketing and operating areas such as purchasing and inventories. This step brings the sales and service departments closer together.

ANALYSIS OF THE COMPANY'S BUSINESS PERFORMANCE AND POSITION

Volkswagen Bank GmbH was able to further increase its receivables and contract volume in 2009.

In the retail financing segment, the bank continued its close collaboration with the brands of the Volkswagen Group. The cooperation with Volkswagen Group dealers and the positive effects of the scrapping bonus helped to lift both the number of new contracts and current contracts above the level recorded for the same period in the previous year.

Receivables from dealer financing, on the other hand, declined by 15.9 % from € 7.6 billion to € 6.4 billion year on year as a result of the positive sell-off of vehicles.

As in previous years, direct banking deposits again increased substantially.

The refinancing expense of Volkswagen Bank GmbH was managed in line with the capital markets in 2009 due to the significant increase in deposits in the direct banking business and the continued rating differentiation relative to both Volkswagen AG and Volkswagen Financial Services AG.

No new ABS transactions were launched in 2009. Driver Three GmbH acquired receivables having a nominal value of approximately € 0.4 billion in connection with a previously established revolving transaction.

Results of operations

The ramifications of the financial market crisis for the money and capital markets are also affecting both Volkswagen Bank GmbH and its affiliates: While interest rates again declined substantially compared to the previous year, especially the deterioration in the economic situation of borrowers as a result of the financial crisis has had a substantial impact on the allocation of risk provisions.

Income from ordinary business activities of Volkswagen Bank GmbH in 2009 was € 209.6 million, up from € 204.3 million in the previous year. Foreign branches contributed € 61.3 million (previous year: € 81.2 million) to earnings.

The year-on-year increase in both net interest income and net commission income had a substantial effect on the change in earnings. Yet these positive developments are in contrast to higher depreciation, amortisation and write-downs as well as to allowances for doubtful receivables due to the development of risk in dealer financing and the development of both volume and risk in retail financing.

The net interest income generated by Volkswagen Bank GmbH was € 705.4 million, compared to € 637.3 million in the previous year.

Interest income from lending and money market transactions to the amount of € 1,472.1 million (previous year: € 1,542.3 million) stems primarily from consumer financing and finance leasing, as well as from automotive and investment financing for our dealers. The financing packages provided in cooperation with Volkswagen AG account for a substantial portion of the consumer lending business. As with the other low-interest and special offer products, these offers were settled at margins that cover cost, primarily in cooperation with participating brand manufacturers and dealers of Volkswagen Bank GmbH.

Interest income from retail financing rose by € 54.2 million to € 826.2 million year on year, particularly due to the expansion of our business in the German market. In contrast, interest income from dealer financing fell by € 215,6 million to € 307,7 million due to declining interest rates and the downturn in the average financing volume.

There were only minor one-off effects in connection with interest income due to the collection of deferred interest subsidies because we sold receivables in the amount of only € 0.4 billion by way of an existing, revolving ABS transaction in the 2009 financial year.

The sharp decline in interest rates reduced Volkswagen Bank GmbH's interest expense by € 138.3 million to € 766.6 million (previous year: € 904.9 million) despite the growth in the direct bank's deposit volume.

Income from equity investments mainly resulted from the investment in VOLKSWAGEN BANK POLSKA S.A., Warsaw. The reduction in the result from equity investments in 2009 is due to the fact that Global Mobility Holding B.V., Amsterdam, did not distribute a profit.

The net commission income increased year on year, from € 54.1 million to € 86.5 million. An increase was shown especially in fee income from the management of receivables sold in the previous year in connection with the ABS transactions, which continues to be operated by Volkswagen Bank GmbH. Income from insurance agency services rose. We also succeeded in reducing commission expenses, thanks especially to lower commission payments related to the leasing business and for products in the direct banking business.

The net income from leasing transactions increased slightly from € 114.8 million to € 119.1 million. The depreciation of leased assets in connection with the leasing business increased by € 10.4 million to € 93.6 million.

The allowances and provisions made for the lending business were measured by taking into consideration all discernible risks. The latent risk was covered by the recognition of generalised value adjustments. Continual risk analysis plus the balanced management of receivables and collection are designed to minimise the default rate to the extent possible. Nevertheless, the risk provision required for write-downs and bad debt allowances was significantly higher than in the previous year, due to the financial crisis, among other things.

Under the existing profit transfer agreement, the remaining profit after tax, amounting to € 125.6 million, is transferred to the parent company, Volkswagen Financial Services AG.

Summary

Besides benefiting from the scrapping bonus, Volkswagen Bank GmbH counteracted the fallout from the financial market crisis by launching sales campaigns and financing promotions jointly with the manufacturers and dealers, and by expanding its commission and direct banking businesses. The improvement in interest margins also helped to counter the increase in risk premiums resulting from the crisis in the financial markets. In 2009, the income from ordinary business activities rose slightly year on year despite the financial crisis.

Assets and financial position

LENDING BUSINESS

The lending business of Volkswagen Bank GmbH focuses on the provision of loans to private and commercial customers as well as dealers. These receivables total € 25.2 billion (previous year: € 23.7 billion). The change in the share of foreign branches in the retail lending volume was insignificant and at € 6.4 billion the branches' loan volume remained largely the same. Furthermore, the company manages receivables sold through ABS transactions in the amount of € 3.4 billion (previous year: € 4.9 billion). At € 28.6 billion (previous year: € 28.5 billion), there was almost no change in the aggregate receivables managed by Volkswagen Bank GmbH.

Retail financing

In Germany alone, new vehicle deliveries to individual customers rose by approximately 59 % to 859,000 vehicles year on year thanks to the scrapping bonus.

The new vehicle financing business also grew substantially by about 44 % to 391,000 new contracts whilst the used vehicle business grew by 3 % to 299,000.

The automotive financing portfolio on the whole comprises 1,940,000 contracts. This corresponds to an increase of 18 %. At the close of 2009, retail financing receivables were € 14.6 billion (previous year: € 11.1 billion). Foreign branches accounted for € 2.3 billion of this amount (previous year: € 2.4 billion).

Volkswagen Bank GmbH uses its subsidiary, AutoEuropa Bank, to enable car dealerships not affiliated with the Volkswagen Group to offer financial services. The caravan and motor home industry are also covered.

AutoEuropa Bank followed a positive trajectory in 2009, having established itself as a fixture in the market. In 2009, its contract portfolio rose 12 % year on year.

Dealer financing

In its capacity as a financial partner, Volkswagen Bank GmbH offers its dealer organisation a broad product portfolio that ranges from vehicle and parts financing to investment loans all the way to working capital loans.

The scrapping bonus, which was granted on condition that a new car be purchased, boosted the number of new vehicles delivered in 2009.

Whilst the number of new vehicles that were financed via dealer financing rose by 16.5 % as a result, the terms of the vehicle financing contracts are substantially shorter now due to rapid sell-offs. In turn, this caused the financing portfolio to decline by € 1.2 billion to € 5.6 billion as at the balance sheet date.

The investment financing volume remained largely unchanged in 2009.

Total dealer financing receivables at the close of the year just ended were € 6.4 billion compared to € 7.6 billion at the end of the previous year. The foreign branches accounted for € 2.8 billion of these aggregate receivables (previous year: € 3.1 billion). The development of risk in dealer financing due to the financial crisis caused related allowances for doubtful receivables to rise by 4.9 % year on year despite the decline in dealer financing receivables.

Leasing business

Volkswagen Bank GmbH offers finance leasing and operating leasing through its foreign branches. While the French branch engages in both finance and operating leasing, the Italian branch continues to offer only finance leasing. Receivables as at the end of the 2009 financial year amounted to € 1.0 billion (previous year: € 0.9 billion).

Bonds and debentures:

There was no need to issue bonds and debentures for refinancing purposes thanks to the growth in direct bank deposits. In 2008, the Bank had executed three ABS transactions with an aggregate volume of € 3.4 billion in securitised receivables and purchased all related senior ABS debentures. As at 31 December 2009, a total of € 2.9 billion were part of the portfolio and pledged as collateral in connection with the bank's participation in the open market operations of Deutsche Bundesbank. There were no open market transactions with Deutsche Bundesbank as at the balance sheet date.

Equity investments

Volkswagen Bank GmbH holds a 50 % stake in Global Mobility Holding B.V., Amsterdam. The Saudi Arabian Olayan Group and the Mubadala Group, Abu Dhabi, each hold 25 % in Global Mobility Holding B.V. Global Mobility Holding B.V. in turn holds all shares of LeasePlan Corporation N.V., Amsterdam.

Volkswagen Bank GmbH is represented in Poland through its affiliated company VOLKSWAGEN BANK POLSKA S.A., Warsaw. VOLKSWAGEN BANK POLSKA S.A. operates in the same business areas.

CURRENT AND NEW CONTRACTS

in thousands (as at 31.12.)	2009	2008
New contracts*		
Retail financing	690	563
Leasing business	27	36
Service/insurance	41	45
Current contracts**		
Retail financing	1,940	1,638
of which sold through ABS transactions	597	726
Leasing business	78	77
Service/insurance	105	117
Direct banking customers	939	812

* The presentation of new contracts for 2008 was adjusted to the volume definition applicable from 2009. Given that the number of new contracts for 2005 to 2007 is not comparable, no five-year comparison is shown.

** The presentation of current contracts as at the end of 2008 was adjusted to the volume definition applicable from 2009. Given that the number of current contracts for 2005 to 2007 is not comparable, no five-year comparison is shown.

DEPOSIT BUSINESS AND BORROWINGS

Besides equity, notable liability items include liabilities to customers in the amount of € 20.9 billion (previous year: € 14.7 billion) as well as securitised liabilities in the amount of € 3.7 billion (previous year: € 5.3 billion). The direct bank's deposit business – which includes sight deposits, fixed-term deposits and savings certificates for private customers as well as overnight deposits for the corporate customers – accounts for most of our liabilities to customers. Details concerning the company's refinancing and hedging strategy are provided in a separate section of this management report.

Deposit business/direct banking business

As a division of Volkswagen Bank GmbH, Volkswagen Bank *direct* makes a substantial contribution to both refinancing Volkswagen's financial services provider and enhancing customers' loyalty to the Volkswagen Group brands. The direct bank's total deposit volume rose from € 12.8 billion in 2008 to € 18.3 billion. The direct bank's share in the refinancing mix of Volkswagen Bank GmbH is thus: 55.9 % (previous year: 41.5 %).

Deposit business for private customers

Volkswagen Bank *direct* developed new business opportunities in 2009 as well and succeeded in expanding its customer base by 15 % thanks to innovative marketing channels such as so-called affiliate marketing on the Internet.

The number of Volkswagen Bank *direct*'s existing customers rose to 939,000 in 2009. Investment products such as the overnight deposit account, Plus Konto TopZins, which offers attractive interest rates, was a substantial factor in this outcome. Customer deposits in savings certificates also developed along a positive trajectory.

As a result, Volkswagen Bank *direct* succeeded in expanding the deposit volume by 35.7 % to € 15.6 billion despite the turmoil in the financial markets.

Deposit business for corporate customers

Both overnight and fixed-term deposits more than doubled to € 2.7 billion (previous year: € 1.3 billion). The number of bank accounts rose by 43 %.

Equity

The subscribed capital of Volkswagen Bank GmbH remained unchanged at € 358.3 million in the 2009 financial year. This includes an affiliate's silent partner contribution in the amount of € 40.0 million. Equity increased by € 600.0 million in the financial year through a payment into capital reserves made by Volkswagen Financial Services AG.

In its capacity as the primary credit institution as defined by the German Banking Act, Volkswagen Bank GmbH is responsible for ensuring the capital adequacy of the financial holding group, Volkswagen Financial Services AG.

Capital adequacy according to regulatory requirements

Under the provisions of the Solvency Regulations, banking regulatory authorities assume that a company's capital is adequate if the core capital ratio is at least 4.0 % and the regulatory overall ratio is at least 8.0 %.

The so-called standardised approach to determine capital adequacy in connection with credit risks and operational risks is applied in accordance with the Solvency Regulations.

Accordingly, this gives rise to the following regulatory figures and financial ratios for Volkswagen Bank GmbH:

in € million (as at 31.12.)	2009	2008
Aggregate risk position (€ million)	24,121	23,387
of which weighted position according to the standardised approach to credit risks	22,508	21,449
of which market risk positions * 12.5	61	252
of which operational risks * 12.5	1,552	1,686
Liable capital (€ million)[1]	4,353	4,396
of which core capital[2]	3,590	2,991
of which supplementary capital[2]	763	1,405
Own funds (€ million)	4,353	4,396
Core capital ratio[3] (%)	14.9	12.8
Overall ratio[4] (%)	18.0	18.8

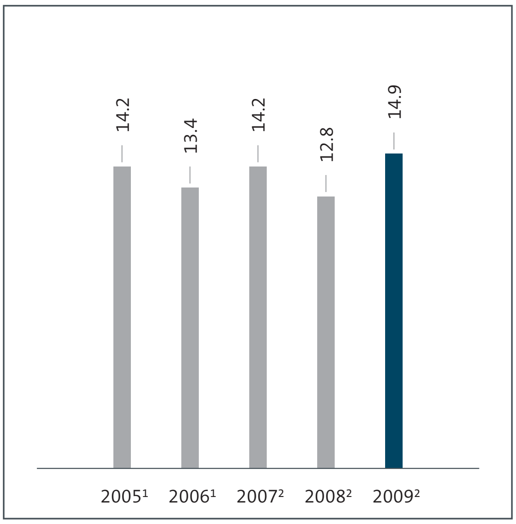
1 Net of the deductible for securitisation positions
2 The deductible items are already deducted from core and supplementary capital
3 Core capital ratio = Core capital / (Capital requirement for (credit risks + operational risks + market risks) * 12.5) * 100
4 Overall ratio = Own funds / (Capital requirement for (credit risks + operational risks + market risks) * 12.5) * 100

Overall, the core capital ratio changed from 12.8 % to 14.9 % as a result of a growth in business, and the own funds ratio changed from 18.8 % to 18.0 %.

The core capital and own funds ratios developed as follows in recent years:

CORE CAPITAL RATIO UNDER SOLVENCY REGULATIONS OF VOLKSWAGEN BANK GMBH AS AT 31.12.

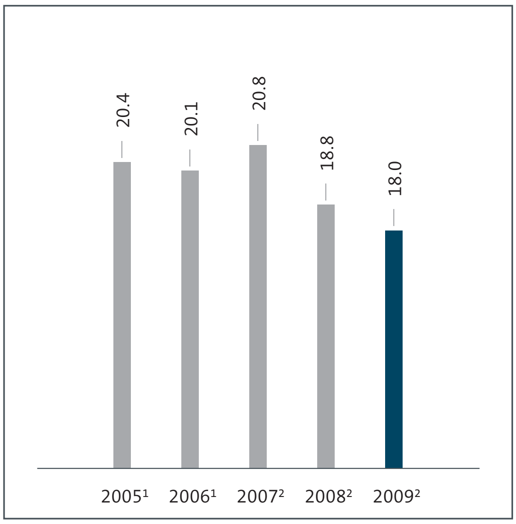
in %



1 Core capital ratio according to Principle I of the financial holding group as at 31.12.
2 Core capital ratio = Core capital / (Capital requirement for (credit risks + operational risks + market risks) * 12.5) * 100

OVERALL RATIO UNDER SOLVENCY REGULATIONS OF VOLKSWAGEN BANK GMBH AS AT 31.12.

in %



1 Overall ratio according to Principle I of the financial holding group as at 31.12.
2 Overall ratio = Own funds / (Capital requirement for (credit risks + operational risks + market risks) * 12.5) * 100

The own funds ratio of Volkswagen Bank GmbH is relatively high, ensuring adequate capitalisation even in the event of large increases in its business volume. In principle, the bank can use ABS transactions and raise supplementary capital as needed in the form of participation right liabilities and subordinated liabilities in order to optimise its equity management. As a result, Volkswagen Bank GmbH has a sound basis for the ongoing expansion of its financial services business. The Bank received a payment of € 600 million to its capital reserves and raised an additional € 105 million in subordinated loans during the 2009 financial year. This enabled it to repay a subordinated loan in the amount of € 750 million on the earliest repayment date in December 2009.

BASEL II

Volkswagen Bank GmbH has implemented the IRB approach in its significant portfolios. The Federal Financial Supervisory Authority (BaFin) has no plans at present to recognise the IRB approach.

Financial key performance indicators

The financial key performance indicators of Volkswagen Bank GmbH are as follows:

	2009	2008	2007	2006	2005
Equity ratio[1]	11.0 %	9.7 %	12.8 %	12.8 %	13.9 %
Core capital ratio[2]	14.9 %	12.8 %	14.2 %	13.4 %	14.2 %
Overall ratio[2] (regulatory)	18.0 %	18.8 %	20.8 %	20.1 %	20.4 %
Leverage[3]	8.1	9.3	6.8	6.8	6.1
Return on equity[4]	6.7 %	6.9 %	11.6 %	13.3 %	13.0 %

1 **Equity ratio**
Ratio between equity and total capital

2 **Core capital ratio / Overall ratio (regulatory)**
Core capital ratio = Core capital / (Capital requirement for (credit risks + operational risks + market risks) * 12.5) * 100
Overall ratio = Own funds / (Capital requirement for (credit risks + operational risks + market risks) * 12.5) * 100
The figures as at 31.12.2006 and 31.12.2005 were calculated in accordance with the old Principle I.

3 **Leverage**
Gearing

4 **Return on equity**
Result from ordinary business activities divided by average equity

NOTES TO THE EQUITY RATIO AND LEVERAGE

Equity rose by € 0.6 billion or 20.1 % due to the payments of Volkswagen Financial Services AG into the capital reserves of Volkswagen Bank GmbH. The equity ratio rose but the ratio of equity to borrowings (leverage) declined because the business volume increased by a mere 5.8 % in the 2009 financial year. Volkswagen Bank GmbH managed to raise funds despite the difficult market conditions thanks to its good standing in the capital market and the expansion of its deposit business.

For non-financial key performance indicators, please see the personnel report.

Refinancing and hedging strategy

STRATEGIC PRINCIPLES

In terms of its refinancing activities, Volkswagen Bank GmbH generally follows a strategy aimed at diversification, which is conceived as the best possible weighing of cost and risk factors. This entails developing a diverse range of refinancing sources in different regions and countries with the aim of ensuring the sustained availability of refinancing funds at attractive terms. Volkswagen Bank GmbH wants to leverage this approach in order to attain the volume and profitability targets of the Group's 2018 strategy.

Especially the first half of the financial year just ended was marked by the crisis in the financial markets, which triggered considerable turmoil in the money and capital markets. Limited investor interest that went hand in hand with greater risk premiums hampered access to the market and led to rising refinancing costs. Even in this situation, we were able to use a broad range of refinancing instruments thanks to the solidity of our business model and the strength of the Volkswagen name.

The strong increase in the deposit business of Volkswagen Bank GmbH in 2009 was instrumental to this development.

IMPLEMENTATION

Volkswagen Bank GmbH's refinancing needs were fully covered by the growth in deposits by € 5.5 billion to € 18.3 billion in the financial year just ended. In turn, this allowed Volkswagen Bank GmbH to dispense with instruments that were subject to rising risk premiums such as ABS or bond issues for instance.

The company borrowed at corresponding maturities and used derivatives in line with its strategy of refinancing largely at matching maturities. Its approach of refinancing at matching currencies was pursued either by raising funds in local currencies or by hedging currency risks through the use of derivatives.

Material components of the internal control system and the internal risk management system in regards to the accounting process

The internal control system (ICS) of Volkswagen Bank GmbH is defined as the sum of all principles, methods and actions aimed at ensuring the effectiveness, economy and propriety of the company's accounting as well as ensuring compliance with material legal requirements. In terms of the accounting system, the risk management system (IRMS) concerns the risk of misstatements in the bookkeeping as well as in the external reporting system. The material elements of the internal control system and the risk management system as they relate to the accounting process at Volkswagen Bank GmbH are described below:

- Given its function as the corporate body tasked with managing the company's business and in view of ensuring proper accounting, the Board of Management of Volkswagen Bank GmbH has established Accounting, Operations, Treasury, Risk Management and Controlling departments and has clearly delineated their respective spheres of responsibility and authority. Key cross-divisional functions are controlled by the Board of Management of Volkswagen Financial Services AG as well as by the executive management of Volkswagen Bank GmbH, Volkswagen Leasing GmbH as well as Volkswagen Business Services GmbH.

- Companywide requirements and accounting rules serve as the basis for a uniform, proper and continuous accounting process. For instance, the accounting policies are governed by internal accounting standards, including the accounting regulations under the German Commercial Code (HGB) in conjunction with the Ordinance on Accounting for Banks (RechKredV).
- At the company level, specific elements of control designed to ensure the propriety and reliability of accounting principles comprise analyses and possibly revisions of the bookkeeping data presented by the individual units and in sub-ledgers. All of this is supplemented by the clear delineation of spheres of responsibility as well as a variety of controlling and monitoring mechanisms. The aim is to ensure that all transactions are accurately posted, processed, evaluated and included in the company's financial accounting.
- These controlling and monitoring mechanisms are designed to be process-integrated and independent of processes. Hence automated IT process controls besides manual process controls (such as the »four-eyes« principle) comprise material components of the process-integrated activities. These controls are supplemented by specific Group functions of the ultimate parent company, Volkswagen AG, for example Group Controlling.
- Risk management is fully integrated into the accounting process by virtue of continuous risk monitoring and the risk reporting system.
- Internal Audit is also a key corporate body that is integral to the controlling and monitoring system of Volkswagen Bank GmbH. Internal Audit regularly performs audits, both in Germany and abroad, of processes relevant to accounting as part of its risk-based audit procedures and directly reports its findings to the Board of Management of Volkswagen Bank GmbH.

In sum, the existing internal controlling and monitoring system of Volkswagen Bank GmbH is designed to ensure that the information on the financial position of Volkswagen Bank GmbH as at the 31 December 2009 reporting date is proper and reliable. No material changes were made to the internal controlling and monitoring system of Volkswagen Bank GmbH after the reporting date.

RISK REPORT

Strategy and standards

Volkswagen Bank GmbH including its branches and affiliates (jointly »Volkswagen Bank GmbH«) is faced with a multitude of risks typical for financial services in the pursuit of its primary business activities; the company responsibly assumes these risks in order to take advantage of the resulting market opportunities.

Ongoing risk monitoring, transparent and direct communication with the Board of Management and integrating newly acquired findings into operational risk management form the foundation for the best possible utilisation of market potentials based on the deliberate and effective control of the total risk of Volkswagen Bank GmbH.

Volkswagen Bank GmbH has set up a system for identifying, measuring, monitoring and controlling risk positions, in accordance with the requirements of § 25a Para. 1 German Banking Act and by applying § 91 Para. 2 German Stock Corporation Act analogously.

This system has also been implemented as the Group-wide risk management system of the financial holding group in accordance with § 25a Para. 1 German Banking Act.

This risk management system allows timely detection of developments that might jeopardise the company's activities. The system encompasses both a framework of risk principles as well as organisational structures and processes for risk measurement and monitoring that are tightly integrated in the activities of the individual divisions.

The basic decision relating to strategy and tools for risk management are the responsibility of the Board of Management of Volkswagen Bank GmbH.

To ensure appropriate and consistent treatment of risks within Volkswagen Bank GmbH, the company has established risk management guidelines for its credit business, which take the strategy for the credit business and the development of own funds into account.

The Board of Management of Volkswagen Bank GmbH has been pursuing a risk strategy in connection with its mid-term planning for years that conforms to minimum risk management requirements and is consistent with the company's business strategy. This strategy is reviewed at least once a year, adjusted as necessary and discussed with the Supervisory Board.

Strategic parameters are determined for all material risks based on risk management guidelines and the risk-bearing capacity of Volkswagen Bank GmbH.

In addition to risks of counterparty default – credit risks, in particular – market price risks, liquidity risks and operational risks are also reviewed in detail.

At-risk transactions are assessed and controlled based on these risk management guidelines. Additionally, the following principles determine the company's risk environment and strategy:

- The Board of Management determines the risk potential.
- The risk potential of Volkswagen Bank GmbH is generally moderate. Only predictable and workable risks are incurred. An avoidance or mitigation strategy is applied to operational and liquidity risks.
- Risks from new or modified products, new sales channels and/or new markets are subject to a fixed evaluation and approval process.
- Volkswagen Bank GmbH's processes are continuously subject to quality assurance.
- Risk is spread across customers, products and countries.
- Security is obtained for all vehicle and investment financing loans.
- Risk provision is based on a risk-oriented value adjustment policy.
- Lending processes and responsibilities are subject to guidelines applicable to the different divisions and are decided in accordance with an approval process subject to credit limits.
- Credit risks are factored into the pricing.
- Loans are granted solely after appropriate identity and credit checks.
- Volkswagen Financial Services AG makes loans largely taking into account total customer value.
- Decisions regarding assuming or avoiding risks are supported by the use of appropriate control instruments, such as credit assessment procedures or early warning systems.

Risk management essentially involves the identification, analysis and quantification of possible risks, as well as risk assessment and the resulting determination of steering measures.

A risk manual is central to the company's risk management system. All risks are reviewed as to their materiality at least once a year and, if necessary, the relevant assessments are revised and expanded by new risk factors.

The risk manual describes the risk management system in detail.

All divisions annually rate identified risks using the risk map pursuant to an expert system.

Group Risk Management assesses, monitors, aggregates and reports all relevant results to the Board of Management, the Supervisory Board and Volkswagen AG.

In addition to defining the likelihood of risks actually occurring and assessing their possible negative effects, the risk map also contains information about existing procedures and rules, areas of responsibility and derived measures.

Besides quantifying risk positions as required under the regulatory regime (pursuant to the Solvency Regulations) and representing the existent equity components, Volkswagen Bank GmbH has also established an economic system for determining its risk-bearing capacity that matches the economic risk to the hedging potential.

An assessment concerning the potential extent of the unexpected loss as the total of all risk types in the overall portfolio of Volkswagen Bank GmbH is made in regards to economic risks. Risk values for the relevant risk types are determined by means of different approaches pursuant to the methodological recommendations of the Basel Capital Accord based on statistical models and supported by expert estimates.

Volkswagen Bank GmbH has selected a conservative approach by assuming a 1:1 correlation between risk types.

The economic risk is quantified for two scenarios.

The »normal scenario« assumes a confidence level of 99 % and a one-year holding period while the »worst-case scenario« assumes a confidence level of 99.93 % and a one-year holding period.

This analysis of its risk-bearing capacity serves to examine, on a quarterly basis, whether Volkswagen Bank GmbH is capable at all times to bear the risks potentially resulting from its operating business.

Volkswagen Bank GmbH's risk-bearing capacity was certain throughout the year.

Volkswagen Bank GmbH also uses a limit system derived from the analysis of its risk-bearing capacity that makes it possible to limit the net amount of individual risk types.

The establishment of a limit system as the core element in capital allocation is designed to ensure that, for one, the individual risk types can be limited and controlled in regards to their risk content and, for another, that the risk capital can be specifically limited in accordance with the risk appetite of the Board of Management of Volkswagen Bank GmbH.

The limit system comprises two stages.

Stage 1 entails the determination of the bank's aggregate risk limit for risk under the normal scenario. This entails defining the extent to which the Volkswagen Bank GmbH can use the theoretically available risk hedging potential to plan operational risk provisioning. Consequently, this reflects The Board of Management's risk appetite.

In stage 2, the risk type limits are defined as the monetary share of the bank's aggregate risk limit; they reflect the company's business alignment.

Risk-adjusted distribution applies. The determination is executed on an annual basis pursuant to a resolution of the Board of Management.

Group Risk Management reports the risk of counterparty default, market price and residual value risks as well as operational risks by submitting a risk management report to the Board of Management and the Supervisory Board at least once a quarter. For markets with a significant business volume, reporting is done on a monthly basis.

Continuous improvements of the risk management report have helped to further improve the data regarding structures and developments in the company's credit portfolios.

Volkswagen Bank GmbH is further pursuing the development of both its system for measuring and monitoring risk positions and the relevant control systems on the basis of the legal requirements.

The suitability of individual system elements is reviewed regularly in a risk-oriented manner by Internal Audit and by external auditors as part of the audit of the annual financial statements.

Structure and organisation

Volkswagen Bank GmbH is the primary institution of the financial holding group.

The staff and control functions for Volkswagen Bank GmbH are organised in the following units: Controlling/Legal Services/Internal Audit/Accounting/Group Risk Management/Risk Assessment Procedures and Basel II as well as Treasury.

The Chief Risk Officer (CRO) is responsible for executing the overall risk strategy established by the Board of Management of Volkswagen Bank GmbH. The CRO regularly reports Volkswagen Bank GmbH's overall risk position to both the Supervisory Board and the Board of Management. In addition to being responsible for Central Risk Management, Risk Assessment Procedures, Basel II, Audits as well as Controlling, the CRO is also responsible for Market Support/Dealer Restructuring.

The Group Risk Management department formulates risk policy guidelines for risk management, develops methods and processes, conducts ongoing analyses of the current risk situation and ensures transparent reporting.

The basic decision relating to strategy and tools for risk management are the responsibility of the Board of Management of Volkswagen Bank GmbH. As a neutral and independent department, Group Risk Management reports directly to the Board of Management of Volkswagen Bank GmbH.

The Risk Assessment Procedures and Basel II department establishes the basic definitions for the procedures used at Volkswagen Bank GmbH to asses creditworthiness and collateral; develops models for assessing creditworthiness such as rating and scoring procedures and parameter assessment (probability of default, loss given default, credit conversion factor); and analyses the quality of the procedures and processes used for determining creditworthiness and collateral as well as assessment parameters.

As a neutral and independent department, Risk Assessment Procedures and Basel II reports directly to the Board of Management of Volkswagen Bank GmbH.

As a rule, operational risk management in the sense of modern portfolio management is integrated into the individual divisions. The consistent organisational separation of the Market and Market Support functions ensures the independence of risk evaluation and monitoring of areas responsible for risk and earnings. The individual decision-making authorities in each division are governed by competences specified by the Board of Management of Volkswagen Bank GmbH.

In the case of market price risks, organisational separation of market activities (e. g. Treasury) and risk management (risk monitoring) is ensured up to the level of the Board of Management.

On behalf of the Board of Management, Volkswagen Bank GmbH's Internal Audit department performs independent and risk-oriented audits of all operational and business procedures of Volkswagen Bank GmbH, its domestic and foreign branches as well as third-party companies for which contractual auditing rights are in place, taking due account of bank regulatory requirements. As far as the accounting process is concerned, the essential features of both the internal control system and the internal risk management system are also an integral part of the company's operating and business procedures.

This activity is based on an annual audit plan, which is drawn up on the basis of the legal provisions in a risk-oriented manner. Internal Audit informs the Board of Management of Volkswagen Bank GmbH about the result of the audits carried out by submitting audit reports and an annual summary report. Implementation of the measures and recommendations agreed in the audit reports is monitored by Internal Audit of Volkswagen Bank GmbH.

Risk types

Volkswagen Bank GmbH defines risk as any uncertainty about future developments that might have a negative impact on the Group's economic situation. This risk can itself be divided into different types of risk. At the same time, Volkswagen Bank GmbH constantly analyses and assesses the opportunities that arise from consciously entering into risks.

The business decisions of Volkswagen Bank GmbH are therefore based on the risk vs. opportunity weighting described here.

The typical risks for Volkswagen Bank GmbH are:

- Risk of counterparty default:
  - Credit risk
  - Counterparty risk
  - Country risk
  - Shareholder risk
- Market price risk:
  - Interest rate risk
  - Foreign currency risk
  - Price risk
- Liquidity risk
- Operational risk
- Residual value risk

RISK OF COUNTERPARTY DEFAULT

Risk of counterparty default is taken to mean possible losses in value due to non-payment by a customer or deterioration of a customer's creditworthiness. A distinction is made between credit risks, counterparty risks, country risks and shareholder risks.

Credit risk

Definition

Credit risks, which also include risks of counterparty default relating to leasing contracts, represent by far the largest component of the risk positions among the risks of counterparty default.

The economic environment posed a challenge in 2009. It was characterised by weak labour markets, declining private consumption as well as the downturn in vehicle sales, especially during the second half of the year once the stimulus measures had ended. Prices for used cars stabilised at a low level as a result.

As expected, in 2009 Volkswagen Bank GmbH had to spend a substantially larger amount than in the previous year to counteract the effects of the global financial crisis.

Defaults in the private customer segment – especially in the German private customer market – rose moderately in the retail portfolio in 2009. We expect risk premiums to continue to rise in the private customer segment in 2010 as well as a result of the economic crisis.

The number of bankruptcies and thus the rising number of defaults in the corporate portfolio, especially in connection with wholesale financing, was particularly problematic. There are indications that the earnings and liquidity situation of dealerships, especially in the German market but also in the other European markets, is very tight, which has triggered a significant deterioration in the distribution of ratings in the dealer portfolio.

Parameters/risk strategy

A core competence of Volkswagen Bank GmbH lies in utilising opportunities from assuming credit risks resulting from wholesale and retail financing and also from leasing transactions in the automobile business.

The goal is to optimise the opportunity/risk ratio.

Group Risk Management establishes guidelines for the central management of credit risks. These guidelines constitute the central risk management system's binding external framework within which the divisions/markets can pursue their activities, plans and decisions in accordance with their competencies.

The local risk strategies of the branches are combined in the overall risk strategy.

Risk assessment

Credit assessment in connection with lending decisions at Volkswagen Bank GmbH is carried out on the basis of rating and scoring procedures. A rating manual provides the framework within which the rating systems must be developed and maintained.

Scoring procedures in the retail business

Analysing the creditworthiness of private customers involves scoring systems that are integrated in the purchasing and portfolio processes and provide an objective decision-making basis for granting loans. Generic score cards and score cards based on data histories going back several years are used in the portfolios of Volkswagen Bank GmbH to supplement the lending decisions taken by the respective departments.

Volkswagen Bank GmbH has further improved its credit rating procedures, notably in its foreign branches. Scoring procedures are applied to both the purchase and measurement of all of Volkswagen Bank GmbH's significant portfolios. Default probabilities are allocated to these score classes based on customers or contracts deemed to have defaulted within one year.

Procedures that also assign a default probability to individual contracts once a month based on the relevant customer's payment history are in place for purposes of performing portfolio valuations.

The credit risks of these portfolios can be assessed in ways adequate to the risks concerned when determining default rates, which, among others, is the basis for determining value adjustments in accordance with the German Commercial Code (HGB) and IFRS.

Rating procedures in the corporate business

Volkswagen Bank GmbH uses credit rating procedures to rate its national and international corporate customers (e.g. automobile dealers). The assessment includes both the key performance indicators from annual financial statements as well as qualitative factors – such as the outlook for future business development, the quality of management, the climate in both the market and industry, as well as the customer's payment behaviour. To the extent possible, all these factors are taken into account statistically.

The resulting credit score constitutes an individual probability of default that is mapped onto Volkswagen Bank GmbH's 15-tier master scale.

The workflow-based rating application CARAT, which was introduced in 2007, is being rolled out gradually at the foreign branches in order to support the analysis of customers' creditworthiness.

The result of the rating provides a material basis for decisions on the approval and prolongation of credit commitments and value adjustments.

The definition of competencies and the monitoring of the corporate portfolio are also based on the results of ratings.

Application of product approval processes, regular portfolio analyses, planning rounds and business financial reviews ensure timely identification of new risks and/or changes in risk.

All risks are quantified in a quarterly assessment process at the company level in accordance with categories of receivables. In addition, an unexpected loss is calculated for the sum total of all loans and included in the value-at risk (VaR) calculation of the company's risk-bearing capacity.

Collateral
As a rule, credit transactions are secured in ways adequate to the risks concerned. A groupwide guideline establishes the requirements that collateral as well as assessment procedures and principles must satisfy. Additional local guidelines prescribe concrete valuations as well as regional specificities. The valuations in local collateral valuation guidelines are based on historical data and many years of expert knowledge.

Risk management and monitoring
Appropriate processes are used to monitor all loans in regards to the underlying economic conditions and collateral, compliance with limits, contractual obligations as well as both external and internal requirements.

Commitments are subject to suitable controls (intensive or problem loan monitoring) in accordance with their risk content.

Furthermore, credit risks are also managed by applying Volkswagen Bank GmbH's approval limits. These approval limits are fixed for each branch individually.

The local decision makers can exercise discretion within these limits.

Analyses of the portfolios are performed at the portfolio level for risk monitoring purposes. The Credit Risk Portfolio Rating combines different risk parameters in a key ratio, ensuring comparability of the international portfolios of Volkswagen Bank GmbH. Risk reviews are performed at the branch level in the event of problems.

All rating and scoring models used in Germany and abroad are validated regularly and enhanced as necessary. For this purpose, the rating and scoring models for all significant portfolios were reviewed through model validations in the financial year just ended. Validation refers in particular to checking whether the models are separable and calibrated in ways adequate to the risks. If it is determined that action is required, such action can include shortening the interval until the next validation, recalibrating the model or even developing a new model. In order to ensure a high standard of quality, the models developed abroad are subject to centralised quality assurance by the Risk Assessment Procedures and Basel II department, which centrally monitors all models in Germany and enhances them as necessary. A risk committee which meets in different committees is in place to approve rating and scoring procedures.

Risk communication
The company's exposure to risk is reported as part of the quarterly risk management report.

The risk management report contains a variety of disclosures regarding the significant structural risk characteristics of Volkswagen Bank GmbH at the portfolio level. Recommendations as to possible actions are included in the report's disclosures as necessary. Noteworthy individual exposures are also discussed.

The Board of Management is notified immediately by means of ad hoc reports of any substantial need for risk provisions.

Counterparty risk

Definition
At Volkswagen Bank GmbH, counterparty risk is the risk resulting from overnight deposit and term money transactions and from the conclusion of transactions involving interest rate and currency derivatives.

Parameters/risk strategy
The risk strategy lays out the strategic principles governing counterparty risks. Counterparty risks may only be incurred subject to approved limits as well as regular assessment and monitoring.

Risk assessment
As part of the risks of counterparty default, counterparty risks are recorded separately from market price risks. This also applies to risks of counterparty default from derivative transactions.

Counterparty risks are determined based on an expected loss estimate, i. e. the present value is weighted by a credit-rating factor. Average (cumulative) one-year credit loss rates are used to quantify the credit-rating factor of the default risk.

Risk management and monitoring
Treasury is responsible for risk management in relation to counterparty risks. Risk Management determines and monitors the risk of counterparty default on a daily basis.

A limit system is used to limit the counterparty volume per counterparty. Compliance with these counterparty volume limits is monitored by the Treasury back office.

Risk communication
Utilisation of the counterparty risk limit is reported to Volkswagen Bank GmbH's Board of Management in connection with monthly reporting.

Country risk

To the extent necessary in the context of business activities, the evaluation and management of country risks is based on the assessment of a country's long-term foreign currency liabilities (sovereign ratings) carried out by the rating firms, Moody's Investors Service and Standard & Poor's. Volkswagen Bank GmbH does not enter into any appreciable country risks.

Shareholder risk

Definition
Shareholder risk means the risk that after contributions of capital are made to a company, losses with negative effects on the carrying amount of the equity investment might occur.

Parameters/risk strategy
Generally, Volkswagen Bank GmbH makes equity investments in other companies that serve to achieve its own corporate goals. The intention to hold an investment in the long term is the decisive criterion in this regard.

Within Volkswagen Bank GmbH, Mergers & Acquisitions is responsible for managing the company's equity investments as well as the related acquisition and disposal processes.

Volkswagen Bank GmbH influences the business and risk policies of companies in which it holds an equity interest via its agents on the ownership or supervisory bodies.

Volkswagen Bank GmbH has been holding a substantial – i. e. 50 % – stake in LeasePlan Corporation N.V., Amsterdam, which is held indirectly via Global Mobility Holding B.V. (GMH), Amsterdam, since the end of 2004. The bank also has held 60 % of the shares of VOLKSWAGEN BANK POLSKA S.A., Warsaw, since mid-2001.

Risk assessment
Equity investments are monitored by means of monthly reporting, analyses of the companies' economic development and regular Supervisory Board meetings. Mergers & Acquisitions (LeasePlan) and the department International Controlling (all other equity investments) support the management of both Volkswagen Financial Services AG and Volkswagen Bank GmbH in the pursuit of their interests.

Mid-term planning regarding the operational and financial development of the company's business is carried out once a year.

Despite the economic slowdown in the first half of 2009, LeasePlan's portfolio of current contracts declined by approximately 6 % compared to the end of the previous year. Rising residual value risks had a substantially negative impact on the results, as did rising loan default risks and higher refinancing costs. Key used vehicle markets have been recovering since the second quarter of 2009, in effect lowering the residual value risks in the year's second half.

Earnings, however, developed at a solid pace. Given the sharp decline in earnings for the first six months, the rating firm, Standard & Poor's, adjusted its rating to BBB+, outlook negative, while Moody's Investor Service maintained its A3, outlook negative, rating.

The shareholder risk is assigned a median probability of occurring, based on current economic developments. LeasePlan is expected to continue to generate profits, given its leading position in worldwide multi-brand fleet management, despite the difficult economic environment.

Risk management and monitoring

Equity investments are integrated in the annual strategy and planning processes of Volkswagen Bank GmbH. The company influences the business and risk policies through its agents on ownership or supervisory bodies.

Additional departments are included in the management of equity investments as necessary.

The appropriate units are responsible for implementing risk management tools at the operating level.

Risk communication

The Board of Management of Volkswagen Bank GmbH, the Supervisory Board as well as the relevant departments are notified of early warning signals or significant (structural or economic) negative developments, and joint approaches are coordinated as necessary.

Critical equity investments are reported to the Board of Management; recommendations as well as the extent to which relevant measures have already been implemented must also be reported.

MARKET PRICE RISK

Market price risk refers to the potential loss resulting from disadvantageous changes in market prices or parameters that influence prices. At Volkswagen Bank GmbH, market risks are categorised into interest rate risks, foreign currency risks and price risks.

Risk Management is responsible for the measurement, analysis and monitoring of items affected by market price risks including the overall interest rate positions.

Market price risks are limited to 8 % of the risk-taking potential.

All risk types are assessed in the monthly Risk Management report using the value-at-risk (VaR) method and are offset against the ceiling for losses of Volkswagen Bank GmbH. The report makes the risk exposure arising from each individual type of risk transparent and includes recommendations aimed at countering these risks.

Interest rate risk

Definition

Interest rate risks include potential losses from changes in market rates. These risks arise from refinancing at non-matching maturities and from the different interest rate elasticities of individual assets and liabilities.

Interest rate risks are incurred in the banking book of Volkswagen Bank GmbH.

Parameters/risk strategy

Interest rate risks may only be incurred subject to approved limits as well as regular assessment and monitoring.

Risk assessment

Volkswagen Bank GmbH determines its interest rate risks as part of monthly monitoring using the value-at-risk (VaR) method based on a 40-day holding period and a confidence level of 99 %.

This model is based on a historical simulation and calculates potential losses taking 1,000 historical market fluctuations (volatilities) into account.

While the VaR so determined for monitoring purposes serves to assess potential losses under normal market conditions, forward-looking analyses are also performed using extreme scenarios.

Interest rate positions are subjected to stress tests comprising extraordinary changes in interest rates and worst-case scenarios and are subsequently analysed in terms of the at-risk potentials using the simulated results. In this connection, changes in the present value are also quantified and monitored monthly using the + 130 and – 190 basis points interest rate shock scenarios defined by the Federal Financial Supervisory Authority (BaFin).

The calculation of interest rate risks uses option models to account for early repayments under termination rights.

The conduct of investors in connection with unlimited bank deposits is modelled using internal models and procedures for managing and monitoring interest rate risks.

Risk management and monitoring

Treasury is responsible for risk management based on the resolutions of the Asset Liability Committee (ALC).

Risk Management is tasked with monitoring interest rate risks and reporting on them.

Risk communication

A separate report concerning Volkswagen Bank GmbH's current exposure to interest rate risks is submitted to management on a monthly basis.

Foreign currency risk

From the perspective of the bank as a whole, the operating business of the branch in the United Kingdom gives rise to currency risks because the bank refinances loans granted in British pounds in euros. Currency risks from refinancing are minimised by means of Treasury hedging transactions.

They are quantified monthly based on the VaR approach, analogous to the market price risks, and are included in risk assessment. Compared to the entire portfolio, these play only a subordinate role. In addition, endowment capital in the amount of GBP 79.6 million was made available to the branch in the United Kingdom. Given its unlimited maturity, the endowment capital which is refinanced in euros is not secured through hedging transactions.

Price risk

Volkswagen Bank GmbH incurs price risks in connection with the fund-based pension plan for its employees. Volkswagen Bank GmbH has undertaken to meet these pension obligations in the event the fund can no longer satisfy our employees' guaranteed claims.

This is why Volkswagen Bank GmbH also determines the risk exposure arising therefrom based on the value-at-risk (VaR) method and includes this result in the risk assessment described above.

LIQUIDITY RISK

Definition

The liquidity risk describes a company's risk of not being able to discharge its payment obligations in due time or in full. This requires distinguishing the deposit withdrawal risk in connection with unexpected drawdowns from credit commitments and/or unexpected withdrawals of bank deposits, and the refinancing risk that takes into account that required follow-up financing cannot be provided.

Parameters/risk strategy

The prime objective of cash flow management at Volkswagen Bank GmbH is to ensure the ability to pay at all times.

The refinancing of Volkswagen Bank GmbH is essentially executed in accordance with the applicable principles of Volkswagen Financial Services AG using capital market and asset-backed securities programmes as well as the direct bank deposits.

The liquidity risk strategies of Volkswagen Bank GmbH are determined in accordance with both the Treasury strategy of Volkswagen Financial Services AG and prevailing market conditions. The Operational Liquidity Committee (OLC) provides the strategic underpinnings for assessing the liquidity risk of Volkswagen Financial Services AG and Volkswagen Bank GmbH in compliance with risk policy guidelines.

Risk assessment

Both Treasury of Volkswagen Bank GmbH and the Group companies are responsible for identifying liquidity risks and for liquidity planning.

The Treasury unit of Volkswagen Bank GmbH bundles and evaluates the expected cash flows of Volkswagen Financial Services AG, Volkswagen Leasing GmbH and Volkswagen Bank GmbH. Daily liquidity needs are determined by the cash management office of Volkswagen Bank GmbH's Treasury back office for all companies domiciled in Germany.

Liquidity risks are identified and recorded based on daily liquidity requirements; daily, monthly and annual liquidity planning; as well as all available liquid reserves.

The determinants of liquidity planning take into account known payment obligations for one and the cash flow forecasts that are regularly verified based on historical values for another.

Volkswagen Bank GmbH has access to different liquidity reserves to protect it from unexpected fluctuations in cash flow. Besides the standby lines of credit from other banks, these mainly comprise securities deposited in Volkswagen Bank GmbH's operational safe custody account with Deutsche Bundesbank. New loans granted as well as deductions of both short-term deposits and refinancing due in six months are taken into account in the determination of the liquidity reserves.

Normal-case and worst-case analyses are performed as part of the monthly determination of these credit lines.

As a rule, standby credit lines are not utilised; they serve solely to secure liquidity.

To ensure professional liquidity management, Treasury prepares cash flow development statements, performs cash flow forecasts and determines the period for which cash will suffice, taking into account various basic assumptions and premises; this includes stress tests (normal case with availability of external funds and worst case with no availability of external funds at all as well as increased withdrawal of deposits).

Managing Volkswagen Bank GmbH's liquidity risks requires strict compliance with the liquidity ratio prescribed by the Liquidity Regulation. Treasury manages this key ratio proactively by imposing a floor for internal management purposes; in the reporting year, the key ratio substantially surpassed the regulatory minimum threshold at all times.

Risk management and monitoring

The OLC is responsible for long-term management and monitoring of liquidity risks. It monitors the current liquidity situation in its weekly meetings and either decides on refinancing measures or prepares the requisite decisions for the decision makers. Risk Management monitors liquidity in terms of its adequacy.

Both an emergency plan for liquidity bottlenecks and a suitable action plan for obtaining liquidity are available in the event of a market crisis.

These measures prescribe immediate notification of a fixed set of recipients including the Board of Management in the event of a severe liquidity bottleneck (complete drying up of the markets). A crisis committee is appointed; it is tasked with making all decisions relevant to liquidity and/or laying the groundwork for decisions by the Board of Management.

The external rating of Volkswagen Bank GmbH has an impact on the refinancing costs of capital market programmes. At this time, the rating agencies have given Volkswagen Bank GmbH a long-term rating of A– with a negative outlook (S&P) and A2 with a stable outlook (Moody's).

We have further diversified the sources of refinancing since the onset of the financial crisis, which has been ongoing since the third quarter of 2008. Volkswagen Bank GmbH refinances itself based on a mixture of customer and bank deposits. Furthermore, ABS transactions were placed by both Volkswagen Bank GmbH and Volkswagen Leasing GmbH and acquired by Volkswagen Bank GmbH for the purpose of depositing the proceeds in the collateral deposit account and thus participating in the European Central Bank's open market operations.

Risk communication

As part of risk communication, the managing directors of Volkswagen Bank GmbH are informed daily of outstanding refinancing, open confirmed bank credit lines and the value of the standby credit line with the German Central Bank. The Board of Management is informed monthly of the current liquidity situation including its adequacy. Material information is also transmitted on short notice through ad hoc reports.

OPERATIONAL RISK

Definition
Operational risks at Volkswagen Bank GmbH are defined as the threat of losses that occur as a result of inadequate or failing:

- internal processes (process risks),
- personnel (personnel risks),
- technology (infrastructure and IT risks),
  or as a result of:
- external events (external risks).

The definitions of these four risk categories include the respective legal risks. Strategic risks and reputation risks are not considered under operational risks.

Parameters/risk strategy
Group Risk Management is responsible for developing guidelines, procedures, methods, models and systems for identifying, assessing, managing, monitoring and communicating operational risks. The aim is to make management aware of risks that have been determined and measured, initiate countermeasures and establish safeguards to ensure that such losses or similar losses do not occur again, to the extent possible.

The OpR manual and the OpR strategy are two key pillars for managing operational risks.

Risk identification and assessment
Self-assessment and the loss database are further pillars for managing operational risks.

At least once a year, local experts record and assess in both quantitative and qualitative terms risk scenarios in a variety of risk categories according to estimates of loss amounts and frequencies using standardised and IT-based self-assessments.

Both internal losses and monetary operational losses are recorded in the central loss database by local experts, who create the relevant data histories and analyse the data.

Risk management and monitoring
Operational risks are managed by the companies and divisions based on the guidelines that have been put in place as well as the requirements applicable to staff and controlling personnel responsible for each specific risk type.

Group Risk Management is tasked with reviewing the plausibility of local self-assessments regarding the extent and frequency of losses. The loss database makes it possible to systematically analyse occurrences of loss and to monitor the measures that local experts have initiated.

Each individual OpR business unit must prepare and monitor independent risk control and management measures subject to cost/benefit aspects.

Risk communication
The findings of the self-assessment as well as the data from the loss database are published as part of the risk management report. Ad hoc reports are issued in the event of major losses.

Business continuity management
The goal of the Corporate Security unit is to ensure security for individuals and property at Volkswagen Bank GmbH and to avoid damage to its image and losses from operational disruptions. Under Corporate Security's direction, Volkswagen Bank GmbH is establishing a global security quality management system together with its affiliated companies and branches, which, among other things, takes into account the varying government and civil security requirements.

External risks capable of triggering the loss of infrastructure, buildings or personnel are assessed by Corporate Security in collaboration with the appropriate departments, and suitable measures for preventing or reacting to such events are put in place.

Company-wide crisis and emergency management deals with business continuity planning, among other things.

It focuses on avoiding and/or mitigating losses from operational disruptions by designing and establishing emergency and restart plans that are tested at regular intervals.

RESIDUAL VALUE RISK

Definition

A residual value risk exists when the estimated market value of a leased asset at the time of disposal upon expiration of a contract is less than the residual value calculated at the time the contract was closed. However, it is also possible to realise more than the calculated residual value at the time the leased asset is disposed of.

Direct and indirect residual value risks are differentiated relative to the bearer of the residual value risks.

A direct residual value risk is present when the residual value risk is borne by Volkswagen Bank GmbH or one of its branches. An indirect residual value risk is present if the residual value risk has been transferred to a third party based on the guaranteed residual value (e. g. customers, dealerships).

The initial risk is that the counterparty guaranteeing the residual value might default. If the guarantor of the residual value defaults, the leased asset and hence the residual value risk are transferred to the lessor.

The year 2009 was marked by a weak economic environment. This caused market players to initiate countermeasures such as the enactment of governmental scrapping bonuses as well as the expansion of rebates for new vehicles. This had a negative impact on prices for used cars and thus on the exposure to risk.

As expected, a much higher amount was required in 2009 than the previous year to cover the residual value risks by writing them down to the lower net realisable value in order to counteract the ramifications of the global financial and economic crisis.

The effects of the crisis have not been all that dramatic for the Volkswagen Group overall because it is not as present in the highly affected segments of high consumption vehicles such as SUVs and because it is well positioned relative to its competitors by virtue of its high-value and environmentally-friendly models whose value offers greater stability.

Additional risks were avoided through steps such as continuous updating and ongoing development of the residual value forecast models applied; early adjustment of the residual value recommendations to realistic market conditions; further diversification and expansion of the sales channels for lease returns as well as the continuation of previously enacted measures aimed at supporting and stabilising residual values in cooperation with the brands.

The economic climate will remain difficult in 2010 as well. The value of used vehicles is expected to remain under high pressure, especially in France.

Parameters/risk strategy

The residual value risk management feedback control system requires regular residual value forecasts and continuous risk assessments, mainly in regards to direct residual value risks. Proactive marketing activities are derived from the assessment results in order to optimise earnings from the assumption of residual value risks.

The marketing results so obtained are considered in the review of the residual value recommendations.

Local strategies applicable to the branches' residual value risk are combined in the overall risk strategy.

Risk identification and assessment

Direct residual value risks are identified for the first time based on the product approval process.

Risks are quantified regularly throughout the year by means of evaluations and analyses on a contract-by-contract basis. The contracted residual values are compared to attainable market values that are generated from both the data of external service providers and our own marketing data.

A variety of procedures are used to forecast residual values in this connection.

Internal and external data regarding the development of residual values subject to differential weighting are considered in the residual value forecasts depending on local specificities and historical data derived from the marketing of used cars.

The difference between the forecast value of the used car and the calculated residual value yields the residual value risk/opportunity.

Risk management and monitoring
Group Risk Management regularly reviews the adequacy of the risk provisions as well as the residual value risk potential as part of risk management.

Opportunities from residual values are not considered when setting up risk provisions.

Given risk distribution, as at the assessment date the risks incurred may not always be hedged in full at the level of the individual contract while it is in effect. As far as previously identified risks are concerned, in future the net amounts of risk allocated to the remaining term must still be earned and included in the writedowns to the lower net realisable value.

The resulting residual value risk potential is used to take a variety of measures as part of proactive risk management in order to limit the residual value risk.

Residual value recommendations regarding new business must take both prevailing market conditions and future drivers into account.

In order to reduce the risks upon expiry of a contract, the sales channels must be reviewed continuously such that the best possible result may be achieved at the time the vehicles are sold.

Group Risk Management monitors residual value risks within Volkswagen Bank GmbH.

The numbers reported in connection with residual value risks (portfolio assessment, marketing results, maturity tables, market data etc.) are subject to plausibility checks.

Risk communication
Group Risk Management reports on the situation regarding residual value risks as part of the risk management report.

Events having significant effects on risk exposures are communicated to the Board of Management using an ad hoc reporting system.

CONCENTRATIONS OF RISK

Explanation of our business model
Volkswagen Bank GmbH is an institute focused on specialised financial services (captive). By its nature, this business model makes it impossible to avoid concentrations of risk in the risk types, »credit risk« and »residual value risk«. Hence these risks are analysed and reported in detail in accordance with the business model. Existing concentrations of risk in credit risks or residual value risks are thus adequately considered and monitored.

There are no concentrations of risk in the other risk types. Existing and potentially new concentrations of risk are continuously discussed and monitored as part of both the commen risk management loop and regular risk reporting.

Concentrations of credit risk
Concentrations of credit risk arise if a major portion of the loans are extended to a just few borrowers/contracts. But concentrations of credit risk are of secondary significance to Volkswagen Bank GmbH given its international positioning and the fact that its activities mainly concern small (retail) loans. The credit and leasing subportfolios of the retail business have a highly granular structure in the markets relevant to considerations of risk, even at the country level. In the corporate business, credit risks related to the dealer and the non-dealer business are transnationally diversified. In addition, detailed reports to the Board of Management on noteworthy exposures and analyses of size class structure at the country level in the corporate business ensure that concentrations of credit risk are detected early as they arise.

Concentrations of risk classes
Concentrations of risk classes can arise from the non-homogeneous distribution of credit ratings, especially in connection with individual risk rating procedures. Concentrations of borrowers in particular risk classes do not trigger particular risks in connection with certain risk rating procedures because the branches of Volkswagen

Bank GmbH employ highly diversified risk rating procedures.

Concentrations of industries

In sectoral terms, Volkswagen Bank GmbH is broadly positioned by country and industry in both the retail and the non-corporate-dealer business. Whilst the global economy materially affects the development of the existing portfolio's credit score, the impact of specific industries on it is limited. Sectoral risks in the dealer business are inherent to a captive and are analysed in ways appropriate to the given industry.

Concentrations of collateral

Concentrations of collateral are inherent to a captive and integral to the given business model. They arise when a substantial portion of receivables or leasing transactions are collateralised by a single type of security. Vehicles are the dominant type of collateral for Volkswagen Bank GmbH. Risks arising from such concentrations of collateral basically arise when negative price developments in the used vehicle markets reduce both the value of the collateral and the proceeds from the disposal of the collateral if borrowers and lessees default. In terms of the vehicles that serve as collateral, Volkswagen Bank GmbH is diversified not just across all automotive segments but also across many countries in Europe. The range of vehicles that are financed and leased is equally diversified. Both of these effects reduce the risk of concentrations of collateral. In its capacity as an automotive financial services provider, Volkswagen Bank GmbH possesses broad expertise and many years of experience in managing and controlling the resulting risk.

Concentrations of products

Risks from concentrations of products arise from large exposures in certain credit risk products even if the product range is broadly diversified. Such concentrations are inherent to a captive in the automotive financing industry. Hence credit risks are reported and controlled by individual product. Risks are consolidated on an additive basis at the portfolio level such that the mitigating effect of any product diversification on risk is not taken into account. Moreover, innovation within the product range is ongoing and country specific such that the product range is diversified within the automotive financing division.

Regional and country concentrations

Risks from concentrations of countries or regions arise from large loan portfolios in specific countries and regions even if the portfolio is broadly diversified. The portfolio of Volkswagen Bank GmbH in Western Europe is transnationally diversified. These countries are given priority in risk reporting and, as a rule, are evaluated by means of special risk rating procedures, i. e. the internal ratings based (IRB) method. At the portfolio level, risks are additively aggregated such that the methodology used to measure risk does not consider the diversification of credit risks resulting from the company's international positioning.

Counterparty risk

Concentrations of risk do not arise from monetary investments in different counterparties because limits are imposed.

Currency risk

There is no concentration of risk in this area because the company's international positioning does not create any concentrations in the form of larger commitments in one or a few foreign currencies.

Price risk

Price risks arise for Volkswagen Bank GmbH solely in connection with the investment of pension provisions. An adequate investment plan helps to avoid concentrations of risk.

Interest rate risk

Volkswagen Bank GmbH is not faced with concentrations of interest rate risks because its activities are executed in currencies subject to different interest rates and are also properly diversified in terms of the timeframe.

Operational risk

Concentrations of operational risks can arise if defaults or risks in different departments or countries are mutually dependent or at least facilitate each other and are thus more likely to occur during the same period for that reason.

Such concentrations in individual OpR categories or even in sub-categories (e. g. external fraud) are almost impossible to avoid because the contributing factors are manifold and generally cannot be »diversified«. Any steps taken after a loss has occurred serve to avoid the individual cause in future but they do not prevent concentrations of risk in the respective category or subcategory.

Particular concentrations of risk are mapped and explained as necessary when operational risks are determined as part of the annual self-assessment and the compilation of loss data.

Residual value risk

Concentrations of residual value risks arise if a major portion of the at-risk residual values are concentrated on a few automotive segments and models. Accordingly, such concentrations are considered in the risk measurement methodology applied, the risk reporting and the analysis at the level of both brands and models in connection with the residual value risk management circle. In regards to residual automotive values, Volkswagen Bank GmbH is also diversified across all segments given the Group's broad range of brands and models.

Special risks arising from the global financial market crisis

At this time, the Board of Management of Volkswagen Bank GmbH does not see any need to make additional provisions for risks because the government interventions have stabilised the financial and capital markets, the global economy is gradually recovering and the refinancing markets are coming back to life.

The existing risk management system of the bank adequately takes the structural changes resulting from the crisis of the financial markets into account – especially at the level of contract execution and refinancing.

Risks at the refinancing level

Whilst the cost of refinancing Volkswagen Bank GmbH via the international money and capital markets rose substantially at the start of the year in the wake of the financial market crisis, risk premiums recently started to decline again.

Increasing the collateral deposit account with the European Central Bank, which allows Volkswagen Bank GmbH to participate in the refinancing facilities, has turned out to be an efficient liquidity reserve.

The security of customer deposits attained central significance in the course of the crisis of the financial markets.

In Germany, certain bank deposits such as checking accounts or term deposits are now guaranteed by the Federal Republic of Germany above and beyond the existing guarantee mechanisms (German Deposit Insurance Fund).

Any withdrawal of bank deposits from Volkswagen Bank GmbH in the wake of the financial market crisis or a further deterioration of the situation on the money and capital markets would greatly undermine the Group's ability to refinance itself.

Yet this potential loss of liquidity could be counteracted if Volkswagen Bank GmbH is given permission to avail itself of the liquidity infusions that the European Central Bank is providing to banks.

In 2008, Volkswagen Bank GmbH had applied for guarantees under the German Financial Market Stabilisation Fund Act for refinancing purposes.

Given the normalisation of the money and capital markets and the highly positive development of Volkswagen Bank GmbH's deposit business, it was no longer necessary for Volkswagen Bank GmbH to utilise the government's guarantees. Volkswagen Bank GmbH therefore withdrew its application at the end of 2009.

Summary

In connection with its business activities, Volkswagen Bank GmbH responsibly assumes risks typical of banks. This is based on a comprehensive system for identifying, measuring, analysing, monitoring and controlling risks as an integral component of an integrated risk/return-oriented control system.

This system has been continuously enhanced in 2009, bearing in mind the legal requirements associated with risks in the banking and leasing business.

The final version of the amendments to the minimum requirements for risk management (MaRisk) was published in the German Financial Supervisory Authority's Circular 15/2009 dated 14 August 2009. Volkswagen Bank GmbH attaches high priority to the new requirements and is in the process of implementing them.

Among the default risk categories, credit risk in the dealer and retail customer business represents the material risk type for Volkswagen Bank GmbH. By using modern tools for risk identification, analysis and monitoring, credit risk in connection with our business activities is actively controlled and secured using our own resources in accordance with the requirements of the German Banking Act.

In 2009 Volkswagen Bank GmbH successfully met its challenges despite the difficult conditions; in the final analysis, adequate handling of the risks arising from the worldwide crisis of the financial markets was critical to the company's success.

Volkswagen Bank GmbH will continue to invest in the optimisation of the comprehensive control system and the risk management systems in order to fulfil the business and statutory requirements for risk management and control.

OPPORTUNITIES FOR VOLKSWAGEN BANK GMBH

Macroeconomic opportunities

The balanced refinancing mix of Volkswagen Bank GmbH, its solid capitalisation, the high quality of its assets and prudent liquidity targets create stability. The fact that confidence among the players in the financial sector has been restored benefits Volkswagen Bank GmbH in terms of the percentage of capital market funds in its refinancing mix.

Volkswagen Bank GmbH expects its own economic development to stabilise against this backdrop.

Strategic opportunities

GEOGRAPHIC EXPANSION

There are opportunities above and beyond the internationalisation strategy described in the section entitled »Anticipated developments«. These opportunities concern further geographic expansion into markets where Volkswagen Bank GmbH can use its financial services to promote the sales of Group vehicles. The targeted rates of return of Volkswagen Bank GmbH as well as the sales promotion potential are relevant to any decision to enter a particular market.

POSITIONING IN THE MARKET

The share of financed vehicles in total vehicle sales continues to rise in the new and used car segment as a result of changing consumption patterns. Together with the heightened integration of Volkswagen Bank GmbH with the brands of the Automotive Division, this creates the opportunity to expand the volume above and beyond the targets previously anticipated.

COST SYNERGIES

Aside from the aforementioned measures that serve to enhance efficiency in individual markets, both the ongoing development of IT systems and the joint utilisation of system platforms across several countries offer additional opportunities for realising cost synergies.

PERSONNEL REPORT

Personnel figures

As at the end of 2009, a total of 838 (previous year: 777) employees of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH's business units under staff leasing agreements.

Volkswagen Bank GmbH continues to employ certain staff directly due to regulatory requirements. At 31 December 2009, this staff numbered 644 (previous year: 669), 125 (previous year: 146) of which were employed in Germany.

Key issues in personnel management

At Volkswagen Financial Services AG, personnel management covers all domestic companies of the Volkswagen Financial Services Group.

The development of the employee strategy, »We are a top team«, was an integral part of the WIR2018 corporate strategy. Topics such as personnel development, flexible and customer-focused organisational development, compensation and benefits as well as international human resources management were given priority.

Among other things, the 2009 collective agreement of Volkswagen AG laid the groundwork for introducing a performance-based element of compensation for employees subject to collective agreements. This means that starting in 2011, the company will also place greater emphasis on individual performance in light of the WIR2018 strategy.

The establishment of a new health centre, the introduction of new targets in health management as well as the international roll out of the mood barometer were core concerns at the level of the company's leadership and corporate culture. The survey has now been conducted in 13 countries. Roughly 86 % of the company's employees in Germany participated in the third instalment of the survey that was carried out this year.

The financial and economic crisis posed major challenges for the flexible use of human resources in 2009. We have started to implement a cross-divisional flexibility and capacity management tool based on the experience with the scrapping bonus in Germany in order to ensure, at all times, that our human resources are available where and when they are needed.

Each year, Volkswagen Financial Services AG hires 20 bank officer trainees/ Bachelor of Arts students (a dual course of study offered by Welfenakademie, a university of co-operative education). The trainee programme also allows Volkswagen Financial Services AG to offer highly qualified college graduates an attractive option for joining the company. The Explore the World programme was newly introduced; it gives trainees, who have completed their apprenticeship and possess above-average credentials and development potential, the opportunity to gain international experience in our foreign branches.

Each employee's need for qualifications is determined in the annual employee performance review, and suitable measures aimed at developing their competence are agreed upon with them. Many qualifications are obtained at the company's own training centre. These training programmes are closely aligned with the company's products, processes and systems.

We identify our need for specialists in coordination with the appropriate departments and develop suitable development concepts.

The second round of the General Management Program started as part of our international personnel work. Fifteen managers of eight nationalities from 12 countries are participating in this internal professional qualification programme. The programme aims to impart broad knowledge of our company's strategy, products and markets as well as of its principles and instruments of governance to Country Managers in a structured environment.

REPORT ON THE BRANCHES AND BRANCH OFFICES

The branches of Volkswagen Bank GmbH (Audi Bank, SEAT Bank, Škoda Bank and AutoEuropa Bank) provide targeted support for vehicle financing in connection with these Group brands.

As previously, Volkswagen Bank GmbH has branch offices in Berlin, Brunswick, Emden, Hanover, Ingolstadt, Kassel, Neckarsulm, Salzgitter, Wolfsburg and Zwickau, offering customers over-the-counter, consultation and cashpoint services.

Volkswagen Bank GmbH is represented in the European market by branches in eight EU countries, which were set up using the »European Passport«. Each of the international branches of Volkswagen Bank GmbH in Belgium, France, Greek, the United Kingdom, Ireland, Italy, the Netherlands and Spain conduct their local business with its own staff. The branches employed 519 members of staff as at the end of 2009 (previous year: 523).

EVENTS AFTER THE BALANCE SHEET DATE

No important events beyond those described in this report occurred after the close of the 2009 financial year.

ANTICIPATED DEVELOPMENTS

Global economy

Our plans assume that the recovery of the global economy, which started in mid-2009, will continue in 2010. The Asian emerging markets are expected to generate the greatest growth momentum while the industrialised countries will only recover slightly.

We prepare our forecasts based on external institutions' current assessments, including economic research institutes, banks, multinational organisations and consulting firms.

Whilst Western European countries are expected to generate moderate growth, the recovery in Central and Eastern European countries will be slightly more dynamic.

Unemployment figures will probably continue to rise even though the recovery in Germany will continue in 2010.

Financial markets and competitive situation

The stimulus packages that major states enacted in 2009 prevented the banking system from collapsing and restabilised the real economy. The financial markets expect regulatory supervision to be tightened as a result. The 20 most important industrialised countries already agreed on initial steps toward a new regulatory regime at their summit meeting in Pittsburgh, USA, in September 2009. The envisioned international reform package provides for rules and regulations that are to enacted in the individual countries by 2012. Increasing the banks' equity and improving in qualitative terms is at the heart of these measures in order to ensure that especially risky off-balance sheet transactions are also disclosed. New, stricter rules will also be enacted with respect to Basel II, gearing, derivatives, major banks (»systemic banks«), accounting rules and the tax havens.

It is foreseeable that some banks will be subject to severe restrictions besides having to deal with the administrative burden that these new rules and regulations will entail.

The new rules are likely to have a serious impact on the business of the mobility services providers – particularly the leasing companies in Germany, whose activities have been governed by the German Banking Act since the financial year just ended. Since the new leasing contract business collapsed in the wake of the 2009 economic and financial crisis, this situation will generate additional cost and competitive pressures – also against the backdrop of rising residual value risks – and hamper the recovery in the mobility services market. As a result, each bank's business model will be decisive to its existence as a going concern.

Service business throughout the mobility services industry is expected to decline in 2010, particularly in those countries where the scrapping bonus was enacted to stimulate the economy. The commercial business is not expected to recover rapidly either. Whilst no additional interest rate and liquidity risks are anticipated at this time due to central banks' determined monetary policies, the non-captive mobility services providers will continue to be exposed to intensifying consolidation pressures.

This backdrop underscores the competitive advantages of banks such as Volkswagen Bank GmbH that possess an integrated business model, a strong equity base and a healthy refinancing base.

Automobile markets

We expect that our European core markets in particular will face a difficult environment in 2010 despite the general economic recovery. Many people purchased vehicles in 2009 instead of later on due to governmental incentive programmes. This means that the ramifications of the financial and economic crisis for the automotive market will be shifted into 2010. Rising commodities prices and stricter emissions standards will also impair automotive demand.

We expect the Western European passenger car market to shrink in 2010 because many economic and labour market programmes are set to expire this year. Whilst demand in Germany will be much lower, we expect China and India – two important markets, strategically speaking – to continue along a positive trajectory. The North American market is expected to recover slightly. In 2010, global demand for new vehicles will likely be a bit higher year on year.

In Western Europe (excluding Germany), demand for passenger cars will shrink substantially because economic stimulus packages are expiring. In 2010, the markets in Central and Eastern Europe will continue to suffer from the fallout of the financial and economic crisis. We expect demand in this region to decline overall even though some countries are showing signs of stabilising.

The German market will have a difficult time in 2010 because demand for new vehicles will decline substantially despite the slight improvement in the economic climate. The statutory scrapping bonus generated strong demand in the private sector during the reporting year. In many cases however, people made their purchasing decisions in 2009 merely because they wanted to benefit from improved terms. Whilst we expect the German passenger car market to reach its lowest point in 2010, the fallout of the crisis will continue to affect its development in years to come as well.

Development of Volkswagen Bank GmbH

In light of macroeconomic developments, the company anticipates its financial services business to stabilise. In 2010 and 2011, it will be necessary to strengthen and further expand the close cooperation with the brands in the Volkswagen Group, a process that has been carried out successfully since 2007. The closer integration of brands and financial services not only led to the creation of attractive product packages for customers but also drove up value creation in the Group. This successful strategy will be pursued further, and extended to other Group brands and markets.

The Volkswagen Bank *direct* division continues to be of great significance given its Deposit volume and its use of innovative sales channels. The substantial expansion of volume in 2009 amid the crisis of the financial markets shows that our customers place their trust in the continuity of our business policies. Consistent development of this division aims to boost the deposit volume on a continuous basis for refinancing purposes.

Internationally, Volkswagen Bank GmbH will focus on the continued expansion of its activities in existing branches.

Its 50 % share in Global Mobility Holding B.V., Amsterdam, gives Volkswagen Bank GmbH an indirect interest in LeasePlan Corporation N.V. (LeasePlan), Amsterdam, and thus in the latter's earnings from multi-brand fleet management.

LeasePlan slightly reduced its fleet management portfolio year on year in the light of the global economic crisis. The company is focused on maintaining its margins instead of on growing. Residual value losses upon expiration of a contract, higher loan default risks and increased refinancing costs had a substantial impact on earnings, as expected. Yet earnings remained solid in 2009 despite the challenges.

In early October 2009, LeasePlan placed an unsecured bond on the capital market for the first time since 2007. The company also plans to establish a deposit business in 2010, which will further improve its refinancing that year. LeasePlan expects business to continue showing a sustained, positive development based on its leading position in worldwide multi-brand fleet management.

The harmonisation and standardisation of business processes is crucial for the development of Volkswagen Bank GmbH. Standardised business processes that can be integrated into the divisions of the Volkswagen Financial Services AG Group provide the basis for increasing flexibility for new products and targeting customers based on their requirements.

Close integration with both the Volkswagen Group's brands and the subsidiaries of Volkswagen Financial Services AG as well as the cooperation with the dealer organisation of the Volkswagen Group play a decisive role for Volkswagen Bank GmbH. The brand-orientated mobility packages developed on the basis of these cooperation models will help to stabilise the competitive position of Volkswagen Bank GmbH.

Our customers' changing mobility needs require an innovative marketing and sales strategy. Growth areas such as short-term mobility must be expanded. The used vehicle business will revive in many European countries because the economic stimulus packages are expiring, and we will pursue our goal of continuing to expand our position in this segment through innovative products as well.

The following overall picture emerges, taking into account the aforementioned factors and the development of the market as a result of expiring governmental stimulus programmes:

The Board of Management expects volume development to remain tight. The Board of Management expects net interest income to be higher than in 2009 thanks to improved margins resulting from the easing of conditions in the capital markets, for one, and the large increase in deposits, for another. We expect conditions in the real economy as a whole to continue having a negative impact on risk premiums, thus keeping them at the same level as in 2009, the year of the crisis.

Net commission income will be lower than in 2009 due to the decline in sales of passenger cars and the resulting decline in new contracts.

In sum, the Board of Management expects total earnings to exceed the result achieved in 2009.

Annual financial statements (HGB)

Balance sheet as at 31 December 2009 of Volkswagen Bank GmbH, Brunswick

Assets	€ 000	31.12.2009 € 000	31.12.2008 € 000
1. Cash reserve			
a) Cash in hand	765		384
b) Deposits with central banks	613,357		693,174
of which:			
at the Deutsche Bundesbank € 604,575,000			(686,320)
c) Deposits with postal giro offices	72		23
		614,194	693,581
2. Receivables from financial institutions			
a) Payable on demand	1,001,944		814,220
b) Other receivables	384,110		497,663
		1,386,054	1,311,883
3. Receivables from customers		25,185,505	23,680,277
4. Debentures and other fixed-income securities			
a) Bonds and debentures			
aa) By public-sector issuers	0		0
of which:			
eligible as collateral at the Deutsche Bundesbank € 0			(0)
ab) By other issuers	3,814,051		3,401,375
of which:			
eligible as collateral at the Deutsche Bundesbank € 3,814,051,000			(3,401,375)
		3,814,051	3,401,375
5. Shares and other non-fixed-income securities		8,482	7,153
6. Equity investments		1,080,080	1,079,991
of which:			
in financial institutions € 16,106,000			(16,106)
7. Intangible assets		10,196	6,906
8. Tangible fixed assets		12,055	14,382
9. Leased assets		355,531	405,070
10. Other assets		167,113	251,371
11. Prepaid expenses		14,075	15,561
Total assets		**32,647,336**	**30,867,550**

Equity and liabilities	€ 000	31.12.2009 € 000	31.12.2008 € 000
1. Liabilities to financial institutions			
a) Payable on demand	115,785		12,336
b) With agreed repayment period or period of notice	392,245		2,689,508
		508,030	2,701,844
2. Liabilities to customers			
a) Other liabilities			
aa) Payable on demand	13,491,853		8,140,165
ab) With agreed repayment period or period of notice	7,451,913		6,668,004
		20,943,766	14,808,169
3. Securitised liabilities			
a) Debentures issued		3,679,336	5,260,343
4. Other liabilities		2,411,887	3,139,325
5. Deferred income		584,595	390,626
6. Provisions			
a) Provisions for pensions and similar obligations	43,137		42,129
b) Tax provisions	15,382		17,373
c) Other provisions	89,353		90,818
		147,872	150,320
7. Special tax-allowable reserve		2,160	2,233
8. Subordinated liabilities		675,000	1,320,000
9. Participation right liabilities		90,000	90,000
10. Fund for general banking risks		25,565	25,565
11. Equity			
a) Subscribed capital	358,279		358,279
b) Capital reserves	3,195,800		2,595,800
c) Revenue reserves			
ca) Other revenue reserves	25,046		25,046
		3,579,125	2,979,125
Total equity and liabilities		**32,647,336**	**30,867,550**
1. Contingent liabilities			
a) Liabilities from surety and warranty agreements		104,360	64,865
2. Other obligations			
a) Irrevocable credit commitments		857,515	777,024

Profit and loss account of Volkswagen Bank GmbH, Brunswick, for the period from 1 January to 31 December 2009

	€ 000	€ 000	2009 € 000	2008 € 000
1. Interest income from				
a) Lending and money market transactions	1,349,456			1,524,543
b) Fixed-income and book-entry securities	122,610			17,718
		1,472,066		1,542,261
2. Interest expense		766,643		904,915
			705,423	637,346
3. Current income from				
a) Shares and other non-fixed-income securities		262		490
b) Equity investments		2,538		31,613
			2,800	32,103
4. Income from leasing transactions		278,436		274,459
5. Expenses from leasing transactions		159,320		159,674
			119,116	114,785
6. Commission income		253,631		224,445
7. Commission expenses		167,109		170,354
			86,522	54,091
8. Other operating income			102,984	111,132
9. Income from the reversal of the special tax-allowable reserve			73	73
10. General administration expenses				
a) Personnel expenses				
aa) Wages and salaries	47,866			48,403
ab) Social security costs and expenses for pensions and support	14,811			15,714
of which:		62,677		64,117
for pension schemes € 6,309,000				(7,151)
b) Other administration expenses		357,959		362,788
			420,636	426,905
11. Depreciation, amortisation and value adjustments on intangible assets, tangible fixed assets and leased assets				
a) Depreciation, amortisation and value adjustments on intangible assets and tangible fixed assets		7,317		7,507
b) Depreciation of leased assets		93,627		83,187
			100,944	90,694
12. Other operating expenses			12,684	43,045
13. Amortisation and value adjustments on receivables and certain securities, as well as transfers to provisions for lending business			273,280	183,968
14. Amortisation and value adjustments on equity investments, shares in affiliated companies and securities treated as fixed assets			0	576
15. Income from write-ups to equity investments, shares in affiliated companies and securities treated as fixed assets			241	0
16. Income from ordinary business activities			209,615	204,342
17. Taxes on income and earnings			82,023	67,857
18. Other taxes, unless shown under item 12			2,024	2,543
19. Profits transferred under a profit transfer agreement			125,568	133,942
20. Net income			0	0
21. Retained profits brought forward			0	0
22. Net retained profits			**0**	**0**

Notes to the financial statements of Volkswagen Bank GmbH, Brunswick, as at 31 December 2009

I. GENERAL COMMENTS REGARDING THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were drawn up according to the stipulations of the German Commercial Code (HGB) and the Ordinance on Accounting for Banks (RechKredV).

A profit transfer agreement concluded with Volkswagen Financial Services AG came into effect on 1 January 2002.

Given the German Accounting Modernisation Act (BilMOG), under § 285 no. 21 HGB Volkswagen Bank GmbH must disclose in the notes as at 31 December 2009 material transactions with related parties that are not conducted at prevailing market terms. All transactions with related parties were conducted at prevailing market terms.

Pursuant to § 285 no. 3 HGB, off-balance sheet transactions include receivables from customer financing (ABS transactions) with a carrying amount of € 3,313,081,000 that are sold to special purpose entities in connection with real sales of receivables.

These transactions serve mainly to refinance the lending business. Since no rights of recourse against the seller of the receivables have been stipulated, the business risks arise from the fact that Volkswagen Bank GmbH itself continues to settle the customer financing receivables pursuant to the service agreements.

Volkswagen Bank GmbH did not execute any new ABS transactions in 2009 but it did sell receivables in connection with an existing revolving ABS transaction. This generated a cash inflow of € 384,000 for Volkswagen Bank GmbH. Nine additional transactions from previous years are being amortised.

Besides generating one-time liquidity inflows, these transactions do not have any additional material effects on the current and future liquidity and financial position of Volkswagen Bank GmbH.

II. ACCOUNTING POLICIES

Assets and liabilities are measured in accordance with the provisions of §§ 252 ff. HGB, supplemented by the provisions of §§ 340 ff. HGB.

In accordance with § 340 h HGB, currency translation was executed using average spot rates applicable as at 31 December 2009. Foreign currency assets that are treated as fixed assets were translated at cost to the extent that they are not hedged by liabilities or futures in the same currency. Unsettled forward exchange deals that serve to hedge interest-bearing balance sheet items were translated at the split forward rate, and the stipulated swap amounts were recognised on a pro rata basis. The unrealised gains/losses from the measurement of the currency hedging transactions using the average spot rate as at the balance sheet date are recognised as an adjustment item under »Other assets« or »Other liabilities«.

Tangible fixed assets with a limited period of use are depreciated in accordance with the provisions of tax law. The vehilces shown under Leased assets are depreciated using the straight-line method. Write-downs to the lower fair value are recognised in cases of permanent impairment for both balance sheet items.

There were changes regarding the recognition of Volkswagen Bank GmbH's operating leases.

The item »Leased assets« is shown under the item »Tangible fixed assets«.

In the profit and loss account, the depreciation of leased assets is shown separately as a sub-item of »Depreciation, amortisation and value adjustments on intangible and tangible fixed assets and leased assets«.

In the previous year, this depreciation was part of the item »Expenses from leasing transactions«. Previous year's figures were adjusted accordingly.

In contrast to the previous year, the items »Income from leasing transactions« and »Expenses from leasing transactions« are no longer combined to the item »Net income from leasing transactions«.

Equity investments are recognised at cost, receivables at their nominal value, and liabilities at their repayment value. Differences between net loan proceeds and nominal value are transferred to prepaid expenses/deferred income and written off according to schedule. Non-interest bearing and low-interest loans to staff are shown at their present value.

The measurement of provisions is based on the best estimate regarding the current obligation.

Loans involving securities are measured based on the securities' fair value at the transaction date. For securities in the liquidity reserves, which are measured based on market-related parameters, the strict lower-of-cost-or-market principle is applied, while securities shown under assets are measured according to the modified lower-of-cost-or-market principle.

The pension obligations are measured at their net present value determined according to actuarial principles, based on an interest rate of 6 % p. a. They are based on Dr. Klaus Heubeck's current mortality tables from 2005.

For all discernible risks, adequate precautions have been taken in the annual financial statements by means of specific valuation allowances and by creating provisions. The deferred risk in the lending business is covered by global valuation allowances.

III. NOTES TO THE BALANCE SHEET

Receivables from financial institutions

Receivables from financial institutions include receivables from affiliated companies amounting to € 402,220,000 (previous year: € 511,101,000), receivables from joint ventures amounting to € 768,000 (previous year: € 4,147,000) and receivables from investors and investees amounting to € 16,000 (previous year: € 101,000).

Of the receivables from financial institutions, maturity breaks down as follows:
- Payable on demand € 1,001,944,000 (previous year: € 814,220,000)
- Up to three months € 384,110,000 (previous year: € 384,620,000)
- More than three months and up to one year € 0 (previous year: € 113,043,000)
- More than one year and up to five years € 0 (previous year: € 0)
- More than 5 years € 0 (previous year: € 0)

All receivables from financial institutions are securitised.

Receivables from customers

The increase in customer receivables by € 1,505,228,000 to € 25,185,505,000 stems basically from the fact that the scrapping bonus helped to revive the new vehicle market in Germany.

This item includes unsecuritised receivables from affiliated companies amounting to € 2,338,386,000 (previous year: € 3,120,668,000) and receivables from joint ventures amounting to € 938,830,000 (previous year: € 992,616,000).

The maturity of the total receivables from customers, all of which are unsecuritised, breaks down as follows:
- Up to three months € 4.751.932,000 (previous year: € 7,038,997,000)
- More than three months and up to one year € 4.308.680,000 (previous year: € 2,862,258,000)
- More than one year and up to five years € 11.379.883,000 (previous year: € 8,238,128,000)
- More than five years € 431,580,000 (previous year: € 793,742,000).

The item »Receivables from customers« contains receivables with an indefinite maturity (under § 9 Para. 3 No.1 Ordinance on Accounting for Banks) amounting to € 4,313,430,000 (previous year: € 4,747,152,000).

The balance sheet item »Receivables from customers« includes subordinated receivables of € 4,000,000 (previous year: € 4,000,000).

Receivables from the leasing business total € 977,524,000 (previous year: € 923,428,000), of which € 523,485,000 (previous year: € 526,885,000) are attributable to the French bank branch and € 454,039,000 (previous year: € 396,543,000) are attributable to the Italian bank branch.

The French bank branch accounts for receivables from retail financing totalling € 422,315,000 (previous year: € 360.484,000).

Receivables from shareholders

Receivables from our sole shareholder, Volkswagen Financial Services AG, Brunswick, as at the balance sheet date amounted to € 544,033,000 (previous year: € 640,698,000).

Debentures and other fixed-income securities

To ensure the supply of liquidity, Volkswagen Leasing GmbH executed ABS transactions. The securities issued by the acquiring special purpose entities were not sold to investors. Instead, they were purchased by Volkswagen Bank GmbH and pledged as collateral for its participation in the open market operations of Deutsche Bundesbank. The total portfolio of these securities amounts to € 1,403,963,000 (previous year: € 541,594,000). Given the lack of a market, we used our own measurement model to determine the value of these securities, which are marketable but not listed. The cash flows were discounted in that connection using a uniform interest rate swap curve of the Volkswagen Group plus a credit spread. The credit spread was validated by indirect means based on various banks' indicative prices.

This item also contains the securities that Volkswagen Bank GmbH acquired in 2008 as part of ABS transactions. These securities worth € 2,044,389,000 (previous year: € 2,760,674,000) securitise the company's own receivables and are not measured because the risk of counterparty default is already taken into account in the receivables' measurement. The debentures are recognised at cost during the term of the transactions.

It also contains € 355,933,000 in debentures borrowed from other banks (previous year: € 99,107,000). They are measured based on the securities' fair value at the transaction date. The issuer is entitled to income from these debentures.

The securities and debentures shown in this balance sheet item concern € 3,458,118,000 (previous year: € 3,302,268,000) in marketable but not listed securities as well as € 355,933,000 (previous year: € 99,107,000) in marketable and listed securities.

All securities in the portfolio were deposited in the safe custody account with Deutsche Bundesbank. The serve as collateral for refinancing transactions. The company did not take out any loans on the open market.

A nominal amount of € 1,734,276,000 (previous year: € 1,062,495,000) of these debentures and other fixed-income securities will be due in the 2010 financial year.

Shares and other non-fixed-income securities

These concern a total of € 7,980,000 (previous year: € 6,694,000) in non-marketable securities-based investment funds that are treated as fixed assets and recognised in accordance with the modified lower-of-cost-or-market principle.

A write-up of € 241,000 (previous year: € 0) was recognised on the employee overtime deferred compensation fund in the 2009 financial year because the reasons for recognising an impairment loss no longer apply.

Additionally, € 502,000 in marketable and listed shares in VISA Inc., USA (previous year: € 459,000) were recognised at the market price.

Equity investments

The equity investments mostly concern shares in companies that are neither marketable nor listed. Only the share in VOLKSWAGEN BANK POLSKA S.A. is marketable but not listed.

A list of equity investments can be found in the »Shareholdings« section under »Other notes«.

Intangible assets

Intangible assets increased by € 3,291,000 to € 10,196,000 (previous year: € 6,905,000). The increase is essentially due to the acquisition of payment transaction software.

The remaining € 2,441,000 of the goodwill that was recognised under intangible assets as a result of the merger with VOLKSWAGEN FINANCE S.A. in 2008 were amortised in 2009.

Tangible fixed assets

The total value of the buildings and land used for our own activities is € 6,349,000 (previous year: € 7,036,000). The share of operating and office equipment in the tangible fixed assets is € 3,543,000 (previous year: € 4,961,000).

Leased assets

This item comprises € 355,531,000 (previous year: € 405,070,000) in leased vehicles related to the French branch's leasing business. The decline stems from the general downturn in demand and the trend toward vehicles leased at lower prices due to the financial crisis.

Other assets

The item contains receivables from interest rate hedging transactions amounting to € 42,285,000 (previous year: € 68,050,000), commissions due from insurance agency services amounting to € 12,705,000 (previous year: € 11,437,000) and tax receivables amounting to € 82,522,000 (previous year: € 69,633,000).

Forward exchange deals executed to hedge currency translation risks of the UK branch did not result in an equalisation item on the assets side (previous year: € 52,937,000). Instead, an equalisation item of € 14,188,000 (previous year: € 0) had to be recognised under other liabilities.

Prepaid expenses

The item includes accrued discounts amounting to € 2,883,000 (previous year: € 7,328,000) and insurance premiums paid in advance amounting to € 2,671,000 (previous year: € 1,530,000).

Liabilities to financial institutions

We were able to reduce borrowings from other banks thanks to the sharp increase in liabilities to customers resulting from direct bank deposits.

The maturity of the total liabilities to financial institutions, all of which are unsecuritised, breaks down as follows:

- Payable on demand € 115,785,000 (previous year: € 12,336,000)
- Up to three months € 88,620,000 (previous year: € 2,034,815,000)
- More than three months and up to one year € 124.708,000 (previous year: € 332,406,000)
- More than one year and up to five years € 123.729,000 (previous year: € 249.925,000)
- More than five years € 55,188,000 (previous year: € 72,362,000).

Liabilities to customers

The item includes liabilities to affiliated companies amounting to € 2,314,832,000 (previous year: € 1,670,907,000).

The deposit volume in the direct banking business markedly improved as a result of competitive terms and our intensifying collaboration with sales partners. Currently, it is € 18,266,272,000 (previous year: € 12,829,011,000).

In addition to this, there are liabilities still to be settled vis-à-vis dealers, customers and other creditors.

The loan liabilities to ABS special purpose entities that were reported under this item the previous year were reclassified to the item »Other liabilities«. These liabilities of € 2,137,829,000 (previous year: € 2,844,427,000) must be carried as a liability pursuant to IDW HFA 8 Text 41. The previous year's figure was adjusted accordingly for purposes of comparison.

The maturity of sub-item »ab) with agreed repayment period or period of notice«, is as follows:

- Up to three months € 2,304,869,000 (previous year: € 2,268,354,000)
- More than three months and up to one year € 1.953.771,000 (previous year: € 2,983,578,000)
- More than one year and up to five years € 3.107.276,000 (previous year: € 4.091.627,000)
- More than five years € 85,997,000 (previous year: € 168,872,000).

Liabilities to shareholders

Liabilities to our sole shareholder, Volkswagen Financial Services AG, Brunswick, as at the balance sheet date amounted to € 144,531,000 (previous year: € 157,900,000).

Securitised liabilities

The securitised liabilities comprise commercial paper and debentures. The total value is shown in full in the sub-item »a) Debentures issued«.

Commercial paper: € 104,835,000 (previous year:: € 256,836,000)

Remaining maturity

- Up to three months € 104,835,000 (previous year: € 234,050,000)
- More than three months and up to one year € 0 (previous year: € 22,786,000)

Debentures: € 3,574,501,000 (previous year:: € 5,003,507,000)

Remaining maturity

- Up to three months € 1,024,501,000 (previous year: € 558,507,000)
- More than three months and up to one year € 1.300.000,000 (previous year: € 895,000,000)
- More than one year and up to five years € 1,250,000,000 (previous year: € 3,550,000,000)
- More than five years € 0 (previous year: € 0)

Other liabilities

The loan liabilities to ABS special purpose entities amounting to € 2,137,829,000 (previous year: € 2,844,427,000) that were reported und the item »Liabilities to customers« the previous year were reclassified to the item »Other liabilities«. The previous year's figures were adjusted accordingly.

This item also includes interest and principal payable under ABS transactions amounting to € 174,891,000 (previous year: € 198,144,000), liabilities from interest rate hedging transactions amounting to € 27,657,000 (previous year: € 45,570,000), liabilities to the German Tax Office amounting to € 34,926,000 (previous year: € 24,003,000) and liabilities from accrued interest for subordinated bonds and for participation right liabilities amounting to € 11,362,000 (previous year: € 14,174,000).

Deferred income

This item essentially comprises accrued amounts from manufacturer and partner participation in sales promotion campaigns in the amount of € 568,829,000 (previous year: € 373,855,000) as well as interest payments received for construction loans in the amount of € 3,800,000 (previous year: € 2,933,000), which are recognised over the term of the respective contracts.

Special tax-allowable reserve

The special tax-allowable reserve was recognised on the basis of § 3 of the Law for the Promotion of the Economy of the Border Regions (Zonen-RFG). The reversal of this reserve in the reporting period increased net income for the year by € 73,000 (previous year: € 73,000).

Subordinated liabilities

Subordinated liabilities amounting to € 673,374,000 (previous year: € 1,315,496,000) are a component of liable capital under the stipulations of the German Banking Act (§ 10 Para.5).

The total amount includes subordinated bonds placed on the public capital market amounting to € 436,000,000 (previous year: € 1,186,000,000) and subordinated borrower's note loans amounting to € 239,000,000 (previous year: € 134,000,000).

There are no early repayment obligations for the subordinated liabilities.

A conversion into capital or other form of debt has not been agreed, nor is it planned. Derivative transactions were undertaken in order to hedge interest rate risks. The expenses in connection with the raising of subordinated loans and bonds amounted to € 42,050,000 (previous year: € 52,255,000).

The expenses in connection with the raising of subordinated borrower's note loans amounted to € 6,922,000 (previous year: € 6,999,000).

This item does not contain any subordinated liabilities to companies of which Volkswagen Bank GmbH is an investor or investee.

The subordinated include unsecuritised liabilities to affiliated companies amounting to € 105,000,000 (previous year: € 0). They exclusively concern our sole shareholder.

Subordinated bonds

Beginning of term	€ 000	Interest rate %	Interest rate valid until	New interest rate agreement based on	Date due
11.09.2003	16,000	5.25000	11.09.2013	Fixed interest rate	11.09.2013
19.09.2003	50,000	5.12500	19.09.2013	Fixed interest rate	19.09.2013
26.09.2003	20,000	5.40000	26.09.2023	Fixed interest rate	26.09.2023
23.09.2003	10,000	1.83100	22.03.2010	6-month Euribor plus 80 basis points	23.09.2013
19.12.2003	10,000	5.14200	19.12.2013	Fixed interest rate	19.12.2013
07.06.2004	10,000	5.50000	07.06.2024	Fixed interest rate	07.06.2024
18.08.2004	20,000	5.12500	18.08.2014	Fixed interest rate	18.08.2014
12.12.2005	120,000	1.06200	21.03.2010	3-month Euribor plus 35 basis points	21.12.2015
03.03.2006	130,000	1.11400	14.03.2010	3-month Euribor plus 40 basis points	14.03.2016
21.11.2006	50,000	1.14700	25.02.2010	3-month Euribor plus 43 basis points	30.11.2016

The subordinated bond for € 750,000,000 was terminated and repaid by the issuer effective 3 December 2009 in accordance with the conditions of the bond.

The subordinated bonds in the amount of € 120,000,000 and € 130,000,000 both exceed 10 % of the total amount of subordinated liabilities. In the event of the issuer's dissolution, liquidation or insolvency, obligations under these bonds will be subordinated to the claims of all unsubordinated creditors of the issuer so that in any such event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the issuer shall have been satisfied in full. No subsequent agreement may limit the subordination or shorten the term of the bond. Early redemption of the bonds shall be possible no earlier than five years after their issue and shall require the redemption of the respective bond by the issuer. A redemption is conditional upon a replacement of the early redemption amount by paying in other liable capital of at least equivalent status within the meaning of the German Banking Act or prior approval of the Federal Financial Supervisory Authority to such redemption. Furthermore, the issuer may redeem the bonds due to changes in the tax laws or regulations of the Federal Republic of Germany or any change in the official interpretation of such laws and regulations.

Notwithstanding § 11 Ordinance on Accounting for Banks, the deferred interest for subordinated liabilities and subordinated bonds is shown in the balance sheet item »Other liabilities«, since interest is not offset in regulatory liable capital.

Subordinated borrower's note loans

Beginning of term	€ 000	Interest rate %	Interest rate valid until	New interest rate agreement based on	Date due
20.07.2004	5.000	5,27000	21.07.2014	Fixed interest rate	21.07.2014
20.07.2004	5.000	5,27000	21.07.2014	Fixed interest rate	21.07.2014
22.07.2004	20.000	5,22000	22.07.2014	Fixed interest rate	22.07.2014
06.08.2004	10.000	5,19700	06.08.2014	Fixed interest rate	06.08.2014
11.08.2004	10.000	5,16000	11.08.2014	Fixed interest rate	11.08.2014
16.08.2004	10.000	5,07000	15.08.2014	Fixed interest rate	15.08.2014
25.08.2004	10.000	5,07000	25.08.2014	Fixed interest rate	25.08.2014
17.08.2004	10.000	5,07000	18.08.2014	Fixed interest rate	18.08.2014
04.08.2004	2.500	5,21000	04.08.2014	Fixed interest rate	04.08.2014
04.08.2004	10.000	5,21000	04.08.2014	Fixed interest rate	04.08.2014
04.08.2004	5.000	5,21000	04.08.2014	Fixed interest rate	04.08.2014
04.08.2004	2.500	5,21000	04.08.2014	Fixed interest rate	04.08.2014
19.08.2004	2.000	5,10000	19.08.2014	Fixed interest rate	19.08.2014
19.08.2004	12.000	5,10000	19.08.2014	Fixed interest rate	19.08.2014
28.07.2004	10.000	5,08000	28.07.2014	Fixed interest rate	28.07.2014
13.08.2004	10.000	5,20000	13.08.2014	Fixed interest rate	13.08.2014
10.11.2009	15.000	2,46600	14.02.2010	3-month Euribor plus 175 basis points	14.11.2014
22.12.2009	90.000	2,46000	21.03.2010	3-month Euribor plus 175 basis points	22.01.2015

PARTICIPATION RIGHT LIABILITIES

Participation right liabilities amounting to € 89,823,000 (previous year: € 89,807,000) are a component of liable capital under the stipulations of the German Banking Act (§ 10 Para.5). Of the obligations totalling € 90,000,000, € 825,000 are attributable to affiliated companies. Derivative transactions were undertaken in order to hedge interest rate risks. The expenses in connection with the raising of funds amounted to € 6,461,000 (previous year: € 6,441,000).

Beginning of term	€ 000	Interest rate %	Interest rate valid until	New interest rate agreement based on	Date due
23.07.2002	90,000	7.15000	02.05.2012	Fixed interest rate for the entire term	02.05.2012

Notwithstanding § 11 Ordinance on Accounting for Banks, the deferred interest for participation right liabilities is shown in the balance sheet items »Liabilities to customers« and »Other liabilities«, since interest is not offset in the regulatory liable capital.

EQUITY

The Bank's equity contains a silent partner contribution of Volkswagen-Versicherungsdienst GmbH amounting to € 40,000,000.

This contribution meets the requirements of § 10 Para. 4 German Banking Act. The depositor receives a remuneration on the book value of the contribution based on the 12-month Euribor plus 150 basis points.

In the 2009 financial year, Volkswagen Financial Services AG paid € 600,000,000 into the capital reserves of Volkswagen Bank GmbH. This lifted the capital reserves of Volkswagen Bank GmbH to € 3.2 billion as at 31 December 2009 (previous year: € 2.6 billion).

DEVELOPMENT OF THE FIXED ASSETS OF VOLKSWAGEN BANK GMBH, BRUNSWICK, FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2009

	GROSS BOOK VALUES					VALUE ADJUSTMENTS					NET BOOK VALUES	
Description	**Brought forward 1.1.09 € 000**	**Additions € 000**	**Disposals € 000**	**Transfer € 000**	**Balance 31.12.09 € 000**	**Brought forward 1.1.09 € 000**	**Additions € 000**	**Disposals € 000**	**Write-up € 000**	**Balance 31.12.09 € 000**	**Balance 31.12.09 € 000**	**Balance 31.12.08 € 000**
Debentures and other fixed-income securities	2,810,398	0	758,206	0	2,052,192	0	0	0	0	0	2,052,192	2,810,398
Shares and other non-fixed-income securities	7,270	1,648	603	0	8,315	576	0	0	241	335	7,980	6,694
Equity investments	1,079,991	89	0	0	1,080,080	0	0	0	0	0	1,080,080	1,079,991
Intangible assets	158,144	8,395	1	429	166,967	151,752	5,020	1	0	156,771	10,196	6,392
Advance payments on intangible assets	514	1	86	– 429	0	0	0	0	0	0	0	514
Land, similar rights and buildings on land owned by others	23,417	10	113	0	23,314	13,996	919	113	0	14,802	8,512	9,421
Other plant, operational and office equipment	13,538	777	1,261	0	13,054	8,577	1,381	447	0	9,511	3,543	4,961
Leased assets	529,669	189,569	223,406	0	495,832	124,599	93,627	77,925	0	140,301	355,531	405,070
Total fixed assets	**4,622,941**	**200,489**	**983,676**	**0**	**3,839,754**	**299,500**	**100,947**	**78,486**	**241**	**321,720**	**3,518,034**	**4,323,441**

IV. NOTES TO THE PROFIT AND LOSS ACCOUNT

Interest income from lending and money market transactions

The proportion of interest income generated at the foreign branches is 25.9 % (previous year: 33.1 %). The branches in Italy and the United Kingdom account for the largest share of this amount. The interest income from lending and money market transactions contains € 77,967,000 in income from finance leasing (previous year: € 69,307,000).

Income from leasing transactions

The income from leasing transactions comprises earnings from operating leasing that are generated by the bank's branch in France. The total amount was € 278,436,000 (previous year: € 274,459,000).

Expenses from leasing transactions

The expenses from leasing transactions amounting to € 159,320,000 (previous year: € 159,674,000) basically concern the derecognition of residual book values upon expiration of the leasing agreements. The depreciation on leased assets shown here in the previous year was reclassified to the item »Depreciation, amortisation and value adjustments on intangible and tangible fixed assets and leased assets«. The previous year's figures were adjusted accordingly.

Net commission income

Commission income essentially results from selling residual debt and unemployment insurance, from selling insurance through the Italian branch, from the administration and collection of receivables sold through the ABS transactions, and from other fees earned in the private customer business.

Commission income includes an income of € 1,107,000 (previous year: 8,325,000) which is not related to the accounting period and which essentially results from the participation in profits of residual debt and unemployment insurance.

Commission expenses essentially comprise dealer commissions in the consumer lending business and commissions from the leasing business.

Other operating income

The item contains € 25,061,000 (previous year: € 27,821,000) in income not related to the accounting period, of which € 3,410,000 (previous year: € 5,871,000) is in connection with the internal cost apportionment of the Volkswagen Financial Services AG Group and € 15,929,000 (previous year: € 16,987,000) is income from the reversal of provisions.

Other operating expenses

An amount of € 2,747,000 (previous year: € 4,157,000) concerns expenses not related to the accounting period, of which € 1,510,000 (previous year: € 1,087,000) concern the Italian branch.

Depreciation, amortisation and value adjustments on intangible and tangible fixed assets and leased assets

For the first time, depreciation on leased assets amounting to € 93,627,000 (previous year: 83,187,000) is shown as a separate sub-item of this item. In the previous year, depreciation on leased assets was shown under »Expenses from leasing transactions« in the profit and loss account. The depreciation of the leased assets recognises the decline in the value of the leased vehicles belonging to the French branch. The straight-line method is used in that connection.

Taxes on income and earnings

This item comprises domestic and foreign taxes on income. Volkswagen Financial Services AG, as the parent company, debited the domestic income tax of € 62,966,000 (previous year: € 38,010,000) for the current year to Volkswagen Bank GmbH within the framework of the consolidated tax group.

This item contains expenses of € 362,000 (previous year: € 7,471,000) not related to the accounting period and tax refunds received for previous years amounting to € 1,433,000 (previous year: € 655,000).

V. OTHER NOTES

Consolidation accounting

The annual financial statements of Volkswagen Bank GmbH are included in the consolidated financial statements of Volkswagen Bank GmbH, Brunswick, which are drawn up according to the International Financial Reporting Standards. The consolidated financial statements of Volkswagen Bank GmbH, in turn, are included in the consolidated financial statements of Volkswagen AG, Wolfsburg. Both the single-entity financial statements of Volkswagen Bank GmbH and the consolidated financial statements of Volkswagen AG are published in the Electronic Federal Gazette.

Shareholdings

Volkswagen Bank GmbH holds a 50 % stake in the Dutch company, Global Mobility Holding B. V., Amsterdam, for € 1,063,874,000. The total nominal capital of the company amounts to € 900,000,000. No obligations arise from this equity investment. The loss of Global Mobility Holding B.V., Amsterdam, for the period from 1 January 2008 to 31 December 2008 was € 278,000. The company's equity as at 31 December 2008 was € 2,090,000.

The bank holds a 0.0053 % stake in Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL), La Hulpe, Belgium. The company's nominal capital as at 31 December 2008 was € 13.94 million. No obligations arise from this equity investment. The company's equity as at 31 December 2008 was € 262,281,000.

The Bank holds a share of € 40,000 (0.02 %) in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main. From this equity investment there arises an obligation to make further contributions as well as a joint liability to make up for deficits. The company's equity as at 31 December 2008 was € 233,772,000.

Volkswagen Bank GmbH has an equity investment of € 10 in the € 1,165 nominal capital of VISA Europe Limited, London. This equity investment was bestowed upon Volkswagen Bank GmbH on 1.7.2004 at no charge. No obligations arise from this equity investment. The equity of VISA Europe Limited as at 30 September 2008 was € 2.6 billion. According to its consolidated financial statements, VISA Europe Limited posted profits of € 2.4 billion in the 2007/2008 financial year.

The bank holds a 60 % share in VOLKSWAGEN BANK POLSKA S.A., Warsaw. The profit of VOLKSWAGEN BANK POLSKA S.A. for the 2009 financial year amounts to PLN 17,122,000 (previous year: PLN 37,169,000). The company's equity as at 31 December 2009 was PLN 216,603,000 (previous year: PLN 217,301,000).

The bank's share in VOLKSWAGEN BANK POLSKA S.A. is marketable but not listed. All other equity investments concern only shares in companies that are neither marketable nor listed.

Off-balance sheet transactions and other financial obligations

Derivative financial instruments

Derivative transactions were undertaken in order to hedge interest rate and currency risks. This involved interest rate swaps and forward exchange deals purely for hedging purposes. Based on the market swap rates, the market values of the derivative financial instruments were determined using suitable IT-based valuation methods (discounted cash flow method). They are not shown in the balance sheet. Interest on interest rate swaps is accrued according to their maturity.

Pursuant to § 285 Sent. 1 No. 18 German Commercial Code, the derivative financial instruments break down as follows:

in € million	Nominal value 31.12.2008	Nominal value 31.12.2009	Market values* Positive 31.12.2008	Market values* Positive 31.12.2009	Market values* Negative 31.12.2008	Market values* Negative 31.12.2009
Interest rate risks						
Interest rate swaps	15,126.1	12,966.5	125.2	196.9	140.6	151.5
Currency risks						
Forward exchange deals	1,253.1	1,293.3	61.1	9.9	7.0	24.7
Derivative transactions total	**16,379.2**	**14,259.8**	**186.3**	**206.8**	**147.6**	**176.2**

* The market value including accrued interest is shown for all contracts.

The maturity of the derivatives breaks down as follows:

Nominal value in € million	Interest rate risks 31.12.2008	Interest rate risks 31.12.2009	Currency risks 31.12.2008	Currency risks 31.12.2009
Residual terms				
≤ 3 months	875.0	998.1	1,141.8	766.5
≤ 1 year	3,056.0	4,548.5	6.3	296.9
≤ 5 years	7,685.9	7,342.7	105.0	229.9
> 5 years	3,509.2	77.2	0.0	0.0

Other financial obligations

There are no other financial obligations. We refer to the risk report contained in the management report for information regarding possible obligations arising from the global financial market crisis.

Foreign currencies

The total of assets in foreign currency on the balance sheet date amounted to € 1,480,246,000 (previous year: € 1,325,042,000). Foreign currency liabilities amounted to € 103,638,000 (previous year: € 11,662,000).

INFORMATION ON CORPORATE BODIES

A portion of the total remuneration of the Board of Management is borne by Volkswagen Financial Services AG. Use is therefore made of the exemption regulation under § 286 (4) of the German Commercial Code.

The Board of Management is comprised as follows:

Rainer Blank
Spokesman of the Board of Management
Business Line Individual Customers & Corporate Customers (incl. IT from 1.11.2009)
Sales Individual Customers & Corporate Customers
International

Dr. Michael Reinhart
Finance, Risk Management,
IT (until 31.10.2009)
Market Support, Dealer Restructuring
Human Resources, Organisation

Klaus-Dieter Schürmann (until 30.6.2009)
Direct bank
Treasury

Torsten Zibell (from 1.7.2009)
Direct bank
Treasury

As in the previous year, no remuneration has been granted to the Supervisory Board.

The Supervisory Board is comprised as follows:

Hans Dieter Pötsch
Chairman
Member of the Board of Management of Volkswagen AG
Finance and Controlling

Prof. Dr. Horst Neumann
Deputy Chairman
Member of the Board of Management of Volkswagen AG
Human Resources and Organisation

Waldemar Drosdziok
Deputy Chairman
Chairman of the Joint Works Council of Volkswagen Financial Services AG,
Volkswagen Bank GmbH and Volkswagen Business Services GmbH

Dr. Arno Antlitz (from 1.1.2010)
Member of the Board of Management Volkswagen Division
Controlling and Accounting

Dr. Jörg Boche
Executive Vice President of Volkswagen AG
Group Treasurer

Sabine Ferken (until 20.3.2009)
General Secretary of the Joint Works Council of Volkswagen Financial Services AG,
Volkswagen Bank GmbH and Volkswagen Business Services GmbH

Detlef Kunkel
General Secretary/Principal Representative of IG Metall Brunswick

Simone Mahler (from 9.6.2009)
General Secretary of the Joint Works Council of Volkswagen Financial Services AG,
Volkswagen Bank GmbH and Volkswagen Business Services GmbH (from 23.4.2009)

Gabor Polonyi
Head of Sales Germany Private and Corporate Customers of Volkswagen Bank GmbH

Michael Riffel
General Secretary of the General Works Council and Group Works Council of Volkswagen AG

Alfred Rodewald
Deputy Chairman of the Joint Works Council of Volkswagen Financial Services AG,
Volkswagen Bank GmbH and Volkswagen Business Services GmbH

Lothar Sander (until 31.12.2009)
Member of the Board of Management Volkswagen Division
Controlling and Accounting

Axel Strotbek
Member of the Board of Management
AUDI AG
Finance and Organisation

Detlef Wittig
Executive Vice President of Volkswagen AG
Group Marketing and Sales

A total of € 2,081,000 (previous year: € 2,081,000) was recognised as provisions for pensions and similar obligations to former members of the Board of Management or their surviving dependants. In financial year 2009, payments to these individuals amounted to € 249,000 (previous year: € 247,000).

The assets include receivables amounting to € 321,000 (previous year: € 225,000) from loans falling under § 15 Para.1 No.1 and 3 of the German Banking Act.

NUMBER OF EMPLOYEES

Average number of employees during the financial year

	2009	2008
Salaried employees	636	650
of which senior management	28	26
of which trainees	10	30
of which part-time staff	51	46

BRANCHES AND BRANCH OFFICES

Branches
Audi Bank, Brunswick
SEAT Bank, Brunswick
Škoda Bank, Brunswick
AutoEuropa Bank, Brunswick
ADAC FinanzService, Brunswick
Branch offices
Volkswagen Bank, Berlin
Volkswagen Bank, Brunswick
Volkswagen Bank, Emden
Volkswagen Bank, Hanover
Volkswagen Bank, Kassel
Volkswagen Bank, Salzgitter
Volkswagen Bank, Wolfsburg
Volkswagen Bank, Zwickau
Audi Bank, Ingolstadt
Audi Bank, Neckarsulm
Branches outside Germany
Volkswagen Bank GmbH, Diegem, Belgium
Volkswagen Bank GmbH, St. Denis-Paris, France
Volkswagen Bank GmbH, Glyfada-Athens, Greece
Volkswagen Bank GmbH, Milton Keynes, United Kingdom
Volkswagen Bank GmbH, Dublin, Ireland
Volkswagen Bank GmbH, Milan, Italy
Volkswagen Bank GmbH, Verona, Italy
Volkswagen Bank GmbH, Amersfoort, The Netherlands
Volkswagen Bank GmbH, Alcobendas-Madrid, Spain

SEATS ON SUPERVISORY BODIES – INFORMATION DISCLOSED IN ACCORDANCE WITH § 340A (4) HGB

Rainer Blank

- VOLKSWAGEN BANK POLSKA S.A., Warsaw, Poland
- Volkswagen Leasing Polska Sp. z o.o., Warsaw, Poland
  Chairman of the Supervisory Board of each
- Volkswagen Finance Belgium S.A., Brussels, Belgium
  Member of the Conseil d´Administration
- Kunden Club GmbH des Volkswagen Konzerns, Wolfsburg, Germany
  Member of the Advisory Board
- cominvestment Asset Management GmbH, Frankfurt am Main, Germany
  Member of the Investment Committee
- VISA Deutschland e.V., Frankfurt am Main, Germany
  Member of the Administrative Advisory Body

Dr. Michael Reinhart

- VOLKSWAGEN Finančné služby Slovensko s.r.o., Bratislava, Slovakia
- Volkswagen Reinsurance AG, Brunswick, Germany
  Chairman of the Supervisory Board of each
- VOLKSWAGEN HOLDING FINANCIERE S.A., Villers-Cotterêts, France
  Member of the Conseil de Surveillance
- Volkswagen Leasing, S.A. de C.V., Puebla/Pue., Mexico
- Volkswagen Bank S.A. Institución de Banca Múltiple, Puebla/Pue., Mexico
- VOLKSWAGEN SERVICIOS S.A. DE C.V., Puebla/Pue., Mexico
  Member of the Consejo de Administración of each

Dr. Vincenzo Condorelli

- VOLKSWAGEN DOĞUŞ TÜKETİCİ FİNANSMANI A.Ş., Istanbul, Turkey
- VDF Servis Holding A.Ş., Istanbul, Turkey
  Member of the Board of Directors of each

Dr. Christian Dahlheim

- VOLKSWAGEN HOLDING FINANCIERE S.A., Villers-Cotterêts, France
  Chairman of the Conseil de Surveillance
- Volkswagen Financial Services (UK) Ltd., Milton Keynes, United Kingdom
- VOLKSWAGEN INSURANCE SERVICE Ltd., Milton Keynes, United Kingdom
  Chairman of the Board of Directors of each
- VOLKSWAGEN FINANCE, S.A. – ESTABLECIMIENTO FINANCIERO DE CRÉDITO, Madrid, Spain
- Servilease S.A., Madrid, Spain
  Member of the Consejo de Administración of each
- VOLKSWAGEN MØLLER BILFINANS AS, Oslo, Norway
  Member of the Styre

Norbert Dorn
- VOLKSWAGEN BANK POLSKA S.A., Warsaw, Poland
- Volkswagen Leasing Polska Sp. z o.o., Warsaw, Poland
- VOLKSWAGEN Finančné služby Slovensko s.r.o., Bratislava, Slovakia
  Member of the Supervisory Board of each

Egon van Geenhuizen
- Volkswagen Finans Sverige AB, Södertälje, Sweden
  Member of the Board of Directors

Erich Krohn
- VOLKSWAGEN FINANCE, S.A. – ESTABLECIMIENTO FINANCIERO DE CRÉDITO, Madrid, Spain
- Servilease S.A., Madrid, Spain
  Member of the Consejo de Administración of each

Dirk Pans
- Volkswagen Finans Sverige AB, Södertälje, Sweden
  Chairman of the Board of Directors
- VOLKSWAGEN MØLLER BILFINANS AS, Oslo, Norway
  Chairman of the Styre
- Volkswagen Pon Financial Services B.V., Amersfoort, The Netherlands
  Member of the Supervisory Board
- VVS VERZEKERINGS-SERVICE N.V., Diemen, The Netherlands
  Member of the Raad van Commissarissen

Gabor Polonyi
- Volkswagen Financial Services AG, Brunswick, Germany
- Volkswagen Leasing GmbH, Brunswick, Germany
- Volkswagen-Versicherungsdienst GmbH, Brunswick, Germany
  Member of the Supervisory Board of each

Gabriele de Neidels
- VOLKSWAGEN MØLLER BILFINANS AS, Oslo, Norway
  Member of the Representantskapet

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen Bank GmbH, and the management report includes a fair review of the development and performance of the business and the position of Volkswagen Bank GmbH, together with a description of the principal opportunities and risks associated with the expected development of Volkswagen Bank GmbH.

Brunswick, 1 February 2010
The Board of Management

Rainer Blank   Dr. Michael Reinhart   Torsten Zibell

INDEPENDENT AUDITORS' REPORT

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes – including the accounting, and the management report of Volkswagen Bank Gesellschaft mit beschränkter Haftung, Brunswick, for the financial year from 1 January to 31 December 2009. The accounting and preparation of the annual financial statements and management report according to German commercial law and the supplementary provisions of the Articles of Association are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, including the accounting, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Managing Directors, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of the audit, the annual financial statements are in compliance with legal provisions and the supplementary provisions of the Articles of Association and give a true and fair view of the net assets, financial situation and results of the operations of the company in accordance with the principles of proper accounting. The management report is consistent with the annual financial statements, provides a suitable understanding of the company's situation and suitably presents the opportunities and risks of future development.

Hanover, 8 February 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	ppa. Rolf Barrakling
Auditor	Auditor

REPORT OF THE SUPERVISORY BOARD OF VOLKSWAGEN BANK GMBH

In the financial year just ended, the Supervisory Board regularly and exhaustively dealt with the situation and development of Volkswagen Bank GmbH and the Volkswagen Bank GmbH Group.

The Board of Management submitted timely and comprehensive reports to the Supervisory Board during the reporting period, both in writing and orally, regarding material aspects of the company's planning and situation (including its exposure to risk and its risk management) as well as the development of its business and deviations from plans and targets. Based on these reports, the Supervisory Board continuously monitored the management of the company's and the Group's business, thus fulfilling its responsibilities under the law and the company's statutes without limitation. All decisions material to the company, as well as all other transactions subject to the Supervisory Board's approval under its rules of procedure, were reviewed and discussed with the Board of Management before the relevant resolution was adopted.

The Supervisory Board is made up of twelve members. There were changes in personnel in comparison with the previous year, which are shown in the section on corporate bodies in the notes.

The Supervisory Board convened for three regular meetings in the reporting year; there were no extraordinary meetings. The Supervisory Board members' average attendance rate was 78 %. With the exception of one member, who was absent at two meetings, all members attended more than half of the meetings. Resolutions regarding urgent matters were adopted by means of a written procedure.

Committee work

The Supervisory Board established two committees, a credit committee and a personnel committee, for the purpose of facilitating its work.

The personnel committee is responsible for decision making in regards to personnel and social issues subject to the Supervisory Board's authority under both the law and its rules of procedure. This committee comprises three members of the Supervisory Board. Its decisions are adopted by means of circular memorandum. Approvals of powers of representation (»Prokura«) constituted material aspects of its work.

The credit committee is responsible for approving issues the Supervisory Board must deal with under the law and under its rules of procedure such as for instance proposed credit commitments, company borrowings, factoring transactions and general agreements pertaining to the assumption of receivables as well as assuming guarantees, warranties and the like. The credit committee comprises three members of the Supervisory Board; it also makes its decisions by means of circular memorandum.

Deliberations of the Supervisory Board

Following a detailed review at its meeting on 20 February 2009, the Supervisory Board approved the consolidated financial statements and the annual financial statements of Volkswagen Bank GmbH for 2008, which had been prepared by the Board of Management, and accepted the annual report by Internal Audit regarding the results of its audits.

The Board of Management provided extensive reports on economic and financial position of the company and the Volkswagen Bank GmbH Group, both at the aforesaid meeting and at the meetings on 12 June 2009 and 8 December 2009. In this connection, we addressed the company's strategic alignment in the long term and the steps that we have taken to further improve internal processes and boost productivity. We also dealt extensively with both the company's and the Group's liquidity situation against the backdrop of the financial market crisis and discussed actions aimed at securing and managing the cash flow.

At our meeting on 12 June 2009, we approved the establishment of a joint venture with Volkswagen Financial Services AG in Russia, which will operate the banking business in that country. The Board of Management explained both the company's and the Group's current exposure to credit and residual value risks at this meeting.

On 8 December 2009, we engaged in an extensive discussion of the company's and the Group's financial and investment planning. The Board of Management also informed us in detail of its future marketing and sales strategy.

Audit of the annual and consolidated financial statements

PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, was commissioned to audit the consolidated financial statements in accordance with IFRS and the annual financial statements of Volkswagen Bank GmbH in accordance with the German Commercial Code (HGB) for the year ended 31 December 2009, including the accounting and the management reports.

The Supervisory Board had at its disposal the consolidated financial statements in accordance with IFRS and the annual financial statements in accordance with HGB of Volkswagen Bank GmbH for the year ended 31 December 2009 and the management reports. The auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, have audited these financial statements, including the bookkeeping and the management reports, and issued an unqualified auditors' report in each case. The Supervisory Board approves the results of these audits.

The Supervisory Board's review of the consolidated financial statements, the annual financial statements and the management reports did not give rise to any reservations. The auditors were present at the Supervisory Board meeting when this item of the agenda was dealt with and they reported on the main results of their audit.

The Supervisory Board approved the consolidated financial statements and the annual financial statements of Volkswagen Bank GmbH prepared by the Board of Management. The consolidated financial statements and the annual financial statements are thereby adopted.

Under the existing profit transfer agreement, the profit made in 2009 in accordance with HGB is transferred to Volkswagen Financial Services AG.

Composition of the Board of Management

Mr Torsten Zibell was appointed to the Board of Management effective 1 July 2009 based on our circular memorandum dated 15 October 2008 and the resolution of the shareholder meeting on 12 June 2009. Mr. Klaus-Dieter Schürmann left the Board of Management of Volkswagen Bank GmbH at the end of 30 June 2009.

The Supervisory Board wishes to acknowledge and express its appreciation to the Board of Management, the members of the works council and all members of staff of the Volkswagen Bank GmbH Group for their work. Through their great dedication they have all contributed to the ongoing development of the Volkswagen Bank GmbH Group.

Brunswick, 19 February 2010

Hans Dieter Pötsch
Chairman of the Supervisory Board

SUPERVISORY BOARD VOLKSWAGEN BANK GMBH

Hans Dieter Pötsch
Chairman
Member of the Board of Management of Volkswagen AG
Finance and Controlling

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Deputy Chairman
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Human Resources and Organisation

Waldemar Drosdziok
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Axel Strotbek
Member of the Board of Management
AUDI AG
Finance and Organisation

Detlef Wittig
Executive Vice President of Volkswagen AG
Group Marketing and Sales

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements concerning the future business development of Volkswagen Bank GmbH. These statements include, among others, assumptions about the development of the global economy, as well as the financial and automobile markets. Volkswagen Bank GmbH has made these assumptions on the basis of available information and believes that they can be currently said to offer a realistic picture. These estimates necessarily include certain risks, and actual development may differ from these expectations.

Should actual development therefore deviate from these expectations and assumptions, or should unforeseen events occur that impact the business of Volkswagen Bank GmbH, then the business development will be accordingly affected.

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