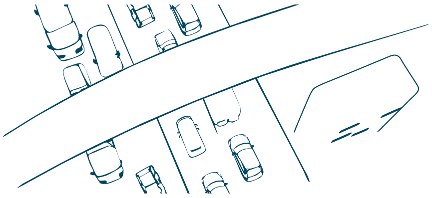
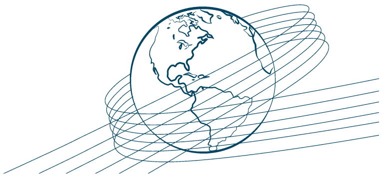
VOLKSWAGEN BANK

GMBH

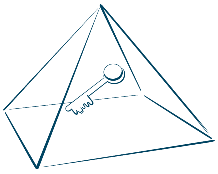


A chave da mobilidade.

The key to mobility.

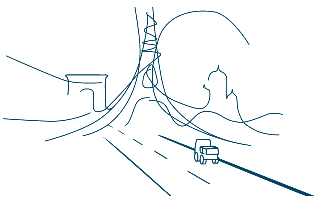


Ключ



Der Schlüssel zur Mobilität.

गतिशीलता की कुंजी.



La chiave per la mobilità.

ANNUAL REPORT 2011

(IFRS)

The Volkswagen Bank GmbH Group at a glance (IFRS)

in € million (as at 31.12.)	2011	2010	2009	2008	2007
Total assets	37,866	32,826	34,193	33,497	26,539
Receivables arising from					
Retail financing	17,939	17,696	17,421	15,481	14,078
Dealer financing	7,435	6,261	6,427	7,653	7,465
Leasing business	1,412	1,232	1,156	1,136	292
Customer deposits	22,592	20,078	19,489	12,829	9,620
Equity	4,883	4,690	4,095	3,318	3,379
Pre-tax result	494	480	330	375	472
Taxes on income and earnings	−125	−131	−81	−84	−149
Net income	369	349	249	291	323

in % (as at 31.12.)	2011	2010	2009	2008	2007
Cost/income ratio[1]	51	53	60	56	52
Equity ratio	12.9	14.3	12.0	9.9	12.7
Core capital ratio	14.4	15.6	14.9	12.8	14.2
Overall ratio	16.3	18.6	18.0	18.8	20.8
Return on equity	10.3	10.9	8.9	11.2	14.8

Number (as at 31.12.)	2011	2010	2009	2008	2007
Employees	753	631	644	669	585

Rating (as at 31.12.2011)	STANDARD & POOR´S			MOODY´S INVESTORS SERVICE		
	short-term	long-term	outlook	short-term	long-term	outlook
Volkswagen Bank GmbH	A–2	A–	stable	Prime–2	A3	positive
Volkswagen Financial Services AG	A–2	A–	stable	Prime–2	A3	positive

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

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CONSOLIDATED FINANCIAL STATEMENTS OF THE VOLKSWAGEN BANK GMBH GROUP (IFRS)

Management Report (IFRS)

Development of business
Contract portfolio reaches all-time high of around 2 million contracts

Both the global economy and worldwide automobile sales have developed positively despite some turbulence. The earnings of the Volkswagen Bank GmbH in 2011 were higher year on year, especially due to larger volumes, stable margins and lower risk costs.

GLOBAL ECONOMY CONTINUES TO GROW

Whilst the global economy continued to grow in the 2011 financial year, the recovery lost steam in the year's second half, especially in Western Europe. Growth in most emerging countries remained strong but also lost some of its momentum. Continued expansionary monetary policies in many countries and high prices for commodities and energy have intensified inflationary trends. The global economy expanded by 3.0 % overall in the reporting year compared to 4.3 % the previous year.

Europe

At 1.5 % (previous year: 1.9 %) the average growth of Western Europe's gross domestic product (GDP) was low, and Southern European countries had to contend with steep economic downturns. As in the previous year, the average unemployment rate in the euro zone was about 10 % but it was more than twice as high in Spain. The GDP growth rate in Central and Eastern Europe was 4.5 % on average (previous year: 4.4 %).

Germany

Thanks to the strength of its export sector, at 3.0 % (previous year: 3.7 %) Germany's expansion surpassed that of all major industrialised countries. But the strong growth momentum at the start of the year weakened substantially as the year wore on. The impetus for growth shifted from foreign demand to domestic demand owing to the positive development of the labour market and the related income growth.

FINANCIAL MARKETS

In the 2011 financial year, the financial markets moved in the shadows of a particularly uncertain phase in the development of the global economy. In the year's first half, the markets largely managed to avoid various disruptive factors, some of which were intense. At first, the political developments in the Middle East, the dramatic fallout from the natural disasters in Japan as well as the smouldering crisis in the euro zone initially did not have much of an impact. In the year's second half however, the unresolved sovereign debt problems of both Greece and Italy drove the European Union into a critical situation. The global financial markets reacted with unusually strong fluctuations and retreated from both risky investments and the government bonds of some euro zone countries. These countries' sovereign debt crisis, which also led to the downgrading of the country ratings by the international rating firms, in turn fuelled doubts about the solidity of individual creditor banks that could only be kept afloat through government aid. The general mood in the financial markets remained nervous, given the potential ramifications of this negative development on the real economy.

Europe

The sovereign debt crisis and the expected decline in global economic growth hit the European banking industry particularly hard. In the second half of 2011, the banks' re-emerging mistrust of each other and investors' wait-and-see attitude initially made refinancing in the money and capital markets more expensive. In the euro zone, the European Central Bank facilitated refinancing operations by lowering the prime rate in December 2011 and ensured adequate liquidity throughout the banking system. Some of the monetary policy steps taken served to bridge the acute tensions in the financial markets.

Germany

The effects of the Greek sovereign debt crisis on the German banking system were moderate thanks to its relatively low loan exposure. The banks' remained uncertain about the development of the capital ratios and capital adequacy requirements under Basel III, potential additional requirements and the introduction of a new financial transaction tax on stock market activities.

INTEGRATION INTO THE VOLKSWAGEN GROUP

The Volkswagen Bank GmbH Group is part of the Volkswagen Financial Services AG Sub-group, which combines the Volkswagen Group's financial services activities. In close cooperation with the brands of the Volkswagen Group, the Volkswagen Bank GmbH Group primarily handles the financing business for private and corporate customers and dealer partners.

DEMAND FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES CONTINUES TO GROW

In the 2011 financial year, passenger car sales rose worldwide by 4.8 % to 62.0 million vehicles – thus exceeding the previous record that was set in 2007. Demand in Western Europe was just slightly lower year on year – thanks in particular to the recovery of the German market – whilst the markets in Central and Eastern Europe continued their recovery.

Industry-specific business environment

The established passenger car markets developed at different rates in 2011. Whilst some industrialised countries were impacted by the sovereign debt crisis and its consequences, others – Germany in particular – benefited from robust demand in the growth markets during the year's first half. As expected, the phasing out of the governmental stimulus packages also triggered negative effects in Western Europe. The manufacturers' and dealers' active risk management as well as the close collaboration with financial services providers helped to overcome these effects.

Europe

The total number of new passenger car registrations in the Western European markets fell slightly during the reporting period (–1.5 %). At 12.8 million passenger cars, the total market volume again fell short of the previous year and was the lowest in the past 16 years. The decline in most of the large-volume markets was mainly due to the very weak first quarter of 2011 compared with the previous year, especially because the governmental stimulus packages had been phased out in the course of 2010. Furthermore, low economic growth, rising unemployment and the sovereign debt crisis in some countries also caused the market volume to fall below the previous year's figures, in part substantially. The countries suffering downturns in the 2011 financial year were Spain (–17.7 %), Italy (–11.6 %), the United Kingdom (–4.4 %) and France (–2.1 %). The German passenger car market in contrast expanded at a robust pace once again (+8.8 %), up from a very weak 2010. At 55.4 % the market share of diesel vehicles in Western Europe rose substantially in the reporting year compared with the previous year (51.7 %), surpassing the previous record that was set in 2007.

Germany

Demand for passenger cars in Germany rose by 8.8 % in the 2011 financial year to 3.2 million vehicles. The previous year's very low level and the upturn in 2011 both contributed to this large increase. Just as in the previous year, the market for light commercial vehicles recorded double-digit growth of 18.3 % to 241,000 vehicles, especially due to rising transportation needs: In the 2011 reporting year, the German manufacturers posted new records in both production and exports, thus substantially surpassing the records set in 2007, the year before the crisis. Compared with 2010, domestic passenger car production rose by 5.6 % to 5.9 million vehicles and passenger car exports rose by 6.6 % to 4.5 million units.

The Volkswagen Group managed to further expand its market leadership in Germany by increasing its market share to 35.9 % (previous year: 35.1 %).

OVERALL APPRAISAL OF THE DEVELOPMENT OF BUSINESS

In the view of the Board of Management of Volkswagen Bank GmbH, business developed positively in 2011. Earnings in 2011 were in line with expectations and therefore higher than in 2010.

New business in Europe has developed positively during the year. Although the margins fell slightly year on year, refinancing costs rose more slowly than expected and risk costs are declining.

In the 2011 financial year, the Volkswagen Bank GmbH Group boosted its business volume year on year – especially in Germany, Ireland, Spain and France. Please see the section on the analysis of the company's business development for more information on the development of current contracts.

The Volkswagen Bank GmbH Group continued to enhance the leveraging of potential along the automotive value chain. As in recent years, we further intensified the integration of our financial services into the sales activities of the Volkswagen Group brands. We continued to push the consistent implementation of our WIR2018 strategy in the reporting year as well, and the German market underwent a customer-focused realignment. The Volkswagen Bank direct division continues to be of great significance given its deposit volume and its use of innovative sales channels. The Volkswagen Bank GmbH Group further expanded its deposit business from the previous year's high level.

The Basel Committee has published a new set of rules on the regulation of banks in response to the financial crisis. Besides stricter capital adequacy requirements and a leverage ratio, this comprehensive package of reforms known as Basel III for the first time contains concrete quantitative requirements in regards to liquidity risks that are intended to enhance banks' ability to weather crises. Basel III provides for step-by-step implementation of the reforms starting on 31 December 2011.

Volkswagen Bank GmbH will open a branch in Lisbon, Portugal, in early 2012 to boost the Volkswagen Group's sales in the European market.

Management and organisation
New structures and growth

The Volkswagen Bank GmbH Group continued to consistently pursue its customer-focused realignment in the German market.

KEY OBJECTIVES

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

Financing business

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

Leasing transactions

Whilst the Volkswagen Bank GmbH Group only offers finance leasing in its Italian branch, it is engaged in both finance and operating leasing in its French branch.

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

The Volkswagen Bank GmbH Group 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 the Volkswagen Bank GmbH Group 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.

The key indicators of the Volkswagen Bank GmbH Group are summarised in a "Financial Analysis" report. Among the key financial indicators included in the reporting are the operating result, the return on equity and the cost/income ratio.

For refinancing, the Volkswagen Bank GmbH Group 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 the Volkswagen Bank GmbH Group are closely integrated with those of the manufacturers and the dealer organisations of the Volkswagen Group.

ORGANISATION OF THE VOLKSWAGEN BANK GMBH GROUP

The customer-focused realignment of Volkswagen Bank GmbH in the German market, which had been initiated in 2009, was completed at an organisational level in 2011. This serves to effectively pursue the aim of aligning the Volkswagen Bank GmbH Group such that the quality it offers customers and dealers alike is improved, its processes are streamlined and additional synergies are leveraged. Employee motivation and satisfaction are an important factor in order to rank among the top attractive employers.

The Direct Banking customer group is headed by Torsten Zibell, who has overall responsibility for all direct banking processes from product development, to marketing, sales and customer service, all the way to receivables management. The Individual Customer and Corporate Customer group, which is headed by Rainer Blank, has aligned its internal customer service along regional lines analogous to its field sales: Region North, Region West, Region South, Region East. The main focus is on comprehensive consulting services for customers and fixed dealer assignment. The acquisition of financing and leasing contracts have been combined. In the Corporate Customer group, a close regional integration of the Market and Market Support functions has been established. Headed by Dr. Michael Reinhart, Market Support combines credit analysis and loan approval processes in order to enhance process speed and customer satisfaction.
Controlling for the German market was realigned organisationally in order to implement the WIR2018

strategy and meet higher standards from Groupwide management.

A separate organisational Compliance unit was established to bundle activities to prevent legal violations and punishable offences. Furthermore, the company put a lot of effort into adapting the organisational prerequisites in 2011 for transferring responsibility to Volkswagen Financial Services AG as the new primary institution of the Volkswagen Financial Services AG Sub-group effective 01.01.2012.

REPORT ON THE BRANCHES AND BRANCH OFFICES

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

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

In the 2011 financial year, the Volkswagen Bank GmbH Group was 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 the Volkswagen Bank GmbH Group in Belgium, France, Greek, the United Kingdom, Ireland, Italy, the Netherlands and Spain conducted its local business with its own staff. The branches employed 591 members of staff as at the end of 2011 (previous year: 512). Volkswagen Financial Services AG and D'Ieteren SA, Belgium, established a joint venture named Volkswagen D'Ieteren Finance SA effective 9 November 2011. Among other things, this entity was founded for the purpose of taking over the customer and dealer financing from 1 January 2012. The parties stipulated by agreement dated 23 December 2011 that select assets and liabilities of the Volkswagen Bank GmbH Group, which had been allocated to the Belgium branch within the other branches segment, would be transferred to Volkswagen D'Ieteren Finance SA in the 2012 financial year. The Portugal branch will broaden the company's European presence in the first quarter of 2012.

Analysis of the Group's business development and position

Substantial improvement in earnings

Larger volumes and stable margins, coupled with optimised risk costs enabled the Volkswagen Bank GmbH Group to increase its earnings substantially.

The Volkswagen Bank GmbH Group again maintained its strong market position in the 2011 financial year, supported by an attractive product range and the loyalty of customers and dealers alike. In the retail financing segment, the bank continued its close collaboration with the brands of the Volkswagen Group.

RESULTS OF OPERATIONS

The 2011 financial year was a positive one for the Volkswagen Bank GmbH Group.

The pre-tax result was € 494 million compared to € 480 million in the previous year. Foreign branches contributed € 124 million (previous year: € 83 million) to earnings. The change in earnings was substantially affected by the positive development of risk costs and the net commission income. These were primarily offset by an increase in general administration expenses.

The net income from lending and lasing transactions before risk provisions earned by the Volkswagen Bank GmbH Group was € 1,096 million, which was almost unchanged compared to the previous year (€ 1,082 million).

Interest income from lending and money market transactions continues to stem primarily from consumer financing, as well as from vehicle and investment financing for the dealers of the Volkswagen Group. The decline in the interest income from retail financing before risk provisions in the amount of € 53 million was offset by the increase in both interest income from dealer financing before risk provisions in the amount of € 43 million and interest income from other lending and money market transactions in the amount of € 31 million.

The Volkswagen Bank GmbH Group succeeded in increasing its interest expense by just 1.6 % to € 647 million year on year thanks to the consistent execution of its diversified refinancing strategy, the flexible utilisation of its instruments and the positive developments in the capital market.

Operating leases contributed € 32 million – virtually the same figure as in the previous year – to the total net income from leasing transactions before provisions for risks.

The allowances and provisions recognised in connection with the lending business take into account all impairments existing as at the balance sheet date. At € 484 million, the required risk provision expenses again were below the previous year's level (€ 508 million). Both indirect residual value risks and default risks in countries that are most affected by the euro crisis are thus taken into account by recognising provisions and allowances. Reversals of provisions were substantially higher in the financial year just ended than in the previous year, as was income from receivables written off. The remaining expenses overall fell from € 318 million to € 173 million. The Volkswagen Bank GmbH Group raised its net income after provisions for risks by 20.8 % to € 923 million especially thanks to this reduced need for provisions.

The net commission income increased year on year, from € 21 million to € 39 million. The development in Germany and the branches of the Volkswagen Bank GmbH Group diverged from one another. Whilst in Germany the positive net commission income increased considerably from € 6 million to € 29 million due to the decrease in commission expenses, in the foreign branches commission expenses aimed at boosting dealer loyalty rose substantially due to the stiff competition in the automobile industry. Despite this, the foreign branches of the Volkswagen Bank GmbH Group also recorded positive net commission income.

The increase in the general administration expenses is mainly due to the change in the internal cost apportionment between the companies of the Volkswagen Financial Services Group after the conclusion of the project concerning the customer-focused realignment in the German market.

The method for determining provisions for indirect residual value risks was further refined during the reporting period. Risks from changed court rulings were fully accounted for by recognising provisions of € 154 million in 2011, giving rise to most of the substantial increase in other operating expenses (€ + 144 million).

The risk provision required for write-downs and bad debt allowances in the customer financing and direct banking businesses was higher than in the previous year. Dealer financing, in contrast, saw a substantial decrease in additions to value adjustments. Overall, risk costs declined significantly year on year by € 145 million to € 173 million. Additional value adjustments of € 188 million on branch receivables in those countries that are at the heart of the euro crisis had a major effect, especially on risk costs.

Under the existing profit transfer agreement, the remaining profit after tax pursuant to German commercial law of Volkswagen Bank GmbH, amounting to € 230 million, is transferred to the parent company, Volkswagen Financial Services AG.

SUMMARY

In 2011 the Volkswagen Bank GmbH Group succeeded yet again in substantially boosting its pre-tax result year on year especially due to the positive effects of the improvement in net interest income and the substantial improvement in risk costs.

ASSETS AND FINANCIAL POSITION

Lending business

The lending business of the Volkswagen Bank GmbH Group focuses on the provision of loans to private and commercial customers as well as dealers. The volume of these receivables increased by 8 % to € 30.5 billion. The share of foreign branches in the retail lending volume rose from € 7.5 billion to € 9.2 billion.

Retail financing

New vehicle deliveries to individual customers increased from the previous year due to the stable economic environment.

Our attractive terms have helped the Volkswagen Bank GmbH Group to benefit from this development. A total of 344,653 (previous year: 334,355) new contracts were sold in the new vehicle financing business and 263,970 in the used car financing business (previous year: 288,914).

The automotive financing portfolio on the whole rose to currently 1,848,588 contracts (previous year: 1,813,308 contracts). At the close of 2011, retail financing receivables were € 18.4 billion (previous year: € 17.7 billion), including the receivables held for sale. Foreign branches accounted for € 3.6 billion of this amount (previous year: € 2.8 billion).

Dealer financing

The Volkswagen Bank GmbH Group offers its corporate customers in Germany a broad range of financing, deposit and service products.

The volume of new and used vehicle financing contracts in the corporate customer group was higher than the previous year owing to the year-on-year increase in the number of vehicles delivered.

In this context, a positive, upward trend can be identified in both the core market of Germany and the foreign branches of the Volkswagen Bank GmbH Group. Total dealer financing receivables as at the balance sheet date were € 7.4 billion compared to € 6.2 billion at the end of the previous year. The foreign branches accounted for € 3.7 billion of these aggregate receivables (previous year: € 3.1 billion).

The investment financing included in dealer financing rose by 11.5 % to € 590 million at the close of the 2011 financial year.

The write-downs of receivables decreased from € 584 million to € 492 million year on year.

Leasing business

The Volkswagen Bank GmbH Group offers finance leasing and operating leasing through the foreign branches of the Volkswagen Bank GmbH Group. 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 2011 financial year rose from € 1.2 billion to € 1.4 billion. They largely comprise receivables from finance leasing.

Companies accounted for using the equity method

The Volkswagen Bank GmbH Group holds a 50 % stake in Global Mobility Holding B.V., Amsterdam. Global Mobility Holding B.V. in turn holds all shares of LeasePlan Corporation N.V., Amsterdam.

The Volkswagen Bank GmbH Group is represented in Poland through its affiliated company VOLKSWAGEN BANK POLSKA S.A., Warsaw. Volkswagen Bank GmbH continued to hold a 60 % stake in this company in the 2011 financial year. Since the control of VOLKSWAGEN BANK POLSKA S.A. is contractually excluded, the company is included in the IFRS consolidated financial statements of Volkswagen Bank GmbH as a joint venture using the equity method according to IAS 31, as is Global Mobility Holding B.V.

Volkswagen Bank GmbH bought the remaining 40 % of the equity interest in VOLKSWAGEN BANK POLSKA S.A., Warsaw, which were held by Kulczyk Pon Investment B.V., Leusden, the Netherlands, with an effective date of 1 January 2012.

Volkswagen Insurance Brokers GmbH, Braunschweig, which had been acquired the previous year, was merged into the Volkswagen Bank GmbH Group during the financial year. As previously, Volkswagen Bank GmbH holds an equity interest of 1 % in Limited Liability Company Volkswagen Bank RUS, Moscow, which was established in 2010.

CURRENT AND NEW CONTRACTS

in thousands (as at 31.12.)	2011	2010	2009	2008
New contracts[1]				
Retail financing[2]	626	623	690	563
Leasing business	36	29	27	36
Service/insurance	70	59	58	45
Current contracts[3]				
Retail financing	1,849	1,813	1,940	1,638
Leasing business	91	83	78	77
Service/insurance	115	104	105	117
Direct banking customers	1,095	1,014	939	812

1 The new contracts in 2008 were adjusted to the volume definition applicable from 2009 onwards. There is no five-year comparison because the new contract figures from 2007 are not comparable

2 Including direct banking business

3 The year-end figure for 2008 was adjusted to the volume definition applicable from 2009 onwards. There is no five-year comparison because the current contract figures from 2007 are not comparable

Deposit business and borrowings

Besides equity, notable liability items include liabilities to customers in the amount of € 24.7 billion (previous year: € 21.3 billion) as well as securitised liabilities in the amount of € 5.8 billion (previous year: € 4.9 billion). The deposit business of Volkswagen Bank direct – 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

The Volkswagen Bank GmbH Group further expanded its deposit business from the previous year's high level. As at the balance sheet date, the customer deposit volume was € 22.6 billion, up 12.3% compared to 31 December 2010 (€ 20.1 billion). The Volkswagen Bank GmbH Group succeeded in further expanding its market leadership among automotive direct banks thanks to this level of deposits. Volkswagen Bank direct accounted for € 21.3 billion of these deposits, thus contributing substantially to customer loyalty to the Volkswagen Group. Its share in the refinancing mix of the Volkswagen Bank GmbH Group is 60.6% (previous year: 61.3%).

Aside from offering statutory deposit insurance, Volkswagen Bank GmbH is also a member of the Deposit Insurance Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.).

SUMMARY

The Volkswagen Bank GmbH Group managed to expand both its retail and dealer financing business, driven, in particular, by the stable economic situation in the core market of Germany. This growth was funded through the growing deposit business of Volkswagen Bank direct and an increase in securitised liabilities.

EQUITY

A € 40.0 million silent partner contribution was repaid in the 2011 financial year. In return, € 50.0 million were paid into the capital reserve of Volkswagen Bank GmbH.

Volkswagen Bank GmbH was the primary credit institution under the German Banking Act (Kreditwesengesetz - KWG) until 31 December 2011. As such it was responsible for ensuring the capital adequacy of the financial holding group, Volkswagen Financial Services AG. Volkswagen Financial Services AG assumed the function of the primary company starting on 1 January 2012.

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 Regulation.

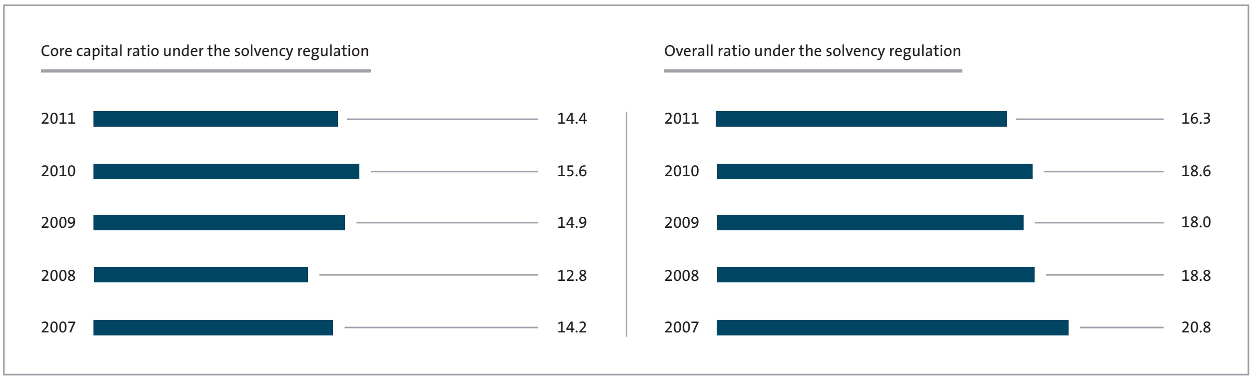
Accordingly, this gives rise to the following regulatory figures and financial ratios for the Volkswagen Bank GmbH Group:

	31.12.2011		31.12.2010	
Aggregate risk position (€ million)		27,461		24,975
of which weighted position according to the standardised approach to credit risks	25,781		23,523	
of which market risk positions * 12.5	121		0	
of which operational risks * 12.5	1,559		1,452	
Liable capital (€ million)		4,464		4,648
of which core capital[1]	3,951		3,904	
of which supplementary capital[1]	513		744	
Own funds (€ million)		4,464		4,648
Core capital ratio[2] (%)		14.4		15.6
Overall ratio[3] (%)		16.3		18.6

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

Overall, the core capital ratio changed from 15.6 % to 14.4 % as a result of a growth in business (increase in risk assets), the change in the core capital and the subordinated funds, and the own funds ratio changed from 18.6 % to 16.3 %. The core capital ratio and the overall ratio developed as follows in recent years:

CORE CAPITAL RATIO AND OVERALL RATIO UNDER THE SOLVENCY REGULATION OF THE VOLKSWAGEN BANK GMBH GROUP AS AT 31.12.
Figures in %



The own funds ratio of the Volkswagen Bank GmbH Group 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 subordinated liabilities in order to optimise its equity management. As a result, the Volkswagen Bank GmbH Group has a sound basis for the ongoing expansion of its financial services business. In the 2011 financial year, own funds declined by € 180 million due to the termination of subordinated loans and by € 52 million due to the reduced eligibility of subordinated loans. The € 50 million payment into the capital reserve offset these developments.

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

in % (as at 31.12.)	2011	2010	2009	2008	2007
Cost/income ratio[1]	51	53	60	56	52
Equity ratio[2]	12.9	14.3	12.0	9.9	12.7
Core capital ratio[3]	14.4	15.6	14.9	12.8	14.2
Overall ratio (regulatory)[4]	16.3	18.6	18.0	18.8	20.8
Return on equity[5]	10.3	10.9	8.9	11.2	14.8

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
4 Overall ratio = Own funds/ ((Capital requirement for credit risks + operational risks + market risks) * 12.5) * 100
5 Pre-tax result divided by the average equity

DISCLOSURES ON THE EQUITY RATIO

The equity of the Volkswagen Bank GmbH Group rose by 0.3 % as a result of Volkswagen Financial Services AG's € 50.0 million payment into the bank's capital reserve in October 2011 and the repayment of a silent partner contribution. Since the business volume grew by around 13 % in the 2011 financial year, the equity ratio decreased to 12.9 % (previous year: 14.3 %). The Volkswagen Bank GmbH Group managed to raise funds at all times thanks to its good standing in the capital market and the expansion of its deposit business. For non-financial key performance indicators, please see the personnel report.

REFINANCING AND HEDGING STRATEGY

Strategic principles

In terms of its refinancing activities, 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 such resources at attractive terms.

Implementation

The successful diversification strategy in refinancing was continued. In April Volkswagen Bank GmbH issued two bonds with a total volume of € 1.0 billion under its € 10 billion capital market programme. Receivables of the Volkswagen Bank GmbH Group were successfully placed with a broad investor base through the Driver 8 and Driver 9 ABS transactions. All German transactions fulfil the requirements of the TSI quality label "Certified by TSI - Deutscher Verbriefungsstandard". This seal certifies that our securitisation transactions are deemed exceptional in the European securitisation market in terms of quality, security and transparency.

At growth in deposits of € 2.5 billion to € 22.6 billion in the financial year just ended, the customer deposit business expanded continuously.

The company borrowed at corresponding maturities and used derivatives in line with its strategy of refinancing largely at matching maturities. Currency risks were largely precluded through the use of derivatives. The Volkswagen Bank GmbH Group remained solvent at all times throughout financial year 2011. The broadly diversified structure of our refinancing sources and our active liquidity management will also ensure continuous solvency in future. No liquidity commitments were issued to special purpose entities.

Risk and opportunity report
Managing risks responsibly

The Volkswagen Bank GmbH Group responsibly assumes a multitude of risks typical of the financial services business in order to take advantage of the resulting market opportunities in targeted ways.

MACROECONOMIC OPPORTUNITIES

The Board of Management of Volkswagen Bank GmbH expects the number of vehicle deliveries to Volkswagen AG customers to continue growing and the world market share to continue expanding against the backdrop of moderate economic growth. Volkswagen Financial Services AG supports this positive trend through financial services products designed to boost sales.

STRATEGIC OPPORTUNITIES

In addition to intensifying its international alignment by entering new markets, the Volkswagen Bank GmbH Group sees further opportunities in the development of innovative products that are aligned with customers' changed mobility requirements. Marketing campaigns are being implemented and growth areas are being developed and expanded to boost Group earnings.

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 ICS/IRMS as they relate to the accounting process at the Volkswagen Bank GmbH Group 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, Customer Service, 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 Boards of Management of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Leasing 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's annual financial statements.
> The accounting standards of the Volkswagen Bank GmbH Group 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 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 2011 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.

ORGANISATIONAL STRUCTURE OF RISK MANAGEMENT

The Volkswagen Bank GmbH Group understands risk to entail a risk of loss or damage that arises when an anticipated future development takes a more negative course than planned.

The Volkswagen Bank GmbH including its branches and affiliates (hereafter: "the Volkswagen Bank GmbH Group") 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.

The Volkswagen Bank GmbH Group 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 Groupwide risk management system of the financial holding group in accordance with § 25a Para. 1a 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 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.

The Volkswagen Bank GmbH Group was the primary institution of the financial holding group until 31.12.2011.

The staff and control functions for the Volkswagen Bank GmbH Group are organised in the following units: Controlling, Legal Services, Internal Audit, Accounting, Group Risk Management & Methods as well as Treasury.

The Chief Risk Officer (CRO) regularly reports the overall risk position of the Volkswagen Bank GmbH Group to both the Board of Management and the Supervisory Board.

The Group Risk Management and Risk Assessment Procedures and Basel II departments were combined into Group Risk Management & Methods in 2011.

The latter is responsible for the formulation of risk management guidelines, the development of methods and processes, the identification of potential risks, the analysis and quantification as well as the assessment of risks and the resulting determination of risk management measures. Group Risk Management & Methods defines parameters for the procedures and models used worldwide for assessing creditworthiness and collateral and it is responsible for monitoring their adequacy. As a neutral and independent department, Group Risk Management & Methods reports directly to the Board of Management of Volkswagen Bank GmbH.

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 the Volkswagen Bank GmbH Group.

RISK STRATEGY AND RISK MANAGEMENT

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

The Board of Management of Volkswagen Bank GmbH has established and documented a strategic process for the company's business and risk strategy that complies with minimum risk management requirements (MaRisk).

The WIR2018 business strategy sets out the fundamental views of the Board of Management of Volkswagen Bank GmbH on key matters of business policy. It contains the goals for every key business activity and the steps required to achieve these goals.

The Board of Management of Volkswagen Bank GmbH has been pursuing a risk strategy in connection with its mid-term planning that conforms to minimum risk management requirements and is consistent with the company's business strategy.

It is reviewed annually based on the risk inventory, the risk-bearing capacity and legal requirements, adjusted as necessary and discussed with the Supervisory Board of Volkswagen Bank GmbH.

The risk strategy sets out the key risk management objectives for each type of risk, taking into account the company's approach to business (business strategy), its current risk exposure, expected developments and the risk potential. Actions are taken to achieve these goals, and their effects are described.

The risk strategy covers all key quantifiable and unquantifiable risks. It is further detailed and specified by means of secondary risk strategies for the individual risk types and operationalised in the planning round process. Materiality is determined in the risk inventory process, which must be carried out annually.

The Board of Management of Volkswagen Bank GmbH is responsible for executing the risk strategy established by itself within the Volkswagen Bank GmbH Group.

RISK-BEARING CAPACITY, RISK LIMITS AND STRESS TESTING

A system is in place at the Volkswagen Bank GmbH Group to determine the company's risk-bearing capacity by comparing its economic risk to its hedging potential.

A credit institution's risk-bearing capacity is given if, at a minimum, all of its material risks are continuously hedged through its risk hedging potential.

The material risks of the Volkswagen Bank GmbH Group are identified at least once a year in connection with a risk inventory; this provides a detailed basis for designing the risk management process and including it in the risk-bearing capacity. Risk quantification is executed by means of different approaches pursuant to the methodological recommendations of the Basel Capital Accord based on statistical models and supported by expert estimates.

The Volkswagen Bank GmbH Group has selected a sufficiently conservative approach by assuming a 1:1 correlation between risk types in connection with the quantification of its economic risk.

The risk-bearing capacity of the Volkswagen Bank GmbH Group was certain throughout the year 2011.

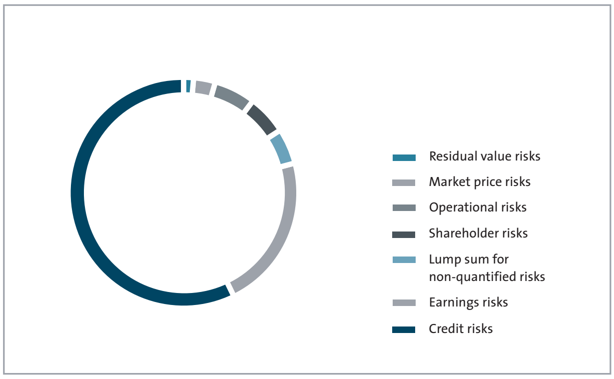
In addition, the Volkswagen Bank GmbH Group uses a limit system derived from its analysis of risk-bearing capacity in order to specifically limit the risk capital in accordance with the risk appetite of the Board of Management of Volkswagen Bank GmbH.

Establishing the risk limit system as the core element in capital allocation limits risks at different levels, thus ensuring the economic risk-bearing capacity.

The risk hedging potential is determined based on the available equity and income components, taking various deductible items into account. In keeping with the risk appetite of the Board of Management of Volkswagen Bank GmbH, only a portion of this risk hedging potential is defined as the upper risk limit of an overall risk limit. In the next step, the overall risk limit is allocated to the risk types credit risk, residual value risk and market price risk for purposes of monitoring and steering at the operating level. Furthermore, a system of risk limits has been put in place for the most significant risks at the branch level.

The limit system makes a management tool available to management such that it can fulfil its responsibility to manage the company's business strategically and operationally in accordance with statutory requirements.

DISTRIBUTION OF RISKS BY TYPE OF RISK



Stress tests are conducted across all institutions at the Volkswagen Bank GmbH Group, taking historical and hypothetical scenarios into account.

The Groupwide inverse stress test also includes examining for the bank which plausible events could expose it to a going-concern risk.

RISK REPORTING

The risk-bearing capacity is the starting point in the risk management report. After describing the Bank's overall risk, Group Risk Management & Methods addresses the counterparty default, market price, liquidity, operational, residual value and underwriting risks in detail in its quarterly risk management report. This report is addressed directly to the Board of Management of Volkswagen Bank GmbH as well as the Supervisory Board.

Regular reporting is supplemented by ad hoc reporting.

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

IMPLEMENTATION OF THE THIRD MA-RISK AMENDMENT

BaFin published an amendment of MaRisk on 15 December 2010. The Volkswagen Bank GmbH Group analysed the new requirements, which concern especially the risk-bearing capacity and the strategy process, early on and implements them to lasting effect.

The Volkswagen Bank GmbH Group 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.

RISK TYPES

RISK OF COUNTERPARTY DEFAULT

The risk of counterparty default is defined as the potential negative deviation of the actual counterparty risk outcome from the planned one. The deviation in outcome occurs when the actual loss exceeds the expected loss due to changes in credit ratings or credit losses.

In this connection, an approach that addresses risk-bearing capacity typically considers the credit risk from customer transactions as well as counterparty, country, investment and issuer risks.

Credit risk

The credit risk concerns the risk of loss through defaults in customer business, specifically, non-payments by a borrower. The loss is contingent on the inability or unwillingness of the borrower or lessee to make payments. This includes scenarios where the contracting party makes payments on interest and principal late or not in full.

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.

Risk assessment

The Volkswagen Bank GmbH Group bases its lending decisions on credit assessments of the given borrowers using rating and scoring procedures. Parameters for developing and maintaining rating systems are described in a working guideline. There is also a rating manual, which governs the application of credit rating procedures for corporate customers as part of the loan approval process.

The “New Product/New Market Process” of the Volkswagen Bank GmbH Group must be applied before new products are brought to market or activities are launched in new markets.

Timely identification of changes in risk is assured by means of regular portfolio analyses, planning rounds and business financial reviews.

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.

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.

Scoring procedures are applied to both the purchase and measurement of the significant portfolios. Default probabilities are allocated to these score classes in loan purchasing based on customers or contracts deemed to have defaulted within one year.

Procedures that also assign a probability of default (PD) 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 loss given default (LGD), which, among others, is the basis for determining value adjustments in accordance with the German Commercial Code (HGB) and IFRS.

Simplified procedures are also in place for smaller portfolios.

Rating procedures in the corporate business

The Volkswagen Bank GmbH Group 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 credit rating procedure results in the assignment to a rating class which is connected to a probability of default.

The centrally maintained workflow-based rating application CARAT will be rolled out abroad in 2012 to enhance the assessments of creditworthiness. At this time the Volkswagen Bank GmbH Group is utilising CARAT in Germany, the United Kingdom, Ireland and Italy.

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.

All rating and scoring models used in Germany and abroad are validated regularly, monitored as well as adjusted and refined as necessary.

This concerns the models and procedures for assessing creditworthiness (such as rating and scoring procedures) and for assessing probabilities of default, loss given default and credit conversion factors (CCF).

Group Risk Management & Methods reviews the validity of the models and procedures used by the local risk management units abroad to assess creditworthiness, initiates appropriate measures in cooperation with the local risk management if it identifies any need for action and monitors the implementation of these measures.

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. A risk committee which meets in different committees is in place to approve rating and scoring procedures.

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 guidelines are based on historical data and many years of expert experience.

We ensure that collateral adequate to the relevant risk is available for covering credit risks. Automobiles, in their capacity as collateral, are material to this approach because the activities of the Volkswagen Bank GmbH Group focus on financing customer purchases and dealer sales.

The Volkswagen Bank GmbH Group therefore monitors the development of vehicles' market values. Adjustments of the valuation methods and disposal processes are made in the event of major changes in these market values.

Group Risk Management & Methods also carries out regular quality assurance regarding local guidelines for collateral. This includes reviewing and, if necessary, adjusting the valuations for collateral.

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

Group Risk Management & Methods establishes crash barriers for the 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.

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 (normal/intensive or problem loan monitoring) in accordance with their risk content.

Furthermore, credit risks are also managed by applying the approval limits of the Volkswagen Bank GmbH Group. 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 the Volkswagen Bank GmbH Group. Risk reviews are performed at the branch level in the event of problems.

Stress tests for credit risks entail sensitivity and scenario analyses. Whilst sensitivity analyses are implemented based on models, scenario analyses are based on expert opinions subject to the participation of both centralised and decentralised risk specialists. This provides a comprehensive view of the risk sensitivity of the credit business, particularly against the backdrop of a changing economic climate.

Concentrations of risk

Concentrations of credit risk

Concentrations of credit risk arise if a major portion of the loans are extended to just a few borrowers/ contracts. The Volkswagen Bank GmbH Group is an institute focused on specialised financial services (captive). Hence this risk is analysed and reported in detail in accordance with the business model. By its nature, this business model makes it impossible to avoid concentrations of risk in the risk type, "credit risk". Existing concentrations of risk are thus adequately considered and monitored.

But concentrations of credit risk are of secondary significance to the Volkswagen Bank GmbH Group given its international positioning and the fact that its activities mainly concern small (retail) loans.

Concentrations of industries

In sectoral terms, the Volkswagen Bank GmbH Group is broadly positioned by country and industry in both the retail and the corporate-non-dealer business. Sectoral risks in the dealer business are inherent to a captive and are analysed in ways appropriate to the given industry. It was determined that on the whole specific industries did not have a particular impact in downturns such as the most recent economic crisis.

Concentrations of collateral

Concentrations of collateral are inherent to a captive and arise when a substantial portion of receivables or leasing transactions are collateralised by a single type of security.

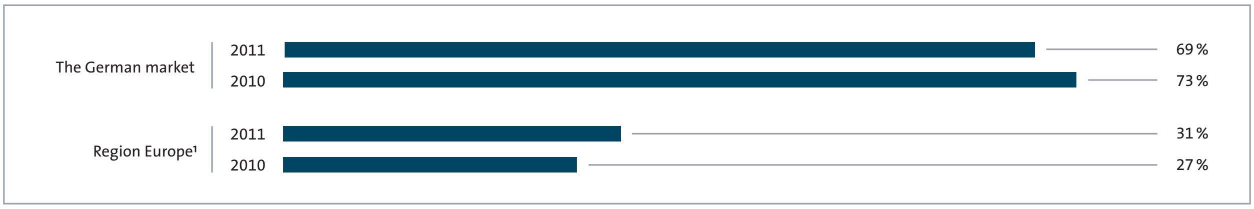
Vehicles are the dominant type of collateral for the Volkswagen Bank GmbH Group. Risks arising from such concentrations of collateral basically arise when negative price developments in the used vehicle markets reduce both the value of the collateral and the proceeds from the disposal of the collateral if borrowers and lessees default.

In terms of the vehicles that serve as collateral, the Volkswagen Bank GmbH Group 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.

Developments/Outlook

DISTRIBUTION OF CREDIT VOLUME BY REGION



1 Region Europe excluding Germany

The retail portfolio accounts for 72 % of the customer credit business, while the corporate portfolio accounts for 28 %.

The trend toward economic recovery continued in the first half of 2011. But the economic horizon dimmed in subsequent months as a result of the sovereign debt crisis, particularly in the Southern European markets, whilst the economic environment in Germany and France remained stable.

Driven by the manufacturer's marketing campaigns, the retail portfolios have been growing particularly in the major European markets.

Defaults in the private customer segment have declined as a result of this growth.

Defaults have only increased in Southern European markets such as Greece and Spain, owing to the crisis.

Business with commercial borrowers continued to stabilise in 2011. The dealer business continued to grow in connection with the expansion of the factoring business.

We believe that the economic environment will remain a challenge in 2012. Resolving the sovereign debt crisis in Europe and its ramifications will be decisive.

Counterparty risk

The counterparty risk arises from overnight and term deposits, the conclusion of derivatives as well as pension funds.

The Volkswagen Bank GmbH Group takes the counterparty risk to mean the risk that may arise from the loss of assets in connection with investments in money, securities or bonds because counterparties cease to repay the principal and/or the interest as contractually required.

Risk assessment

Counterparty risks are recorded as part of the risks of counterparty default.

The risks of counterparty default are determined using the Monte Carlo simulation. The Volkswagen Bank GmbH Group's exposure to risks of counterparty default is determined in this connection. The resulting unexpected loss (value at risk and expected shortfall) is based on a normal scenario, two stress scenarios and the expected loss.

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 for risk monitoring to limit the counterparty volume per counterparty. Compliance with these counterparty volume limits is monitored by the back office.

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. The Volkswagen Bank GmbH Group does not enter into any appreciable country risks.

Shareholder risk

Shareholder risk denotes the risk that losses with negative effects on the carrying amount of the equity investment might occur after contributions of equity capital or receivables akin to equity capital (e.g. undisclosed contributions) are made to an entity.

Parameters

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

The Volkswagen Bank GmbH Group is represented on the ownership or supervisory bodies of VOLKSWAGEN BANK POLSKA S.A., and Global Mobility Holding B.V., Amsterdam.

Volkswagen Bank GmbH has been holding a significant – 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.

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 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.

Lease Plan's fleet management contract portfolio rose by 2.7% year on year. Sales and earnings growth in 2011 compared with the previous year is basically due to higher margins, lower residual value losses on the sale of vehicles upon contract expiry, the growth in the number of fleet vehicles and the leveraging of the current business model in all markets.

The rating firm Moody's has raised its rating forecast for LeasePlan from "negative" to "stable" given the improvement in the company's income, its strong capitalisation and the easing of pressure in the refinancing market; at A- (Fitch, Moody's) and BBB+ (S&P), the long-term ratings remained stable.

The shareholder risk was assigned a median probability of occurring, based on current economic developments. LeasePlan is expected to continue to generate profits.

Risk management and monitoring

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

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

MARKET PRICE RISK

Market price risk refers to the potential loss resulting from disadvantageous changes in market prices or parameters that influence prices. The Volkswagen Bank GmbH Group is exposed to major market price risks due to price changes that trigger a change in the value of open interest rate or currency positions.

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 the Volkswagen Bank GmbH Group.

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

The interest rate risk includes potential losses from changes in market rates. It arises from non-matching fixed-interest periods in assets and liabilities. Interest rate risks are incurred in the banking book of the Volkswagen Bank GmbH Group.

Risk assessment

The Volkswagen Bank GmbH Group 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 + 200 and – 200 basis points interest rate shock scenarios defined by the Federal Financial Supervisory Authority (BaFin).

The calculation of interest rate risks uses theoretical scenarios 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).

Interest rate risks are managed through interest rate derivatives at both the micro level and the portfolio level.

No changes in the parameters for controlling market price risks were made during the financial crisis. Risk Management is tasked with monitoring interest rate risks and reporting on them.

Risk communication

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

Foreign currency risk

Currency risks arise in connection with deviations from numerical inconsistencies between foreign currency items shown in assets and in liabilities.

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's hedging transactions (forward exchange transactions and currency swaps).

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 83 million was made available to the branch in the United Kingdom as at 32.12.2011. Given its unlimited maturity, the endowment capital which is refinanced in euros is not secured through hedging transactions.

Fund price risk

The fund price risk arises from potential changes in market prices.

The Volkswagen Bank GmbH Group incurs “general fund price risks” in connection with the fund-based pension plan for its employees (pension fund).

The Volkswagen Bank GmbH Group has undertaken to meet these pension obligations in the event the fund can no longer satisfy our employees’ guaranteed claims.

This is why the Volkswagen Bank GmbH Group 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.

EARNINGS RISK (SPECIFIC PROFIT/LOSS RISK)

Earnings risks denote the danger of deviations from the targets for specific items in the income statement that cannot be measured by means of risk types described elsewhere.

This includes the risks of

- unexpectedly low commission (commission risk),
- unexpectedly high costs (cost risk),
- excessively large targets for earnings from (new) business volume (sales risk), and
- unexpectedly low income from equity investments.

Risk assessment

Since 2011, the Volkswagen Bank GmbH Group has been quantifying its earnings risks based on a parametric earnings-at-risk (EaR) model, taking into account the confidence level determined in connection with the calculation of its risk-bearing capacity as well as a one-year forecasting horizon.

The relevant income statement items provide the basis for these calculations. The earnings risks are then estimated based on the observed relative deviations from targets for one and by determining the volatilities and interdependency of the individual items for another. Both components are included in the EaR quantification. In addition stress tests specific to risk types are conducted quarterly using historical and hypothetical scenarios.

Risk management and monitoring

During the year, the actual values of the items subject to earnings risks are compared to the targeted values at the market level. This comparison takes place in connection with Controlling's regular reporting mechanism.

The results of the quarterly risk quantification of earnings risks are included in the determination of the risk hedging potential as a deductible item in connection with the analysis of the risk-bearing capacity. The results are monitored by Group Risk Management & Methods.

Concentrations of risk

Concentrations of income arise from an asymmetric distribution of a credit institution's sources of income.

The activities of the Volkswagen Bank GmbH Group focus on financing vehicles, including the related financial services, and thus in the final analysis on promoting the sales of the Volkswagen Group's different brands. This particular constellation gives rise to substantial interdependences and concentrations, which have a direct impact on the development of income.

The Volkswagen Bank GmbH Group thus is exposed to concentrations of income from its business model by definition.

LIQUIDITY RISK

The liquidity risk entails the risk of a negative deviation between actual and expected cash inflows and outflows.

Liquidity risk means the risk of not being able to fulfil payment obligations that are due in full or in timely fashion or – in the event of a liquidity crisis – of only being able to raise refinancing funds at higher market rates or only being able to sell assets at discounted market rates.

The liquidity risk thus concerns the risk of not being able to raise needed funds at all or only at a higher cost.

This leads to the distinction between insolvency risks (day-to-day operational liquidity risk including call and maturity risk), refinancing risks (structural liquidity risk) and market liquidity risks.

The cost of the instruments that the Volkswagen Bank GmbH Group uses for refinancing purposes via the money and capital markets has risen in the wake of the euro zone sovereign debt crisis.

Active management of the collateral deposit account with the European Central Bank, which enables the Volkswagen Bank GmbH Group to avail itself of the refinancing facilities, has turned out to be an efficient liquidity reserve.

Parameters

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

The refinancing of the Volkswagen Bank GmbH Group 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 Volkswagen Bank GmbH Group has liquid reserves in the form of securities deposited in its operational safe custody account with Deutsche Bundesbank. In addition, the company has access to standby lines of credit at other banks to protect it from unexpected fluctuations in cash flow. As a rule, standby credit lines are not utilised; they serve solely to secure liquidity.

Risk assessment

The Treasury of the Volkswagen Bank GmbH Group and the Group companies are responsible for liquidity planning.

The Treasury unit of the Volkswagen Bank GmbH Group bundles and evaluates the expected cash flows of Volkswagen Financial Services AG, Volkswagen Leasing GmbH and Volkswagen Bank GmbH.

Liquidity risks are identified and recorded by Group Risk Management & Methods based on cash flow development statements as defined in MaRisk. These cash flow development statements are subjected to scenario-based stress tests using triggers specific to the credit institution itself, market wide triggers as well as combinations of them. The given parameterisation of these stress scenarios is based on two methods. Historically analysed events are used, and the different degrees of hypothetically conceivable events are defined. To quantify the refinancing risk, this approach takes into account the material manifestations of the insolvency risk as well as changes in spreads that are driven by credit ratings or the market.

Treasury also prepares four different cash flow development statements to ensure adequate liquidity management, performs cash flow forecasts and determines the period for which cash will suffice.

Managing the liquidity of the Volkswagen Bank GmbH Group requires strict compliance with the liquidity ratio prescribed by the Liquidity Regulation. It was between 2.28 and 3.66 from January to December of the reporting year and thus always substantially higher than the regulatory floor of 1.0. Treasury continually monitors this liquidity ratio and actively manages it by imposing a floor for internal management purposes.

Liquidity management and monitoring

The Operational Liquidity Committee (OLC) monitors both the current liquidity situation and the sufficiency of cash in bi-weekly meetings. It decides on refinancing measures or prepares the requisite decisions for the decision makers.

Group Risk Management & Methods communicates the material risk management data or relevant early warning indicators pertaining to the insolvency risk and the refinancing risk. In terms of the insolvency risk, this entails adequate limits for the utilisation rates – taking into account access to the relevant refinancing sources – across different time horizons. The potential refinancing costs are used to assess the refinancing risk.

The ability required under the regulatory regimen to bridge any liquidity needs over a time horizon of seven and 30 days with a highly liquid cushion and the corresponding liquidity reserve constitutes a strict constraint.

Both an emergency plan for liquidity bottlenecks and a suitable action plan for obtaining liquidity are available in the event of an internal or external liquidity bottleneck. An emergency can be triggered by both Liquidity Risk Management (Group Risk Management & Methods) and by Liquidity Management and Planning (OLC).

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.

OPERATIONAL RISK

Operational risks (OpR) are defined as the risk of losses that arise from the inappropriateness or failure of internal processes (process risks), employees (personnel risks) and systems (infrastructure and IT risks). Risks that occur as a result of external events (external risks, e.g. terror attacks, catastrophes) are also taken into account.

Operational risk management aims to make operational risks transparent and initiate countermeasures as necessary with the aim of avoiding similar losses in future.

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

Risk identification and assessment

Risk assessment is designed to arrive at a joint monetary estimate of the loss exposure based on the assessments derived from the different quantitative and qualitative identification methods.

Self-assessment and the loss database are further pillars for managing operational risks:

At least once a year, risk scenarios are recorded, assessed in quantitative terms and analysed centrally by local experts in a variety of risk categories according to estimates of loss amounts and frequencies using standardised and IT-based self assessments.

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 & Methods is tasked with reviewing the plausibility of local self assessments regarding the extent and frequency of losses. Ongoing internal recording of monetary operational losses and storing the relevant data in the loss database enables local experts to systematically analyse occurrences of loss and monitor the measures that were initiated.

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

Business continuity management

The goal of the Corporate Security unit is to ensure security for individuals and property at the Volkswagen Bank GmbH Group and to avoid or reduce damage to its image and losses from operational disruptions. Reflecting the crash barrier role, all related tasks are carried out both nationally and internationally. A business continuity management system, which is based on the British BS 25999 Standard, was introduced in order to ensure the company's ability to withstand crises.

In that connection, the Corporate Security unit establishes the appropriate crash barriers for managing external risks (catastrophes) capable of triggering the loss of infrastructure, buildings or personnel; the respective departments use these crash barriers to analyse their risks from time-sensitive activities and take precautions based on appropriate measures.

These emergency plans contain appropriate restart and business continuation plans. Groupwide crisis management was also established.

RESIDUAL VALUE RISK

A residual value risk arises if 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 directly by Volkswagen Bank GmbH or one of its branches (because of contractual provisions).

A residual value risk management circle has been implemented at Volkswagen Bank GmbH or one of its branches. This circle requires regular residual value forecasts and continuous risk assessments, mainly in regards to direct residual value risks. Proactive marketing activities are derived from the measurement 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 guidelines.

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. 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 Volkswagen Bank GmbH Group.

Risk identification and assessment

The New Product Process is carried out before business activities in new markets or in connection with new products are launched. This process includes analysing potential direct residual value risks.

In addition, local risk managers obtain data on the indirect residual value risks from market participants at regular intervals.

Direct residual value risks are regularly quantified throughout the year in respect of both the expected and the unexpected loss using measurement methods and systems based on individual contracts. The contractually stipulated residual values are compared to attainable market values or unexpectedly poor market values. The realisable residual values are determined by the local residual value committees and used in the measurement.

In contrast, unexpectedly negative market values are determined based on the market's historical changes over a period of one year.

The difference between the forecast value of the used car (both expected and unexpected) and the calculated residual value yields the residual value risk/opportunity.

The results of the quantification are used in the assessment of the exposure to risk, i.e. among other things assessments of the adequacy of the risk provisions as well as the risk-bearing capacity.

Indirect residual value risks are quantified for the purpose of determining the residual value risk analogous to the method used for the direct residual value risks; dealer defaults are also taken into account.

Above and beyond that, unexpected losses from residual value risks are not determined at this time because this risk type is currently deemed insignificant.

A method for determining and verifying materiality was developed during the reporting period based on the direct residual value risk model.

This method for analysing indirect residual value risks will be reviewed and refined as necessary in connection with the next risk inventory.

Risk management and monitoring

Group Risk Management & Methods monitors residual value risks within the Volkswagen Bank GmbH Group and the Volkswagen Financial Services AG Group.

The adequacy of the risk provisions as well as the residual value risk potential are regularly monitored as part of risk management.

Opportunities from residual values are not considered when recognising 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 amounts of risk allocated to the residual term must still be earned and recognised as impairment losses.

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.

The stress test for direct residual value risks entails scenario analyses that are performed by experts in collaboration with central and local risk specialists. This provides a comprehensive view of the risk sensitivity of the residual value business, particularly against the backdrop of a changing economic climate.

The indirect residual value risks of the Volkswagen Bank GmbH Group are regularly monitored in connection with portfolio assessment.

The indirect residual value risks of the Volkswagen Bank GmbH Group’s branches are subject to plausibility checks and measured based on the amount of the risk and its significance.

As part of risk management, Group Risk Management & Methods regularly monitors the adequacy of the risk provisions for indirect residual value risks and the residual value risk potential.

The resulting residual value risk potential is used to take a variety of measures in close cooperation with the brands and dealerships in order to limit the indirect residual value risk.

Concentrations of 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, the Volkswagen Bank GmbH Group is also diversified across all segments given the Group's broad range of brands and models.

OUTLOOK

The residual value portfolio has grown due to both the general economic recovery at the start of 2011 and additional sales promotion campaigns.

Rising demand for used cars in the markets has caused residual value risks to decline generally.

Stable sales were generated thanks to web-based marketing support, but this positive trend faded away toward year’s end due to the sovereign debt crisis.

Residual value risks are expected to remain largely stable at the current level in 2012. A general economic environment that is stable to positive is necessary for stable development.

STRATEGIC RISK

The strategic risk means the risk of a direct or indirect loss through strategic decisions that are defective or based on false assumptions.

Likewise the strategic risk also encompasses all risks arising from the integration/reorganisation of technical systems, personnel and corporate culture. This is rooted in fundamental decisions on the company’s structure, which management makes in respect of its positioning in the market.

REPUTATION RISK

The reputation risk denotes the danger that an event or several successive events might cause reputational damage (public opinion), which might limit the company's current and future business opportunities and activities (potential success) and thus lead to indirect financial losses (customer base, sales, equity, refinancing costs etc.) or direct financial losses (penalties, litigation costs etc.).

It is one of the responsibilities of the corporate communications department to avoid negative reports in the press or elsewhere that harm the company's reputation. Adequate communication strategies tailored to specific target groups are required if this does not succeed.

SUMMARY

In connection with its business activities, the Volkswagen Bank GmbH Group 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 was continuously refined in 2011 as well.

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

The trend toward economic recovery continued in the first half of 2011. In the second half of the year, the economic horizon darkened as a result of the sovereign debt crisis in Europe.

In 2011 the Volkswagen Bank GmbH Group successfully met its challenges despite the effects that the euro crisis has on the financial sector.

The Volkswagen Bank GmbH Group 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.

EVENTS AFTER THE BALANCE SHEET DATE

No important events beyond those described in this report occurred after the close of the 2011 financial year.

Personnel report
Implementation of the personnel strategy

The Volkswagen Bank GmbH Group and Volkswagen Financial Services AG jointly on their way to becoming a TOP employer

PERSONNEL FIGURES
As at the end of 2011, a total of 1,787 (previous year: 842) 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 2011, this staff numbered 753 (previous year: 631), 162 (previous year: 119) of which were employed in Germany.

EMPLOYEES
Our company's sustained success is only possible thanks to our employees' best efforts. Our personnel strategy thus serves to promote and develop talents within the company and to always recruit the best applicants for the company. Our WIR2018 strategy also entails establishing ourselves as a TOP employer.

OUR PERSONNEL STRATEGY
At Volkswagen Financial Services AG, the Personnel department covers all domestic companies of the Volkswagen Financial Services Group.

The "We Are a Top Team" employee strategy supports goal achievement in the four action areas, "customers", "employees", "profitability" and "volume". Targeted personnel development serves to foster and challenge employees. We are consciously leveraging in-house talent as we strive to achieve our goal of becoming a TOP employer by 2018. The aim is to identify talent in-house, make them visible and subsequently promote them on an individual basis.

Volkswagen Financial Services AG already offers competitive and performance-based compensation. The introduction of the performance appraisal as part of employee performance reviews in the German market in the past financial year has also added an individual performance-based component to the compensation of all employees subject to collectively agreed terms: a performance-based compensation element.
Volkswagen Financial Services AG's aim, "We Are a Top Team", is reflected by the employer benchmark study ("Great Place to Work") as well as the "mood barometer", its internal staff survey.

In 2011 Volkswagen Financial Services AG participated for the fifth time in the employer competition. Successful placement as a TOP employer in Germany and Europe as well as the insights from the benchmark study are important strategic parameters and indicators. The ranking in the Top 100 lists in Germany will be determined in the spring of 2012. The already available results of the employee survey conducted as part of the benchmark study point to a truly substantial improvement over the assessments in 2010 and show that we are already on the right track in terms of shaping our corporate and leadership structure.

Human resources planning and development
In 2011 Volkswagen Financial Services AG hired 44 new trainees/students of WelfenAkademie and Leibniz-Akademie, two universities of co-operative education that offer dual-track courses of study leading respectively to a Bachelor of Arts and a Bachelor of Science. The number of trainee slots was raised by ten percent due to the double Abitur graduation class in the German State of Lower Saxony.

As at 31 December 2011, a total of 123 trainees and students of WelfenAkademie were employed with us in Germany for the duration of the apprenticeship programmes and in all occupational groups. Volkswagen Financial Services AG also offers college graduates and young professionals attractive job opportunities as trainees.

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 employees in Germany obtained their qualifications at the internal training centre, which offers a broad range of seminars and workshops. These training programmes are closely aligned with the company's products, processes and systems. In addition, the need for specialists is identified in coordination with the appropriate departments and suitable development concepts are drawn up. Continued development of employees' competence also focuses on refining their marketing skills and their consciousness of the customer- and service-based nature of our business.

A standardised process governing both performance targets and performance appraisals was introduced in cooperation with our parent company, Volkswagen AG. Other standards such as the international introduction of the manager selection process were further refined.

Anticipated developments
On a growth trajectory

The Volkswagen Bank GmbH Group expects earnings in 2012 to be at the level of 2011 against a backdrop of a positive economic environment and continued international expansion.

Below we are describing the expected future development of both the Volkswagen Bank GmbH Group and the environment. The resulting opportunities and potentials are integrated into our planning process on an ongoing basis such that we can tap into them in a timely manner. The material risks arising in connection with the business activities of the Volkswagen Bank GmbH Group were described in detail in the risk report above.

Our forecasts are based on the current assessments of external institutions, among them economic research institutes, banks, multinational organisations and consulting firms.

GLOBAL ECONOMIC DEVELOPMENT

Our plans are based on the assumption that the global economy will continue to grow. We expect the emerging markets, especially in Asia and Latin America, to generate the greatest economic momentum; in our view the major industrialised countries will grow only moderately in the medium term.

Europe

Most Western European countries will probably generate little growth in 2012 due to the sovereign debt crises. Even a recession has become a likely scenario for some countries. A rapid recovery will take place in 2013 only if substantial successes have been achieved in resolving the sovereign debt crises. The developments in Western Europe will also have a decisive impact on the outlook in the Central and Eastern European countries.

Germany

We only expect low growth in 2012 following the GDP's robust growth in the past years. But the development of the labour market will remain positive for the time being. In our view the German economy will return to moderate growth starting in 2013.

FINANCIAL MARKETS

The financial markets are likely to remain greatly unsettled in the current financial year due to some countries' smouldering sovereign debt crisis. Substantial risks particularly for the European economy on the whole and the banking system arise from a possible increase in tensions on the government bond markets in the euro zone. The weaker global economic activity overall, the pessimistic view of the EU Commission of the EU's economic growth in 2012 and equally uncertain growth prospects in the United States are generating additional uncertainty. The imminent tighter regulation of the banking sector in Germany and the financial transaction tax that has been proposed to prevent speculative financial transactions further contribute to the financial markets' jitteriness.

DEVELOPMENT OF THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

We assume that in 2012 the markets for passenger cars and light commercial vehicles will develop at different rates in the different regions and that, on the whole, worldwide demand for new vehicles is likely to grow at a slower pace. We expect overall growth to be slightly higher in 2013 than in 2012.

The actions taken by some Western European countries to reduce sovereign debt and the resulting weakening of their economies in 2012 will have an adverse impact on the demand for new vehicles.

The sovereign debt crisis in Europe and the United States will have a negative impact on the development of individual growth markets. However, we expect China and India – two important markets, strategically speaking – to continue their positive trend in 2012, and we also anticipate an increase in demand for vehicles in North and South America.

We expect the economic climate in Europe to stabilise in 2013 but the markets are likely to recover slowly. We expect demand for passenger cars to continue to rise in other regions where the Volkswagen Group maintains a presence.

The Volkswagen Group is well positioned for the heterogeneous development of the automobile markets. Our broad product range, which includes the most recent generation of fuel-optimised engines, gives us a competitive advantage worldwide. We are consistent in the pursuit of our goal to offer every customer the mobility and innovations they need and thereby strengthen our competitive position in the long term.

Europe

We expect automotive demand in Western Europe excluding Germany to decline in 2012. The current sovereign debt crisis above all else is unsettling consumers in many of the region's countries and limiting their financial freedom. The broad austerity packages being adopted by the governments in some key markets – especially Spain and Italy – along with higher taxes will delay the recovery of demand. We expect the economic climate in most Western European countries to stabilise in 2013 and demand for both passenger cars and light commercial vehicles to return to positive growth.

In our view automotive demand in Central and Eastern Europe will cool off in 2012, especially in Russia where we expect substantially weaker growth year on year. In 2011 the automotive market benefited from the economy's rapid recovery and governmental stimulus packages. The market should have recovered from this effect in 2013 and return to substantial growth.

Germany

Demand for passenger cars in Germany rose substantially in 2011 due to the good economic climate but we expect this trend to be interrupted in 2012. The sovereign debt crisis in some European countries has unsettled consumers in Germany despite the country's largely stable economic environment. Whilst this will have a negative effect on automotive demand in Germany, it should begin to rise again in 2013 against the backdrop of the stabilising European economy.

INTEREST RATE TRENDS

Many countries' expansive monetary policies and comparably low inflation rates led to low interest rates in the 2011 financial year, which did not change much at the start of the current financial year. We expect monetary policies to be implemented in Europe and the United States during 2012 that make an increase in interest rates unlikely. Long-term interest rates should remain stable worldwide. If inflationary tendencies continued to increase, short- and long-term interest rates would rise in 2013.

MOBILITY PACKAGES

Social and political parameters increasingly impact many people's approach to mobility. Large metropolitan areas are giving rise to new challenges in connection with the design of an intelligent mobility mix comprising mainly public transportation, cars and bicycles. Mobility is being redefined in many respects.

The Volkswagen Group has already responded in comprehensive fashion to these challenges by developing fuel- and emission-optimised vehicles that can be operated in a sustainable manner. In collaboration with the automotive brands of the Volkswagen Group, Volkswagen Bank GmbH is working intensely to be a pioneer in the development of innovative mobility packages just as it has been for a long time in the classical automotive business.

New mobility packages will supplement traditional car ownership. Simple, transparent, safe, reliable, affordable, flexible – those are the key requirements that our business must satisfy in future. The Volkswagen Bank GmbH Group is carefully tracking the development of the mobility market and is already developing new models for supporting alternative marketing approaches and establishing new mobility concepts with the aim of hedging and expanding its business model.

In doing so we will realise the core of our brand promise in future too and remain the key to mobility in the long term.

DEVELOPMENT OF THE VOLKSWAGEN BANK GMBH GROUP

The Volkswagen Bank GmbH Group expects its growth in the next two financial years to follow that of the Volkswagen Group. Increasing the penetration rate and expanding the product range in existing markets are aimed at achieving a rise in the company's business volume.

Sales activities related to the Volkswagen Group brands will be further intensified, particularly through strategic projects carried out jointly with the Group brands aimed at boosting the penetration rate.

Our aim is to fulfil the desires and needs of our customers in cooperation with the Volkswagen Group brands as best we can along this chain. The product packages that were successfully introduced in some markets in recent years will be further refined and launched in new markets, taking customer needs into account. This approach is a key element in international competition.

In addition to market-based activities, the harmonisation and standardisation of business processes, strategic investments in structural projects as well as productivity gains continue to be the keys to the development of the Volkswagen Bank GmbH Group. They provide the basis for enhancing its flexibility regarding new products and its ability to target customers according to their needs. Both the optimisation of the refinancing strategy and consistent risk management will be central tasks as well.

The Volkswagen Bank direct division remains highly significant to the development of the Volkswagen Bank GmbH Group due to its deposit volume and innovative sales channels. We aim to steadily increase the number of customers through attractive and innovative products.

The close integration of the Volkswagen Group brands with the Volkswagen Bank GmbH Group will also enable us to generate strong added value in both financial services and the Group.

PROSPECTS FOR 2011 AND 2012

An upturn in the macroeconomic environment is still expected for 2012 and 2013, with stability being provided in particular by a further decrease in unemployment and higher consumption, especially in Germany.

In light of this forecast, the Board of Management of Volkswagen Bank GmbH anticipates a moderately higher business volume depending on the performance of the Volkswagen Group. The positive business climate coupled with a refinement of the risk management instruments results in low risk costs. Rising interest rates from 2013 onwards are expected to result in a slight narrowing of interest margins.

The deposit volume in the Volkswagen Bank direct division is to be further expanded in the next years through solutions geared to customers' needs.

Overall, the Board of Management of Volkswagen Bank GmbH expects earnings in both 2012 and 2013 to exceed those of 2011.

Annual Financial Statements (IFRS)

Income statement

of the Volkswagen Bank GmbH Group

€ million	Note	1.1. – 31.12.2011	1.1. – 31.12.2010	Change in %
Interest income from lending transactions before provisions for risks		1,632	1,610	1.4
Net income from leasing transactions before provisions for risks	(15)	111	109	1.8
Interest expense		– 647	– 637	1.6
Net income from lending and leasing transactions before provisions for risks	(5, 20)	1,096	1,082	1.3
Provisions for risks arising from lending and leasing business	(9, 21, 30)	– 173	– 318	– 45.6
Net income from lending and leasing transactions after provisions for risks		923	764	20.8
Commission income		217	185	17.3
Commission expenses		– 178	– 164	8.5
Net commission income	(5, 22)	39	21	85.7
Result from derivative financial instruments	(10, 23)	11	40	– 72.5
Result from joint ventures accounted for using the equity method	(5)	104	91	14.3
Result from other financial assets	(5)	0	0	0.0
General administration expenses	(5, 6, 14, 15, 24)	– 593	– 492	20.5
Other operating result	(5, 14, 25)	10	56	– 82.1
Pre-tax result		**494**	**480**	**2.9**
Taxes on income and earnings	(6, 26)	– 125	– 131	– 4.6
Net income		**369**	**349**	**5.7**
Net income attributable to Volkswagen Financial Services AG		369	349	5.7

Statement of comprehensive income

of the Volkswagen Bank GmbH Group

€ million	Note	1.1. – 31.12.2011	1.1. – 31.12.2010
Net income		**369**	**349**
Actuarial gains and losses	(17, 44)	–3	–6
deferred taxes thereon	(6, 26)	1	2
Available-for-sale financial assets (securities):	(11, 32, 51)		
Fair value changes recognised in equity		–9	–1
Recognised in the income statement		0	–
deferred taxes thereon	(6, 26)	3	0
Cash flow hedges:	(10)		
Fair value changes recognised in equity		14	15
Recognised in the income statement		5	5
deferred taxes thereon	(6, 26)	–6	–6
Currency translation differences	(4)	4	3
Income and expense of shares measured using the equity method, recognised directly in equity, after taxes		–6	64
Income and expense recognised directly in equity		**3**	**76**
Comprehensive income		**372**	**425**
Comprehensive income attributable to Volkswagen Financial Services AG		372	425

Balance sheet

of the Volkswagen Bank GmbH Group

Assets (€ million)	Note	31.12.2011	31.12.2010	Change in %
Cash reserve	(7, 28)	644	470	37.0
Receivables from financial institutions	(8)	2,149	861	149.6
Receivables from customers arising from				
Retail financing		17,939	17,696	1.4
Dealer financing		7,435	6,261	18.8
Leasing business	(15)	1,412	1,232	14.6
Other receivables		3,762	3,095	21.6
Receivables from customers in total	(8, 9, 29, 30)	30,548	28,284	8.0
Derivative financial instruments	(10, 31)	181	165	9.7
Securities	(11, 32)	1,286	1,081	19.0
Joint ventures accounted for using the equity method	(2, 33)	1,595	1,502	6.2
Other financial assets	(12, 33)	1	1	X
Intangible assets	(13, 34)	9	7	28.6
Property, plant and equipment	(14, 35)	9	9	X
Leased assets	(15, 36)	202	181	11.6
Investment property	(15, 36)	2	2	X
Deferred tax assets	(6, 37)	637	104	512.5
Income tax assets	(6)	27	56	–51.8
Other assets	(38)	140	103	35.9
Assets held for sale (IFRS 5)	(39)	436	–	X
Total		**37,866**	**32,826**	**15.4**

Equity and liabilities (€ million)	Note	31.12.2011	31.12.2010	Change in %
Liabilities to financial institutions	(16, 41)	435	418	4.1
Liabilities to customers	(16, 41)	24,682	21,299	15.9
Securitised liabilities	(42)	5,835	4,851	20.3
Derivative financial instruments	(10, 43)	143	131	9.2
Provisions	(17, 18, 44)	308	178	73.0
Deferred tax liabilities	(6, 45)	524	53	888.7
Income tax obligations	(6)	24	27	–11.1
Other liabilities	(46)	94	85	10.6
Subordinated capital	(47)	935	1,094	–14.5
Liabilities in connection with the assets held for sale (IFRS 5)	(50)	3	-	X
Equity	(48)	4,883	4,690	4.1
Subscribed capital		318	318	X
Capital reserve		3,596	3,546	1.4
Retained earnings		969	826	17.3
Total		**37,866**	**32,826**	**15.4**

Statement of changes in equity

of the Volkswagen Bank GmbH Group

€ million	Sub-scribed capital	Capital reserve	RETAINED EARNINGS						Total equity
			Accum-ulated profits	Currency trans-lation	Cash flow hedges	Actuarial gains and losses	Market valuation securities	Shares measured using the equity method	
Balance as at 1.1.2010	**318**	**3,196**	**713**	**–43**	**–16**	**–6**	**3**	**–70**	**4,095**
Net income	–	–	349	–	–	–	–	–	349
Income and expense recognised directly in equity	–	–	–	3	14	–4	–1	64	76
Comprehensive income	–	–	349	3	14	–4	–1	64	425
Payments into the capital reserve	–	350	–	–	–	–	–	–	350
Distributions/profit transfer to Volkswagen Financial Services AG	–	–	–180	–	–	–	–	–	–180
Balance as at 31.12.2010 / 1.1.2011	**318**	**3,546**	**882**	**–40**	**–2**	**–10**	**2**	**–6**	**4,690**
Net income	–	–	369	–	–	–	–	–	369
Income and expense recognised directly in equity	–	–	–	4	13	–2	–6	–6	3
Comprehensive income	–	–	369	4	13	–2	–6	–6	372
Payments into the capital reserve	–	50	–	–	–	–	–	–	50
Distributions/profit transfer to Volkswagen Financial Services AG	–	–	–229	–	–	–	–	–	–229
Balance as at 31.12.2011	**318**	**3,596**	**1,022**	**–36**	**11**	**–12**	**–4**	**–12**	**4,883**

Cash flow statement

of the Volkswagen Bank GmbH Group

€ million	1.1. – 31.12.2011	1.1. – 31.12.2010
Net income	**369**	**349**
Depreciation, amortisation, value adjustments and write-ups	269	343
Change in provisions	130	97
Change in other non-cash items	8	– 79
Result from the sale of financial assets and property, plant and equipment	0	3
Interest result and dividend income	– 1,075	– 1,063
Other adjustments	0	0
Change in receivables from financial institutions	– 1,294	640
Change in receivables from customers	– 2,879	– 241
Change in leased assets	– 72	– 61
Change in other assets from operating activities	– 37	– 19
Change in liabilities to financial institutions	16	– 296
Change in liabilities to customers	3,337	538
Change in securitised liabilities	984	– 1,951
Change in other liabilities from operating activities	9	24
Interest received	1,717	1,695
Dividends received	5	5
Interest paid	– 647	– 637
Income tax payments	– 161	– 144
Cash flow from operating activities	**679**	**– 797**
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	0	– 1
Cash inflows from the sale of other assets	1	1
Cash outflows from the purchase of other assets	– 8	– 6
Change in investments in securities	– 210	339
Cash flow from investing activities	**– 217**	**333**
Cash inflows from changes in capital	50	350
Profit transfer to Volkswagen Financial Services AG	– 180	– 126
Change in funds resulting from subordinated capital	– 158	96
Cash flow from financing activities	**– 288**	**320**
Cash and cash equivalents at the end of the previous period	**470**	**614**
Cash flow from operating activities	679	– 797
Cash flow from investing activities	– 217	333
Cash flow from financing activities	– 288	320
Effects from exchange rate changes	0	0
Cash and cash equivalents at the end of the period	**644**	**470**

Comments on the cash flow statement are shown in note (61).

Notes

to the consolidated financial statements of Volkswagen Bank GmbH as at 31.12.2011

General comments regarding the consolidated financial statements

Volkswagen Bank GmbH is a limited liability company under German law. It has its head office in Germany at Gifhorner Strasse, Braunschweig, and is registered in the Braunschweig Register of Companies (under file number HRB 1819).

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, Braunschweig, 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 at 31.12.2011 according to International Financial Reporting Standards (IFRS), as applicable in the European Union, and the interpretations of the IFRS Interpretations Committee, 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) and adopted by the EU by 31.12.2011, and whose application was obligatory for the 2011 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 11–23. 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.

The Board of Management prepared the consolidated financial statements on 20 February 2012. The period allowing for adjustments of amounts recognised in the financial statements ended with this date.

Estimates and assumptions by management

Preparation of the consolidated financial statements requires management to make certain assumptions and estimates that affect the amount and presentations of recognised assets and liabilities and income and expenses, as well as the disclosure of contingent assets and liabilities in the reporting period. The assumptions and estimates essentially relate to the following items:

Impairment testing of both non-financial assets (particularly goodwill) and equity investments measured using the equity method or at cost requires assumptions to be made about future cash flows during and possibly after the planning period as well as the discount rate used.

The recoverable amount of the Group's leased assets also depends in particular on the residual value of the leased vehicles after the end of the lease term, because this is a major component of the expected cash flows. For more information on impairment testing as well as on the measurement parameters used, please refer to the explanations on the accounting policies for intangible assets (item 13) and leasing (item 15).

Calculating the recoverable amount of financial assets requires estimates to be made about the amount and the probability of occurrence of future events. Where possible, the estimates are derived from empirical values. In the case of receivables from customers, both individual value adjustments and portfolio-based value adjustments are recognised. For an overview of the individual and portfolio-based value adjustments, please refer to the notes to the provisions for risks (item 9).

The recognition and measurement of provisions is also based on the assumption about the amount and the probability of occurrence of future events as well as on the estimate of the discount factor. Past experience or reports by external experts are also drawn on wherever possible. In addition, the measurement of pension provisions is dependent on the estimate of changes in plan assets. Please refer to note 17 for the assumptions underlying the calculation of pension provisions. Actuarial gains and losses are recognised in other comprehensive income and do not affect the profit or loss presented in the income statement. Any change in estimates of the amount of other provisions must always be included in profit or loss. Due to the recognition of empirical values, subsequent additions are frequently made to provisions or unused provisions are reversed. Reversals of provisions are recognised as other operating income, while the expense from the recognition of new provisions is allocated directly to the relevant functions. Notes 18 and 44 provide an overview of the other provisions.

When deferred tax assets are being calculated, assumptions must be made about future taxable income and the timing of the utilisation of the deferred tax assets.

The underlying assumptions and estimates are based on the information available at the preparation date. In particular, the expected future business development was based on the circumstances prevailing at the time of preparation of the consolidated financial statements and a realistic assumption of the future development of the global and sector-related environment. Our estimates and assumptions remain subject to a high degree of uncertainty due to the future uncertain development of business, which is partly beyond the control of the Group's management. This applies in particular to short- and medium-term cash flow forecasts and to the discount rates used.

Actual amounts may differ from the original estimates because of changes in this environment that differ from the assumptions and lie outside the control of management. If actual developments differ from the expected developments, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted.

The global economy continued growing in the reporting period, though at a much slower pace in the second half of the year. We assume that the worldwide economic expansion will continue at the same level in 2012. As things stand today, therefore, management does not believe that there will be any requirement for material adjustments to the carrying amounts of assets and liabilities reported in the consolidated financial statements in the following financial year.

Estimates and assumptions by management were based in particular on assumptions relating to the development of the general economic environment, the automobile markets, the financial markets and the legal environment. These and further assumptions are explained in detail in the section entitles "anticipated developments".

Effects of new and revised IFRS

Volkswagen Bank GmbH has implemented all accounting standards that had to be applied starting in the 2011 financial year.

Under the provisions of revised IAS 24, entities may choose to simplify their reporting with regard to public institutions and their subsidiaries, joint ventures and associated companies. Volkswagen Bank GmbH is not using this option. Revised IAS 24 also clarifies the definitions of related parties as well as reportable transactions. Reportable transactions by related parties were supplemented by additional contractual commitments in this connection. The previous year's figures were adjusted. For more related party disclosures please see item 65.

Disclosure obligations with respect to the nature and extent of risks from financial instruments were adjusted in connection with the amendment of IFRS 7 as part of the 2010 improvements of the International Financial Reporting Standards. Among other things, this requires disclosures on the financial effects of the collateral held and credit enhancements. The duty to disclose the carrying amounts of financial instruments where the relevant contracts were amended in order to avoid arrears was eliminated.

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: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IAS 32: Classification of Rights Issues
- Improvements to International Financial Reporting Standards 2010 – Minor amendments to numerous IFRS (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IAS 18, IFRIC 13) and subsequent amendments resulting from them
- IFRIC 14: Prepayments of a Minimum Funding Requirement
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

New or revised IFRS that were not applied

In its consolidated financial statements for 2011, Volkswagen Bank GmbH did not take into account the following accounting standards which were adopted by the IASB but whose application was not mandatory in the financial year.

Standard/Interpretation[1]		Published by the IASB	Mandatory application[2]	Adopted by the EU commission[1]	Expected effects
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	20.12.2010	01.01.2012	No	None
IFRS 7	Disclosures on the transfer of financial instruments	07.10.2010	01.01.2012	Yes	Expanded disclosures in the notes on the transfer of financial instruments
IFRS 7	Disclosures in the notes on offsetting financial assets and financial liabilities	16.12.2011	01.01.2013	No	Expanded disclosures in the notes on offsetting financial instruments
IFRS 9	Financial Instruments: Classification and Measurement	12.11.2009/ 28.10.2010	01.01.2015[3]	No	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 10	Consolidated Financial Statements	12.05.2011	01.01.2013	No	No material effects
IFRS 11	Joint Arrangements	12.05.2011	01.01.2013	No	No material effects
IFRS 12	Disclosures of Interests in Other Entities	12.05.2011	01.01.2013	No	Expanded disclosures in the notes of interests in other entities
IFRS 13	Fair Value Measurement	12.05.2011	01.01.2013	No	Adjustments and expanded disclosures in the notes of fair value measurements
IAS 1	Presentation of Financial Statements: Presentations of items of other comprehensive income	16.06.2011	01.01.2013	No	Changes in the presentation of other comprehensive income
IAS 12	Deferred taxes: Realising the carrying amount of an asset	20.12.2010	01.01.2012	No	No material effects
IAS 19	Employee Benefits	16.06.2011	01.01.2013	No	Change in the presentation and expanded disclosures in the notes of employee benefits
IAS 27	Separate Financial Statements	12.05.2011	01.01.2013	No	None
IAS 28	Investments in Associates and Joint Ventures	12.05.2011	01.01.2013	No	None
IAS 32	Financial Instruments: Offsetting financial assets and financial liabilities	16.12.2011	01.01.2014	No	No material effects
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	19.10.2011	01.01.2013	No	None

1 Until 31.12.2011
2 First-time adoption required from the perspective of the Volkswagen Bank GmbH Group
3 Postponement of first-time application from 2013 to 2015 under the Mandatory Effective Day project.

Accounting policies

1 | Principles

All the companies included in consolidation have drawn up their annual financial statements as at the balance sheet date of 31.12.2011.

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

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. Due to the securitisation transactions executed by Volkswagen Bank GmbH, the following special purpose entities were included in the basis of consolidation in the 2011 financial year: Driver Eight GmbH, Driver Nine GmbH, Private Driver 2011-1 GmbH, Private Driver 2011-2 GmbH and Private Driver 2011-3 GmbH. As at the balance sheet date, 17 special purpose entities (previous year: 12 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. Since 1 February 2010, Fleet Investment B.V., Amsterdam has been a new shareholder of Global Mobility Holding B.V., also holding a 50 % stake. 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.

Volkswagen Bank GmbH is represented in Poland 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 accounted for in the consolidated financial statements using the equity method. 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	2011	2010
Receivables from financial institutions	997	825
Receivables from customers	1,698	1,610
Leased assets	6,097	5,716
Other assets	1,439	1,425
Liabilities to financial institutions	830	1,107
Liabilities to customers	1,678	1,177
Securitised liabilities	4,768	4,208
Other liabilities	1,379	1,602
Equity	1,576	1,482
Income	541	519
Expenses	437	428
Contingent liabilities	935	935

The list of equity investments is shown in item 67.

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 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 (non-controlling interests) 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 is carried at historical rates, with the exception of the income and expenses recognised directly in equity. 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	
	€	2011	2010	2011	2010
United Kingdom	GBP	0.8353	0.8608	0.8679	0.8578

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 net commission income 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 other companies of the Volkswagen Group.

6 | Income tax

Current income tax assets 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.

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 in the financial year just ended in connection with a portion of the customer receivables. The customer receivables allocated to portfolio hedging are measured at fair value.

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

9 | Provisions for risks

We take full account of the credit risks in the banking business by means of individual value adjustments and portfolio-based allowances made in accordance with IAS 39. In addition indirect residual value risks were taken into account by means of provisions.

Individual value adjustments corresponding to the loss already incurred are made for existing credit risks related to significant individual receivables in connection with customer or bank receivables (e.g. receivables from dealer 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 overindebtedness, application for insolvency or initiation of insolvency proceedings, or failure of restructuring measures.

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).

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 (43). 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. Hedge accounting in accordance with IAS 39 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 hedges. 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.

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.

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

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 less costs to sell 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.

The cost of depreciation is contained in the general administration expenses.

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 13 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.

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 in the financial year just ended. The customer receivables allocated to portfolio hedging are measured at fair value.

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

17 | Provisions for pensions 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.

Since 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.

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	
%	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Expected return on plan assets	3.75	4.25	3.00 – 5.40	3.00 – 5.40
Discount rate	4.60	4.90	4.40 – 5.30	4.50 – 5.30
Expected rate of salary increases	2.80	2.70	3.33	3.75
Expected rate of pension increases	1.50	1.50	2.00 – 3.10	2.00 – 3.40
Fluctuation rate	0.75	0.75	3.00 – 5.00	3.50

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	2011	2010
Interest income from lending and money market transactions	1,632	1,610
Income from leasing transactions	231	222
Expenses from leasing business	–69	–66
Depreciation and impairment losses on leased assets and investment property	–51	–47
Interest expense	–647	–637
Total	**1,096**	**1,082**

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 € 14 million (previous year: € 16 million). Interest income included here from financial instruments which are not attributable to the category of assets or financial liabilities measured at fair value through profit or loss amounts to € 1,632 million (previous year: € 1,610 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, as in the previous year.

The interest expense contains refinancing expenses from lending and leasing transactions. A total of € 721 million (previous year: € 685 million) of that expense concerns financial instruments not measured at fair value through profit or loss. They were reduced by the net interest income of € 74 million from hedge-ineffective derivatives for the current financial year (previous year: € 48 million).

21 | Provisions for risks arising from lending and leasing business

Provisions for risks essentially concern the balance sheet item “receivables from customers”. In addition indirect residual value risks were taken into account by means of provisions. Value adjustments of € 188 million on branch receivables in those countries that are at the heart of the euro crisis were recognised in the 2011 financial year.
The provision for risks in the income statement of the Group is made up as follows:

€ million	2011	2010
Additions to provisions for risks	–429	–413
Reversal of provisions for risks	290	159
Direct depreciation	–54	–96
Additions from receivables written off	20	32
Total	**–173**	**–318**

22 | Net commission income

The net commission income of € 39 million (previous year: € 21 million) contains € 151 million (previous year: € 120 million) in income from insurance agency services.

They are offset essentially by commission payments made to dealers for brokering financing contracts in the amount of € 127 million (previous year: € 127 million).

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. Gains and losses from hedge-ineffective derivatives contain income and expenses from ineffective portions of 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	2011	2010
Gains/losses on fair value hedging instruments	–34	6
Gains/losses on underlying transactions of fair value hedges	33	–23
Ineffective portion of cash flow hedging instruments	0	0
Gains/losses from the measurement of foreign currency receivables/liabilities	–4	0
Gains/losses on other hedge-ineffective derivatives	16	57
Total	**11**	**40**

24 | General administration expenses

The general administration expenses are made up as follows:

€ million	2011	2010
Staff costs	–85	–69
Non-staff costs	–468	–381
Costs of advertising, PR work and sales promotion	–31	–33
Depreciation of property, plant and equipment and amortisation of and impairment losses on intangible assets	–6	–7
Other taxes	–3	–2
Total	**–593**	**–492**

The non-staff costs contain expenses for leased assets under operating leases amounting to € 7 million (previous year: € 6 million).

As required by § 314 Para. 1 No. 9 HGB, the general administration expenses for the 2011 financial year include fees billed for the audit of the annual financial statements amounting to € 2 million (previous year: € 1 million) and for other services amounting to € 2 million (previous year: € 0 million). A total of € 1 million (previous year: € 0 million) were incurred in 2011 for other auditing and valuation services and for tax consultancy services.

25 | Other operating result

The other operating result is made up as follows:

€ million	2011	2010
Income from costs charged to companies of the Volkswagen Group	106	75
Income from the reversal of provisions	26	6
Other operating income	66	19
Expenses for risks arising from changed court rulings	– 154	0
Losses from the disposal of assets	0	– 3
Other operating expenses	– 34	– 41
Other operating result	**10**	**56**

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	2011	2010
Effective tax expense in Germany	– 162	– 126
Effective tax expense abroad	– 27	– 23
Effective tax expense	**– 189**	**– 149**
Income from the reversal of tax provisions and tax refunds	1	2
Effective taxes on income and earnings	**– 188**	**– 147**
of which not attributable to the reporting period	2	– 9
Deferred tax income/expense in Germany	78	25
Deferred tax income/expense abroad	– 15	– 9
Deferred tax income/expense	**63**	**16**
of which not attributable to the reporting period	0	–
Total	**– 125**	**– 131**

The actual tax expense in 2011 amounting to € 125 million (previous year: € 131 million) was € 21 million lower than the expected tax expense of € 146 million (previous year: € 142 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	2011	2010
Pre-tax result	**493**	**480**
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	**– 146**	**– 142**
+ Effects from tax credits	–	–
+ Effects from German/foreign tax rate	10	– 1
+ Effects from tax rate changes	– 2	0
+ Effects from permanent accounting differences	– 3	0
+ Effects on account of tax-free income from equity investments	32	27
+ Effects from losses carried forward	1	– 1
+ Effects from non-deductible operating expenses	– 18	– 5
+ Taxes not attributable to the reporting period	2	– 9
+ Other differences	– 1	0
= Current taxes on income and earnings	**– 125**	**– 131**

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 13.69 % (previous year: 13.66 %). 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.

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. These rates, which differ from the German income tax rate, are between 12.5 % and 35 % (previous year: between 12.5 % and 33.99 %).

As at 31.12.2011, the company's tax losses carried forward not yet used to date were € 10 million (previous year: € 17 million), for which deferred tax assets of € 3 million (previous year: € 5 million) were recognised. Of these unused tax losses carried forward, € 4 million (previous year: € 17 million) can be utilised indefinitely.

The deferred tax liabilities are reduced by € 2 million (previous year: none) as a result of tax losses and tax credits from a previous period which had not yet been taken into account. The deferred tax liabilities resulting from the write-down of deferred tax assets amount to € 2 million (previous year: € 1 million).

No deferred tax assets were recognised on € 17 million in unused tax losses carried forward (previous year: € 11 million) because they are classified as unusable.

Of the deferred taxes recognised in the balance sheet, a total of € 3 million (previous year: € 4 million) relate to business transactions that are recognised directly in equity. A partial amount of € 5 million (previous year: € 4 million) concerns actuarial gains/losses (IAS 19), a partial amount of € –4 million (previous year: € 1 million) concerns derivative financial instruments, and a further € 2 million (previous year: € –1 million) concern the market valuation of securities.

27 | Further notes to the income statement

There was no income from commission in the 2011 financial year that was not taken into account using the effective interest method.(previous year: € 0 million).

Notes to the balance sheet

28 | Cash reserve

The cash reserve essentially contains balances at Deutsche Bundesbank in the amount of € 637 million (previous year: € 460 million).

29 | Receivables from customers

Receivables from customers include unsecuritised receivables from affiliated companies amounting to € 1,930 million (previous year: € 1,931 million). There are receivables from the sole shareholder, Volkswagen Financial Services AG, amounting to € 0 million (previous year: € 420 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 0.01 % and 28.48 % (previous year: 0.01 % and 21.49 %).

Portions of the retail financing subject to fixed interest rates were hedged in a portfolio fair value hedge against fluctuations of the risk-free base rate.
The reconciliation from the balance sheet figures is as follows:

€ million	31.12.2011	31.12.2010
Receivables from customers	**30,548**	**28,284**
of which market value adjustment from portfolio fair value hedging	24	– 6
Receivables from customers less market value adjustment from portfolio fair value hedging	30,524	28,290

Receivables from leasing transactions include due receivables amounting to € 9 million (previous year: € 12 million).

The receivables from operating leasing transactions total € 1 million as at the balance sheet date (previous year: € 6 million). The have a residual term of up to one year.
The receivables from finance leases are made up as follows:

€ million	31.12.2011	31.12.2010
Gross receivables from finance leases	**1,508**	**1,326**
by residual term		
up to one year	560	488
more than one year and up to five years	948	838
more than five years	0	0
Interest not yet earned from finance leases	**97**	**99**
Net receivables from finance leases	**1,411**	**1,227**
by residual term		
up to one year	515	441
more than one year and up to five years	896	786
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. Unguaranteed residual values for the benefit of Volkswagen Bank GmbH amount to € 195 million.

A provision for risks arising from unrecoverable outstanding minimum lease payments exists in the amount of € 4 million (previous year: € 3 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.

Reconciliation based on classed in accordance with IFRS 7 is as follows:
Class: "Assets measured at amortised cost"

	INDIVIDUAL VALUE ADJUSTMENTS		PORTFOLIO-BASED VALUE ADJUSTMENTS		TOTAL	
€ million	2011	2010	2011	2010	2011	2010
As at 1.1.	**649**	**594**	**204**	**210**	**853**	**804**
Additions	154	267	207	64	361	331
Disposals	260	176	58	56	318	232
of which uses	65	79	–	–	65	79
of which reversals	195	97	58	56	253	153
Transfers	– 14	– 23	– 8	– 15	– 22	– 38
Changes in the basis of consolidation	0	–	–	–	0	–
Interest income from impaired receivables	13	16	–	–	13	16
Currency translation	0	3	0	1	0	4
Provisions for risks arising from lending and leasing business on 31.12.	**516**	**649**	**345**	**204**	**861**	**853**
of which risk provision for assets held for sale (IFRS 5)	7	–	–	–	7	–

Class: "Hedge accounting"

€ million	INDIVIDUAL VALUE ADJUSTMENTS 2011	2010	PORTFOLIO-BASED VALUE ADJUSTMENTS 2011	2010	TOTAL 2011	2010
As at 1.1.	**31**	**1**	**18**	**1**	**49**	**2**
Additions	22	18	45	3	67	21
Disposals	22	10	4	1	26	11
of which uses	8	5	–	–	8	5
of which reversals	14	5	4	1	18	6
Transfers	14	23	8	15	22	38
Changes in the basis of consolidation	–	–	–	–	–	–
Interest income from impaired receivables	1	1	–	–	1	1
Currency translation	–	–	–	–	–	–
Provisions for risks arising from lending and leasing business on 31.12.	**44**	**31**	**67**	**18**	**111**	**49**

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	31.12.2011		31.12.2010	
Assets from hedging transactions		112		97
Fair value hedges on assets (currency risk)	–		–	
Fair value hedges on liabilities (currency risk)	–		–	
Fair value hedges (interest rate risk)	46		31	
Portfolio fair value hedges on assets (interest rate risk)	56		57	
Cash flow hedges on interest payments (currency risk)	10		9	
Cash flow hedges (interest rate risk)	–		–	
Assets from hedge-ineffective derivatives		69		68
Total		**181**		**165**

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

32 | Securities

Securities essentially comprise € 795 million in government bonds acquired in the financial year just ended and € 481 million in asset-backed securities issued by special purpose entities of Volkswagen Leasing GmbH.

These fixed-income bonds in the amount of € 1,222 million (previous year: € 1,080 million) are pledged as security for own liabilities. The securities are deposited with Deutsche Bundesbank and there is no original right of disposal or pledge for the collateral taker.

33 | Joint ventures accounted for using the equity method and other financial assets

€ million	Companies accounted for using the equity method	Other financial assets	Total
Cost of acquisition			
As at 1.1.2010	**1,351**	**0**	**1,351**
Exchange rate changes/effects recognised in equity	64	–	64
Changes in the basis of consolidation	–	–	–
Additions	91	1	92
Transfers	–	–	–
Disposals	4	–	4
As at 31.12.2010	**1,502**	**1**	**1,503**
Amortisation			
As at 1.1.2010	**–**	**–**	**–**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2010	**–**	**–**	**–**
Carrying amount 31.12.2010	**1,502**	**1**	**1,503**
Carrying amount 1.1.2010	**1,351**	**0**	**1,351**

€ million	Companies accounted for using the equity method	Other financial assets	Total
Cost of acquisition			
As at 1.1.2011	**1,502**	**1**	**1,503**
Exchange rate changes/effects recognised in equity	–6	–	–6
Changes in the basis of consolidation	–	–1	–1
Additions	104	1	105
Transfers	–	–	–
Disposals	5	–	5
As at 31.12.2011	**1,595**	**1**	**1,596**
Amortisation			
As at 1.1.2011	**–**	**–**	**–**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2011	**–**	**–**	**–**
Carrying amount 31.12.2011	**1,595**	**1**	**1,596**
Carrying amount 1.1.2011	**1,502**	**1**	**1,503**

34 | Intangible assets

€ million	2011	2010
Cost of acquisition		
As at 1.1.	**25**	**25**
Exchange rate changes	0	0
Changes in the basis of consolidation	3	–
Assets held for sale (IFRS 5)	0	–
Additions	4	3
Transfers	–	–
Disposals	–	3
As at 31.12.	**32**	**25**
Amortisation		
As at 1.1.	**18**	**15**
Exchange rate changes	0	0
Changes in the basis of consolidation	1	–
Assets held for sale (IFRS 5)	0	–
Additions	4	3
Transfers	–	–
Disposals	–	0
Write-ups	–	–
Write-downs	–	–
As at 31.12.	**23**	**18**
Carrying amount 31.12.	**9**	**7**
Carrying amount 1.1.	**7**	**10**

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	Operating and office equipment	Total
Cost of acquisition			
As at 1.1.2010	**20**	**13**	**33**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	0	3	3
Transfers	–	–	–
Disposals	–	2	2
As at 31.12.2010	**20**	**14**	**34**
Depreciation			
As at 1.1.2010	**13**	**9**	**22**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	2	2	4
Transfers	–	–	–
Disposals	–	1	1
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2010	**15**	**10**	**25**
Carrying amount 31.12.2010	**5**	**4**	**9**
Carrying amount 1.1.2010	**7**	**4**	**11**

€ million	Land and buildings	Operating and office equipment	Total
Cost of acquisition			
As at 1.1.2011	**20**	**14**	**34**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	0	0	0
Assets held for sale (IFRS 5)	–	0	0
Additions	0	3	3
Transfers	–	–	–
Disposals	0	2	2
As at 31.12.2011	**20**	**15**	**35**
Depreciation			
As at 1.1.2011	**15**	**10**	**25**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	0	0	0
Assets held for sale (IFRS 5)	–	0	0
Additions	1	1	2
Transfers	–	–	–
Disposals	0	1	1
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2011	**16**	**10**	**26**
Carrying amount 31.12.2011	**4**	**5**	**9**
Carrying amount 1.1.2011	**5**	**4**	**9**

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

36 | Leased assets and investment property

€ million	Movable leased assets	Investment property	Total
Cost of acquisition			
As at 1.1.2010	**244**	**3**	**247**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	99	–	99
Transfers	–	–	–
Disposals	86	–	86
As at 31.12.2010	**257**	**3**	**260**
Depreciation			
As at 1.1.2010	**77**	**1**	**78**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	47	0	47
Transfers	–	–	–
Disposals	48	–	48
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2010	**76**	**1**	**77**
Carrying amount 31.12.2010	**181**	**2**	**183**
Carrying amount 1.1.2010	**167**	**2**	**169**

€ million	Movable leased assets	Investment property	Total
Cost of acquisition			
As at 1.1.2011	**257**	**3**	**260**
Exchange rate changes	–	–	
Changes in the basis of consolidation	–	–	
Additions	110	–	110
Transfers	–	–	
Disposals	85	–	85
As at 31.12.2011	**282**	**3**	**285**
Depreciation			
As at 1.1.2011	**76**	**1**	**77**
Exchange rate changes	–	–	
Changes in the basis of consolidation	–	–	
Additions	51	0	51
Transfers	–	–	
Disposals	47	–	47
Write-ups	–	–	
Write-downs	–	–	
As at 31.12.2011	**80**	**1**	**81**
Carrying amount 31.12.2011	**202**	**2**	**204**
Carrying amount 1.1.2011	**181**	**2**	**183**

The fair value of investment property amounts to € 2 million (previous year: € 2 million). Operating costs of € 1 million (previous year: € 1 million) were incurred for maintaining investment property.

We expect payments of € 56 million in 2012 and € 54 million between 2013 and 2016 from the non-cancellable leasing and rental contracts.

37 | Deferred tax assets

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

€ million	31.12.2011	31.12.2010
Deferred taxation	961	664
of which non-current	83	349
Capitalised benefits from unused tax losses carried forward	3	5
of which non-current	3	3
Netting (with deferred tax liabilities)	–327	–565
Total	**637**	**104**

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

€ million	31.12.2011	31.12.2010
Property, plant and equipment/intangible assets	16	17
Leased assets	17	3
Other financial assets	0	326
Receivables and other assets	46	1
Cash and cash equivalents, and securities	876	248
Liabilities and provisions	6	69
Total	**961**	**664**

38 | Other assets

Other assets concern the following items:

€ million	31.12.2011	31.12.2010
Receivables from other taxes	50	35
Prepaid expenses	37	27
Vehicles taken back for resale	6	5
Other	47	36
Total	**140**	**103**

39 | Assets held for sale (IFRS 5)

Volkswagen Financial Services AG and D'Ieteren SA, Belgium, established a joint venture named Volkswagen D'Ieteren Finance SA effective 9 November 2011. Among other things, this entity was founded for the purpose of taking over the customer and dealer financing from 1 January 2012. The parties stipulated by agreement dated 23 December 2011 that select assets and liabilities of Volkswagen Bank GmbH, which had been allocated to the Belgium branch within the other branches segment, would be transferred to Volkswagen D'Ieteren Finance SA in the 2012 financial year. As a result, Volkswagen Bank GmbH has recognised these assets as assets held for sale and has separately recognised the liabilities to be transferred as liabilities attributable to the assets held for sale.

The assets held for sale are disclosed below. Please see the disclosures under item 50 in respect of the liabilities allocable to them.

€ million	31.12.2011	31.12.2010
Receivables from financial services	430	–
Trade receivables	1	–
Other receivables and assets	0	–
Cash and cash equivalents	5	–
Income tax assets	0	–
Total	**436**	**–**

They were measured at the lower of previously agreed purchase price and cost. This has resulted in the reversal of a previous impairment of individual assets amounting to € 5 million. Income and expense recognised in other comprehensive income are not connected to the assets held for sale.

40 | Non-current assets

€ million	31.12.2011	of which non-current	31.12.2010	of which non-current
Cash reserve	644	–	470	–
Receivables from financial institutions	2,149	–	861	–
Receivables from customers	30,548	15,102	28,284	13,461
Derivative financial instruments	181	159	165	97
Securities	1,286	207	1,081	402
Joint ventures accounted for using the equity method	1,595	1,595	1,502	1,502
Other financial assets	1	1	1	1
Intangible assets	9	9	7	7
Property, plant and equipment	9	9	9	9
Leased assets	202	202	181	181
Investment property	2	2	2	2
Deferred tax assets	637	637	104	104
Income tax assets	27	–	56	–
Other assets	140	7	103	5
Assets held for sale (IFRS 5)	436	192	–	–
Total	**37,866**	**18,122**	**32,826**	**15,771**

41 | Liabilities to financial institutions and customers

The liabilities to financial institutions and customers are all unsecuritised. The non-current portion of the liabilities to financial institutions amounts to € 308 million (previous year: € 115 million).

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 of funds, which is shown as unsecuritised liabilities to customers, amounts to € 3,019 million (previous year: € 1,984 million) in liabilities to affiliated companies – of which € 639 million (previous year: € 200 million) is attributable to the sole shareholder, Volkswagen Financial Services AG, including the profit transfer.
The liabilities to customers essentially comprise customer deposits. They mainly comprise overnight and fixed-term deposits as well as various savings certificates and plans. Relative to the term, the "Direkt" savings plan and the "Plus Sparbrief" have the longest investment horizon. The maximum term is ten years. Portions of the liabilities to customers were hedged in a portfolio fair value hedge against fluctuations of the risk-free base rate.

The non-current portion of the liabilities to customers amounts to € 3,112 million (previous year: € 3,936 million).

The reconciliation from the balance sheet figures is as follows:

€ million	31.12.2011	31.12.2010
Liabilities to customers	**24,682**	**21,299**
of which market value adjustment from portfolio fair value hedging	6	– 1
Liabilities to customers less market value adjustment from portfolio fair value hedging	24,676	21,300

42 | Securitised liabilities

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

€ million	31.12.2011	31.12.2010
Debentures issued	5,570	4,728
Money market papers issued	265	123
Total	**5,835**	**4,851**

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 € 2,160 million (previous year: € 1,838 million), those in the liabilities to financial institutions amounted to € 309 million (previous year: € 121 million) and those in the subordinated liabilities amounted to € 265 million (previous year: € 151 million). Receivables in the amount of € 2,453 million (previous year: € 1,915 million) arising from retail financing serve as security. 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.

The non-current portion of the securitised liabilities amounts to € 4,037 million (previous year: € 2,212 million).

43 | 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	31.12.2011		31.12.2010	
Obligations from hedging transactions		101		68
Fair value hedges on assets (currency risk)	–		–	
Fair value hedges on liabilities (currency risk)	–		–	
Fair value hedges (interest rate risk)	26		1	
Portfolio fair value hedges on assets (interest rate risk)	44		25	
Cash flow hedges on interest payments (currency risk)	30		29	
Cash flow hedges (interest rate risk)	1		13	
Obligations from hedge-ineffective derivatives		42		63
Total		**143**		**131**

The non-current portion of the derivative financial instruments amounts to € 60 million (previous year: € 40 million).

44 | Provisions

The provisions break down as follows:

€ million	31.12.2011	31.12.2010
Provisions for pensions and similar obligations	61	55
Other provisions	247	123
Total	**308**	**178**

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 obligations 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	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of funded obligations	16	14	13	10	11
Fair value of plan assets	16	14	12	11	11
Surplus/deficit	**0**	**0**	**1**	**–1**	**0**
Present value of unfunded obligations	61	55	48	47	51
Net liability recognised in the balance sheet	**61**	**55**	**49**	**46**	**51**

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

€ million	31.12.2011	31.12.2010
Pension provisions	61	55
Other assets	–	–
Net liability recognised in the balance sheet	**61**	**55**

The pension provisions essentially concern pension commitments of German companies.

The present value of the commitments developed as follows:

€ million	2011	2010	2009	2008	2007
Present value of obligations as at 1.1.	**69**	**61**	**56**	**62**	**155**
Current service cost	– 2	– 2	– 1	– 2	– 5
Interest on obligation	– 3	– 3	– 3	– 3	– 5
Actuarial gains and losses (recognised in equity)	3	6	2	– 4	– 26
Employee contributions to the fund	0	0	0	0	0
Pension payments out of company assets	2	2	2	2	2
Pension payments out of the fund	1	0	0	1	0
Other changes	3	– 1	1	– 3	– 75
Currency differences from foreign plans	0	0	0	– 1	0
Present value of obligations as at 31.12.	**77**	**69**	**61**	**56**	**62**

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

€ million	2011	2010	2009	2008	2007
Fair value of plan assets as at 1.1.	**14**	**12**	**11**	**11**	**36**
Expected return on plan assets	1	1	0	1	1
Actuarial gains and losses (recognised in equity)	0	0	0	– 1	0
Employer contributions to the fund	1	1	1	– 1	3
Employee contributions to the fund	0	0	0	0	0
Pension payments out of the fund	0	0	0	1	0
Other changes	0	0	0	0	– 29
Currency differences from foreign plans	0	0	0	0	0
Fair value of the plan assets as at 31.12.	**16**	**14**	**12**	**11**	**11**

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 € 0 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 the next financial year, the Company expects a return from plan assets of € 1 million (previous year: € 1 million), employer contributions to the fund of € 1 million (previous year: € 1 million) and service cost of € 1 million (previous year: € 1 million).

The fund assets comprise the following components:

%	2011	2010	2009	2008	2007
Shares	20	21	21	17	26
Fixed-income securities	60	57	58	62	65
Cash	2	4	3	8	2
Property	2	2	2	1	4
Other	16	16	16	12	3

The following amounts were recognised in the income statement:

€ million	2011	2010
Current service cost	–2	–2
Interest on obligation	–3	–3
Expected return on plan assets	1	1
Past service cost	–	–
Total amount shown under staff costs	**–4**	**–4**

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

€ million	2011	2010
Net liability at 1.1.	**55**	**49**
Net expense in the income statement	–4	–4
Pension benefits and fund allocations paid	4	3
Actuarial gains and losses (recognised in equity)	3	6
Other changes	3	–1
Currency differences from foreign plans	0	0
Net liability at 31.12.	**61**	**55**

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

	2011	2010	2009	2008	2007
Differences between expected and actual development					
in % of the present value of obligations	–0.13	3.03	1.92	2.95	–0.58
in % of the fair value of plan assets	1.55	0.91	2.18	–5.72	0.01

Other provisions developed as follows:

	OTHER PROVISIONS	
€ million	Human resources	Other
As at 1.1.2011	**19**	**104**
Use	14	6
Reversal	2	43
Addition	23	166
Other changes	0	0
As at 31.12.2011	**26**	**221**

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 other provisions also contain € 45 million (previous year: € 64 million) in provisions for indirect residual value risks. Risks from changed court rulings were fully accounted for by recognising provisions of € 154 million in the 2011 financial year.

The terms of the other provisions are as follows:

	31.12.2011		31.12.2010	
€ million	Residual term more than one year	Total	Residual term more than one year	Total
Human resources	2	26	2	19
Other	4	221	–	104
Total	**6**	**247**	**2**	**123**

The expected outflow of payments of other provisions is as follows: 97 % in the following year, 2 % in the years 2013 to 2016 and 1 % thereafter.

45 | Deferred tax liabilities

The deferred tax liabilities break down as follows:

€ million	31.12.2011	31.12.2010
Deferred income tax obligations	851	618
of which non-current	557	335
Netting (with deferred tax assets)	– 327	– 565
Total	**524**	**53**

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	31.12.2011	31.12.2010
Receivables and other assets	722	512
Property, plant and equipment/intangible assets	1	1
Leased assets	2	2
Cash and cash equivalents, and securities	70	5
Liabilities, grants and provisions	56	98
Total	**851**	**618**

46 | Other liabilities

Other liabilities concern the following items:

€ million	31.12.2011	31.12.2010
Liabilities from other taxes	51	52
Liabilities within the framework of social security and the wage and salary settlement	8	7
Deferred income	25	11
Other	10	15
Total	**94**	**85**

The non-current portion of the other liabilities amounts to € 2 million (previous year: € 1 million).

47 | Subordinated capital

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

€ million	31.12.2011	31.12.2010
Subordinated liabilities	844	993
of which due within two years	209	116
Participation right liabilities	91	101
of which due within two years	91	101
Total	**935**	**1,094**

The subordinated liabilities to affiliated companies amount to € 560 million (previous year: € 531 million). A conversion into capital or other form of debt has not been agreed, nor is it planned.

The participating certificates issued amount to a nominal € 1 million (previous year: € 1 million) in relation to Volkswagen AG and a nominal € 89 million (previous year: € 89 million) in relation to non-Group third parties.

The non-current portion of subordinated capital amounts to € 777 million (previous year: € 934 million).

48 | 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 € 50 million made by Volkswagen Financial Services AG to Volkswagen Bank GmbH, the capital reserve increased to € 3,596 million in the 2011 financial year (previous year: € 3,546 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 € 229 million based on the HGB single-entity statements (previous year: € 180 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 € 4 million (previous year: € 4 million).

49 | 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. the statement of changes in equity for its components).

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 in accordance with HGB:

	31.12.2011	31.12.2010
Aggregate risk position (€ million)	27,461	24,975
of which weighted position according to the standardised approach to credit risks	25,781	23,523
of which market risk positions * 12.5	121	0
of which operational risks * 12.5	1,559	1,452
Liable capital (€ million)	4,464	4,648
of which core capital[1]	3,951	3,904
of which supplementary capital[1]	513	744
Own funds (€ million)	4,464	4,648
Core capital ratio[2] (%)	14.4	15.6
Overall ratio[3] (%)	16.3	18.6

1 The deductible items are already deducted from core and supplementary capital
2 Core capital ratio = Core capital/ ((Capital requirement for credit risks + operational risks + market risks) * 12.5) * 100
3 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.

A credit institution's risk-bearing capacity is given if, at a minimum, all of its material risks are continuously hedged through its risk hedging potential.

The material risks of Volkswagen Bank GmbH are identified at least once a year in connection with a risk inventory; this provides a detailed basis for designing the risk management process and including it in the risk-bearing capacity.

Risk quantification is executed 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 sufficiently conservative approach by assuming a 1:1 correlation between risk types in connection with the quantification of its economic risk.

Volkswagen Bank GmbH's risk-bearing capacity was certain throughout the year 2011.

In addition, Volkswagen Bank GmbH uses a limit system derived from its analysis of risk-bearing capacity in order to specifically limit the risk capital in accordance with the risk appetite of the Board of Management of Volkswagen Bank GmbH.

Establishing the risk limit system as the core element in capital allocation limits risks at different levels, thus ensuring the Sub-group's economic risk-bearing capacity. The risk hedging potential is determined based on the available equity and income components, taking various deductible items into account. In keeping with the risk appetite of the Board of Management of Volkswagen Bank GmbH, only a portion of this risk hedging potential is defined as the upper risk limit of an overall risk limit. In the next step, the overall risk limit is allocated to the risk types credit risk, residual value risk and market price risk for purposes of monitoring and steering at the operating level. Furthermore, a system of risk limits has been put in place for the most significant risks at the branch level.

The limit system makes a management tool available to management such that it can fulfil its responsibility to manage the company's business strategically and operationally in accordance with statutory requirements.

50 | Liabilities in connection with the assets held for sale (IFRS 5)

€ million	31.12.2011	31.12.2010
Trade payables	1	–
Other liabilities	1	–
Effective income tax provisions	1	–
Other provisions	0	–
Income tax obligations	0	–
Total	**3**	**–**

Under the asset deal agreed for the 2012 financial year, selected liabilities are to be transferred to Volkswagen D'Ieteren Finance SA together with the Belgium branch's assets held for sale.

Notes to the financial instruments

51 | Carrying amounts of financial instruments under the measurement categories specified in IAS 39

The measurement categories defined in IAS 39 are reflected as follows in the Volkswagen Bank GmbH Group:

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 through profit or loss 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 AT FAIR VALUE THROUGH PROFIT OR LOSS	
€ million	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010
Assets								
Cash reserve	644	470	–	–	–	–	–	–
Receivables from financial institutions	2,149	861	–	–	–	–	–	–
Receivables from customers	29,136	27,052	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	69	68
Securities	–	–	1,286	1,081	–	–	–	–
Other financial assets	–	–	1	1	–	–	–	–
Other assets	47	36	–	–	–	–	–	–
Assets held for sale (IFRS 5)	436	–	–	–	–	–	–	–
Total	**32,412**	**28,419**	**1,287**	**1,082**	**–**	**–**	**69**	**68**
Liabilities								
Liabilities to financial institutions	–	–	–	–	435	418	–	–
Liabilities to customers	–	–	–	–	24,682	21,299	–	–
Securitised liabilities	–	–	–	–	5,835	4,851	–	–
Derivative financial instruments	–	–	–	–	–	–	42	63
Other liabilities	–	–	–	–	10	15	–	–
Subordinated capital	–	–	–	–	935	1,094	–	–
Liabilities in connection with the assets held for sale (IFRS 5)	–	–	–	–	2	–	–	–
Total	**–**	**–**	**–**	**–**	**31,899**	**27,677**	**42**	**63**

The receivables from leasing transactions are not allocated to any category.

The net results of these categories were as follows:

€ million	2011	2010
Loans and receivables	1,409	1,320
Available-for-sale financial assets	32	32
Financial liabilities measured at amortised cost	–721	–685
Assets or financial liabilities measured at fair value through profit or loss	90	105

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
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 through profit or loss	Measurement at market value in accordance with IAS 39 including interest and effects from currency translation

52 | Classes of financial instruments

Financial instruments are classed as follows at Volkswagen Bank GmbH:

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

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

€ million	BALANCE SHEET ITEM/ CREDIT COMMITMENTS 31.12.2011	31.12.2010	MEASURED AT FAIR VALUE 31.12.2011	31.12.2010	MEASURED AT AMORTISED COST 31.12.2011	31.12.2010	HEDGE ACCOUNTING 31.12.2011	31.12.2010	OTHER FINANCIAL ASSETS 31.12.2011	31.12.2010	NOT SUBJECT TO IFRS 7 31.12.2011	31.12.2010
Assets												
Cash reserve	644	470	–	–	644	470	–	–	–	–	–	–
Receivables from financial institutions	2,149	861	–	–	2,149	861	–	–	–	–	–	–
Receivables from customers	30,548	28,284	–	–	26,023	25,186	4,525	3,098	–	–	–	–
Derivative financial instruments	181	165	69	68	–	–	112	97	–	–	–	–
Securities	1,286	1,081	1,286	1,081	–	–	–	–	–	–	–	–
Joint ventures accounted for using the equity method	1,594	1,502	–	–	–	–	–	–	–	–	1,594	1,502
Other financial assets	1	1	–	–	–	–	–	–	1	1	–	–
Other assets	140	103	–	–	47	36	–	–	–	–	93	67
Assets held for sale (IFRS 5)	436	–	–	–	436	–	–	–	–	–	0	–
Total	**36,979**	**32,467**	**1,355**	**1,149**	**29,299**	**26,553**	**4,637**	**3,195**	**1**	**1**	**1,687**	**1,569**
Liabilities												
Liabilities to financial institutions	435	418	–	–	–	418	–	–	–	–	–	–
Liabilities to customers	24,682	21,299	–	–	22,489	19,070	2,193	2,229	–	–	–	–
Securitised liabilities	5,835	4,851	–	–	5,835	4,851	–	–	–	–	–	–
Derivative financial instruments	143	131	42	63	–	–	101	68	–	–	–	–
Other liabilities	94	85	–	–	10	15	–	–	–	–	84	70
Subordinated capital	935	1,094	–	–	935	1,094	–	–	–	–	–	–
Liabilities in connection with the assets held for sale (IFRS 5)	3	–	–	–	2	–	–	–	–	–	1	–
Total	**32,127**	**27,878**	**42**	**63**	**29,271**	**25,448**	**2,294**	**2,297**	**–**	**–**	**85**	**70**
Credit commitments	**1,259**	**1,352**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,259**	**1,352**

53 | Measurement levels of the financial instruments measured at fair value

According to IFRS 7.27, 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.

	LEVEL 1		LEVEL 2		LEVEL 3	
€ million	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Assets						
Measured at fair value						
Derivative financial instruments	–	–	69	68	–	–
Securities	797	1	489	1,080	–	–
Hedge accounting						
Derivative financial instruments	–	–	112	97	–	–
Total	**797**	**1**	**670**	**1,245**	**–**	**–**
Liabilities						
Measured at fair value						
Derivative financial instruments	–	–	42	63	–	–
Hedge accounting						
Derivative financial instruments	–	–	101	68	–	–
Total	**–**	**–**	**143**	**131**	**–**	**–**

54 | 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.

	FAIR VALUE		CARRYING AMOUNT		DIFFERENCE	
€ million	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Assets						
Measured at fair value						
Derivative financial instruments	69	68	69	68	–	–
Securities	1,286	1,081	1,286	1,081	–	–
Measured at amortised cost						
Cash reserve	644	470	644	470	–	–
Receivables from financial institutions	2,149	861	2,149	861	–	–
Receivables from customers	26,716	25,284	26,023	25,186	693	98
Other assets	47	36	47	36	–	–
Hedge accounting						
Receivables from customers	4,525	3,098	4,525	3,098	–	–
Derivative financial instruments	112	97	112	97	–	–
Other financial assets	1	1	1	1	–	–
Liabilities						
Measured at fair value						
Derivative financial instruments	42	63	42	63	–	–
Measured at amortised cost						
Liabilities to financial institutions	435	417	435	418	0	–1
Liabilities to customers	22,501	19,170	22,489	19,070	12	100
Securitised liabilities	5,876	4,851	5,835	4,851	41	–
Other liabilities	10	15	10	15	–	–
Subordinated capital	978	1,132	935	1,094	43	38
Hedge accounting						
Liabilities to customers	2,193	2,229	2,193	2,229	–	–
Derivative financial instruments	101	68	101	68	–	–

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

%	EUR	GBP
Interest for six months	1.617	1.376
Interest for one year	1.947	1.871
Interest for five years	1.738	1.562
Interest for ten years	2.393	2.294

55 | Risk of counterparty default

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

The credit and default risk from financial assets consists of the risk of non-payment by a contracting party and thus no more than the amount of the claims against the respective counterparty based on recognised carrying amounts as well as the irrevocable credit commitments. The maximum credit and default risk is reduced through the collateral held and other credit enhancements in the amount of € 22,614 million (previous year: € 21,051 million). This concerns collateral held for receivables from customers classified as assets measured at amortised cost and hedge accounting. Vehicles and security assignments as well as surety agreements and charges on property are used as collateral.

The following table shows the quality of the financial assets:

€ million	GROSS CARRYING AMOUNT 31.12.2011	GROSS CARRYING AMOUNT 31.12.2010	NEITHER PAST DUE NOR IMPAIRED 31.12.2011	NEITHER PAST DUE NOR IMPAIRED 31.12.2010	PAST DUE AND NOT IMPAIRED 31.12.2011	PAST DUE AND NOT IMPAIRED 31.12.2010	IMPAIRED 31.12.2011	IMPAIRED 31.12.2010
Measured at fair value	1,355	1,149	1,355	1,149	–	–	–	–
Measured at amortised cost								
Cash reserve	644	470	644	470	–	–	–	–
Receivables from financial institutions	2,149	861	2,149	861	–	–	–	–
Receivables from customers	26,879	26,039	25,354	24,366	264	257	1,261	1,416
Other assets	47	36	47	36	–	–	–	–
Hedge accounting								
Receivables from customers	4,634	3,147	4,445	3,019	89	54	100	74
Derivative financial instruments	112	97	112	97	–	–	–	–
Other financial assets	1	1	1	1	–	–	–	–
Total	**35,821**	**31,800**	**34,107**	**29,999**	**353**	**311**	**1,361**	**1,490**

In the 2011 financial year, there were additions to risk provisions of € 361 million (previous year: € 331 million) in the class, “Assets measured at amortised cost”, and € 67 million (previous year: € 21 million) in the class, “Hedge-accounting”.

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

€ million	NEITHER PAST DUE NOR IMPAIRED		RISK CLASS 1		RISK CLASS 2	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Measured at fair value	1,355	1,149	1,355	1,149	–	–
Measured at amortised cost						
Cash reserve	644	470	644	470	–	–
Receivables from financial institutions	2,149	861	2,149	861	–	–
Receivables from customers	25,354	24,366	21,889	21,348	3,465	3,018
Other assets	47	36	47	36	–	–
Hedge accounting						
Receivables from customers	4,445	3,019	3,642	2,633	803	386
Derivative financial instruments	112	97	112	97	–	–
Other financial assets	1	1	1	1	–	–
Total	**34,107**	**29,999**	**29,839**	**26,595**	**4,268**	**3,404**

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:

€ million	PAST DUE AND NOT IMPAIRED		PAST DUE WITHIN THE FOLLOWING PERIODS					
			up to 1 month		1 to 3 months		more than 3 months	
	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010
Measured at fair value	–	–	–	–	–	–	–	–
Measured at amortised cost								
Cash reserve	–	–	–	–	–	–	–	–
Receivables from financial institutions	–	–	–	–	–	–	–	–
Receivables from customers	264	257	183	182	81	75	–	–
Other assets	–	–	–	–	–	–	–	–
Hedge accounting								
Receivables from customers	89	54	62	38	27	16	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–	–	–
Total	**353**	**311**	**245**	**220**	**108**	**91**	**–**	**–**

Gross carrying amounts of impaired receivables:

€ million	31.12.2011	31.12.2010
Measured at fair value	–	–
Measured at amortised cost		
Cash reserve	–	–
Receivables from financial institutions	–	–
Receivables from customers	1,261	1,416
Other assets	–	–
Hedge accounting		
Receivables from customers	100	74
Derivative financial instruments	–	–
Other financial assets	–	–
Total	**1,361**	**1,490**

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	31.12.2011	31.12.2010
Vehicles	29	30
Property	–	–
Other movables	–	–
Financial assets	–	–
Total	**29**	**30**

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

56 | 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		PAYABLE ON DEMAND		UP TO 3 MONTHS		3 MONTHS TO 1 YEAR	
€ million	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010
Cash reserve	644	470	644	470	–	–	–	–
Receivables from financial institutions	2,149	861	604	199	1,545	613	–	49
Total	**2,793**	**1,331**	**1,248**	**669**	**1,545**	**613**	**–**	**49**

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

	CASH OUTFLOWS		REMAINING CONTRACTUAL MATURITY							
			up to 3 months		3 months to 1 year		1 to 5 years		more than 5 years	
€ million	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010	31.12. 2011	31.12. 2010
Liabilities to financial institutions	449	426	53	174	80	132	272	71	44	49
Liabilities to customers	25,185	21,923	18,891	15,435	2,741	1,968	3,022	4,043	531	477
Securitised liabilities	6,007	4,995	537	451	1,881	2,262	3,589	2,282	–	–
Derivative financial instruments	2,092	1,556	1,556	1,071	300	335	235	150	1	0
Subordinated capital	1,019	1,227	21	72	169	127	790	804	39	224
Irrevocable credit commitments	1,259	1,352	72	1,352	1,187	–	–	–	–	–
Total	**36,011**	**31,479**	**21,130**	**18,555**	**6,358**	**4,824**	**7,908**	**7,350**	**615**	**750**

57 | 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. The 40-day interest rate changes in the market on the last 1,000 trading days are used. In addition, a confidence level of 99 % is selected. There is a 99 % probability that the maximum loss in the overall portfolio within a 40-day period will not exceed the value at risk so determined.

It requires an interest rate gap analysis that shows all cash flows resulting from original and derivative financial instruments.

This yields the following figures:

€ million	2011	2010
Interest rate risk	41	44
Currency translation risk	0	0
Total market price risk	**41**	**44**

58 | Foreign currency items

In the Volkswagen Bank GmbH Group the following assets and liabilities are contained in the currencies shown as at 31.12.2011:

€ million	GBP	NOK	TRY	CZK	Other
Cash reserve	1	–	–	–	–
Receivables from financial institutions	23	–	0	0	0
Receivables from customers	1,810	207	158	78	1
Securities	62	–	–	–	–
Intangible assets	1	–	–	–	–
Income tax assets	2	–	–	–	–
Other assets	1	–	–	–	–
Assets	**1,900**	**207**	**158**	**78**	**1**
Liabilities to financial institutions	13	–	–	–	0
Liabilities to customers	96	–	–	–	–
Provisions	1	–	–	–	–
Income tax obligations	5	–	–	–	–
Other liabilities	0	–	–	–	–
Equity	97	–	–	–	–
Liabilities	**212**	**–**	**–**	**–**	**0**

59 | 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 Groupwide 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.

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 transactions 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. In addition, securities deposited in Volkswagen Bank GmbH's operational safe custody account with Deutsche Bundesbank serve to secure the company's liquidity.

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	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Cash flow hedges						
Interest rate swaps	–	715	10	426	–	–
Cross-currency interest rate swaps	–	–	–	–	–	–
Currency futures contracts	1,530	1,272	182	182	–	–
Currency swaps	9	–	265	–	–	–
Other						
Interest rate swaps	6,450	6,138	9,701	7,322	156	31
Cross-currency interest rate swaps	–	–	–	–	–	–
Currency futures contracts	–	–	–	–	–	–
Currency swaps	29	–	–	–	–	–
Combined interest rate and currency swaps	77	–	–	–	–	–
Total	**8,095**	**8,125**	**10,158**	**7,930**	**156**	**31**

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

60 | Division by legal entities

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.

The performance of each individual segment is measured on the basis of the operating result and the pre-tax result.

The operating result includes the net income from lending and leasing transactions after provisions for risks, net commission income as well as general administration expenses and other operating income and expenses. Interest expense, general administration expenses and the other operating income and expenses that are not a component of the operating result essentially comprise interest income and expense from external tax audits, the cost of unwinding discounts for other provisions as well as interest expense for pension provisions and expected income from plan assets of externally financed pension obligations.

Interest income not classified as revenue is interest income that is not attributable to the financial services business. It is not a component of the operating result.

Reflecting the internal reporting structure, the additional value adjustments on branch receivables in those countries that are at the heart of the euro crisis are allocated to the Germany segment.

€ million	2011 FINANCIAL YEAR Germany	Italy	France	Other branches	Consoli-dation	Total
Revenue from lending transactions with third parties	1,283	108	74	144	–	1,609
Revenue from intersegment lending transactions	137	0	0	0	–137	–
Segment revenue from lending transactions	1,420	108	74	144	–137	1,609
Revenue from leasing transactions	–	46	185	–	–	231
Commission income	135	38	36	8	–	217
Revenue	**1,555**	**192**	**295**	**152**	**–137**	**2,057**
Cost of sales from lending and leasing transactions	–	–15	–54	–	–	–69
Write-ups on leased assets and investment property	–	–	–	–	–	–
Depreciation and impairment losses on leased assets and investment property	–	–	–51	–	–	–51
of which impairment losses pursuant to IAS 36	–	–	–	–	–	–
Interest expense (part of the operating result)	–637	–50	–50	–47	137	–647
Provisions for risks arising from lending and leasing business	–119	–14	–15	–25	–	–173
Commission expenses	–106	–25	–44	–3	–	–178
Result from derivative financial instruments (part of the operating result)	–	–	–	–	–	–
General administration expenses (part of the operating result)	–444	–45	–59	–44	1	–591
Other operating result (part of the operating result)	–14	8	13	1	–1	7
Segment result (Operating result)	**235**	**51**	**35**	**34**	**–**	**355**
Interest income not classified as revenue	23	–	–	–	–	23
Interest expense (not part of the operating result)	0	–	–	0	–	0
Result from derivative financial instruments (not part of the operating result)	11	–	–	–	–	11
Result from joint ventures accounted for using the equity method	104	–	–	–	–	104
Result from other financial assets	0	–	–	–	–	0
General administration expenses (not part of the operating result)	–2	0	–	0	–	–2
Other operating result (not part of the operating result)	3	–	–	–	–	3
Pre-tax result	**374**	**51**	**35**	**34**	**–**	**494**
Taxes on income and earnings	–83	–19	–15	–8	–	–125
Net income	**291**	**32**	**20**	**26**	**–**	**369**
Net income attributable to Volkswagen Financial Services AG	291	32	20	26	–	369
Segment assets	**18,565**	**2,730**	**3,008**	**3,265**	**–**	**27,568**
of which non-current assets	**10,416**	**1,287**	**1,409**	**688**	**–**	**13,800**
Segment liabilities	**30,733**	**2,848**	**2,499**	**2,963**	**–7,845**	**31,198**

The presentation for the previous year is as follows:

€ million	2010 FINANCIAL YEAR Germany	Italy	France	Other branches	Consoli-dation	Total
Revenue from lending transactions with third parties	1,346	94	53	117	–	1,610
Revenue from intersegment lending transactions	120	0	0	0	−120	–
Segment revenue from lending transactions	1,466	94	53	117	−120	1,610
Revenue from leasing transactions	–	41	181	–	–	222
Commission income	132	22	25	6	–	185
Revenue	**1,598**	**157**	**259**	**123**	**−120**	**2,017**
Cost of sales from lending and leasing transactions	–	−10	−56	–	–	−66
Write-ups on leased assets and investment property	–	–	–	–	–	–
Depreciation and impairment losses on leased assets and investment property	–	–	−47	–	–	−47
of which impairment losses pursuant to IAS 36	–	–	–	–	–	–
Interest expense (part of the operating result)	−628	−48	−43	−38	120	−637
Provisions for risks arising from lending and leasing business	−263	−15	−18	−22	–	−318
Commission expenses	−126	−13	−23	−2	–	−164
Result from derivative financial instruments (part of the operating result)	–	–	–	–	–	–
General administration expenses (part of the operating result)	−362	−41	−49	−38	1	−489
Other operating result (part of the operating result)	58	−1	7	0	−1	63
Segment result (Operating result)	**277**	**29**	**30**	**23**	**0**	**359**
Interest income not classified as revenue	–	–	–	–	–	–
Interest expense (not part of the operating result)	0	–	0	–	–	0
Result from derivative financial instruments (not part of the operating result)	40	–	–	–	–	40
Result from joint ventures accounted for using the equity method	91	–	–	–	–	91
Result from other financial assets	0	–	–	–	–	0
General administration expenses (not part of the operating result)	−3	0	–	0	–	−3
Other operating result (not part of the operating result)	−7	–	–	–	–	−7
Pre-tax result	**398**	**29**	**30**	**23**	**–**	**480**
Taxes on income and earnings	−101	−12	−10	−8	–	−131
Net income	**297**	**17**	**20**	**15**	**–**	**349**
Net income attributable to Volkswagen Financial Services AG	297	17	20	15	–	349
Segment assets	**18,146**	**2,250**	**2,412**	**2,706**	**–**	**25,514**
of which non-current assets	**10,070**	**1,039**	**1,112**	**560**	**–**	**12,781**
Segment liabilities	**26,607**	**2,345**	**2,025**	**2,495**	**−6,403**	**27,069**

In the internal reporting, items are combined. The following table shows the allocation of these items to the disclosures in the segment reporting:

€ million	31.12.2011	31.12.2010
Interest income from lending transactions	1,632	1,610
./. Interest income not classified as revenue	23	–
Net income from leasing transactions before provisions for risks	111	109
./. Expenses from leasing business	–69	–66
./. Depreciation and impairment losses on leased assets and investment property	–51	–47
./. Write-ups on leased assets and investment property	–	–
Commission income	217	185
Consolidated revenue	**2,057**	**2,017**
Net income from leasing transactions before provisions for risks	111	109
./. Income from leasing transactions	231	222
./. Depreciation and impairment losses on leased assets and investment property	–51	–47
Cost of sales from lending and leasing transactions	**–69**	**–66**
Receivables from customers arising from		
Retail financing	17,939	17,696
Dealer financing	7,435	6,261
Leasing business	1,412	1,232
Other receivables	3,762	3,095
of which not included in segment assets	–3,182	–2,951
Leased assets	202	181
Consolidated assets acc. to segment reporting	**27,568**	**25,514**
Liabilities to financial institutions	435	418
of which not included in borrowings	0	–
Liabilities to customers	24,682	21,299
of which not included in borrowings	–680	–589
Securitised liabilities	5,835	4,851
of which not included in borrowings	–9	–4
Subordinated capital	935	1,094
Consolidated liabilities acc. to segment reporting	**31,198**	**27,069**

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 € 4 million (previous year: € 3 million) in the Italy segment, € 113 million (previous year: € 101 million) in the France segment and € 1 million (previous year: € 1 million) in the Other branches segment. As in the previous year, there were no additions to these assets in the Germany segment. Deprecation, amortisation and impairment losses totalled € 1 million (previous year: € 2 million) in the Germany segment, € 3 million (previous year: € 2 million) in the Italy segment, € 52 million (previous year: € 48 million) in the France segment, and € 2 million (previous year: € 2 million) in the Other branches segment.

Other notes

61 | 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 current 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.

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 scope of consolidation are non-cash effects and are separated out.

62 | Off-balance sheet obligations

€ million	31.12.2011	31.12.2010
Contingent liabilities		
Liabilities from surety and warranty agreements	97	100
Other obligations		
Irrevocable credit commitments	1,259	1,352

The obligations under non-cancellable rental and leasing contracts in the Volkswagen Bank GmbH Group trigger expenses of € 1 million (previous year: € 0 million) in the 2012 financial year and € 1 million (previous year: € 1 million) in the 2013 to 2016 financial years.

63 | 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.

64 | Average number of employees during the financial year

	2011	2010
Salaried employees	720	616
of which senior management	56	30
of which part time staff	52	48
Trainees	7	7

65 | Related parties

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

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

The following must be said relative to Porsche:

With an equity stake of 50.73 %, Porsche Automobil Holding SE, Stuttgart, owned the majority of the voting shares in Volkswagen AG as at the balance sheet date. 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. However, Porsche Automobil Holding SE has the opportunity to participate in the Volkswagen Group's corporate decision making. Prior to the Annual General Meeting, 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 Automobil 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.

Volkswagen also granted Porsche Holding Gesellschaft m.b.H., a company owned by the Porsche and Piëch families, a put option on the company’s sales operation. In return, Volkswagen was granted rights to collaborate in the company’s management for the term of the option. The option was exercised on 10 November 2010. The sales company was transferred effective 1 March 2011 against a payment of € 3.3 billion.

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 joint ventures and associated companies of Volkswagen Bank GmbH, other Group entities that are related parties of Volkswagen AG as well as non-consolidated subsidiaries are handled at normal market terms.

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

2011 FINANCIAL YEAR

€ million	Supervisory Board	Board of Management	Volkswagen AG	Porsche companies	Volkswagen Financial Services AG	Other related parties within the Group	Non-consolidated subsidiaries	Joint ventures	Associated companies	Pension trust
Receivables	0	0	0	–	–	3,574	–	2	–	–
Allowances on receivables	–	–	–	–	–	–	–	–	–	–
of which additions, current year	–	–	–	–	–	–	–	–	–	–
Obligations	2	1	895	3	771	2,065	–	150	–	–
Interest income	0	0	8	–	0	119	–	0	–	–
Interest expense	0	0	–	0	−3	−5	–	0	–	–
Services and products provided	0	–	–	0	32	72	–	–	–	–
Services and products received	0	–	–	−1	−606	−65	–	–	–	0
Provision of sureties	–	–	–	–	–	–	–	–	–	–

2010 FINANCIAL YEAR

€ million	Supervisory Board	Board of Management	Volkswagen AG	Porsche companies	Volkswagen Financial Services AG	Other related parties within the Group	Non-consolidated subsidiaries	Joint ventures	Associated companies	Pension trust
Receivables	0	0	2	45	420	3,511	0	5	–	–
Allowances on receivables	–	–	–	–	–	–	–	–	–	–
of which additions, current year	–	–	–	–	–	–	–	–	–	–
Obligations	2	1	895	3	382	1,410	3	150	–	–
Interest income	0	0	7	0	3	84	–	0	–	–
Interest expense	0	0	–	0	0	−1	0	0	–	–
Services and products provided	0	–	–	0	22	64	1	–	–	–
Services and products received	0	–	0	−209	−410	−200	0	–	–	0
Provision of sureties	–	–	–	–	–	–	–	–	–	–

Due to the amendment of IAS 24.18, starting in the 2011 financial year other contractual commitments toward related parties must also be disclosed. In accordance with the definition provided in IAS 24.9, the column “Other related parties within the Group” includes, in addition to fellow subsidiaries, joint ventures and associated companies that are Group entities and as such are related parties of Volkswagen AG. Previous year's figures were adjusted accordingly.

Members of the Board of Management and Supervisory Board of Volkswagen Bank GmbH are members of 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.

Two members of the Board of Management were paid by Volkswagen Bank GmbH. Their total compensation was € 1 million; the remainder of the total compensation paid to the members of the Board of Management was borne by Volkswagen Financial Services AG. The pro rata provisions recognised for this group of people in connection with current pensions and entitlements amount to € 3 million (previous year: € 3 million).

A total of € 2 million (previous year: € 2 million) was recognised as provisions for pensions and similar obligations to former members of the Board of Management or their surviving dependants. The payments to former members of the Board of Management and their surviving dependants amounted to less € 0.5 million.

As in the previous year, no remuneration has been granted to the Supervisory Board. The employee representatives in the Supervisory Board who are employed at Volkswagen Bank GmbH continue to receive a regular salary under the terms of their employment contract. This is based on the regulations set out in the German Works Constitution Act (Betriebsverfassungsgesetz) and constitutes appropriate remuneration for their corresponding function or activity in the Company. The same applies to the management representative in the Supervisory Board.

66 | 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 (until 06.10.2011)
Sales Individual Customers & Corporate Customers
Customer Service & Process Management Individual Customers (from 06.10.2011)
International

ANTHONY BANDMANN (FROM 01.02.2012)

DR. MICHAEL REINHART
Finance, Risk Management
Market Support, Dealer Restructuring
Human Resources, Organisation

TORSTEN ZIBELL
Direct bank
Treasury

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
and Volkswagen Bank GmbH

DR. ARNO ANTLITZ
Member of the Board of Management Volkswagen Brand
Controlling and Accounting

DR. JÖRG BOCHE
Executive Vice President of Volkswagen AG
Group Treasurer

CHRISTIAN KLINGLER
Member of the Board of Management of Volkswagen AG
Sales and Marketing

DETLEF KUNKEL
General Secretary/Principal Representative of IG Metall Braunschweig

SIMONE MAHLER
General Secretary of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH (until 02.04.2011)
Deputy Chairman of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH (from 06.04.2011)

GABOR POLONYI
Head of Sales Germany Private and Corporate Customers of Volkswagen Bank GmbH

PETRA REINHEIMER (FROM 01.06.2011)
General Secretary of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH (from 06.04.2011)

MICHAEL RIFFEL
General Secretary of the General Works Council and Group Works Council of Volkswagen AG (until 31.12.2011)
General Secretary of the General Works Council of Volkswagen AG (from 01.01.2012)

ALFRED RODEWALD (UNTIL 02.04.2011)
Deputy Chairman of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH

AXEL STROTBEK
Member of the Board of Management
AUDI AG
Finance and Organisation

67 | Equity investments

Name and domicile of company	Percentage of capital and voting rights held
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	0.04
Visa Europe Limited, London, United Kingdom	0.02
III. Investments in affiliated companies	
Limited Liability Company Volkswagen Bank RUS, Moscow, Russian Federation	1.0

As at 31 December 2010, the equity of Global Mobility Holding B.V. totalled € 2,090 million, that of LeasePlan Corporation N.V. totalled € 1,936 million and that of VOLKSWAGEN BANK POLSKA S.A. totalled € 52 million (PLN 232 million). In the 2010 financial year, the result posted by Global Mobility Holding B.V. was € 4 million, that of LeasePlan Corporation N.V. was € 199 million and that of VOLKSWAGEN BANK POLSKA S.A. was € 7 million (PLN 32 million).

The special purpose entities included in the consolidated financial statements pursuant to SIC 12 – Driver Two GmbH, Driver Three GmbH, Driver Four GmbH, Driver Five GmbH, Driver Six GmbH, Driver Seven GmbH, Driver Eight GmbH, Driver Nine GmbH, Private Driver 2007 GmbH, Private Driver 2008-1 GmbH, Private Driver 2008-2 GmbH, Private Driver 2008-3 GmbH, Private Driver 2008-4 GmbH and Private Driver 2010-1 fixed GmbH, Private Driver 2011-1 GmbH, Private Driver 2011-2 GmbH and Private Driver 2011-3 GmbH – all domiciled in Frankfurt am Main, each have subscribed capital of € 25,050. The special purpose entities that were operational in 2010 each posted earnings of under € 0.1 million.

Volkswagen Bank GmbH owned a 100 % stake in the affiliated company, Volkswagen Insurance Brokers GmbH, Braunschweig. The company was merged into Volkswagen Bank GmbH to retroactive effect from 1 January 2011 based on an agreement dated 26 July 2011. The assets and liabilities transferred as part of the merger were recognised at their carrying amounts. This gave rise to income of € 2 million.

No disclosures are made regarding the equity investments and Limited Liability Company Volkswagen Bank RUS, Moscow, Russian Federation, given their insignificance.

68 | Events after the balance sheet date

Volkswagen Bank signed a purchase agreement on 2 November 2011 for the remaining 40 % of the equity interest in VOLKSWAGEN BANK POLSKA S.A., Warsaw, which were held by Kulczyk Pon Investment B.V., Leusden, the Netherlands. Legal and economic ownership was transferred effective 1 January 2012.

69 | 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 material opportunities and risks associated with the expected development of the Group.

Braunschweig, 20 February 2012
The Board of Management

Rainer Blank

Anthony Bandmann

Dr. Michael Reinhart

Torsten Zibell

Independent Auditors' Report

To Volkswagen Bank Gesellschaft mit beschränkter Haftung, Braunschweig

We have audited the consolidated financial statements prepared by Volkswagen Bank Gesellschaft mit beschränkter Haftung, Braunschweig, consisting of balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, as well as the Group management report for the financial year from 1 January to 31 December 2011. The preparation of the consolidated financial statements in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a Para. 1 German Commercial Code (HGB) 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 HGB and the generally accepted German 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 position and results of operations conveyed by the consolidated financial statements with due regard to the applicable accounting principles, 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 with the supplementary provisions applicable under § 315a Para. 1 HGB, 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, 21 February 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	ppa. Georg Lange
Auditor	Auditor

Report of the Supervisory Board

of Volkswagen Bank GmbH

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

The Supervisory Board is made up of twelve members. There were changes in personnel in comparison with the previous year, which are shown in the section on corporate bodies in the notes. The Supervisory Board convened for three regular meetings in the reporting year; there were no extraordinary meetings. The Supervisory Board members' average attendance rate was 83 %. With the exception of one member, who was absent at two meetings, all members attended more than half of the meetings. We resolved an urgent matter in writing by means of a circular memorandum.

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 18 February 2011, the Supervisory Board approved the consolidated financial statements and the annual financial statements of Volkswagen Bank GmbH for 2010, 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 company's and the Group's economic and financial position, both at the aforesaid meeting and at the meetings on 1 July 2011 and 6 October 2011. In this connection we also dealt with the risk management requirements that both the Group and the company must fulfil. We addressed the implementation of our international growth strategy, which requires intensifying our collaboration with the manufacturers and importers of the Volkswagen Group's brands, particularly in respect of fleet management, insurance and New Mobility.

At our meeting on 1 July 2011, we also approved the company's medium-term financial and investment planning after extensive deliberations. We also approved the purchase of government bonds for purposes of optimising our liquidity management. Also at this meeting, we approved the acquisition of the 40 % share in VOLKSWAGEN BANK POLSKA S.A. owned by our joint venture partner to date.

At our meeting on 6 October 2011, the Board of Management reported to us on changes in the compensation system applicable to the management. At this meeting, we also approved the transfer of the portfolio of the company's Belgian branch to the joint venture that Volkswagen Financial Services AG has established with the Volkswagen importer and the branch's subsequent closing.

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 2011, 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 2011 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. During its meeting on 22 February 2012, 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 2011 in accordance with HGB is transferred to Volkswagen Financial Services AG

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 Volkswagen Bank GmbH.

Braunschweig, 22 February 2012

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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We apologise to our readers for using the masculine grammatical form solely for purposes of linguistic convenience.

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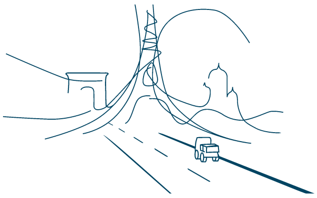
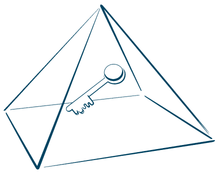


La clave para la movilidad.

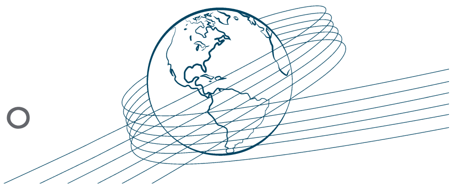
к мобильности.

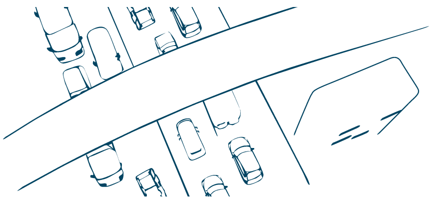


이동성을 향한 열쇠.

La clef de la mobilité.

钥 匙 在 手， 任 君 驰 骋。





Kluczem do mobilności.