VOLKSWAGEN BANK

GMBH

The key to mobility.

ANNUAL REPORT 2009 (IFRS)

The Volkswagen Bank GmbH Group at a glance (IFRS)

in € million (as at 31.12.)	2009	2008	2007	2006
Total assets	34,193	33,497	26,539	23,538
Receivables arising from				
Retail financing	17,421	15,481	14,078	12,978
Dealer financing	6,427	7,653	7,465	5,845
Leasing business	1,156	1,136	292	254
Customer deposits	18,266	12,829	9,620	8,827
Equity	4,095	3,318	3,379	2,987
Pre-tax result	330	375	472	409
Taxes on income and earnings	– 81	– 84	– 149	– 112
Net income	249	291	323	297

in % (as at 31.12.)	2009	2008	2007	2006
Cost/income ratio[1]	60	56	52	48
Equity ratio	12.0	9.9	12.7	12.7
Core capital ratio[2]	14.9	12.8	14.2	13.4
Overall ratio[2]	18.0	18.8	20.8	20.1
Return on equity	8.9	11.2	14.8	14.0

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

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[3]	A2[3]	stable[3]
Volkswagen Financial Services AG	A–2	A–	negative	Prime-2	A3	stable

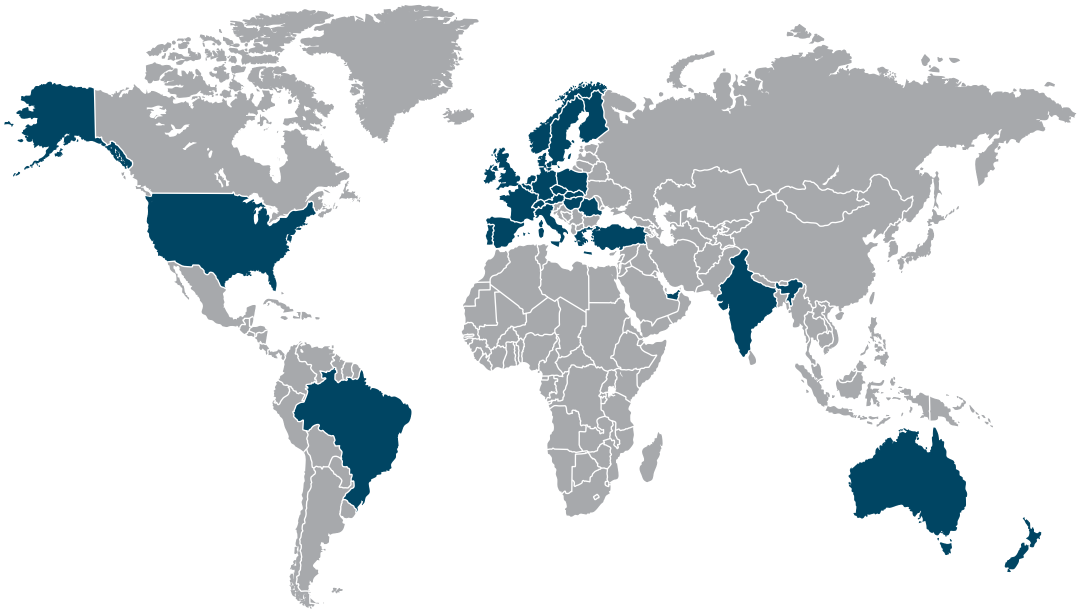
For the 2007 financial year, the Group prepared consolidated financial statements according to IFRS for the first time.

1 General administration expenses net of charges passed on, divided by net income from lending and leasing transactions after provisions for risks and net commission income

2 The regulatory core capital ratio/overall ratio of Volkswagen Bank GmbH as at 31 December 2007, 2008 and 2009 was calculated 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 2006 were calculated in accordance with the old Principle I.

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

Volkswagen Bank GmbH in 2009



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

Table of contents

Management report (IFRS)

Management report (IFRS)

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 improved 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 % (previous year: + 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 of the reporting year 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 year, worldwide automobile production fell by 13.2 % to 60.0 million units, of which passenger cars accounted for 49.4 million (previous year: – 14 %).

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 vehicle 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 (previous year: + 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 %).

THE VOLKSWAGEN BANK GMBH GROUP

Volkswagen Bank GmbH is a wholly-owned subsidiary of Volkswagen Financial Services AG, Brunswick, which in turn is a wholly-owned subsidiary of Volkswagen AG, Wolfsburg.

As a general principle, all companies and branches are fully consolidated in which Volkswagen Bank GmbH has the possibility, directly or indirectly, to determine the financial and business policy in such a way that the Volkswagen Bank GmbH Group benefits from the activities of these companies (subsidiaries).

Volkswagen Bank GmbH has an indirect stake in LeasePlan Corporation N.V., Amsterdam – Europe's largest provider of multi-brand fleet management – via its 50 % interest in Global Mobility Holding B.V., Amsterdam. The bank also holds 60 % of the shares of VOLKSWAGEN BANK POLSKA S.A., Warsaw. VOLKSWAGEN BANK POLSKA S.A. is one of Poland's largest direct banks and provides automotive financial services. Both companies are included at equity in the IFRS consolidated financial statements of Volkswagen Bank GmbH. The result from this equity investment in the financial year just ended was € 71 million (previous year: € 105 million).

The ABS transactions of Volkswagen Bank GmbH are handled by special purpose entities that are fully consolidated in the consolidated financial statements of Volkswagen Bank GmbH. These entities are: Driver One GmbH, Driver Two GmbH, Driver Three GmbH, Driver Four GmbH, Driver Five GmbH, Driver Six GmbH as well as Private Driver 2007 GmbH, Private Driver 2008-1 GmbH, Private Driver 2008-2 GmbH, Private Driver 2008-3 GmbH and Private Driver 2008-4 GmbH (all with registered offices in Frankfurt/Main). The earnings of the special purpose entities in the 2009 financial year were less than € 0.5 million, just as in the previous year.

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.
  Following the merger of VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, into the French branch of Volkswagen Bank GmbH, said branch has engaged in both finance and operating leasing 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 BUSINESS PERFORMANCE AND POSITION OF THE VOLKSWAGEN BANK GMBH GROUP

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 16.0 % from € 7.7 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.

Results of operations

The ramifications of the financial market crisis for the money and capital markets are also affecting the Volkswagen Bank GmbH Group. 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.

The pre-tax result in 2009 was € 330 million compared to € 375 million in the previous year. Foreign branches contributed € 89 million (previous year: € 111 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 Volkswagen Bank Group's net income from lending and leasing transactions before risk provisions was € 805 million, up from € 758 million the previous year.

Interest income from lending transactions and net income from leasing transactions before risk provisions in the amount of € 1,762 million (previous year: € 1,819 million) stems primarily from consumer financing, as well as from vehicle 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 € 135 million to € 1,185 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 € 216 million to € 308 million due to declining interest rates and the downturn in the average financing volume.

The sharp decline in interest rates reduced the Volkswagen Bank GmbH Group's interest expense by € 104 million to € 957 million (previous year: € 1,061 million) despite the growth in the direct bank's deposit volume.

The allowances and provisions recognised in connection with the lending business take into account all impairments existing as at the balance sheet date. 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.

The net commission income increased year on year, from € 71 million to € 83 million. The change results primarily from the significant increase in the income from insurance agency services. Commission expenses remained almost unchanged.

In 2009, the result from joint ventures accounted for at equity declined primarily due to higher risk costs.

Net income was € 249 million (previous year: € 291 million).

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. Hence the 2009 pre-tax result was only slightly lower year on year even in this time of financial crisis.

Financial key performance indicators

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

in % (as at 31.12.)	2009	2008	2007	2006
Cost/income ratio[1]	60	56	52	48
Equity ratio[2]	12.0	9.9	12.7	12.7
Core capital ratio[3]	14.9	12.8	14.2	13.4
Overall ratio[3]	18.0	18.8	20.8	20.1
Return on equity[4]	8.9	11.2	14.8	14.0

1 General administration expenses net of charges passed on, divided by net income from lending and leasing transactions after provisions for risks and net commission income
2 Ratio between equity and total capital
3 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 regulatory core capital ratio/overall ratio of Volkswagen Bank GmbH as at 31 December 2007, 2008 and 2009 was calculated 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 2006 were calculated in accordance with the old Principle I.
4 Pre-tax result divided by the average equity

DISCLOSURES ON THE EQUITY RATIO

The equity of the Volkswagen Bank GmbH Group increased by 23.4 % due especially to € 600 million in payments from Volkswagen Financial Services AG to the capital reserves of Volkswagen Bank GmbH. Since the business volume grew by only 2.1 % in the 2009 financial year, the equity ratio rose from 9.9 % to 12.0 %. 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.

Assets and financial position

LENDING BUSINESS

The lending business of the Volkswagen Bank Group focuses on the provision of loans to private and commercial customers as well as dealers. At € 28.3 billion (previous year: € 28.4 billion), the volume of these receivables remained almost unchanged. The share of foreign branches in the retail lending volume fell slightly from € 6.9 billion to € 6.6 billion.

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 € 17.4 billion (previous year: € 15.5 billion). Foreign branches accounted for € 2.3 billion of this amount, as in the previous year.

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 € 7.7 billion at the end of the previous year. The foreign branches accounted for € 2.8 billion of these 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 24.1 % 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 € 1.2 billion (previous year: € 1.1 billion).

Companies included at equity

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. covers the same business areas and is one of the country's largest direct banks. Since the control of VOLKSWAGEN BANK POLSKA S.A. is contractually excluded, the company is included at equity in the IFRS consolidated financial statements of Volkswagen Bank GmbH as a joint venture according to IAS 31, as is Global Mobility Holding B.V.

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
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 € 20.7 billion (previous year: € 14.9 billion) as well as securitised liabilities in the amount of € 6.8 billion (previous year: € 9.6 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. Its share in the refinancing mix of the Volkswagen Bank GmbH Group is thus 53.4 % (previous year: 38.3 %).

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 € 318 million in the 2009 financial year. Equity increased by € 600 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:

	31.12.2009	31.12.2008
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

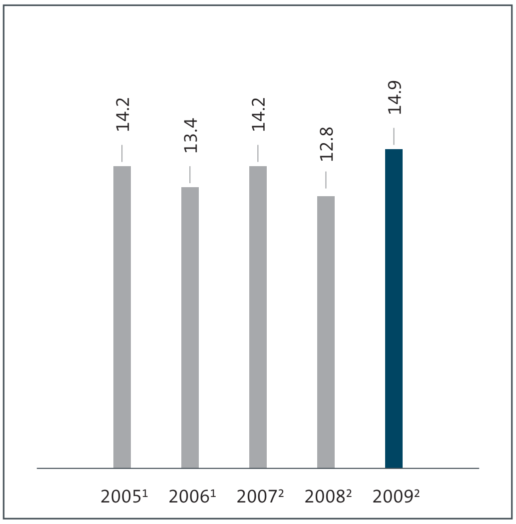
1 Net of the deductible for securitisation positions
2 The deductible items are already deducted from core and supplementary capital
3 Core capital ratio = Core capital / (Capital requirement for (credit risks + operational risks + market risks) * 12.5) * 100
4 Overall ratio = Own funds / (Capital requirement 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 PRINCIPLE I / SOLVENCY REGULATIONS OF VOLKSWAGEN BANK GMBH AS AT 31.12.

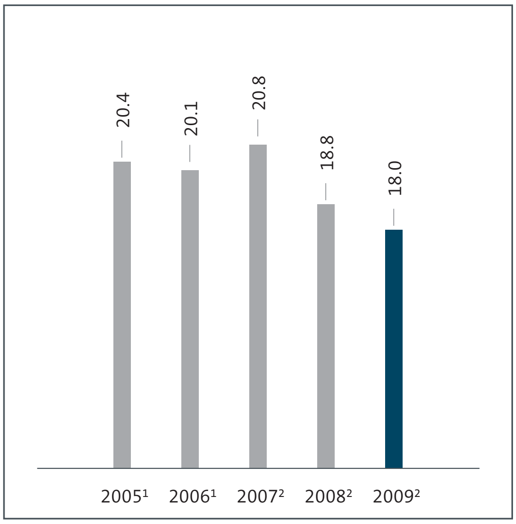
in %



1 Core capital ratio under 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 PRINCIPLE I / SOLVENCY REGULATIONS OF VOLKSWAGEN BANK GMBH AS AT 31.12.

in %



1 Overall ratio under 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 folios. The Federal Financial Supervisory Authority (BaFin) has no plans at present to recognise the IRB approach.

Refinancing and hedging strategy

STRATEGIC PRINCIPLES

In terms of its refinancing activities, the Volkswagen Bank GmbH Group 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. The Volkswagen Bank GmbH Group 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) for the consolidated financial statements 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 at the level of the individual entity and the Group 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.

- Groupwide requirements and accounting rules serve as the basis for a uniform, proper and continuous accounting process.
- For instance, the accounting standards of the Volkswagen Financial Services AG Group – including the International Financial Reporting Standards (IFRS) – govern the accounting policies applied by the domestic and foreign entities that are consolidated in the Volkswagen Bank GmbH Group Group's annual financial statements.
- The accounting standards of Volkswagen Financial Services AG also govern concrete formal requirements that the consolidated financial statements must fulfil. They not only determine which companies to include in consolidation, they also fix the components of the reporting packages that the Group companies must prepare in detail. Among other things, these formal requirements serve to ensure the binding utilisation of a standardised and complete set of forms. The accounting standards also contain specific requirements regarding the treatment and settlement of intra-group transactions and the reconciliation of accounts based thereon.
- At the Group level, specific elements of control designed to ensure the propriety and reliability of Group accounting principles comprise analyses and possibly revisions of Group companies' single-entity financial statements, with due regard for the reports submitted by the auditors or the discussions held with them to this end.
- 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 the Volkswagen Bank GmbH Group. 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 the Volkswagen Bank GmbH Group is designed to ensure that the information on the financial position of the Volkswagen Bank GmbH Group 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 the Volkswagen Bank GmbH Group 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.

Value adjustments

The determination of adjustments based on the incurred loss model pursuant to IAS 39 also takes risks of counterparty default in connection with ABS transactions into account. The model we used for determining these adjustments was derived from the Basel II risk quantification method.

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. 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 common 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 struture 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 sub-category.

Particular concentrations of risk are mapped and explained as necessary when operational risks are determined as part of an 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 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. 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 OF THE VOLKSWAGEN BANK GMBH GROUP

Macroeconomic opportunities

The balanced refinancing mix of the Volkswagen Bank GmbH Group, its solid capitalisation, the high quality of its financial 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.

The Volkswagen Bank GmbH Group 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 the Volkswagen Bank Group can use its financial services to promote the sales of Group vehicles. The targeted rates of return of the Volkswagen Bank Group 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 the Volkswagen Bank Group 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.

Development of the 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.

The Volkswagen Group is well equipped to withstand the difficult economic climate. Our broad product range, which includes the most recent generation of fuel-optimised engines, gives us a competitive advantage worldwide. Our goal of being able to offer mobility and innovations to everybody also helps to strengthen our competitive position in the long term.

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 the Volkswagen Bank GmbH Group

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, the Volkswagen Bank GmbH Group 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 the Volkswagen Bank GmbH Group. 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. It also expects earnings to be higher than in 2009 thanks to improved margins resulting from the easing of conditions in the capital markets, for one, and the possibility that conditions in the real economy as a whole will have a negative effect on risk premiums, for another.

Consolidated financial statements of the Volkswagen Bank GmbH Group (IFRS)

Consolidated financial statements of the Volkswagen Bank GmbH Group (IFRS)

Income statement of the Volkswagen Bank GmbH Group

	Notes	1.1. – 31.12.2009 € million	1.1. – 31.12.2008 € million	Change in %
Interest income from lending transactions before provisions for risks		1,660	1,736	– 4.4
Net income from leasing transactions before provisions for risks	(15)	102	83	22.9
Interest expense		– 957	– 1,061	– 9.8
Net income from lending and leasing transactions before provisions for risks	(5, 20)	805	758	6.2
Provisions for risks arising from lending and leasing business	(9, 21, 30)	– 273	– 181	50.8
Net income from lending and leasing transactions after provisions for risks		532	577	– 7.8
Commission income		188	175	7.4
Commission expenses		– 105	– 104	1.0
Net commission income	(5, 22)	83	71	16.9
Result from derivative financial instruments	(10, 23)	– 4	– 25	– 84.0
Result from joint ventures accounted for at equity	(5, 26)	71	105	– 32.4
Result from other financial assets	(5)	0	2	– 100.0
General administration expenses	(5, 6, 14, 15, 24)	– 429	– 430	– 0.2
Other operating result	(5, 14, 25)	77	75	2.7
Pre-tax result		**330**	**375**	**– 12.0**
Taxes on income and earnings	(6, 26)	– 81	– 84	– 3.6
Net income		**249**	**291**	**– 14.4**
Net income attributable to Volkswagen Financial Services AG		249	291	– 14.4

Statement of comprehensive income of the Volkswagen Bank GmbH Group

	Notes	1.1. – 31.12.2009 € million	1.1. – 31.12.2008 € million
Net income		**249**	**291**
Actuarial gains and losses	(17, 43)	– 2	3
deferred taxes thereon	(6, 26)	1	– 1
Available-for-sale financial assets (securities):	(11, 32, 49)		
– Fair value changes recognised in equity		4	0
– Recognised in the income statement		—	—
deferred taxes thereon	(6, 26)	– 1	0
Cash flow hedges:	(10)		
– Fair value changes recognised in equity		– 3	– 55
– Recognised in the income statement		16	– 9
deferred taxes thereon	(6, 26)	– 4	18
Currency translation differences	(4)	8	– 34
Income and expense of shares measured at equity, recognised directly in equity, after taxes		35	– 117
Income and expense recognised directly in equity		**54**	**– 192**
Comprehensive income		**303**	**99**
Comprehensive income attributable to Volkswagen Financial Services AG		303	99

Balance sheet of the Volkswagen Bank GmbH Group

Assets	Notes	31.12.2009 € million	31.12.2008 € million	Change in %
Cash reserve	(7, 28)	614	694	– 11.5
Receivables from financial institutions	(8)	1,501	1,432	4.8
Receivables from customers arising from				
Retail financing		17,421	15,481	12.5
Dealer financing		6,427	7,653	– 16.0
Leasing business	(15)	1,156	1,136	1.8
Other receivables		3,304	4,087	– 19.2
Receivables from customers in total	(8, 9, 29, 30)	28,308	28,357	– 0.2
Derivative financial instruments	(10, 31)	207	190	8.9
Securities	(11, 32)	1,420	542	×
Joint ventures accounted for at equity	(2, 33)	1,351	1,248	8.3
Other financial assets	(12, 33)	0	0	—
Intangible assets	(13, 34)	10	5	100.0
Property, plant and equipment	(14, 35)	11	13	– 15.4
Leased assets	(15, 36)	167	169	– 1.2
Investment property	(15, 36)	2	2	—
Deferred tax assets	(6, 37)	463	701	– 34.0
Income tax assets	(6)	55	60	– 8.3
Other assets	(38)	84	84	—
Total		**34,193**	**33,497**	**2.1**

Liabilities	Notes	31.12.2009 € million	31.12.2008 € million	Change in %
Liabilities to financial institutions	(16, 40)	713	2,975	– 76.0
Liabilities to customers	(16, 40)	20,703	14,880	39.1
Securitised liabilities	(41)	6,802	9,595	– 29.1
Derivative financial instruments	(10, 42)	295	226	30.5
Provisions	(17, 18, 43)	81	74	9.5
Deferred tax liabilities	(6, 44)	423	658	– 35.7
Income tax obligations	(6)	22	26	– 15.4
Other liabilities	(45)	61	54	13.0
Subordinated capital	(46)	998	1,691	– 41.0
Equity	(47)	4,095	3,318	23.4
Subscribed capital		318	318	—
Capital reserve		3,196	2,596	23.1
Retained earnings		581	404	43.8
Total		**34,193**	**33,497**	**2.1**

Statement of changes in equity of the Volkswagen Bank GmbH Group

in € million	Subscribed capital	Capital reserve	RETAINED EARNINGS INCLUDING CONSOLIDATED NET RETAINED PROFITS					Shares measured at equity	Total equity
			Accumulated profits	Currency translation reserve	Reserve for cash flow hedges	Reserve for actuarial gains and losses	Market valuation securities		
Balance as at 1.1.2008	**318**	**2,596**	**456**	**– 17**	**21**	**– 7**	**—**	**12**	**3,379**
Payments into the capital reserve	—	—	—	—	—	—	—	—	—
Distributions/profit transfer to Volkswagen Financial Services AG	—	—	– 134	—	—	—	—	—	– 134
Comprehensive income	—	—	291	– 34	– 46	2	0	– 117	96
Initial consolidation VOLKSWAGEN FINANCE S.A.	—	—	– 23	—	—	—	—	—	– 23
Balance as at 31.12.2008/1.1.2009	**318**	**2,596**	**590**	**– 51**	**– 25**	**– 5**	**0**	**– 105**	**3,318**
Payments into the capital reserve	—	600	—	—	—	—	—	—	600
Distributions/profit transfer to Volkswagen Financial Services AG	—	—	– 126	—	—	—	—	—	– 126
Comprehensive income	—	—	249	8	9	– 1	3	35	303
Balance as at 31.12.2009	**318**	**3,196**	**713**	**– 43**	**– 16**	**– 6**	**3**	**–70**	**4,095**

Cash flow statement of the Volkswagen Bank GmbH Group

in € million	1.1. – 31.12.2009	1.1. – 31.12.2008
Net income	**249**	**291**
Depreciation, value adjustments and write-ups	344	261
Change in provisions	6	– 5
Change in other items not affecting payments	29	– 45
Result from the sale of financial assets and property, plant and equipment	0	1
Interest result and dividend income	– 789	– 779
Other adjustments	0	39
Change in receivables from financial institutions	– 68	– 293
Change in receivables from customers	– 188	– 4,567
Change in other assets from operating activities	– 1	– 11
Change in liabilities to financial institutions	– 2,262	1,629
Change in liabilities to customers	5,831	3,285
Change in leased assets	– 46	– 47
Change in securitised liabilities	– 2,793	611
Change in other liabilities from operating activities	7	7
Interest received	1,744	1,808
Dividends received	3	32
Interest paid	– 957	– 1,061
Income tax payments	– 81	– 106
Cash flow from operating activities	**1,028**	**1,050**
Cash inflows from the sale of investment property	—	—
Cash outflows from the purchase of investment property	—	—
Cash inflows from the sale of subsidiaries and joint ventures	—	—
Cash outflows from the purchase of subsidiaries and joint ventures	—	– 178
Cash inflows from the sale of other assets	1	12
Cash outflows from the purchase of other assets	– 9	– 6
Change in investments in securities	– 874	– 542
Cash flow from investing activities	**– 882**	**– 714**
Cash inflows from changes in capital	600	—
Profit transfer to Volkswagen Financial Services AG	– 134	– 223
Change in funds resulting from subordinated capital	– 692	148
Cash flow from financing activities	**– 226**	**– 75**
Cash and cash equivalents at the end of the previous period	**694**	**435**
Cash flow from operating activities	1,028	1,050
Cash flow from investing activities	– 882	– 714
Cash flow from financing activities	– 226	– 75
Effects from exchange rate changes	0	– 2
Cash and cash equivalents at the end of the period	**614**	**694**

Comments on the cash flow statement are shown in note (59).

Notes to the consolidated financial statements of the Volkswagen Bank GmbH Group as at 31.12.2009

GENERAL COMMENTS

Volkswagen Bank GmbH is a limited liability company under German law. It has its head office in Germany at Gifhorner Strasse, Brunswick, and is registered in the Brunswick Register of Companies (under file number HRB 3790).

The object of the company is the development, sale and management of own and outside financial services in Germany and abroad, which are appropriate for furthering the business of Volkswagen AG and the companies affiliated with it.

Volkswagen Financial Services AG, Brunswick, is the sole shareholder of Volkswagen Bank GmbH. A control and profit transfer agreement between these two companies is in place.

The annual financial statements of Volkswagen Bank GmbH included in the consolidated annual financial statements of Volkswagen AG, Wolfsburg, which are published in the electronic Federal Gazette and the Company Register.

GROUP ACCOUNTING PRINCIPLES

Volkswagen Bank GmbH prepared its consolidated financial statements as per 31.12.2009 according to International Financial Reporting Standards (IFRS), as applicable in the European Union, and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as well as supplementary provisions that are applicable under § 315a Para. 1 German Commercial Code (HGB). All the IFRS that were approved by the International Accounting Standards Board (IASB) by 31.12.2009, and whose application was obligatory for the 2009 financial year, were taken into account in these consolidated annual financial statements.

In addition to the income statement, the statement of comprehensive income and the balance sheet, the consolidated financial statements according to IFRS include the statement of changes in equity, the cash flow statement and the notes. The separate report on the risks of future development (risk report according to § 315 Para. 1 HGB) is contained in the management report on pages 15 – 30. It contains the qualitative disclosures required under IFRS 7 regarding the type and scope of risks from financial instruments.

All estimates and assessments required for accounting and measurement under IFRS were made in accordance with the applicable standard. They are remeasured continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If estimates to a greater extent were necessary, the assumptions made are explained in detail in the note to the corresponding item.

EFFECTS OF NEW AND REVISED IFRS

Volkswagen Bank GmbH has implemented all accounting standards that had to be applied starting in the 2009 financial year.

The revised IFRS 7, Financial Instruments: Disclosures, extends the disclosures for determining the fair value of financial instruments and the disclosures regarding the liquidity risk arising from financial liabilities.

The new IFRS 8, Operating Segments, leads to the restructuring of segment reporting. In keeping with the management approach, Volkswagen Bank GmbH discloses three reportable segments. Another six non-reportable segments, which are combined under »Other branches« in segment reporting, as well as consolidation are shown in a reconciliation column.

Revised IAS 1, Presentation of Financial Statements, leads to a restructuring of the elements of the financial statements. Some of the terminology was also adopted.

IAS 7, which was revised as part of the annual project to improve the standards, stipulates that cash flow from changes in leased assets be shown under cash flow from operating activities (previously shown under cash flow from investing activities).

Revised IAS 23, Borrowing Costs, requires that borrowing costs attributable to qualifying assets be capitalised if the purchase or production of the respective asset began on or after 1 January 2009. An asset is considered qualified if a period of at least one year is required for the asset to get ready for its intended use or sale. Revised IAS 23 does not affect the presentation of the net assets, financial position and results of operations of the Volkswagen Bank GmbH Group.

Furthermore, the following standards and interpretations had to be applied for the first time in the current financial year. This did not have any effect on the presentation of the consolidated financial statements.

- IFRS 1/IAS 27: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate
- IFRS 2: Share-based Payment – Vesting Conditions and Cancellations
- IFRS 4: Insurance Contracts
- IFRS 7/IAS 39: Reclassification of Financial Assets – initial application
- IAS 1/IAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation
- Improvements[1]
- IFRIC 9/IAS 39: Reassessment of Embedded Derivatives
- IFRIC 1/IFRS 2: Group and Treasury Share Transactions
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 14/IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

1 Minor amendments to numerous standards (IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) and subsequent amendments resulting from them

New or revised IFRS whose application is not yet mandatory and which were not applied voluntarily

In its consolidated financial statements for 2009, Volkswagen Bank GmbH did not take into account the following new or amended accounting standards which were adopted by the IASB but whose application in the financial year is not mandatory for Volkswagen Bank GmbH.

Standard/interpretation		Published by the IASB	Mandatory application**	Adopted by the EU commission*	Expected effects
IFRS 1	First-time Adoption of IFRS	25.11.2008	01.01.2010	Yes	None
IFRS 1/ IFRS 5	Improvements 2008	22.05.2008	01.01.2010	Yes	None
IFRS 2	Group Cash-settled Share-based Payment Transactions – Vesting Conditions and Cancellations	18.06.2009	01.01.2010	No	None
IFRS 3/ IAS 27	Business Combinations/ Consolidated Financial Statements	10.01.2008	01.01.2010	Yes	Change in the treatment of business combinations
IFRS 9	Financial Instruments: Classification and Measurement	12.11.2009	01.01.2013	No	No recognition of fair value changes of strategic equity investments in case of permanent impairment or disposal. Immediate recognition of fair value changes of all other financial assets securitising equity
IAS 24	Related Party Disclosures	04.11.2009	01.01.2011	No	Reduced disclosures regarding business relations with the federal state of Lower Saxony
IAS 32	Classification of Rights Issues and Similar Rights	08.10.2009	01.01.2011	Yes	None
IAS 39	Exposures Qualifying for Hedge Accounting	31.07.2008	01.01.2010	No	None
	Improvements 2009***	16.04.2009	01.01.2010	No	No material effects
IFRIC 12	Service Concession Arrangements	30.11.2006	01.01.2010	Yes	None
IFRIC 14	IAS 19 – Prepayments of a Minimum Funding Requirement	26.11.2009	01.01.2011	No	None
IFRIC 15	Agreement for the Construction of Real Estate	03.07.2008	01.01.2010	Yes	None
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	03.07.2008	01.01.2010	Yes	None
IFRIC 17	Distributions of Non-cash Assets to Owners	27.11.2008	01.01.2010	Yes	None
IFRIC 18	Transfer of Assets from Customers	29.01.2009	01.01.2010	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26.11.2009	01.01.2010	No	None

* on 31.12.2009
** First-time application mandatory for the Volkswagen Bank GmbH Group
*** Minor amendments to numerous standards (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) and subsequent amendments resulting from them

ACCOUNTING POLICIES

(1) Principles

All the companies included in consolidation have drawn up their annual financial statements as at the balance sheet date of 31.12.2009.

The accounting in the Volkswagen Bank GmbH Group is carried out in accordance with IAS 27 using uniform accounting policies.

Financial assets and financial liabilities are recognised in accordance with IAS 39.

Amounts are stated in millions of euros (€ million), unless indicated otherwise.

To improve clarity of presentation, individual items in the income statement and in the balance sheet have been grouped together and explained in the notes.

(2) Basis of consolidation

As a general principle, all companies are fully consolidated in which Volkswagen Bank GmbH has the possibility, directly or indirectly, to determine the financial and business policy in such a way that the Volkswagen Bank GmbH Group benefits from the activities of these companies (subsidiaries). Inclusion in the basis of consolidation begins at the point in time from which the possibility of control exists; it ends when the possibility of control ceases to exist. As at the balance sheet date, eleven special purpose entities whose assets, regarded in economic terms, are attributable to the Volkswagen Bank GmbH Group are fully consolidated.

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. The core business of LeasePlan Corporation N.V. is focused on multi-brand fleet management.

In Poland, Volkswagen Bank GmbH is represented through its 60 % stake in VOLKSWAGEN BANK POLSKA S.A., Warsaw. The core business of VOLKSWAGEN BANK POLSKA S.A. comprises retail financing, dealer financing as well as the direct banking business. The company is classified as a joint venture because the shareholder agreement provides for joint management of the company by both shareholders.

Foreign joint ventures are included at equity in the consolidated financial statements. The following table provides an overview of the assets, liabilities as well as income and expenses related to the interest in the joint ventures:

€ million	2009	2008
Receivables from financial institutions	719	540
Receivables from customers	1,509	1,631
Leased assets	5,774	6,051
Other assets	1,428	1,532
Liabilities to financial institutions	1,292	1,249
Liabilities to customers	296	995
Securitised liabilities	5,034	4,009
Other liabilities	1,475	2,272
Equity	1,333	1,229
Income	443	496
Expenses	– 372	– 391
Contingent liabilities	835	865

The list of equity investments is shown in item 65.

(3) Principles of consolidation

Receivables, liabilities, expenses and income based on business relations of consolidated companies are eliminated within the framework of debt, expense and income consolidation using the accounting policies applicable to the Volkswagen Bank GmbH Group.

Consolidation events recognised in income are subject to accrual of deferred taxes. Shares in subsidiaries which are not consolidated because they are of secondary importance and other equity investments are shown under other financial assets.

Intra-Group transactions are conducted at prevailing market terms. Intercompany results arising therefrom are eliminated.

The interest of the special purpose entities in the equity and result is less than €0.5 million and therefore is not shown as a separate item under equity and in the income statement.

(4) Currency translation

The foreign branches belonging to the Volkswagen Bank GmbH Group are independent entities, whose financial statements are translated according to the concept of »functional currency«. According to this concept, all asset and liability items, with the exception of equity, are translated using the exchange rate on the balance sheet date. Equity, on the other hand, is carried at historical rates, with the exception of the reserve for cash flow hedges and the reserve for actuarial gains and losses. The resulting currency translation differences are treated as not affecting income and are shown as a separate item under equity.

The change data in the statement of fixed assets are translated at the weighted annual average exchange rate. A separate line, »Exchange rate changes«, is dedicated to the arithmetical alignment with the balances brought forward, translated at the middle spot rates of the previous year, and the annual average rates of the change data with the translated final levels at the middle spot rate of the current year.

In the income statement, weighted annual average exchange rates are applied. The accumulated profits/deficits of the branch in the United Kingdom are translated at the middle spot rate on the balance sheet date. The difference between the arithmetic annual result and the net retained profits/accumulated deficits at the rate on the balance sheet date is shown in a separate item in equity.

		BALANCE SHEET MIDDLE RATE AS AT 31.12.		INCOME STATEMENT AVERAGE EXCHANGE RATE	
	€	2009	2008	2009	2008
United Kingdom	GBP	0.8881	0.95250	0.8909	0.7963

(5) Realisation of income and expense

Income and expenses are deferred pro rata temporis and are recognised in income in the period to which they are economically attributable.

The realisation of interest income in the income statement is always carried out according to the effective interest rate method. Income from financing and leasing transactions, and expenses for their refinancing, are contained in net interest income from lending and leasing transactions. Interest for borrowings is not capitalised.

The commission result contains income and expenses from the insurance agency services and commissions from the financing and financial services business.

Dividends are received at the time of the legal claim, i. e. always upon passing of the resolution to distribute profits.

The general administration expenses are composed of staff and non-staff costs, the depreciation of property, plant and equipment, amortisation of intangible assets, as well as other taxes.

The other operating result essentially contains income from costs charged to affiliated companies.

(6) Income tax

Current income tax claims and obligations are measured using the tax rates at which the refund from or payment to the respective tax authorities is expected. Current income tax is generally shown unnetted.

Deferred income tax assets and liabilities are calculated from different measurements of a reported asset or an obligation and the respective taxable carrying amount. It is expected that this will in future result in income tax burden or relief effects (temporary differences). They are measured at the country-specific income tax rates of the particular country of incorporation, whose validity for the corresponding period of its realisation is to be expected.

Deferred taxes on tax losses carried forward that have not yet been made use of are shown in the balance sheet if it is likely that future taxable profits will occur in the same tax unit. Deferred income tax assets and obligations with the same maturity vis-à-vis the same tax authority are netted. Discounting for deferred taxes is not carried out.

The tax expense chargeable to the pre-tax result is shown in the income statement of the Group under the item taxes on income and earnings; in the notes it is divided into current and deferred income tax of the financial year. Other taxes that are not linked to income are reported in the item »General administration expenses«.

(7) Cash reserve

The cash reserve is shown at nominal value.

(8) Receivables

Originated receivables from financial institutions and from customers are always stated in the balance sheet at amortised cost according to the effective interest rate method. Profits or losses resulting from the development of amortised cost are recognised in income including the effects from exchange rate changes. For current receivables (residual term up to one year) neither compounding nor discounting is performed for reasons of materiality. Portfolio hedging was carried out for the first time in the 2008 financial year in connection with a portion of the customer receivables. The customer receivables allocated to portfolio hedging are measured at fair value.

Receivables in foreign currency are translated at the middle rate on the balance sheet date.

(9) Provisions for risks

We take full account of the non-payment risks in the banking business by means of individual value adjustments and portfolio-based allowances made in accordance with IAS 39.

Individual allowances corresponding to the loss already incurred are made for existing credit risks related to significant individual receivables (e.g. receivables from wholesale financing and from fleet customers) in accordance with uniform standards applicable throughout the Group.

Potential impairment is assumed if certain circumstances exist such as, for example, delays of payment over a certain period of time, initiation of compulsory measures, imminent insolvency or over-indebtedness, application for insolvency or initiation of insolvency proceedings, or failure of restructuring measures.

Generalised individual value adjustments are made for receivables that are not significant (e.g. receivables from retail financing), which means that upon recognising the loss the amount of the allowance is calculated in a generalised procedure. Receivables that are not significant as well as significant individual receivables for which no impairment is indicated, are combined into homogeneous portfolios based on comparable credit risk characteristics and divided into risk classes. Average historical loss probabilities related to the respective portfolio are employed to determine the extent of the impairment loss as long as there is uncertainty as to losses on specific receivables. Back-testing is used to regularly review the appropriateness of the allowances.

The receivables are shown in the balance sheet at net carrying amount. Notes to the provisions for risks are presented under item (30). The provisions for risks for off-balance sheet transactions – guarantees, endorsement liabilities, credit commitments – are shown as provisions for risks from lending business.

Unrecoverable receivables – which are being settled and in regards to which all collateral was disposed of and all other options for realising these receivables have been exhausted – are written off directly. Previously recognised individual value adjustments are utilised. Income from receivables written off is recognised in profit or loss.

(10) Derivative financial instruments

The derivative financial instruments are made up of assets and/or obligations from hedge-ineffective and hedge-effective transactions. All derivatives are stated at fair value and shown separately under items (31) and (42). They are recognised as of the respective trade date.

The fair value is determined based on a computer-based measurement using the discounted cash flow method.

Derivatives are used as a hedging instrument to secure the fair value or to secure future cash flows. In accordance with IAS 39, hedge accounting is used only in the case of highly effective hedging transactions.

In fair value hedges, the changes in the fair value of the derivative financial instrument designated to hedge the fair value of the underlying asset or liability are recognised in income. The change in the fair value of the underlying transaction that is attributable to the hedged risk is also recognised in income. The effects on earnings of both the hedging instrument and the underlying transaction fully offset each other.

IAS 39 also permits the application of a fair value hedge not only for individual underlying transactions but also for a class of similar underlying transactions. In the financial year just ended, Volkswagen Bank GmbH executed fair value portfolio hedge pursuant to the requirements of IAS 39 AG 114 ff. for the first time. In a portfolio hedge, the recognition of the changes in fair value corresponds to the changes in a fair value hedge.

The effective portion of changes to the fair value of a derivative that has been designated to secure future cash flows and fulfils the corresponding conditions is recognised directly in equity in the reserve for cash flow hedges. Adjustments to income merely arise from the ineffective portion of the change in the fair value. The amounts recognised in equity are recognised in the periods of the income statement in which the balance sheet item bearing variable interest rates or the anticipated transaction has an effect on income.

Changes to the fair values of derivatives which do not fulfil the conditions of IAS 39 for hedge accounting are recognised in income.

The Volkswagen Bank GmbH Group documents all the relationships between hedging instruments and secured items. The effectiveness is assessed continuously. Transactions intended solely to serve speculative purposes do not exist in the Volkswagen Bank GmbH Group.

(11) Securities

Securities are measured at fair value. The present value of the expected future cash flows discounted to the reporting date based on the risk-adjusted interest rate curve is used to measure securities that are not traded on an active market, to the extent that it is impossible to directly determine a price for them.

(12) Other financial assets

Under other assets we show equity investments. They are recognised at cost, since there is no active market for these companies and their fair values cannot be determined with reasonable effort. Significant or long-term impairment losses are recognised in profit or loss.

(13) Intangible assets

Purchased intangible assets with a limited useful life, essentially software, are capitalised at cost and amortised over their economic life of three years using the straight-line method.

We assess at each balance sheet date whether there is any indication that an intangible asset having a limited useful life has been impaired. If necessary, the carrying amount is compared to the recoverable amount and the respective asset is written down to the lower recoverable amount.

The recoverable amount is the higher of the recoverable net selling price and the value in use. The fair value is the amount that could be realised in an arm's length transaction between knowledgeable, willing parties. The value in use arises from the present value of future cash flows which are expected to be derived from the asset.

(14) Property, plant and equipment

Property, plant and equipment – land and buildings and operating and office equipment – is measured at cost less depreciation according to its expected economic useful life. It is depreciated using the straight-line method pro rata temporis over the expected useful life. Low-value purchases are written down completely and derecognised in the year of acquisition.

Depreciation is mainly based on the following useful lives:

Property, plant and equipment	Useful life
Buildings and property facilities	10 to 50 years
Operating and office equipment	3 to 10 years

Write-downs are recognised if the requirements of IAS 36 are satisfied, i. e. when the realisable net selling price or value in use of the asset concerned has fallen below its carrying amount. If the reasons for write-downs made in previous years no longer apply, appropriate write-ups are recognised. Special tax allowances are not taken into account.

Both the residual carrying amounts and the useful lives are reviewed at the given balance sheet date and adjusted as necessary.

The cost of depreciation is contained in the general administration expenses. Income from write-ups is contained in the other operating result.

(15) Leasing business

The Group as lessor

In addition to finance leasing, the Volkswagen Bank GmbH Group has also been engaged in operating leasing since 1 January 2008 as a result of the merger of VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, into the French branch of Volkswagen Bank GmbH. This business concerns essentially vehicles and, to a lesser extent, land and buildings, as well as equipment and furnishings for dealers.

In the case of finance leases, the economic ownership passes to the lessee. In the consolidated balance sheet, receivables from finance leases are therefore shown under receivables from customers, where the net investment value always corresponds to the cost of the leased assets. Interest income from these transactions is shown under leasing income in the income statement. The interest paid by the customer is received in such a way that a constant periodic rate of interest on the outstanding leasing receivables results.

In the case of operating leases, the economic ownership of the object of the lease remains with the lessor. In this case the leased items are shown in the consolidated balance sheet in the separate item, leased assets, measured at cost less regular straight-line depreciation over the term of the lease to the imputed residual value. Impairments identified on the basis of the impairment test in compliance with IAS 36 by taking into account the value in use or the net selling price are recognised through write-downs and adjustments of the depreciation rates. Write-ups are made if the reasons for write-downs in previous years no longer apply. Write-downs and write-ups are contained in the net income from leasing transactions before provisions for risks. Leasing income is recognised on a straight-line basis over the term of the lease and comprises the interest and repayment portions.

Land and buildings which serve to obtain rental income are recognised under the balance sheet item, investment property, and are stated at depreciated cost. As a rule, these are properties leased to dealers. Depreciation is carried out using the straight-line method over the agreed useful life of ten to 50 years. Impairments identified on the basis of the impairment test in compliance with IAS 36 are recognised through write-downs.

The Group as lessee

The leasing instalments paid under operating leases are shown under the general administration expenses.

(16) Liabilities

Liabilities to financial institutions and to customers as well as securitised liabilities are recognised at amortised cost according to the effective interest rate method. Profits or losses resulting from the development of amortised cost are recognised in income including the effects from exchange rate changes. For current liabilities (residual term up to one year) neither compounding nor discounting was performed for reasons of materiality.

A portion of the liabilities to customers was included in a portfolio hedge for the first time in the 2009 financial year. The customer receivables allocated to portfolio hedging are measured at fair value.

Liabilities in foreign currency are translated at the middle rate on the balance sheet date.

(17) Pension provisions and similar obligations

In Germany, there is a defined contribution, basic state pension for employees which makes pension payments at a level dependent on income and contributions paid. Domestic companies made contributions to the statutory pension scheme amounting to € 1 million (previous year: € 1 million).

Both defined contribution and defined benefit pension commitments exist under company pension plans for employees. In the case of the defined contribution plans, contributions are paid to state or private pension insurance providers under statutory or contractual provisions or on a voluntary basis. The defined benefit plans, on the other hand, are financed by making provisions and, since 2001, also by making transfers into an external pension fund.

In the case of defined contribution plans, the Volkswagen Bank GmbH Group does not enter into any payment obligations beyond payment of contributions to special-purpose funds. The expenses from contribution payments in the current period are shown under staff costs. Payments to defined contribution pension plans were less than € 0.5 million, just as in the previous year.

In the case of defined benefit plans, provisions are made for pension obligations in respect of old age, invalidity and surviving dependants' benefits. The defined benefit plans are measured on the basis of actuarial reports, which are determined in accordance with IAS 19 (Employee Benefits) by means of the international projected unit credit method. This means that the future obligations are measured on the basis of the benefit entitlements acquired up to the balance sheet date. Such measurement takes account of trend assumptions of relevant influencing factors which affect the level of benefits.

As of 1.1.2001, pension expenses for new expectancies of employees have been financed through an external pension fund. The annual salary-related pension expenses are invested in special funds by VW Pension Trust e.V. acting as trustee. Since the fund shares administered by the trustee fulfil the requirements of IAS 19 as plan assets, they are offset against provisions. This model offers the possibility of increasing the pension entitlements through the fund's investment, and also secures these entitlements fully.

Actuarial profits/losses result from changes in actuarial assumptions and variances between the expected and the actual development of the calculation parameters. They are recognised in equity in the period in which they arise. The amounts recognised in equity are disclosed in the statement of comprehensive income.

Material actuarial premises applied by Volkswagen Bank GmbH and its foreign branches:

	GERMANY		ABROAD	
%	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Expected return on plan assets	5.00	5.00	4.00 – 5.70	5.42
Discount rate	5.40	5.75	5.35 – 5.40	5.35 – 6.50
Expected rate of salary increases	2.50	2.50	3.75	2.00 – 4.50
Expected rate of pension increases	1.50	1.50	2.00 – 3.70	2.00 – 3.00
Fluctuation rate	0.75	0.75	4.86	4.86

For reasons of materiality, some actuarial assumptions made for countries outside Germany are shown in ranges.

(18) Other provisions

In accordance with IAS 37, provisions are recognised to the extent that there is a current obligation vis-à-vis a third party arising from a past event which will probably lead to a future outflow of resources and the amount of which can be reliably estimated.

Provisions which do not lead to an outflow of resources in the following year are carried at the amount required to settle the respective obligation, discounted to the balance sheet. Discounting is based on market interest rates. The amount required to settle the obligation also comprises the expected cost increases.

Provisions are not offset against claims for reimbursement.

(19) Trust activities

Transactions which are based on administration or placement of assets for third-party account – trust activities – are not shown in the balance sheet.

NOTES TO THE INCOME STATEMENT

(20) Net income from lending and leasing transactions before provisions for risks

The net income from lending and leasing business transactions before provisions for risks developed as follows:

€ million	2009	2008
Interest income from lending and money market transactions	1,660	1,736
Income from leasing transactions	217	195
Expenses from leasing business	– 66	– 63
Depreciation on leased assets and investment property	– 49	– 49
Interest expense	– 957	– 1,061
Total	**805**	**758**

The interest income from lending and money market transactions as well as the income from leasing transactions contain interest income on impaired receivables in the amount of € 13 million (previous year: € 23 million). Interest income included here from financial instruments which are not attributable to the category of assets or financial liabilities measured at fair value amounts to € 1,577 million (€ 1,808 million).

Income from leasing transactions includes rental income from investment property amounting to € 1 million (previous year: € 1 million). As in the previous year, this income does not include income from the write-up on write-downs carried out in previous years on leased assets and investment property.

In the reporting period, no impairment losses based on impairments tests were recognised on leased assets and on investment property (previous year: € 5 million).

The interest expense contains refinancing expenses from lending and leasing transactions. A total of € 794 million of that expense concerns financial instruments not measured at fair value.

(21) Provisions for risks arising from lending and leasing business

Provision for risks relates only to the balance sheet item »Receivables from customers«. It has the following effect on the Group's income statement:

€ million	2009	2008
Additions to provisions for risks	– 522	– 357
Reversal of provisions for risks	304	190
Direct depreciation	– 72	– 40
Income from receivables written off	17	26
Total	**– 273**	**– 181**

(22) Net commission income

The net commission income of € 83 million (previous year: € 71 million) contains € 128 million (previous year: € 125 million) in income from insurance agency services.

(23) Result from derivative financial instruments

This item contains the results from hedging transactions and hedge-ineffective derivatives.

The result from hedging transactions contains income and expenses from the fair value measurement of hedging transactions and underlying transactions. Under the gains and losses from hedge-ineffective derivatives we show income and expenses from ineffective portions of hedge-effective hedging transactions and market value changes of derivatives which do not fulfil the requirements of IAS 39 for hedge accounting.

The detailed figures are as follows:

€ million	2009	2008
Gains/losses on fair value hedging instruments	48	– 8
Gains/losses on underlying transactions of fair value hedges	– 17	3
Ineffective portion of cash flow hedging instruments	0	0
Gains/losses from the measurement of foreign currency receivables/liabilities	– 1	—
Gains/losses on other hedge-ineffective derivatives	– 34	– 20
Total	**– 4**	**– 25**

No further fair value changes were made in connection with financial instruments.

(24) General administration expenses

The general administration expenses are made up as follows:

€ million	2009	2008
Staff costs	– 63	– 65
Non-staff costs	– 331	– 325
Costs of advertising, PR work and sales promotion	– 28	– 33
Depreciation of property, plant and equipment and amortisation of intangible assets	– 5	– 5
Other taxes	– 2	– 2
Total	**– 429**	**– 430**

The non-staff costs contain expenses for leased assets under operating leases amounting to € 5 million (previous year: € 3 million).

As required by § 314 Para. 1 No. 9 HGB, the general administration expenses for the 2009 financial year include fees for the audit of the annual financial statements amounting to € 1 million (previous year: € 1 million), for other auditing and valuation services amounting to € 0 million (previous year: € 1 million), and for other services amounting to € 1 million (previous year: € 2 million). As in the previous year, expenses for tax consultancy services were of a minor nature.

(25) Other operating result

The other operating result is made up as follows:

€ million	2009	2008
Income from costs charged to companies of the Volkswagen Group	63	67
Income from the reversal of provisions	1	3
Income from claims for damages	0	– 1
Miscellaneous operating result	13	6
Other operating result	**77**	**75**

(26) Taxes on income and earnings

Taxes on income and earnings include taxes debited by Volkswagen Financial Services AG because of the company's inclusion in the consolidated tax group, taxes which are owed by the foreign branches of the bank, and deferred taxes. The income taxes are made up as follows:

€ million	2009	2008
Effective tax expense in Germany	– 63	– 45
Effective tax expense abroad	– 20	– 24
Effective tax expense	**– 83**	**– 69**
Income from the reversal of tax provisions and tax refunds	1	1
Effective taxes on income and earnings	**– 82**	**– 68**
of which not attributable to the period under review	1	– 8
Deferred tax income/expense in Germany	12	0
Deferred tax income/expense abroad	– 11	– 16
Deferred tax income/expense	**1**	**– 16**
of which not attributable to the period under review	—	9
Total	**–81**	**– 84**

The deferred tax expense of the financial year contains deferred tax expenses due to the use of previously capitalised deferred taxes on tax losses carried forward amounting to € 4 million (previous year: zero).

The actual tax expense in 2009 amounting to € 81 million (previous year: € 84 million) was € 16 million lower than the expected tax expense of € 97 million (previous year: € 111 million), which would have resulted if a tax rate of 29.5 % (previous year: 29.5 %) had been applied on the Group's pre-tax result. The following reconciliation shows the connection between taxes on income and earnings and the pre-tax result in the financial year:

€ million	2009	2008
Pre-tax result	**330**	**375**
multiplied by the German income tax rate of 29.5 % (previous year: 29.5 %)		
= **Arithmetical income tax expense in the financial year at the German income tax rate**	**– 97**	**– 111**
+ Effects from tax credits	—	—
+ Effects from German/foreign tax rate	– 2	– 2
+ Effects from tax rate changes	—	—
+ Effects from permanent valuation differences	– 4	– 4
+ Effects on account of tax-free income from equity investments	1	9
+ Effects from losses carried forward	0	– 2
+ Temporary valuation differences without calculation of deferred taxes	20	22
+ Taxes not attributable to the period under review	1	1
+ Other differences	0	3
= **Actual taxes on income and earnings**	**– 81**	**– 84**

The domestic income tax rate chosen as the basis for the reconciliation is made up of the corporation tax rate of 15 % applicable in Germany (previous year: 15 %), plus solidarity surcharge of 5.5 % (previous year: 5.5 %) and an average rate for trade tax of 13.67 % (previous year: 13.67 %). Taking into account the non-deductibility of trade tax as a business expense from the 2008 financial year, the German income tax rate amounts to 29.5 % (previous year: 29.5 %). Income from equity investments and profit from the sale of equity investments in joint stock companies have not generally been subject to taxation on earnings since 1.1.2002.

Changes in tax rates did not result in deferred tax income or in any tax effects recognised directly in equity.

The effects resulting from different rates of income tax in other countries arise due to the income tax rates of the individual countries where the bank branches have their registered office. As in the previous year, these rates, which differ from the German income tax rate, are between 12.5 % and 33.99 %.

As in the previous year, the effects from temporary differences without calculation of deferred taxes essentially are caused by the result from joint ventures accounted for at equity.

As at 31.12.2009, the company's tax losses carried forward not yet used to date were € 14 million (previous year: € 26 million), for which deferred tax assets of € 4 million (previous year: € 8 million) were recognised. Of these unused tax losses carried forward, € 14 million (previous year: € 26 million) can be utilised indefinitely. No deferred tax assets were recognised on € 6 million in unused tax losses carried forward (previous year: € 7 million) because they are classified as unusable.

Of the deferred taxes recognised in the balance sheet, a total of € 8 million (previous year: € 12 million) relate to business transactions that are recognised directly in equity. A partial amount of € 2 million (previous year: € 2 million) concerns actuarial gains/losses (IAS 19), a partial amount of € 7 million (previous year: € 10 million) concerns derivative financial instruments, and a further € – 1 million (previous year: € 0 million) concern the market valuation of securities.

(27) Further notes to the income statement

Income from commission not taken into account using the effective interest method amounted to € 0 million (previous year: € 1 million).

NOTES TO THE BALANCE SHEET

(28) Cash reserve

The cash reserve essentially contains balances at Deutsche Bundesbank in the amount of € 605 million (previous year: € 686 million).

(29) Receivables from customers

Receivables from customers include unsecuritised receivables from affiliated companies amounting to € 2,394 million (previous year: € 3,145 million). There are receivables from the sole shareholder, Volkswagen Financial Services AG, amounting to € 544 million (previous year: € 641 million).

Receivables from retail financing contain, in principle, vehicle financing loan agreements with private and commercial customers. Financed vehicles are usually assigned to us as collateral. The dealer financing contracts contain financing of vehicles in stock and equipment and investment loans to the dealer organisation. Here too, security assignments are used as collateral, as well as surety agreements and charges on property. Receivables from leasing business contain receivables from finance leases and receivables due from leased assets. Other receivables essentially consist of receivables from companies in the Volkswagen Group and of credit lines and overdraft facilities utilised by customers.

The terms of the contracts are usually between six and 72 months. As a rule, credit lines are granted indefinitely. The interest rates, which essentially are fixed, are between 0.9 % and 15.15 % (previous year: 0.00 % and 19.06 %).

Portions of the retail financing subject to fixed interest rates were hedged in a portfolio hedge pursuant to IAS 39 AG 114 ff. against fluctuations of the risk-free base rate.

The reconciliation from the balance sheet figures is as follows:

€ million	31.12.2009	31.12.2008
Receivables from customers	**28,308**	**28,357**
of which market value adjustment from portfolio hedging	– 26	– 42
Receivables from customers less market value adjustment from portfolio hedging	28,282	28,315

Receivables from leasing transactions include due receivables amounting to € 15 million (previous year: € 6 million).

The receivables from operating leasing transactions total € 5 million as at the balance sheet date (previous year: € 3 million).

The receivables from finance leases are made up as follows:

€ million	31.12.2009	31.12.2008
Gross receivables from finance leases	**1,263**	**1,249**
by residual term		
up to one year	467	554
more than one year and up to five years	796	695
more than five years	0	0
Interest not yet earned from finance leases	**111**	**115**
Net receivables from finance leases	**1,152**	**1,134**
by residual term		
up to one year	410	497
more than one year and up to five years	742	637
more than five years	0	0

At the Volkswagen Bank Group, the present value of the minimum leasing payments outstanding on the balance sheet date corresponds to the net receivables from finance leases reported above.

A provision for risks arising from outstanding minimum lease payments exists in the amount of € 24 million (previous year: € 18 million).

(30) Provisions for risks arising from lending and leasing business

The provisions for risks in the lending and leasing business are made in accordance with uniform rules throughout the Group and cover all recognisable credit risks.

A reconciliation to the classes in accordance with IFRS 7 must be shown. Previous year's figures were adjusted accordingly. Reconciliation is as follows:

Class »Assets measured at amortised cost«:

	INDIVIDUAL VALUE ADJUSTMENTS		PORTFOLIO-BASED VALUE ADJUSTMENTS		TOTAL	
€ million	2009	2008	2009	2008	2009	2008
As at 1.1.	361	326	250	266	611	592
Additions	467	273	53	61	520	334
Disposals	209	232	103	57	312	289
of which uses	47	99	—	0	47	99
of which reversals	162	133	103	57	265	190
Transfers	– 6	19	10	– 19	4	0
Interest income from impaired receivables	12	23	—	0	12	23
Currency translation	– 7	– 2	0	– 1	– 7	– 3
Provisions for risks arising from lending and leasing business as at 31.12.	**594**	**361**	**210**	**250**	**804**	**611**

Class »Hedge accounting«:

€ million	INDIVIDUAL VALUE ADJUSTMENTS 2009	INDIVIDUAL VALUE ADJUSTMENTS 2008	PORTFOLIO-BASED VALUE ADJUSTMENTS 2009	PORTFOLIO-BASED VALUE ADJUSTMENTS 2008	TOTAL 2009	TOTAL 2008
As at 1.1.	12	—	36	—	48	—
Additions	1	19	0	4	1	23
Disposals	17	—	25	—	42	—
of which uses	4	—	—	—	4	—
of which reversals	13	—	25	—	38	—
Transfers	6	– 7	– 10	32	– 4	25
Interest income from impaired receivables	1	—	—	—	1	—
Currency translation	—	—	—	—	—	—
Provisions for risks arising from lending and leasing business as at 31.12.	**1**	**12**	**1**	**36**	**2**	**48**

The provisions for risks were recognised in relation to receivables from customers.

(31) Derivative financial instruments

This item contains the positive market values from hedging transactions and from hedge-ineffective derivatives and is made up as follows:

€ million	31.12.2009	31.12.2008
Assets from hedging transactions	47	93
Fair value hedges on assets (currency risk)	—	—
Fair value hedges on liabilities (currency risk)	—	—
Fair value hedges (interest rate risk)	33	31
Portfolio fair value hedges on assets (interest rate risk)	4	—
Cash flow hedges on interest payments (currency risk)	—	—
Cash flow hedges (interest rate risk)	10	62
Assets from hedge-ineffective derivatives	160	97
Total	**207**	**190**

With the exception of hedge-ineffective derivatives, no financial instruments are classified as being held for trading.

(32) Securities

Securities essentially comprise asset-backed securities issued by special purpose entities of Volkswagen Leasing GmbH.

(33) Joint ventures accounted for at equity and other financial assets

€ million	Companies accounted for at equity	Other financial assets	Total
Cost of acquisition As at 1.1.2008	1,290	0	1,290
Exchange rate changes/effects recognised in equity	– 117	—	– 117
Changes in the scope of consolidation	—	—	—
Additions	105	—	105
Transfers	—	—	—
Disposals	30	—	30
As at 31.12.2008	1,248	0	1,248
Depreciation As at 1.1.2008	—	—	—
Exchange rate changes	—	—	—
Changes in the scope of consolidation	—	—	—
Additions	—	—	—
Transfers	—	—	—
Disposals	—	—	—
Write-ups	—	—	—
Write-downs	—	—	—
As at 31.12.2008	—	—	—
Carrying amount 31.12.2008	**1,248**	**0**	**1,248**
Carrying amount 1.1.2008	**1,290**	**0**	**1,290**

€ million	Companies accounted for at equity	Other financial assets	Total
Cost of acquisition As at 1.1.2009	1,248	0	1,248
Exchange rate changes/effects recognised in equity	35	—	35
Changes in the scope of consolidation	—	—	—
Additions	72	0	72
Transfers	—	—	—
Disposals	4	—	4
As at 31.12.2009	1,351	0	1,351
Depreciation As at 1.1.2009	—	—	—
Exchange rate changes	—	—	—
Changes in the scope of consolidation	—	—	—
Additions	—	—	—
Transfers	—	—	—
Disposals	—	—	—
Write-ups	—	—	—
Write-downs	—	—	—
As at 31.12.2009	—	—	—
Carrying amount 31.12.2009	**1,351**	**0**	**1,351**
Carrying amount 1.1.2009	**1,248**	**0**	**1,248**

The previous year’s result from the other financial assets amounting to € 2 million essentially included income from the shares held in Visa Inc., San Francisco, USA.

(34) Intangible assets

€ million	2009	2008
Cost of acquisition		
As at 1.1.	17	12
Exchange rate changes	0	—
Changes in the scope of consolidation	—	4
Additions	8	2
Transfers	—	—
Disposals	0	1
As at 31.12.	25	17
Amortisation		
As at 1.1.	12	8
Exchange rate changes	0	—
Changes in the scope of consolidation	—	3
Additions	3	1
Transfers	—	—
Disposals	0	—
Write-ups	—	—
Write-downs	—	—
As at 31.12.	15	12
Carrying amount 31.12.	**10**	**5**
Carrying amount 1.1.	**5**	**4**

Intangible assets essentially comprise purchased software. As at the balance sheet date, no intangible assets which have an indefinite useful life exist.

(35) Property, plant and equipment

€ million	Land and buildings	Office and operating equipment	Total
Cost of acquisition			
As at 1.1.2008	21	18	39
Exchange rate changes	—	—	—
Changes in the scope of consolidation	—	6	6
Additions	0	4	4
Transfers	—	—	—
Disposals	0	15	15
As at 31.12.2008	21	13	34
Depreciation			
As at 1.1.2008	12	6	18
Exchange rate changes	—	—	—
Changes in the scope of consolidation	—	3	3
Additions	1	2	3
Transfers	—	—	—
Disposals	0	3	3
Write-ups	—	—	—
Write-downs	—	—	—
As at 31.12.2008	13	8	21
Carrying amount 31.12.2008	**8**	**5**	**13**
Carrying amount 1.1.2008	**9**	**12**	**21**

€ million	Land and buildings	Office and operating equipment	Total
Cost of acquisition			
As at 1.1.2009	21	13	34
Exchange rate changes	—	—	—
Changes in the scope of consolidation	—	—	—
Additions	0	1	1
Transfers	—	—	—
Disposals	1	1	2
As at 31.12.2009	20	13	33
Depreciation			
As at 1.1.2009	13	8	21
Exchange rate changes	—	—	—
Changes in the scope of consolidation	—	—	—
Additions	0	1	1
Transfers	—	—	—
Disposals	0	0	0
Write-ups	—	—	—
Write-downs	—	—	—
As at 31.12.2009	13	9	22
Carrying amount 31.12.2009	**7**	**4**	**11**
Carrying amount 1.1.2009	**8**	**5**	**13**

As in the previous year, no assets under construction were included in land and buildings in the 2009 financial year.

(36) Leased assets and investment property

€ million	Movable leased assets	Advance payments on movable leased assets	Investment property	Advance payments on investment property	Total
Cost of acquisition					
As at 1.1.2008	—	—	—	—	—
Exchange rate changes	—	—	—	—	—
Changes in the scope of consolidation	240	—	3	—	243
Additions	88	—	—	—	88
Transfers	—	—	—	—	—
Disposals	83	—	—	—	83
As at 31.12.2008	245	—	3	—	248
Depreciation					
As at 1.1.2008	—	—	—	—	—
Exchange rate changes	—	—	—	—	—
Changes in the scope of consolidation	69	—	1	—	70
Additions	44	—	0	—	44
Transfers	—	—	—	—	—
Disposals	42	—	—	—	42
Write-ups	—	—	—	—	—
Write-downs	5	—	—	—	5
As at 31.12.2008	76	—	1	—	77
Carrying amount 31.12.2008	**169**	**—**	**2**	**—**	**171**
Carrying amount 1.1.2008	**—**	**—**	**—**	**—**	**—**

€ million	Movable leased assets	Advance payments on movable leased assets	Investment property	Advance payments on investment property	Total
Cost of acquisition					
As at 1.1.2009	245	—	3	—	248
Exchange rate changes	—	—	—	—	—
Changes in the scope of consolidation	—	—	—	—	—
Additions	86	—	—	—	86
Transfers	—	—	—	—	—
Disposals	87	—	—	—	87
As at 31.12.2009	244	—	3	—	247
Depreciation					
As at 1.1.2009	76	—	1	—	77
Exchange rate changes	—	—	—	—	—
Changes in the scope of consolidation	—	—	—	—	—
Additions	49	—	0	—	49
Transfers	—	—	—	—	—
Disposals	48	—	—	—	48
Write-ups	—	—	—	—	—
Write-downs	—	—	—	—	—
As at 31.12.2009	77	—	1	—	78
Carrying amount 31.12.2009	**167**	**—**	**2**	**—**	**169**
Carrying amount 1.1.2009	**169**	**—**	**2**	**—**	**171**

The fair value of investment property amounts to € 2 million (previous year: € 2 million). During the period under review, no maintenance expenses (previous year: € 0 million) were incurred for investment property.

We expect payments of € 48 million in 2010 and € 43 million from 2011 to 2014.

(37) Deferred tax assets

The deferred tax assets consist exclusively of deferred income tax assets, which are subdivided as follows:

€ million	31.12.2009	31.12.2008
Deferred taxation	1,070	1,693
of which non-current	903	1,541
Capitalised benefits from unused tax losses carried forward	4	8
of which non-current	4	8
Netting (with deferred tax liabilities)	– 611	– 1,000
Total	**463**	**701**

Tax accruals are recognised in connection with the following balance sheet items:

€ million	31.12.2009	31.12.2008
Property, plant and equipment / intangible assets	20	23
Leased assets	5	230
Other financial assets	552	833
Cash and securities	18	—
Other assets	3	0
Derivative financial instruments (obligations)	79	66
Provisions	25	22
Liabilities	365	519
Other liabilities	3	0
Total	**1,070**	**1,693**

(38) Other assets

Other assets concern the following items:

€ million	31.12.2009	31.12.2008
Receivables from other taxes	28	10
Prepaid expenses	14	11
Vehicles taken back for resale	6	7
Miscellaneous	36	56
Total	**84**	**84**

(39) Non-current assets

€ million	31.12.2009	of which non-current	31.12.2008	of which non-current
Cash reserve	614	—	694	—
Receivables from financial institutions	1,501	—	1,432	—
Receivables from customers	28,308	13,601	28,357	12,322
Derivative financial instruments	207	174	190	–
Securities	1,420	783	542	337
Joint ventures accounted for at equity	1,351	1,351	1,248	1,248
Other financial assets	0	0	0	0
Intangible assets	10	10	5	5
Property, plant and equipment	11	11	13	13
Leased assets	167	167	169	169
Investment property	2	2	2	2
Deferred tax assets	463	456	701	697
Income tax assets	55	—	60	—
Other assets	84	2	84	2
Total	**34,193**	**16,557**	**33,497**	**14,795**

(40) Liabilities to financial institutions and customers

The liabilities to financial institutions and customers are all unsecuritised.

The securitised liabilities are shown separately.

To meet part of the capital requirements of the leasing and financing activities, the Volkswagen Bank GmbH companies take advantage of the funds made available by the Volkswagen Group companies.

The drawing on funds, which is shown as unsecuritised liabilities to customers, amounts to € 2,008 million (previous year: € 1,692 million) in liabilities to affiliated companies – of which € 138 million (previous year: € 158 million) is attributable to the sole shareholder, Volkswagen Financial Services AG, including the profit transfer.

Liabilities to customers contain deposits at Volkswagen Bank GmbH amounting to € 18,266 million (previous year: € 12,829 million). They mainly comprise overnight and fixed-term deposits as well as various savings certificates and plans. Relative to the term, the »Direkt« savings plan has the longest investment horizon. The maximum term is ten years. The nominal interest rate for newly signed savings plans, savings certificates and fixed-term deposits in the financial year just ended was between 0.25 % and 5.0 % (previous year: between 3.80 % and 5.40 %). The average interest rate for overnight deposit accounts was 1.58 % at 31.12.2009, the balance sheet date (previous year: 3.97 %).

Portions of the liabilities to customers were hedged for the first time in a portfolio hedge pursuant to IAS 39 AG 114 ff. against fluctuations of the risk-free base rate.

The reconciliation from the balance sheet figures is as follows:

€ million	31.12.2009	31.12.2008
Liabilities to customers	**20,703**	**14,880**
of which market value adjustment from portfolio hedging	0	—
Liabilities to customers less market value adjustment from portfolio hedging	20,703	14,880

(41) Securitised liabilities

Debentures and money market papers (commercial paper) are shown as securitised liabilities.

€ million	31.12.2009	31.12.2008
Debentures issued	6,697	9,338
Money market papers issued	105	257
Total	**6,802**	**9,595**

The Volkswagen Bank GmbH Group utilises ABS transactions, in addition to the options mentioned above, for the purpose of refinancing. At year's end, the associated liabilities contained in the debentures issued amounted to € 3,118 million (previous year: € 3,951 million), those in the liabilities to financial institutions amounted to € 258 million (previous year: € 372 million) and those in the subordinated liabilities amounted to € 170 million (previous year: € 219 million). Receivables in the amount of € 3,407 million (previous year: € 4,588 million) arising from retail financing serve as collateral. This entails selling the anticipated payments to single purpose entities and transferring the vehicles financed as collateral. Given the IFRS requirement that special purpose entities must be consolidated, the assets and corresponding liabilities continue to be recognised at Volkswagen Bank GmbH.

All public and private ABS transactions of Volkswagen Bank GmbH may be subject to early repayment (so-called clean-up call) if less than 9 % of the original transaction volume is outstanding.

(42) Derivative financial instruments

This item contains the negative market values from hedging transactions as well as from hedge-ineffective derivatives and is made up as follows:

€ million	31.12.2009	31.12.2008
Obligations from hedging transactions	75	107
Fair value hedges on assets (currency risk)	—	—
Fair value hedges on liabilities (currency risk)	—	—
Fair value hedges (interest rate risk)	1	14
Portfolio fair value hedges on assets (interest rate risk)	2	33
Cash flow hedges on interest payments (currency risk)	—	—
Cash flow hedges (interest rate risk)	72	60
Obligations from hedge-ineffective derivatives	220	119
Total	**295**	**226**

(43) Provisions

The provisions break down as follows:

€ million	31.12.2009	31.12.2008
Provisions for pensions and similar obligations	49	47
Other provisions	32	27
Total	**81**	**74**

The provisions for pensions and similar obligations are provisions for the obligations to provide company retirement pensions on the basis of direct pension commitments. The type and amount of pensions for employees entitled to a company pension are governed by the relevant pension rules applicable at the inception of the employment contract (including pension guidelines, pension regulations, defined contribution pension plans and pension commitments based on individual contracts). According to these rules, pensions are paid after entering retirement either when the age limit is reached or prematurely in the event of invalidity or death.

The pension commitments are determined annually by an independent actuary according to the projected unit credit method.

The following amounts were recognised for defined benefit plans in the balance sheet:

€ million	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Present value of funded obligations	13	10	11	37
Fair value of plan assets	12	11	11	36
Surplus/deficit	**1**	**– 1**	**0**	**1**
Present value of unfunded obligations	48	47	51	118
Net liability stated in the balance sheet	**49**	**46**	**51**	**119**

The net liability recognised in the balance sheet is contained in the following items:

€ million	31.12.2009	31.12.2008
Pension provisions	49	47
Other assets	—	1
Net liability stated in the balance sheet	**49**	**46**

The pension provisions essentially concern pension commitments of German companies.

The present value of the commitments developed as follows:

€ million	2009	2008	2007	2006
Present value of obligations as at 1.1.	56	62	155	133
Current service cost	– 1	– 2	– 5	– 10
Interest on obligation	– 3	– 3	– 5	– 6
Actuarial gains and losses (recognised in equity)	2	– 4	– 26	3
Employee contributions to the fund	0	0	0	0
Pension payments out of company assets	2	2	2	2
Pension payments out of the fund	0	1	0	0
Other changes	1	– 3	– 75	5
Currency differences from foreign plans	0	–1	0	0
Present value of obligations as at 31.12.	**61**	**56**	**62**	**155**

The development of the plan assets is shown in the following table:

€ million	2009	2008	2007	2006
Fair value of plan assets as at 1.1.	11	11	36	23
Expected return on plan assets	0	1	1	2
Actuarial gains and losses (recognised in equity)	0	– 1	0	0
Employer contributions to the fund	1	– 1	3	8
Employee contributions to the fund	0	0	0	0
Pension payments out of the fund	0	1	0	0
Other changes	0	0	– 29	3
Currency differences from foreign plans	0	0	0	0
Fair value of plan assets as at 31.12.	**12**	**11**	**11**	**36**

In connection with the ongoing development of the company's structure, a significant percentage of the employees of Volkswagen Bank GmbH was transferred to Volkswagen Financial Services AG effective 1.7.2007. The pension provisions and the pension funds created for these employees were also transferred to Volkswagen Financial Services AG. This effect is contained in the item »Other changes« in the two tables presented above.

The actual return on plan assets amounted to € 1 million (previous year: € 0 million).

The interest rate for the expected long-term returns of the fund assets is based on the portfolio's actual income generated over the long term, on historical total market returns and on forecasts regarding the likely returns of the classes of securities the portfolios contain (shares and fixed-interest securities). These forecasts are based on expected returns for comparable pension funds during the respective employee's remaining years of service as an investment horizon, as well as on the experience of major portfolio managers and investment experts. In 2010, we expect to earn a return of € 1 million from our fund assets. Employer's contributions to the fund are expected to total € 1 million and service cost is expected to total € 0 million in 2010.

The fund assets comprise the following components:

%	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Shares	21	17	26	38
Fixed-interest securities	58	62	65	55
Cash	3	8	2	6
Property	2	1	4	—
Other	16	12	3	1

The following amounts were recognised in the income statement:

€ million	2009	2008
Current service cost	– 1	– 2
Interest on obligation	– 3	– 4
Expected return on plan assets	0	1
Past service cost	—	—
Total amount shown under staff costs	**– 4**	**– 5**

The net liability recognised in the balance sheet changed as follows:

€ million	2009	2008
Net liability at 1.1.	**46**	**51**
Net expense in the income statement	– 4	– 5
Pension benefits and fund allocations paid	3	4
Actuarial gains and losses (recognised in equity)	2	– 4
Other changes	0	– 2
Currency differences from foreign plans	0	0
Net liability at 31.12.	**49**	**46**

The following table shows the difference between the expected and actual development of obligations and plan assets:

	2009	2008	2007	2006
Differences between expected and actual development				
in % of the present value of obligations	1.92	2.95	– 0.58	– 1.37
in % of the fair value of plan assets	2.18	– 5.72	0.01	1.04

Other provisions developed as follows:

	OTHER PROVISIONS	
€ million	Human resources	Miscel-laneous
As at 1.1.2009	14	13
Use	9	0
Reversal	1	0
Addition	11	4
Other changes	0	0
As at 31.12.2009	**15**	**17**

The provisions in human resources include, in particular, one-off annual payments, payments on account of staff anniversaries of company service and other costs of the workforce. The other provisions essentially contain the costs of litigation risks and the costs of maintenance contracts.

The terms of the other provisions are as follows:

	31.12.2009		31.12.2008	
€ million	Residual term more than one year	Total	Residual term more than one year	Total
Human resources	2	15	9	14
Miscellaneous	—	17	1	13
Total	2	32	**10**	**27**

The expected outflow of payments is as follows: 92 % in the following year, 4 % in the years 2011 to 2014 and 4 % thereafter.

(44) Deferred tax liabilities

The deferred tax liabilities break down as follows:

€ million	31.12.2009	31.12.2008
Deferred income tax obligations	1,034	1,658
of which non-current	485	877
Netting (with deferred tax assets)	– 611	– 1,000
Total	**423**	**658**

The deferred income tax obligations contain taxes from temporary differences between measurements in accordance with IFRS and amounts arising from the determination of Group companies' taxable earnings.

The deferred income tax obligations were recognised in connection with the following balance sheet items:

€ million	31.12.2009	31.12.2008
Receivables from customers	969	1,545
Derivative financial instruments (assets)	48	56
Property, plant and equipment / intangible assets	1	1
Cash and securities	—	23
Other assets	4	4
Provisions	11	12
Other liabilities	1	17
Total	**1,034**	**1,658**

(45) Other liabilities

Other liabilities concern the following items:

€ million	31.12.2009	31.12.2008
Liabilities from other taxes	35	24
Liabilities within the framework of social security and wage and salary settlement	7	6
Deferred income	11	13
Miscellaneous	8	11
Total	**61**	**54**

(46) Subordinated capital

The subordinated capital is issued and raised by Volkswagen Bank GmbH and is divided as follows:

€ million	31.12.2009	31.12.2008
Subordinated liabilities	315	259
of which: due within two years	170	158
Subordinated bonds	443	1,192
of which: due within two years	—	—
Subordinated borrower's note loans	137	137
of which: due within two years	—	—
Participation right liabilities	103	103
of which: due within two years	—	—
Total	**998**	**1,691**

The subordinated liabilities are unsecuritised liabilities as defined under § 4 of the Ordinance on Accounting for Banks (RechKredV). The full amount of subordinated liabilities is due to affiliated companies. A conversion into capital or other form of debt has not been agreed, nor is it planned.

The participation right liabilities serve to strengthen the liable capital in accordance with the regulations of § 10 Para. 5 of the German Banking Act. The participating certificates issued amount to a nominal € 1 million (previous year: € 1 million) in relation to the sole shareholder, Volkswagen AG, and a nominal € 89 million (previous year: € 89 million) in relation to non-Group third parties.

(47) Equity

The subscribed capital of Volkswagen Bank GmbH is € 318 million. Neither preferential rights nor limitations arise from the subscribed capital.

The capital reserves of Volkswagen Bank GmbH include the capital contributions of Volkswagen Financial Services AG, the company's sole shareholder. As a result of a contribution of € 600 million made by Volkswagen Financial Services AG to Volkswagen Bank GmbH, the capital reserve increased to € 3,196 million in the 2009 financial year (previous year: € 2,596 million).

Retained earnings include undistributed profits from prior years. The retained earnings of Volkswagen Bank GmbH are subdivided into the legal reserve and other reserves which, in turn, contain the currency translation reserve, the reserve for cash flow hedges, the reserve for actuarial gains and losses and the reserve for the market valuation of securities.

The profit of € 126 million based on the HGB single-entity statements (previous year: € 134 million) was transferred to Volkswagen Financial Services AG, the company's sole shareholder, under its existing control and profit transfer agreement.

The accumulated deferred taxes recognised in equity amounted to € 11 million (previous year: € 19 million).

(48) Capital management

Capital in this connection generally refers to equity as defined in the IFRS. Volkswagen Bank GmbH's capital management serves to support the company's rating through adequate capitalisation, raise equity for funding its growth targets in the next financial years and fulfil regulatory requirements regarding capital adequacy.

Liable capital under regulatory requirements is distinguished from equity under IFRS (cf. Statement of changes in equity).

Liable capital under regulatory requirements comprises the so-called core capital and the supplementary capital (subordinated liabilities, participation right liabilities) net of certain deductible items and must satisfy specific legal requirements.

Capital measures by the parent company of Volkswagen Bank GmbH affect both equity under IFRS and the liable capital.

Under banking regulations (German Banking Act, Solvency Regulations), the bank regulatory authorities generally assume that the capitalisation is adequate if the companies subject to banking supervision show a consolidated core capital ratio of at least 4.0 % and consolidated regulatory capital and overall ratios, respectively, of at least 8.0 %. In determining these ratios, the regulatory equity is considered in relation to the multiples determined in accordance with statutory requirements relative to credit risks, operational risks and market risk positions. A planning procedure that is integrated into the internal reporting system was established in order to ensure compliance at all times with these capital adequacy requirements; it serves to determine ongoing regulatory equity requirements based on the actual and expected development of business. As a result, compliance with the minimum capital requirements was ensured at all times during the reporting year on both the Group level and the level of individual companies that are subject to special capital adequacy requirements.

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

	31.12.2009	31.12.2008
Aggregate risk position (in € 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 (in € 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 (in € million)	4,353	4,396
Core capital ratio[3] (in %)	14.9	12.8
Overall ratio[4] (in %)	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

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 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. The risk taking potential of Volkswagen Bank GmbH as at 31.12.2009 was € 4,030 million (previous year: € 3,677 million).

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.

NOTES TO THE FINANCIAL INSTRUMENTS

(49) Carrying amounts of financial instruments under the measurement categories specified in IAS 39

The Volkswagen Bank GmbH Group has defined the measurement categories under IAS 39 as follows:

Loans and receivables are non-derivative financial instruments that are not traded on active markets and are subject to fixed payment agreements. The cash reserve is also included in this category.

Financial assets or liabilities measured at fair value and recognised in income include derivative financial instruments. The Volkswagen Bank GmbH Group does not plan on allocating other financial instruments to this category.

Available-for-sale financial assets are either allocated specifically to this category or they are not allocated to any other category. Securities and other assets are included in this category at the Volkswagen Bank GmbH Group.

All non-derivative financial instruments are recognised as of the settlement date. The derivative financial instruments are recognised as of the trading date.

The carrying amounts of the financial instruments pursuant to the measurement categories are as follows:

	LOANS AND RECEIVABLES		AVAILABLE-FOR-SALE FINANCIAL ASSETS		FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE AND RECOGNISED IN INCOME	
€ million	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Assets								
Cash reserve	614	694	–	–	–	–	–	–
Receivables from financial institutions	1,501	1,432	–	–	–	–	–	–
Receivables from customers	27,152	27,221	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	160	97
Securities	–	–	1,420	542	–	–	–	–
Other financial assets	–	–	0	0	–	–	–	–
Other assets	36	77	–	–	–	–	–	–
Total	**29,303**	**29,424**	**1,420**	**542**	**–**	**–**	**160**	**97**
Liabilities								
Liabilities to financial institutions	–	–	–	–	713	2,975	–	–
Liabilities to customers	–	–	–	–	20,703	14,880	–	–
Securitised liabilities	–	–	–	–	6,802	9,595	–	–
Derivative financial instruments	–	–	–	–	–	–	220	119
Other liabilities	–	–	–	–	8	54	–	–
Subordinated capital	–	–	–	–	998	1,691	–	–
Total	**–**	**–**	**–**	**–**	**29,224**	**29,195**	**220**	**119**

The receivables from leasing transactions are not allocated to any category. The previous year's figure was adjusted.

The net results of these categories were as follows:

€ million	2009	2008
Loans and receivables	1,357	1,552
Available-for-sale financial assets	30	2
Financial liabilities measured at amortised cost	– 957	– 1,061
Assets or financial liabilities measured at fair value and recognised in income	– 34	– 20

The results are determined as follows:

Measurement category	Measurement method
Loans and receivables	Interest income pursuant to the effective interest rate method in accordance with IAS 39 and expenses/income resulting from value adjustments in accordance with IAS 39 including effects from currency translation as well as market value adjustments from the application of portfolio hedging
Available-for-sale financial assets	Measurement at market value in accordance with IAS 39 including interest and effects from currency translation
Financial liabilities measured at amortised cost	Interest expense pursuant to the effective interest rate method in accordance with IAS 39 including effects from currency translation
Assets or financial liabilities measured at fair value and recognised in income	Measurement at market value in accordance with IAS 39 including interest and effects from currency translation

(50) Classes of financial instruments

Financial instruments are classed as follows at Volkswagen Bank GmbH Group:

- Measured at fair value
- Assets measured at amortised cost
- Hedge accounting
- Other financial assets
- Liabilities measured at amortised cost
- Credit commitments
- Not subject to IFRS 7

Any reconciliation of the affected balance sheet items with the aforementioned classes follows from the following description:

€ million	BALANCE SHEET ITEM		MEASURED AT FAIR VALUE		MEASURED AT AMORTISED COST		HEDGE ACCOUNTING		OTHER FINANCIAL ASSETS		NOT SUBJECT TO IFRS 7	
	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Assets												
Cash reserve	614	694	—	—	614	694	—	—	—	—	—	—
Receivables from financial institutions	1,501	1,432	—	—	1,501	1,432	—	—	—	—	—	—
Receivables from customers	28,308	28,357	—	—	28,187	24,503	121	3,854	—	—	—	—
Derivative financial instruments	207	190	160	97	—	—	47	93	—	—	—	—
Securities	1,420	542	1,420	542	—	—	—	—	—	—	—	—
Joint ventures accounted for at equity	1,351	1,248	—	—	—	—	—	—	—	—	1,351	1,248
Other financial assets	0	0	—	—	—	—	—	—	0	0	—	—
Other assets	84	77	—	—	36	56	—	—	—	—	48	21
Total	**33,485**	**32,540**	**1,580**	**639**	**30,338**	**26,685**	**168**	**3,947**	**0**	**0**	**1,399**	**1,269**
Liabilities												
Liabilities to financial institutions	713	2,975	—	—	713	2,975	—	—	—	—	—	—
Liabilities to customers	20,703	14,880	—	—	20,539	14,880	164	—	—	—	—	—
Securitised liabilities	6,802	9,595	—	—	6,802	9,595	—	—	—	—	—	—
Derivative financial instruments	295	226	220	119	—	—	75	107	—	—	—	—
Other liabilities	61	54	—	—	8	11	—	—	—	—	53	43
Subordinated capital	998	1,691	—	—	998	1,691	—	—	—	—	—	—
Total	**29,572**	**29,421**	**220**	**119**	**29,060**	**29,152**	**239**	**107**	**—**	**—**	**53**	**43**
Credit commitments	876	798										

(51) Measurement levels of the financial instruments measured at fair value

According to IFRS 7.27A, the financial instruments that have been measured at fair value must be classified within a three-level fair value hierarchy. As such, classification within the individual levels is contingent on the availability of observable market prices.

The fair values of financial instruments, e. g. securities, for which a market price is directly observable are classified in Level 1.

Level 2 contains fair values determined on the basis of foreign exchange rates or interest rate curves using measurement methods relevant to the respective market. This concerns derivatives in particular.

Level 3 contains fair values that are determined using measurement methods that do not take directly observable factors in an active market into account.

The fair value of the other financial instruments corresponds to their carrying amount because there is no active market and because it is impossible to reliably determine the relevant fair value at a reasonable cost.

The following table shows how the financial instruments measured at fair value are categorised in this three-level hierarchy.

€ million	LEVEL 1 31.12.2009	LEVEL 1 31.12.2008	LEVEL 2 31.12.2009	LEVEL 2 31.12.2008	LEVEL 3 31.12.2009	LEVEL 3 31.12.2008
Assets						
Measured at fair value						
Derivative financial instruments	–	–	160	97	–	–
Securities	–	–	1,420	542	–	–
Hedge accounting						
Derivative financial instruments	–	–	47	93	–	–
Total	**–**	**–**	1,627	**732**	**–**	**–**
Liabilities						
Measured at fair value						
Derivative financial instruments	–	–	220	119	–	–
Hedge accounting						
Derivative financial instruments	–	–	75	107	–	–
Total	**–**	**–**	**295**	**226**	**–**	**–**

(52) Fair value of financial instruments classed as follows: »Assets or liabilities measured at amortised cost, Measured at fair value, Hedge accounting, and Other financial assets«

The fair values of the financial instruments are shown in the following table. The fair value is the amount for which financial instruments can be sold or bought on fair terms on the balance sheet date. Market prices were applied wherever available for measurement purposes. For part of the financial instruments, actuarial valuation models were applied due to the lack of market prices. Absent market prices, the fair values of receivables and liabilities are determined based on discounting, taking customary market interest rates adequate to the relevant risk and corresponding to the relevant maturity into account; i. e. risk-free interest rate curves were adjusted for the relevant risk factors as well as equity and administrative costs as necessary. The fair value of receivables and liabilities with a residual term of less than one year was taken to be the balance sheet value on grounds of materiality.

Likewise, no fair value is determined for the miscellaneous financial assets because there is no active market for the companies contained therein and because it is impossible to reliably determine the relevant fair value at a reasonable cost. There were no plans at the balance sheet date to dispose of these financial assets.

The fair value of the irrevocable credit commitments is zero due to their short-term nature and the variable interest rate that is tied to the market interest rate.

€ million	FAIR VALUE 31.12.2009	FAIR VALUE 31.12.2008	CARRYING AMOUNT 31.12.2009	CARRYING AMOUNT 31.12.2008	DIFFERENCE 31.12.2009	DIFFERENCE 31.12.2008
Assets						
Measured at fair value						
Derivative financial instruments	160	97	160	97	—	—
Securities	1,420	542	1,420	542	—	—
Measured at amortised cost						
Cash reserve	614	694	614	694	—	—
Receivables from financial institutions	1,501	1,432	1,501	1,432	—	—
Receivables from customers	28,015	24,784	28,187	24,503	– 172	281
Other assets	36	56	36	56	—	—
Hedge accounting						
Receivables from customers	120	3,854	121	3,854	– 1	—
Derivative financial instruments	47	93	47	93	—	—
Other financial assets	0	0	0	0	—	—
Liabilities						
Measured at fair value						
Derivative financial instruments	220	119	220	119	—	—
Measured at amortised cost						
Liabilities to financial institutions	710	2,977	713	2,975	– 3	2
Liabilities to customers	20,598	14,881	20,539	14,880	59	1
Securitised liabilities	6,802	9,644	6,802	9,595	0	49
Other liabilities	8	11	8	11	—	—
Subordinated capital	1,037	1,708	998	1,691	39	17
Hedge accounting						
Liabilities to customers	164	—	164	—	0	—
Derivative financial instruments	75	107	75	107	—	—

The determination of the financial instruments' fair value was based on the following risk-free interest rate curves:

Interest rate structure table %	EUR	GBP
Interest for six months	0.994	0.839
Interest for one year	1.248	1.248
Interest for five years	2.805	3.390
Interest for ten years	3.598	4.088

(53) Risk of counterparty default

Please see the risk report contained in the management report for the relevant qualitative representations.

Our maximum exposure to credit risks is calculated as follows:

€ million	31.12.2009	31.12.2008
Measured at fair value	1,580	639
Measured at amortised cost		
Cash reserve	614	694
Receivables from financial institutions	1,501	1,432
Receivables from customers	28,187	24,503
Other assets	36	56
Hedge accounting		
Receivables from customers	121	3,854
Derivative financial instruments	47	93
Other financial assets	0	0
Irrevocable credit commitments	876	798
Total	**32,962**	**32,069**

The following table shows the quality of the financial assets:

	GROSS CARRYING AMOUNT		NEITHER PAST DUE NOR IMPAIRED		PAST DUE AND NOT IMPAIRED		IMPAIRED	
€ million	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Measured at fair value	1,580	639	1,580	639	—	—	—	—
Measured at amortised cost								
Cash reserve	614	694	614	694	—	—	—	—
Receivables from financial institutions	1,501	1,432	1,501	1,432	—	—	—	—
Receivables from customers	28,992	25,073	27,090	23,627	983	874	919	572
Other assets	36	56	36	56	—	—	—	—
Hedge accounting								
Receivables from customers	122	3,943	108	3,715	7	138	7	90
Derivative financial instruments	47	93	47	93	—	—	—	—
Other financial assets	0	0	0	0	—	—	—	—
Total	**32,892**	**31,930**	**30,976**	**30,256**	**990**	**1,012**	**926**	**662**

In the 2009 financial year, there were additions to risk provisions of € 560 million in the class, »Assets measured at amortised cost«, and € 1 million in the class, »Hedge-accounting«.

The following table shows the carrying amounts of the financial instruments (broken down by classes) in regards to which the relevant contracts were amended in order to avoid arrears or recognising an impairment:

€ million	31.12.2009	31.12.2008
Measured at fair value	–	–
Measured at amortised cost		
Cash reserve	–	–
Receivables from financial institutions	–	–
Receivables from customers	606	496
Other assets	–	–
Hedge accounting		
Receivables from customers	4	78
Derivative financial instruments	–	–
Other financial assets	–	–
Total	**610**	**574**

These assets are measured in accordance with IAS 39, as already described in items (8) and (9).

Financial assets that are neither past due nor impaired are allocated to risk classes as follows:

	NEITHER PAST DUE NOR IMPAIRED		RISK CLASS 1		RISK CLASS 2	
€ million	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Measured at fair value	1,580	639	1,580	639	–	–
Measured at amortised cost						
Cash reserve	614	694	614	694	–	–
Receivables from financial institutions	1,501	1,432	1,501	1,432	–	–
Receivables from customers	27,090	23,627	23,921	21,348	3,169	2,279
Other assets	36	56	36	56	–	–
Hedge accounting						
Receivables from customers	108	3,715	95	3,356	13	359
Derivative financial instruments	47	93	47	93	–	–
Other financial assets	0	0	0	0	–	–
Total	**30,976**	**30,256**	**27,794**	**27,618**	**3,182**	**2,638**

In the financial services business, a borrower's credit rating is assessed in connection with all loans and leases. Scoring systems are utilised to this end in the volume business while rating systems are used in connection with fleet customers and receivables from dealer financing. All receivables rated »good« in that process are assigned to risk class 1. Receivables from customers whose credit rating is not considered good but who have not yet defaulted are contained in risk class 2.

Age analysis according to classes of financial assets that are past due but not impaired:

	PAST DUE AND NOT IMPAIRED		PAST DUE WITHIN THE FOLLOWING PERIODS					
			UP TO 1 MONTH		1 TO 3 MONTHS		MORE THAN 3 MONTHS	
€ million	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Measured at fair value	—	—	—	—	—	—	—	—
Measured at amortised cost								
Cash reserve	—	—	—	—	—	—	—	—
Receivables from financial institutions	—	—	—	—	—	—	—	—
Receivables from customers	983	874	665	468	316	285	2	121
Other assets	—	—	—	—	—	—	—	—
Hedge accounting								
Receivables from customers	7	138	5	74	2	45	0	19
Derivative financial instruments	—	—	—	—	—	—	—	—
Other financial assets	—	—	—	—	—	—	—	—
Total	**990**	**1,012**	**670**	**542**	**318**	**330**	**2**	**140**

Gross carrying amounts of impaired receivables:

€ million	31.12.2009	31.12.2008
Measured at fair value	—	—
Measured at amortised cost		
Cash reserve	—	—
Receivables from financial institutions	—	—
Receivables from customers	919	572
Other assets	—	—
Hedge accounting		
Receivables from customers	7	90
Derivative financial instruments	—	—
Other financial assets	—	—
Total	**926**	**662**

Vehicles, mortgages, or other movable property are accepted as collateral for loans granted.

Collateral obtained in the financial year just ended for financial assets that are past due but not impaired and impaired financial assets which are scheduled for disposal:

€ million	31.12.2009	31.12.2008
Vehicles	103	111
Property	—	—
Other movables	—	—
Financial assets	1	—
Total	**104**	**111**

Vehicle disposals are effected by means of direct sales and auctions to Volkswagen Group dealerships.

(54) Liquidity risk

In regards to our refinancing and hedging strategy, please see the management report.

The age analysis of financial assets held to manage the liquidity risk is as follows:

	ASSETS		PAPAYBLE ON DEMAND		UP TO 3 MONTHS		3 MONTHS TO 1 YEAR	
€ million	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Cash reserve	614	694	614	694	—	—	—	—
Receivables from financial institutions	1,501	1,432	1,007	804	494	515	0	113
Total	**2,115**	**2,126**	**1,621**	**1,498**	**494**	**515**	**0**	**113**

The age analysis of undiscounted cash outflows from financial liabilities is as follows:

	REMAINING CONTRACTUAL MATURITY									
	CASH OUTFLOWS		UP TO 3 MONTHS		3 MONTHS TO 1 YEAR		1 TO 5 YEARS		MORE THAN 5 YEARS	
€ million	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Liabilities to financial institutions	612	2,984	121	2,259	183	262	252	391	56	72
Liabilities to customers	21,385	17,544	15,644	12,225	2,117	2,622	3,503	2,418	121	279
Securitised liabilities	6,886	9,914	1,463	915	2,766	1,328	2,657	7,551	—	120
Derivative financial instruments	312	274	73	27	121	145	118	102	0	0
Subordinated capital	979	1,691	21	15	94	44	434	377	430	1,255
Irrevocable credit commitments	876	798	876	798	—	—	—	—	—	—
Total	**31,050**	**33,205**	**18,198**	**16,239**	**5,281**	**4,401**	**6,964**	**10,839**	**607**	**1,726**

(55) Market risk

Please see the risk report contained in the management report for the relevant qualitative representations.

The value-at-risk (VaR) method based on historical simulation is used for quantitative measurements of the interest and currency translation risks. In 2009, the Volkswagen Bank GmbH Group has changed its calculation method to cover a period of 40 days and historical market data from 1,000 trading days. The VaR indicates the scope of any loss in the overall portfolio with a 99 % probability of occurring within a ten-day or 40-day period. It requires an interest rate gap analysis that shows all cash flows resulting from original and derivative financial instruments. The historical market data used to determine the VaR comprise the 250 or 1,000 most recent trading dates.

This yields the following figures:

€ million	2009	2008
Interest rate risk	14	6
Currency translation risk	0	0
Total market price risk	**14**	**6**

In 2009, the Volkswagen Bank GmbH Group has changed its calculation method in operational control to cover a period of 40 days and historical market data from 1,000 trading days. The change has resulted in higher risk, which is as follows:

€ million	2009
Interest rate risk	55
Currency translation risk	0
Total market price risk	**55**

(56) Foreign currency items

In the Volkswagen Bank GmbH Group the following assets and liabilities are contained in the currencies shown as at 31.12.2009:

€ million	GBP	NOK	TRY	Other
Receivables from financial institutions	12	—	—	0
Receivables from customers	1,429	12	10	—
Intangible assets	6	—	—	—
Income tax assets	3	—	—	—
Assets	**1,450**	**12**	**10**	**0**
Liabilities to customers	98	—	—	—
Provisions	1	—	—	—
Income tax obligations	0	—	—	—
Liabilities	**99**	**—**	**—**	**—**

(57) Notes to the hedging policy

Hedging policy and financial derivatives

On account of its activities in international financial markets, the Volkswagen Bank GmbH Group is affected by interest rate fluctuations on the international money and capital markets, while the exchange rate risk between foreign currencies and the euro plays a minor role. The general rules for the Group-wide foreign currency and interest rate hedging policy are laid down in Group-internal guidelines and fulfil the »Minimum requirements for risk management« issued by the Federal Financial Supervisory Authority (BAFin). National and international banks with excellent credit standing, whose creditworthiness is continuously scrutinised by rating firms, act as trading partners for the conclusion of appropriate financial transactions. To limit the currency and interest rate risks, appropriate hedging transactions are concluded. For this purpose, marketable derivative financial instruments are used.

Market price risk

A market price risk occurs when price changes on the financial markets (interest rates and exchange rates) have a positive or negative impact on the value of traded products. The market values shown in the tables were determined on the basis of the market information available on the balance sheet date, and they represent the present values of the financial derivatives. The present values were determined on the basis of standardised procedures or quoted prices.

Interest rate risk

Changes in interest rate levels on the money and capital markets constitute an interest rate risk in the case of refinancing not at matching maturities. Interest rate risks are managed on the basis of recommendations given by the Asset/Liability Management Committee (ALM Committee), which draws up risk-limiting requirements with regard to market risks and asset/liability management. The basis on which the resolutions of the ALM Committee are passed is provided by interest rate gap analyses which are subjected to various interest rate scenarios and thus quantify the interest rate risk. The ALM Committee makes recommendations as strategic decision-making support for the respective interest rate policy orientation. New limits for the quantified risk and the open accounts were determined by the Board of Management in 2009.

The interest rate hedging contracts concluded primarily contain interest rate swaps and combined interest rate/currency swaps.

Currency risk

To avoid currency risks, currency hedging contracts consisting of forward exchange deals and interest rate/currency swaps are used. All cash flows in foreign currency are hedged.

Liquidity risk/refinancing risk

The Volkswagen Bank GmbH Group makes provisions for securing against potential liquidity squeezes by maintaining confirmed credit lines at various commercial banks and by using multi-currency-capable continuous issuing programmes.

Non-payment risk

The non-payment risk from financial assets consists of the risk of non-payment by a contracting party and therefore the maximum amount at risk is the balance vis-à-vis the respective counterparties.

As the transactions are only concluded with counterparties that have an excellent credit standing, and trading limits are set for each counterparty within the framework of risk management, the actual non-payment risk is considered to be small.

The Volkswagen Bank GmbH Group is not subject to any particular risk concentration.

The nominal volumes of the derivative financial instruments are made up as follows:

	REMAINING CONTRACTUAL MATURITY					
	UP TO 1 YEAR		1 TO 5 YEARS		MORE THAN 5 YEARS	
€ million	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Cash flow hedges						
Interest rate swaps	2,414	3,529	920	1,574	—	—
Cross-currency interest rate swaps	—	—	—	—	—	—
Currency futures contracts	0	1,253	—	—	—	—
Currency swaps	—	—	—	—	—	—
Other						
Interest rate swaps	5,932	3,836	8,292	10,549	77	334
Cross-currency interest rate swaps	—	—	—	—	—	—
Currency futures contracts	—	—	—	—	—	—
Currency swaps	—	—	—	—	—	—
Total	**8,346**	**8,618**	**9,212**	**12,123**	**77**	**334**

The periods related to future payments on the transactions underlying the cash flow hedges correspond to the maturity of the hedging transactions.

Cash flow hedges for which no underlying transaction is expected to occur in future were not recognised at the balance sheet date.

The effects of cash flow hedges realised in the reporting period are shown in interest expenses.

SEGMENT REPORTING

(58) Division by legal entities

In the 2009 financial year, the Volkswagen Bank GmbH Group for the first time reported its segments accordance with IFRS 8. The reportable segments of the Volkswagen Bank GmbH Group as defined by IFRS 8, based on the internal reporting structure, are the legal entities in Germany, Italy, France and other branches, with the latter including the branches in the United Kingdom, the Netherlands, Belgium, Spain, Ireland and Greece.

The information made available to management for controlling purposes is based on the same accounting policies that are used in external accounting. Insofar no separate reconciliation is necessary.

	2009 FINANCIAL YEAR					
€ million	Germany	Italy	France	Other branches	Consoli-dation	Total
Revenue from lending transactions with third parties	1,382	110	53	115	—	1,660
Revenue from intersegment lending transactions	163	0	0	0	– 163	—
Segment revenue from lending transactions	1,545	110	53	115	– 163	1,660
Revenue from leasing transactions	—	35	182	–	—	217
Commission income	134	32	17	5	—	188
Revenue	**1,679**	**177**	**252**	**120**	**– 163**	**2,065**
Cost of sales from lending and leasing transactions	—	– 7	– 59	—	—	–66
Write-ups on leased assets and investment property	—	—	—	—	—	—
Depreciation and impairment losses on leased assets and investment property	—	—	– 49	—	—	–49
of which impairment losses pursuant to IAS 36	—	—	–	—	—	—
Interest expense	– 937	– 78	– 58	– 47	163	– 957
Provisions for risks arising from lending and leasing business	– 230	– 10	– 13	– 20	—	– 273
Commission expenses	– 80	– 10	– 14	– 1	—	– 105
Interest income not classified as revenue	—	—	—	—	—	—
Result from derivative financial instruments	– 4	—	—	—	—	– 4
Result from joint ventures accounted for at equity	71	—	—	—	—	71
Result from other financial assets	0	—	—	—	—	0
General administration expenses	– 333	– 33	– 32	– 32	1	– 429
Other operating result	75	0	2	1	– 1	77
Pre-tax result	**241**	**39**	**29**	**21**	**—**	**330**
Taxes on income and earnings	– 51	– 15	– 9	– 6	—	– 81
Net income	**190**	**24**	**20**	**15**	**—**	**249**
Net income attributable to Volkswagen Financial Services AG	190	24	20	15	—	249
Segment assets	**30,698**	**2,422**	**2,065**	**2,427**	**– 6,007**	**31,605**
Segment liabilities	**28,592**	**2,290**	**1,806**	**2,223**	**– 5,400**	**29,511**

The presentation for the previous year is as follows:

	2008 FINANCIAL YEAR					
€ million	Germany	Italy	France	Other branches	Consoli-dation	Total
Revenue from lending transactions with third parties	1,314	144	74	204	—	1,736
Revenue from intersegment lending transactions	273	—	—	—	–273	—
Segment revenue from lending transactions	1,587	144	74	204	–273	1,736
Revenue from leasing transactions	—	21	174	—	—	195
Commission income	127	31	14	3	—	175
Revenue	**1,714**	**196**	**262**	**207**	**–273**	**2,106**
Cost of sales from leasing transactions	—	0	– 63	—	—	– 63
Write-ups on leased assets and investment property	—	—	—	—	—	—
Depreciation and impairment losses on leased assets and investment property	—	—	– 49	—	—	– 49
of which impairment losses pursuant to IAS 36	—	—	– 5	—	—	– 5
Interest expense	– 1,024	– 103	– 75	–132	273	– 1,061
Provisions for risks arising from lending and leasing business	– 163	– 9	– 10	1	—	– 181
Commission expenses	– 81	– 10	– 12	– 1	—	– 104
Interest income not classified as revenue	—	—	—	—	—	—
Result from derivative financial instruments	– 25	—	—	—	—	– 25
Result from joint ventures accounted for at equity	105	—	—	—	—	105
Result from other financial assets	2	—	—	—	—	2
General administration expenses	– 332	– 36	– 30	– 33	1	– 430
Other operating result	68	2	3	3	– 1	75
Pre-tax result	**264**	**40**	**26**	**45**	**—**	**375**
Taxes on income and earnings	– 45	– 13	– 10	– 16	—	– 84
Net income	**219**	**27**	**16**	**29**	**—**	**291**
Net income attributable to Volkswagen Financial Services AG	219	27	16	29	—	291
Segment assets	**29,267**	**2,539**	**1,936**	**2,569**	**– 5,618**	**30,693**
Segment liabilities	**28,387**	**2,379**	**1,886**	**2,341**	**– 5,618**	**29,375**

All business transactions between the segments are carried out at normal market terms.

The consolidation in the interest income from lending transactions and interest expense results from the granting of Group-internal refinancing funds between the legal entities of the Volkswagen Bank GmbH Group.

Shares in joint ventures are attributed to the Germany segment.

Information regarding the most important products is contained in the income statement.

The additions to property, plant and equipment, intangible assets, leased assets and investment property amount to € 2 million (previous year: € 2 million) in the Italy segment, € 87 million (previous year: € 92 million) in the France segment and € 7 million (previous year: € 1 million) in the other branches segment. There were no additions to these assets in the Germany segment in the reporting period (previous year: € 0 million). Deprecation, amortisation and impairment losses totalled € 1 million (previous year: € 1 million) in the Germany segment, € 2 million (previous year: € 2 million) in the Italy segment, € 50 million (previous year: € 45 million) in the France segment, and € 1 million (previous year: € 0 million) in the other branches segment.

OTHER NOTES

(59) Cash flow statement

The cash flow statement of the Volkswagen Bank GmbH Group documents the change in funds available due to the cash flows resulting from operating activities, investing activities and financing activities. The cash flows resulting from investing activities comprise payments resulting from the purchase and proceeds resulting from the sale of investment property and other assets. The financing activities comprise all the cash flows resulting from transactions with equity, subordinated capital and other financing activities. All other cash flows are assigned to operating activities, in accordance with international practice for financial services companies. On account of the revised IAS 7, cash flows from changes in leased assets were for the first time assigned to operating activities. Previous year's figures were adjusted accordingly.

Cash and cash equivalents, narrowly defined, comprises only the cash reserve, which is made up of the cash in hand and deposits at central banks.

The changes to the balance sheet items applied for the development of the cash flow statement cannot be derived directly from the balance sheet, as effects from changes in the basis of consolidation do not influence payments and are separated out.

(60) Off-balance sheet obligations

€ million	31.12.2009	31.12.2008
Contingent liabilities		
Liabilities from surety and warranty agreements	104	65
Other commitments		
Irrevocable credit commitments	876	798

The obligations under non-terminable rental and leasing contracts in the Volkswagen Bank GmbH Group trigger expenses of € 1 million in the 2010 financial year (previous year: none) and € 0 million in the 2011 to 2014 financial years (previous year: none).

(61) Trust activities

As in the previous year, trust transactions which do not have to be shown on the balance sheet did not exist as at the balance sheet date.

(62) 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

(63) Relationships with related parties

Related parties, as defined by IAS 24, are parties which can be influenced by the reporting company or which can influence the reporting company.

Volkswagen Financial Services AG, Brunswick, is the sole shareholder of Volkswagen Bank GmbH.

The following must be said relative to Porsche:
The extraordinary Annual General Meeting of Volkswagen AG on 3 December 2009 resolved to give the German state of Lower Saxony the right to appoint board members. Hence Porsche Automobil Holding SE can no longer appoint the majority of the members of Volkswagen AG's Supervisory Board as long as the state of Lower Saxony is holding at least 15 % of the ordinary shares. Porsche Automobil Holding SE continues to have the opportunity to participate in the Volkswagen Group's corporate decision making. Ahead of these changes, the Supervisory Board of Volkswagen AG had approved the basic agreement between Volkswagen AG, Porsche Automobil Holding SE, Porsche Holding Gesellschaft m. b. H. and Porsche GmbH (both domiciled in Salzburg), Porsche Zwischenholding GmbH, Stuttgart, the common shareholders of Porsche Holding SE as well as the Works Councils of Volkswagen AG, Porsche Automobil Holding SE und Dr. Ing. h. c. F. Porsche AG, Stuttgart, in regards to the creation of an integrated automotive group under the leadership of Volkswagen.

On 7 December 2009, Volkswagen acquired 49.9 % of Porsche Zwischenholding GmbH, the parent company of Dr. Ing. h. c. F. Porsche AG, in connection with the execution of these implementation agreements. Volkswagen AG shares the management of Porsche Zwischenholding GmbH with Porsche Automobil Holding SE pursuant to agreements subject to agreements under corporate law.

A control and profit transfer agreement between Volkswagen Financial Services AG, the sole shareholder, and Volkswagen Bank GmbH is in place. The business relations between the two companies are handled at normal market terms.

Volkswagen AG and its subsidiaries make refinancing funds available to the companies of the Volkswagen Bank GmbH Group at normal market terms. Furthermore, financial guarantees from subsidiaries of the Volkswagen AG Group exist in our favour within the framework of the operating business.

To support sales promotion campaigns, the companies of the Volkswagen Bank GmbH Group receive financial contributions from the production companies and importing companies of the Volkswagen Group.

All business relations with fellow subsidiaries and non-consolidated subsidiaries as well as joint ventures and associated companies are handled at normal market terms.

Transactions with related parties are shown in the following two tables:

2009 financial year € million	Supervisory Board	Board of Management	Porsche companies	Volkswagen AG	Volkswagen Financial Services AG	Fellow subsidiaries	Non-consolidated subsidiaries	Joint ventures	Associated companies	Pension-Trust
Receivables	0	0	45	5	1,088	3,159	—	0	—	—
Allowances on receivables	—	—	—	—	—	—	—	—	—	—
of which: additions, current year	—	—	—	—	—	—	—	—	—	—
Liabilities	1	1	0	928	241	1,911	—	—	—	—
Interest income	0	0	0	6	6	81	—	0	—	—
Interest expenses	0	0	0	—	—	– 5	—	0	—	—
Income from services	0	0	0	7	20	124	—	0	—	—
Income from licence fees	—	—	—	—	—	—	—	—	—	—
Sale of goods	—	—	—	—	—	—	—	—	—	—
Expenses from services	0	0	– 1	—	– 14	43	—	0	—	0
Purchase of goods	—	—	—	—	—	—	—	—	—	—
Provision of sureties	—	—	—	—	—	—	—	—	—	—

2008 financial year € million	Supervisory Board	Board of Management	Porsche companies	Volkswagen AG	Volkswagen Financial Services AG	Fellow subsidiaries	Non-consolidated subsidiaries	Joint ventures	Associated companies	Pension-Trust
Receivables	0	0	39	4	641	2,837	1	996	—	—
Allowances on receivables	—	—	—	—	—	—	—	—	—	—
of which: additions, current year	—	—	—	—	—	—	—	—	—	—
Liabilities	2	1	0	356	158	1,919	6	—	—	—
Interest income	0	—	0	0	2	147	11	0	—	—
Interest expenses	0	0	0	—	—	—	0	—	—	—
Income from services	—	—	—	0	17	40	3	—	—	—
Income from licence fees	—	—	—	—	—	—	—	—	—	—
Sale of goods	—	—	—	—	—	—	—	—	—	—
Expenses from services	—	—	—	—	– 17	– 34	—	—	—	0
Purchase of goods	—	—	—	—	—	—	—	—	—	—
Provision of sureties	—	—	—	—	—	—	—	—	—	—

In particular, Porsche includes Porsche Holding Gesellschaft m. b. H., Salzburg, and its subsidiaries.

Members of the Board of Management and Supervisory Board of Volkswagen Bank GmbH are members of boards of management and supervisory boards of other companies in the Volkswagen Group, with which, in some cases, we do business within the framework of normal business activities. All the business relations with these companies are conducted under the same conditions as are usual with external third parties.

Most of the total remuneration of the Board of Management is borne by Volkswagen Financial Services AG. As the disclosure of the emoluments of individual members of the Board of Management does not meet the requirement of IAS 24.10 regarding the substance of the relationship between the Board of Management and the company, no such disclosure is made here.

Total emoluments of former members of the Board of Management and their surviving dependants amounted to less than € 0.5 million. The provisions for current pensions and pension expectancies made for this group of persons amounted to € 2 million (previous year: € 2 million).

(64) Corporate bodies of the Volkswagen Bank GmbH Group

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

Klaus-Dieter Schürmann (until 30.6.2009)
Direct bank
Treasury

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

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

(65) Equity investments

Name and registered office of the company	Percentage of capital and voting rights held in %
I. Joint ventures	
Global Mobility Holding B.V., Amsterdam, The Netherlands	50.0
LeasePlan Corporation N.V., Amsterdam, The Netherlands	50.0
VOLKSWAGEN BANK POLSKA S.A., Warsaw, Poland	60.0
II. Equity investments	
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, Germany	0.02
Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium	0.0053
Visa Europe Limited, London, United Kingdom	0.0218

(66) Events after the balance sheet date

There were no significant events up to 8 February 2010.

(67) Responsibility statement

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

Brunswick, 8 February 2010
The Board of Management

Rainer Blank Dr. Michael Reinhart Torsten Zibell

INDEPENDENT AUDITORS' REPORT

To Volkswagen Bank Gesellschaft mit beschränkter Haftung

We have audited the consolidated financial statements prepared by Volkswagen Bank Gesellschaft mit beschränkter Haftung, Brunswick, consisting of balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as applicable in the EU is the responsibility of the company's Managing Directors. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and on the Group management report.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations with a material impact on the presentation of net assets, financial situation and results of operations conveyed by the consolidated financial statements with due regard to the IFRS as applicable in the EU and by the Group management report are identified. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible errors 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 consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of the companies included in consolidation, the definition of the scope of consolidation, the accounting and consolidation principles applied and significant estimates made by the Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 consolidated financial statements are in compliance with IFRS as applicable in the EU, and in accordance with these provisions give a true and fair view of the net assets, financial position and results of the operations of the Group. The Group management report is consistent with the consolidated financial statements, provides a suitable understanding of the Group's situation and suitably presents the opportunities and risks of future development.

Hanover, 18 February 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	ppa. Rolf Barrakling
Auditor	Auditor

REPORT OF THE SUPERVISORY BOARD OF THE VOLKSWAGEN BANK GMBH GROUP

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 the 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

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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