VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

ANNUAL REPORT (IFRS)

OF VOLKSWAGEN BANK GMBH

2013

Volkswagen Bank GmbH Group

KEY FIGURES (IFRS)

in € million (as at 31.12.)	2013	2012	2011	2010	2009
Total assets	39,378	39,220	37,866	32,826	34,193
Receivables arising from					
Retail financing	20,431	19,557	17,939	17,696	17,421
Dealer financing	7,973	7,738	7,435	6,261	6,427
Leasing business	1,789	1,540	1,412	1,232	1,156
Customer deposits	23,140	23,722	22,592	20,078	19,489
Equity	4,699	5,021	4,883	4,690	4,095
Pre-tax result	459	558	494	480	330
Taxes on income and earnings	−151	−127	−125	−131	−81
Income after taxes	308	431	369	349	249

in % (as at 31.12.)	2013	2012	2011	2010	2009
Equity ratio	11.9	12.8	12.9	14.3	12.0
Core capital ratio	14.0	13.5	14.4	15.6	14.9
Overall ratio	14.7	14.9	16.3	18.6	18.0

Number (as at 31.12.)	2013	2012	2011	2010	2009
Employees	938	864	753	631	644

RATING (AS AT 31.12.2013)	STANDARD & POOR´S			MOODY´S INVESTORS SERVICE		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Volkswagen Bank GmbH	A–2	A–	Positive	Prime–2	A3	Positive
Volkswagen Financial Services AG	A–2	A–	Positive	Prime–2	A3	Positive

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Combined management report

Consolidated financial statements (IFRS)

Additional information

Combined management report

Fundamental information about the Group

Europe-wide financial services closely integrated with the Volkswagen Group.

The introduction of new accounting standards led to a change in the structure of the management report compared with the previous year. In addition, the Group management report and the management report of Volkswagen Bank GmbH were combined for the first time.

BUSINESS MODEL

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 and Portuguese bank branches, it is engaged in both finance and operating leasing in its French bank branch.

Direct banking business

The Volkswagen Bank GmbH Group offers private customers the entire portfolio of a direct bank, from account management and instalment loans to savings and investment products. The Volkswagen Bank GmbH Group provides its business customers with overnight deposit accounts, fixed-term deposits and savings certificates and offers them 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 customer relationship management activities together with other entities of the Volkswagen Group's Financial Services division, which has led to constant improvements in customer loyalty, quality of service and the product portfolio.

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 Volkswagen Bank GmbH Group is another step closer to its goal of aligning the 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 defend our top position as an attractive employer. An in-depth analysis of the tasks in all of Volkswagen Bank GmbH's business units was performed in 2013 as the basis of an organisational realignment aimed at clearly delineating the functions and activities in the German market and ensuring the appropriate structures and staffing.

The Direct Banking customer group is currently headed by Torsten Zibell, who has overall responsibility for product development, marketing, sales, customer service and receivables management in the direct banking business. As at 1 January 2013, responsibility for the deposit business and for borrowings was consolidated within the direct banking business. From 1 January 2014, product development and direct bank marketing will be moved to a central unit managed by Anthony Bandmann.

Individual Customers & Corporate Customers, another customer group, is headed by Anthony Bandmann and has aligned its internal customer service along regional lines with the North, West, South and East regions analogous to its field sales. The main focus is on comprehensive consulting services for customers and fixed dealer assignment. For this reason, sales and insurance sales management were merged with the Individual Customers & Corporate Customers business in 2013. The processes for acquiring financing contracts and, as a service for Volkswagen Leasing GmbH, for acquiring leasing contracts have been combined. In addition, the insurance business was integrated into this area in 2013 to improve the quality as perceived by the customer and the dealers through overall responsibility and to increase the focus on service and the level of transparency here as well. A close regional integration of the Market and Market Support functions is also the foundation for the corporate customer segment. Market Support combines credit analysis and loan approval processes in order to guarantee rapid process speed and a high degree of customer satisfaction. Leadership was transferred as at 1 January 2013 from Dr. Michael Reinhart to Dr. Heidrun Zirfas, who also assumed responsibility for Finance and Risk Management. From 1 January 2014, Dr. Heidrun Zirfas will also have responsibility for Human Resources in the German market. Legal Affairs, Internal Audit and Compliance in the German market will be restructured.

Also from 1 January 2014, Anthony Bandmann will be responsible for Marketing and Sales Management in the German market.

The structure and organisation of Volkswagen Bank GmbH comply with the requirements of MaRisk.

REPORT ON THE SUBSIDIARIES, BRANCHES AND BRANCH OFFICES

The Volkswagen Bank GmbH Group is represented in Poland through its subsidiary VOLKSWAGEN BANK POLSKA S.A., Warsaw, which in turn holds 100% of the shares in Volkswagen Serwis Ubezpieczeniowy Sp.z.o.o., Warsaw, which is not included in consolidation due to immateriality.

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. On 14 November 2013, the Ducati Bank branch for motorcycle financing was established.

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.

At the end of the 2013 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 Volkswagen Bank GmbH Group's international branches in France, Greek, the United Kingdom, Ireland, Italy, the Netherlands, Portugal and Spain conducted its local business with its own staff. The branches employed 765 members of staff as at the end of 2013 (previous year: 695).

INTERNAL MANAGEMENT

The Group's control variables are calculated based on IFRSS and presented in its internal reporting. The most important non-financial control variables are penetration, the volume of current contracts and new contracts. The key financial control variables are the volume of business, the deposit volume and the operating result. Return on equity (RoE) and the cost/income ratio (CIR) are also used as financial control variables at the level of Volkswagen Financial Services AG, of which the Volkswagen Bank GmbH Group is a subsidiary.

	Definition
Non-financial key performance indicators	
Penetration	Ratio of the total number of new contracts for new Group vehicles arising from retail financing and leasing to deliveries of Group vehicles based on the fully consolidated entities of Volkswagen Bank GmbH
Current contracts	Number of contracts recognised in the reporting period at the reporting date
New contracts	Number of contracts recognised in the reporting period for the first time
Financial key performance indicators	
Business volume	Receivables from customers arising from retail financing, dealer financing and leasing, as well as direct bank
Deposit volume	Customer deposits = sum of liabilities arising from deposits from the direct banking business, current dealer accounts, the non-direct banking business
Operating result	Net income from lending and leasing transactions after provisions for risks and net commission income as well as general administration expenses and other operating income and expenses. Portions of net interest income, the other operating result and general administration expenses are eliminated (cf. segment reporting).

CHANGES IN EQUITY INVESTMENTS

The 50% equity investment by Volkswagen Bank GmbH in Global Mobility Holding B.V., which holds 100% of LeasePlan Corporation N.V., was sold to Volkswagen AG effective 22 January 2013 as part of internal restructuring of the Group. Fifty percent of this equity investment was previously deducted from core and supplementary capital in accordance with § 10 Para. 6 Sentence 1 No. 1 German Banking Act. The elimination of this deductible item results in a positive effect of € 1 billion on liable capital.

Report on economic position

Although Europe's economy stagnated in the 2013 financial year, the Volkswagen Bank GmbH Group generated a high level of earnings once again.

STILL LITTLE MOMENTUM IN THE ECONOMY

In 2013, the global economy grew at a slower rate than in the preceding year, slipping from 2.6% to 2.5%. The economic situation in the industrialised countries improved somewhat in the course of the year despite persistent structural impediments. Most of the emerging markets registered robust economic development. In spite of the expansionary monetary policy adopted by many central banks, inflation remained moderate on the whole.

Europe

The gross domestic product (GDP) of Western Europe stagnated in 2013 after receding 0.3% in the previous year. Most of the euro zone countries of Southern Europe again showed negative rates of expansion in the reporting year, due among other things to the impact of the sovereign debt crisis, while the majority of Northern European countries recorded positive growth rates.Average unemployment across the euro zone continued to rise, reaching 12.6% (previous year: 11.8%), though the jobless figures were much higher in Greece, Portugal, Spain and Cyprus.

Germany

In 2013, the upbeat mood amongst consumers and the stable labour market were unable to compensate for the impact of the slowdown in the global economy on German economic growth: GDP rose by 0.5%, falling short of the prior-year figure (0.9%).

FINANCIAL MARKETS

Marked by a more expansionary monetary policy worldwide

The US Federal Reserve (Fed) continued its expansionary monetary policy that was accelerated by the QE3 (quantitative easing) programme. The budget dispute in October pushed the plans to gradually reduce the bond-buying programmes back to 2014. An extremely expansionary monetary policy was also followed by the European Central Bank (ECB) and the Japanese Central Bank. This gave a particular boost to the equity markets in the industrialised countries, which were the recipients of much of the liquidity generated by the massive shift in investments from bonds to shares. As a result, the share indices in the United States and, to some extent, in Europe reached new record highs. New issues on the bond markets worldwide fell across the board in 2013. In the United States, this was due to a dwindling issue volume of government bonds. Worldwide, the issue volume of bonds decreased considerably, especially at financial institutions.

Sector-specific environment

On the whole, the financial markets were caught between massive inflows of cash and fears that the central banks were about to abandon their low interest rate policy due to the emerging economic recovery. The real economy nevertheless remained in a weak state in 2013, particularly in the first half of the year.

Europe

Even though the crisis symptoms in the euro area re-surfaced in the first six months of 2013 with the problems relating to public finance in Cyprus and the consequences of these for creditors, they had little effect on the financial markets. The interest rate spreads of European government bonds narrowed further. The support measures implemented to finance the national budgets of countries in Southern Europe and the ECB's cut of its key rate to 0.5% in May and to the historically low level of 0.25% in November 2013 played an important part in this. In addition, the euro zone emerged from recession in the second quarter of the year, though the pace of economic growth remained muted and the inflation rate diminished further. In this environment, the volume of new bond issues in the euro zone fell sharply in 2013. Although governments' gross issue volumes remained more or less steady, financial institutions in particular dramatically reduced issues of debt instruments. Banks focused mainly on debt servicing. In spite of low interest rates, euro zone companies outside the financial sector also scaled back their issue activity.

Germany

The federal government's borrowings were facilitated by Germany's low interest rates. Supported by the robust domestic economy and the high employment rate, tax income also continued to rise. The national budget again shows a slight surplus for 2013, while the level of debt fell in relation to GDP. This enabled the state's volumes of new issues to be reduced substantially. Germany's financial institutions also curtailed their new issue activity. By contrast, companies outside the financial sector made use of the low interest rates, significantly stepping up their issuance of debt securities.

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.

GLOBAL REGISTRATIONS OF NEW PASSENGER CARS REACH NEW RECORD HIGH

In the 2013 financial year, demand for passenger cars rose worldwide by 5.0% to 70.1 million vehicles, surpassing the record level of 2012. Particularly the dynamic growth in China and the NAFTA region contributed to this increase. Global passenger car production rose by 3.9% to 71.2 million units in the reporting period.

SECTOR-SPECIFIC ENVIRONMENT

The established passenger car markets developed at very different rates in the 2013 financial year. Whilst some industrialised countries were persistently impacted by the sovereign debt crisis and its consequences, individual growth markets benefited from the continued robust demand.

Europe

The number of new passenger car registrations in Western Europe during the reporting period fell short of even the low prior-year figure. At 11.5 million vehicles (-1.9%), the lowest level of demand in 20 years was recorded. However, the passenger car markets, which had been hit particularly hard by the effects of the sovereign debt crisis, stabilised at a low level in the second half of the year. Compared with the preceding year, demand declined in the large-volume markets of France (-5.6%) and Italy (-7.1%). In Spain (+3.3%), government sales incentives impeded a further slide in new vehicle registrations. In the United Kingdom, sustained strong demand among private customers generated market growth of 10.7%. At 53.1%, the market share of diesel vehicles (passenger cars) in Western Europe in 2013 was below the prior-year figure.

Germany

At 3.0 million units (-4.2%), the demand for passenger cars in Germany in the 2013 financial year was even lower than in the preceding year and was thus the second-lowest result since German reunification. Initial stabilisation trends began to emerge in the fourth quarter, however. In spite of an upbeat mood among consumers, restraint was exercised in new vehicle purchases. By contrast, the demand for used vehicles rose. Still, both domestic production of passenger cars (+1.1% to 5.4 million vehicles) and passenger car exports (+1.7% to 4.2 million units) were up slightly on the prior-year level and exceeded the comparable average figures for the previous ten years.

OVERALL APPRAISAL OF THE COURSE OF BUSINESS

In the view of the Board of Management of Volkswagen Bank GmbH, business developed positively in 2013. Earnings were higher than forecast. Adjusted for the result from equity accounting, the pre-tax result is above the level recorded in 2012. This means that the previous year's expectations regarding earnings proved correct.

New business throughout Europe developed positively during the year. The overall business volume remained virtually unchanged year-on-year. In France, the UK and Ireland in particular, the volume of business actually increased, with margins improving year-on-year. Both interest income and interest expense declined due to lower interest rate levels. Funding costs saw a considerably stronger decrease as a result of favourable interest rates, among other factors.

Furthermore, 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. The GO40 strategy launched in 2011 in conjunction with the vehicle brands is a key part of this process. By increasing penetration rates, we will especially boost customer loyalty and strengthen the dealer network through the creation of additional sources of income. In particular, integrating service and maintenance packages will further increase the contribution customers make to raising the Group's enterprise value.

The Volkswagen Bank GmbH Group managed to almost maintain the previous year's high level of its deposit business.

DEVELOPMENT OF KEY CONTROL VARIABLES FOR FINANCIAL YEAR 2013 COMPARED WITH THE PRIOR-YEAR FORECAST

For financial year 2013, we had expected an operating result below the 2012 level. However, the operating result again improved slightly year-on-year in the 2013 financial year.

	Actual 2013
Non-financial key performance indicators	
Penetration	19.3%
Number of current contracts, in thousands	2,336.4
Number of new contracts, in thousands	884.9
Financial key performance indicators	
Business volume, in € million	30,377
Deposit volume, in € million	23,140
Operating result, in € million	455

RESULTS OF OPERATIONS

Although Europe's economy recorded only moderate growth in 2013, Volkswagen Bank GmbH delivered a strong performance overall.

The pre-tax result of € 459 million fell short of the previous year's level of € 558 million (-17.7%). After adjusting for income from investments accounted for using the equity method, which due to the sale of Global Mobility Holding B.V. as a result of the restructuring was almost completely eliminated, the pre-tax result actually increased slightly. Foreign branches contributed € 126 million (previous year: € 103 million) to earnings, aided in particular by higher margins and a stable volume. This increase in net interest income and the sharp drop in other expenses, which had increased in the previous year due to the recognition of necessary provisions for risks arising from changed court rulings, compensated for the substantial increase in the provisions for risks arising from lending and leasing business.

At € 1,188 million, the net income from lending and leasing transactions before risk provisions exceeded the previous year's result by € 61 million due to the positive margin trend in almost all regions.

Amounting to € 257 million, risk costs were more than twice the prior-year figure (€ 112 million). While the required risk provision expenses, at € 460 million, were only marginally higher than in the preceding year (€ 441 million), substantially less income, specifically € 203 million (previous year: € 329 million, was generated from the reversal of valuation allowances that were no longer required and from payments received in connection with receivables that have been written off.

Net commission income amounted to € 50 million (previous year: € 55 million). This decrease is primarily the result of higher selling costs in connection with the strategy for increasing penetration rates.

At € 728 million, general administration expenses were up year-on-year, mainly as a result of higher expenses for staff, material and IT costs oncharged from Volkswagen Financial Services AG.

Risks from changed court rulings were fully accounted for again in the 2013 financial year. The underlying parameters were adjusted in line with current expectations. The corresponding provisions were reduced by € 59.3 million in 2013. Compared with the previous year, in which the corresponding provisions had been increased, other operating expenses decreased by € 99 million, while other operating income rose by € 42 million, also due to the reversal of provisions that were no longer required.

Taking into account the result from the measurement of derivative financial instruments in the amount of € -32 million (previous year: € -37 million) and the remaining earnings components, the net income of the Volkswagen Bank GmbH Group for the year was € 308 million (-28.5%).

The operating result of € 455 million exceeded the previous year's level of € 448 million (+1.7%).

Accounting for around 63.2% of the contract portfolio, the German market is the market with the highest volume in the Volkswagen Bank GmbH Group. It thus provides a strong, solid base, generating a pre-tax result excluding income from investments accounted for using the equity method of € 319 million (previous year: € 333 million).

Under the existing profit transfer agreement, the remaining profit after tax pursuant to German commercial law of Volkswagen Bank GmbH, amounting to € 849 million, is transferred to the parent company, Volkswagen Financial Services AG.

NET 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 3.1% to € 33.9 billion. The share of foreign branches and VOLKSWAGEN BANK POLSKA S.A. in the retail lending volume rose from € 9.8 billion to € 10.5 billion.

Retail financing
In spite of a dip in the demand for passenger cars, the number of retail financing contracts in the German market increased slightly. Penetration rates were also increased substantially in some of the other European markets by the implementation of the GO40 strategy, lifting the total number of contracts in the retail financing portfolio.

A total of 404,310 (previous year: 387,798) new contracts were sold in the new vehicle financing business and 317,817 in the used car financing business (previous year: 297,473).

The automotive financing portfolio on the whole rose to currently 2,047,540 contracts (previous year: 1,973,883 contracts). At the close of 2013, retail financing receivables were € 20.4 billion (previous year: € 19.6 billion). The foreign branches of Volkswagen Bank GmbH and the Polish entity accounted for € 4.1 billion (previous year: € 3.9 billion) of this amount.

Dealer financing
The volume of new and used vehicle financing contracts in the corporate customer group was higher than in the previous year as a consequence of the year-on-year increase in the penetration rates, especially in the foreign branches.

Total dealer financing receivables as at the balance sheet date were € 8.0 billion compared to € 7.7 billion at the end of the previous year. The foreign branches and VOLKSWAGEN BANK POLSKA S.A. accounted for € 4.2 billion of these aggregate receivables (previous year: € 3.9 billion).

The allowances on receivables increased from € 26 million to € 582 million year on year.

Leasing business
Receivables from leasing transactions as at the end of the 2013 financial year rose from € 1.5 billion to € 1.8 billion. They largely comprise receivables from finance leasing.

Securities
The portfolio of the Volkswagen Bank GmbH Group primarily comprises bonds issued by different countries in the amount of € 1.4 billion (previous year: € 1.6 billion) and ABS debentures issued by special purpose entities of Volkswagen Leasing GmbH, VOLKSWAGEN FINANCE S.A., Madrid, Spain, and Dealers Financierings Maatschappij N.V., Amersfoort, the Netherlands (DFM N.V.) with a total value of € 1.4 billion (previous year: € 0.5 billion).

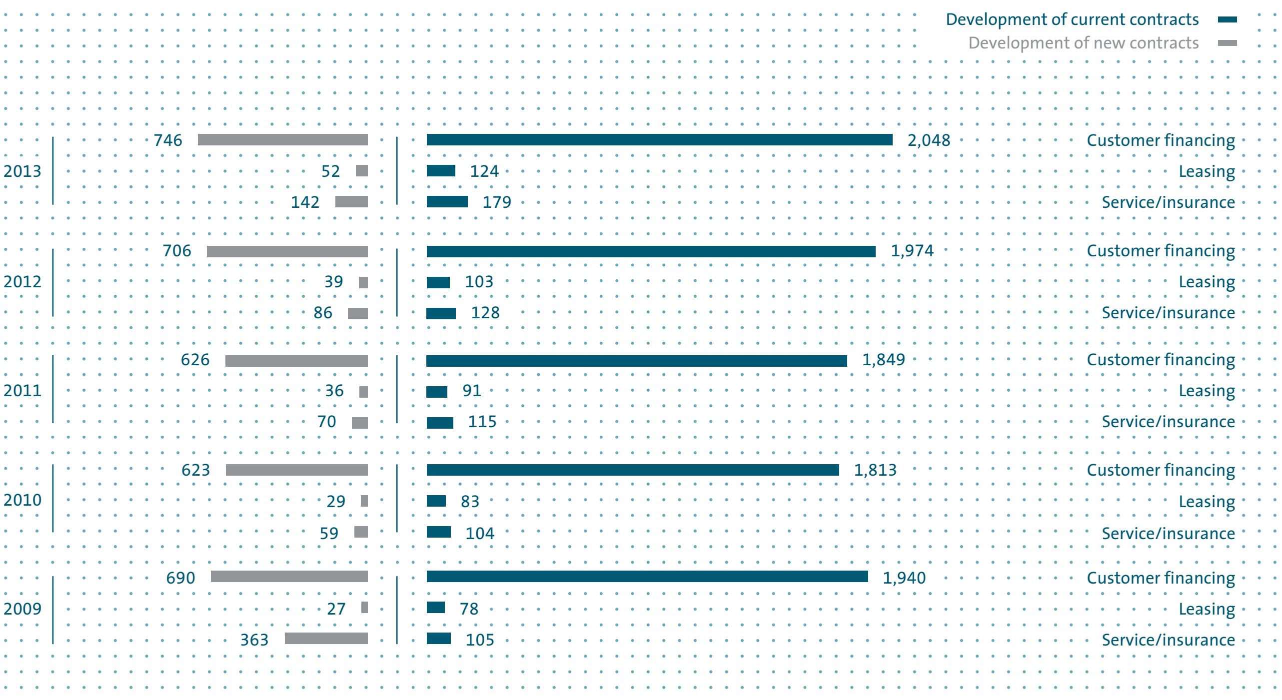
Financial assets
As at 31 December 2013, Volkswagen Bank GmbH also continued to hold an equity interest of 1% in Limited Liability Company Volkswagen Bank RUS, Moscow. VOLKSWAGEN BANK POLSKA S.A., Warsaw, is the sole shareholder of Volkswagen Serwis Ubezpieczeniowy Sp.z.o.o., Warsaw.

CURRENT AND NEW CONTRACTS

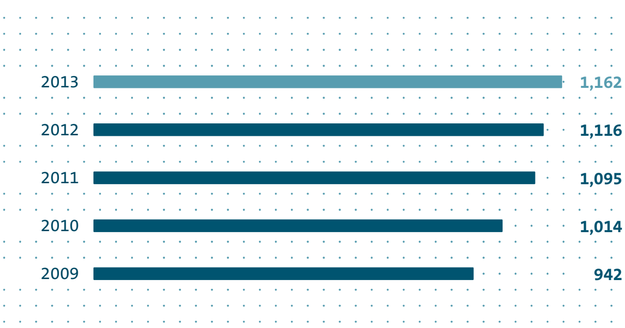
in thousands [1]	VW Bank Group	Of which Germany	Of which Italy	Of which France	Other
Current contracts	2,351	1,477	328	358	188
Retail financing	2,048	1,477	215	184	172
Leasing	124	–	33	87	4
Service/insurance	179	–	80	87	12
New contracts	940	508	128	198	106
Retail financing	746	508	71	70	97
Leasing	52	–	9	40	3
Service/insurance	142	–	48	88	6
in € million					
Receivables from customers arising from					
Retail financing	20,431	16,300	1,763	1,205	1,163
Dealer financing	7,973	3,766	595	1,137	2,475
Leasing	1,789	–	595	1,145	49
Leased assets	371	–	–	371	–
in %					
Penetration rates[1]	19.3	18.0	38.8	37.3	10.0

1 Ratio of new contracts for new Group vehicles to deliveries of Group vehicles based on the markets shown of the Volkswagen Bank GmbH Group.

DEVELOPMENT OF NEW CONTRACTS AND CURRENT CONTRACTS AS AT 31.12.
in thousand contracts

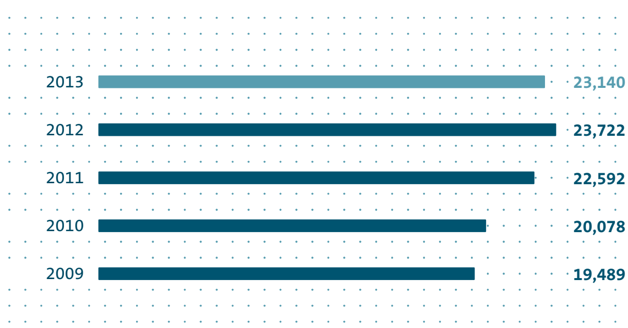


DIRECT BANKING CUSTOMERS AS AT 31.12.
Lending and deposit business and borrowings (in thousands)



Since 2013 including corporate customers

CUSTOMER DEPOSITS AS AT 31.12.
In € million



The year-end customer deposit figure for 2009 was adjusted to the customer deposit definition applicable from 2010 onwards

Deposit business and borrowings

Besides equity, notable liability items include liabilities to customers in the amount of € 25.1 billion (previous year: € 25.4 billion) as well as securitised liabilities in the amount of € 5.5 billion (previous year: € 4.1 billion). The decrease in liabilities to financial institutions is mainly attributable to the repayment of a loan from Deutsche Bundesbank for € 2.0 billion taken out in April 2012 and a short-term loan from Deutsche Bundesbank in the amount of € 1.75 billion.

DEPOSIT BUSINESS

The Volkswagen Bank GmbH Group almost maintained the previous year's high level in its deposit business. As at the balance sheet date, the customer deposit volume was € 23.1 billion, down slightly 2.5% compared to 31 December 2012 (€ 23.7 billion), a development contrary to the previous year's expectation. However, the Volkswagen Bank GmbH Group succeeded in maintaining its market leadership among automotive direct banks due to this level of deposits. The deposit business is thus contributing substantially to customer loyalty to the Volkswagen Group. Its share in the refinancing mix of the Volkswagen Bank GmbH Group is 58.8% (previous year: 60.5%).

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.).

EQUITY

Subscribed capital remained unchanged year-on-year. The capital reserves were increased through a payment of € 0.2 billion by Volkswagen Financial Services AG on 18 January 2013. The profit after tax pursuant to German commercial law of € 0.8 billion to be transferred to Volkswagen Financial Services AG under the existing profit transfer agreement is € 0.5 billion higher than the profit under IFRSs. The cumulative profits from previous years are reduced by this amount, lowering equity by a total of € 0.3 billion. Since the business volume remained almost stable in the 2013 financial year, the equity ratio decreased to 11.9% (previous year: 12.8%).

CAPITAL ADEQUACY ACCORDING TO REGULATORY REQUIREMENTS

Under the provisions of the Solvency Regulation, 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:

	31.12.2013		31.12.2012	
Aggregate risk position (€ million)		29,553		29,168
of which weighted position according to the standardised approach to credit risks	27,388		27,214	
of which market risk positions * 12.5	141		128	
of which operational risks * 12.5	2,024		1,826	
Liable capital[1] (€ million)		4,361		4,363
Modified available capital[2] (€ million)		4,348		4,355
of which core capital[3]	4,146		3,948	
of which supplementary capital[3]	202		407	
Own funds (€ million)		4,348		4,355
Core capital ratio[4] (%)		14.0		13.5
Overall ratio[5] (%)		14.7		14.9

1 Calculation according to §10 Para. 2 Sentence 2 German Banking Act

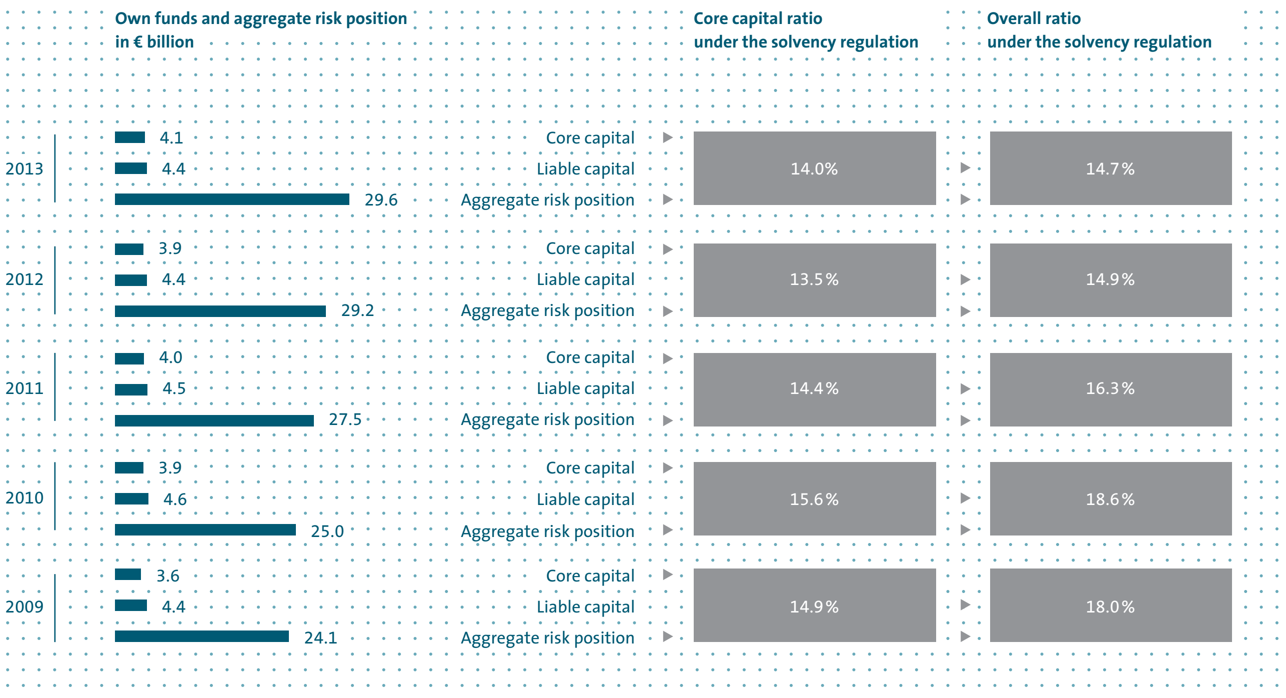
2 Calculation according to §10 Para. 1d Sentence 2 German Banking Act

3 The deductible items are already deducted from core and supplementary capital

4 Core capital ratio = Core capital/ ((Capital requirement for counterparty risks + operational risks + market risks) * 12.5) * 100

5 Overall ratio = Own funds/ ((Capital requirement for counterparty risks + operational risks + market risks) * 12.5) * 100

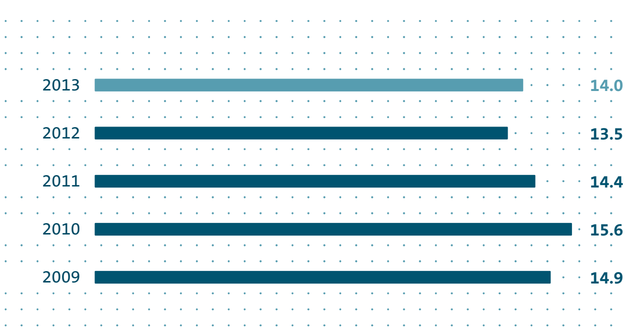
CORE CAPITAL RATIO AND OVERALL RATIO ACCORDING TO SOLVENCY REGULATION OF THE VOLKSWAGEN BANK GMBH AS AT 31.12.



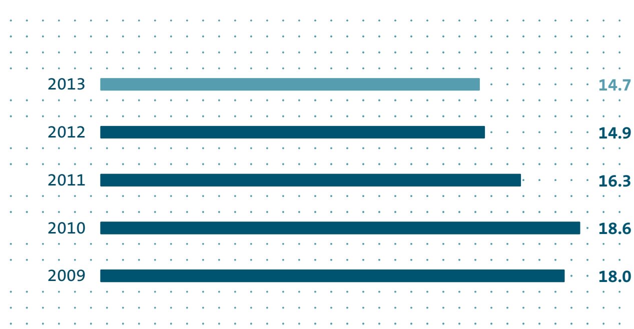
Overall, the core capital ratio changed from 13.5% to 14.0% as a result of a growth in business (increase in risk assets), the change in the core capital and the subordinated funds, and the overall ratio changed from 14.9% to 14.7%.

The core capital ratio and the overall ratio developed as follows in recent years:

CORE CAPITAL RATIO UNDER SOLVENCY REGULATION
Figures in %



OVERALL RATIO UNDER SOLVENCY REGULATION
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.

CHANGES IN OFF-BALANCE-SHEET COMMITMENTS

The off-balance-sheet commitments increased by a total of € 15 million year-on-year to € 1,394 million as at 31 December 2013. This increase is attributable to higher irrevocable credit commitments, which rose by € 98 million to € 1,271 million at the end of the financial year. This was mainly offset only by the decrease in liabilities from surety and warranty agreements from € 199 million in 2012 to € 110 million in 2013.

LIQUIDITY ANALYSIS

The refinancing of the Volkswagen Bank GmbH Group is essentially executed using capital market and asset-backed securities programmes as well as the direct bank deposits. Volkswagen Bank GmbH has liquid reserves in the form of securities deposited in the collateral deposit account with Deutsche Bundesbank. Active management of the collateral deposit account, which enables Volkswagen Bank GmbH to avail itself of the refinancing facilities, has turned out to be an efficient liquidity reserve. In addition to bonds issued by various countries in the amount of € 1.4 billion, senior ABS debentures issued by special purpose entities of Volkswagen Leasing GmbH, VOLKSWAGEN FINANCE S.A. and Volkswagen Bank GmbH in the amount of € 4.7 billion have been deposited as security in the collateral deposit account. Due to the consolidation of these special purpose entities, the aforementioned securities are not disclosed in the consolidated financial statements of Volkswagen Bank GmbH.

In addition, the company has access to a small number of 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.

Treasury 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. In the reporting period, liquidity measured in terms of its adequacy together with a simulated, limited refinancing arrangement and a partial discount of the overnight deposits amounted to at least 28 weeks.

Compliance with the liquidity coverage ratio prescribed by the Liquidity Regulation is a stricter prerequisite for managing the liquidity of Volkswagen Bank GmbH. It was between 1.9 and 3.0 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 coverage ratio and actively manages it by imposing a floor for internal management purposes. Following the introduction of the new liquidity coverage ratio for Volkswagen Bank GmbH, liquidity management in 2014 will be based on this ratio.

The ability required under MaRisk for Volkswagen Bank GmbH to bridge any liquidity needs over a time horizon of seven and 30 days with a highly liquid cushion and the corresponding liquidity reserve was ensured at all times, including under various stress scenarios. Compliance with this requirement is determined and continually reviewed in the course of liquidity risk management. To this end, cash flows are forecast for the next twelve months and compared against the refinancing potential in the relevant maturity band. The resulting utilisation of the refinancing potential through liquidity requirements did not exceed 8% at any time in normal cases or 63% in the stress tests required by the MaRisk.

REFINANCING

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 funding sources in different regions and countries with the aim of ensuring sustained refinancing at optimum terms.

Implementation

Despite volatile markets, the refinancing situation in the financial year just ended was marked by stability and continual availability; the company was able to utilise all instruments at optimal terms and conditions.

In April 2013, Volkswagen Bank GmbH placed a dual tranche benchmark bond under its € 10 billion capital market programme comprising a variable-interest tranche of € 750 million with a three-year term and a fixed-interest tranche of € 500 million with a term of just under five years. Furthermore, private placements totalling € 725 million were marketed successfully during the year.

In the area of asset-backed securities, receivables of Volkswagen Bank GmbH totalling € 1.75 billion were securitised in February and July 2013 through the Driver Ten and Driver Eleven ABS transactions. Furthermore, in October 2013, the French branch of Volkswagen Bank GmbH placed its first local ABS transaction for € 500 million with "Driver France One". All transactions mentioned fulfil the requirements of the TSI quality seal "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD". This seal certifies that the securitisation transactions are deemed exceptional in the global securitisation market in terms of quality, security and transparency. In addition to the above-mentioned ABS transactions, receivables of Volkswagen Bank GmbH amounting to € 2.0 billion were securitised with the European Central Bank in June 2013 for the purpose of furnishing security and repurchased in full.

The customer deposit business in the past financial year decreased slightly by € 0.6 billion to € 23.1 billion.

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 2013. 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.

Volkswagen Bank GmbH

Volkswagen Bank GmbH has a material influence on the development of business of the Volkswagen Bank GmbH Group. For more information, please refer to the section above. We report on the developments in the annual financial statements of the Volkswagen Bank GmbH (HGB) in the following section.

DEVELOPMENT OF BUSINESS IN 2013

The result from ordinary business activities was € 1,033.2 million compared to € 439.3 million in the previous year. This increase is mainly (€ 614.7 million) due to the sale of the 50% stake in Global Mobility Holding B.V. to Volkswagen AG on 22 January 2013.

The net interest income earned by Volkswagen Bank GmbH including the net income from leasing transactions was € 1,378.1 million compared to € 1,202.4 million in the previous year. Of this growth, € 146.2 million stems from the increase in net interest income from retail financing and € 29.5 million from the increase in net income from leasing.

Interest income from lending and money market transactions including finance leasing continues to result primarily from consumer financing, as well as from vehicle and investment financing for the dealers of the Volkswagen Group.

Volkswagen Bank GmbH posted interest income of € 95.2 million (previous year: € 98.9 million) from securities, € 46.7 million (previous year: € 58.3 million) of which was attributable to securities purchased by special purpose entities of Volkswagen Bank GmbH. These securities securitise Volkswagen Bank GmbH's own receivables, which were sold to the respective special purpose entities as part of ABS transactions. An additional € 4.8 million (previous year: € 5.8 million) related to interest income from securities acquired by special purpose entities of Volkswagen Leasing GmbH, VOLKSWAGEN FINANCE S.A., Madrid, Spain, and Dealers Financierings Maatschappij N.V., Amersfoort, the Netherlands (DFM N.V.).

Net commission income decreased compared with the previous year. Although commission income from Volkswagen Bank GmbH's continued management of receivables sold as part of the ABS transactions rose by 17.7% year-on-year to € 68.7 million in 2013, net commission income was down on account of higher selling costs in connection with the strategy for increasing penetration rates.

The decline in other operating income of € 53.9 million is principally attributable to the decrease in income in connection with clean-up calls for expiring ABS transactions. This generated income of € 8.4 million (previous year: € 80.7 million). General administration expenses rose by € 53.0 million, the majority of which is due to personnel expenses and personnel lease costs of € 26.1 million.

While risk costs in Germany remained almost unchanged, the trend in the crisis-hit countries of Southern Europe was taken into account through the recognition of additional valuation allowances. Risk costs therefore amounted to € 249.9 million (previous year: € 128.3 million).

The sale of the 50% share in Global Mobility Holding B.V., Amsterdam, to Volkswagen AG generated income of € 614.7 million, which led to result from ordinary business activities of € 1,033 million.

The net profit of € 849.5 million after taxes will be transferred to Volkswagen Financial Services AG pursuant to the existing control and profit transfer agreement.

The customer receivables shown in the balance sheet remained almost unchanged at € 31.5 billion (previous year: € 31.3 billion). The share of foreign branches in the retail lending volume rose from € 9.1 billion to € 9.5 billion.

In 2013, Volkswagen Bank placed four ABS transactions with an aggregate volume of € 3.9 billion in receivables, specifically Driver Ten, Driver Eleven, Private Driver 2013-1 and Private Driver 2013-2. Driver France One was also the first ABS transaction by a foreign branch. This transaction has a volume of € 0.5 billion.

Receivables sold as part of ABS transactions from which Volkswagen Bank GmbH has not acquired any securities are no longer reported in the balance sheet. These receivables amount to € 2.3 billion (previous year: € 1.4 billion) and continue to be managed by Volkswagen Bank GmbH. The receivables managed by Volkswagen Bank GmbH thus increased by 3.4% to a total of € 33.7 billion.

The decrease in equity investments is exclusively due to the sale of the 50% share in Global Mobility Holding B.V., Amsterdam, to Volkswagen AG.

Volkswagen Bank GmbH mainly holds securities from ABS transactions. In the past years, Volkswagen Bank had executed ABS transactions and acquired the senior ABS debentures related to these transactions. The securities from tranches A and B of the ABS transactions executed in 2013, Private Driver 2013-1 and Private Driver 2013-2, were also acquired. All these transactions resulted in a securities portfolio amounting to € 4.1 billion (previous year: € 4.2 billion). Furthermore, the company had ABS debentures issued by special purpose entities of Volkswagen Leasing GmbH, VOLKSWAGEN FINANCE S.A., Madrid, Spain, and Dealers Financierings Maatschappij N.V., Amersfoort, the Netherlands (DFM N.V.), with a total volume of € 1.4 billion (previous year: € 0.5 billion) in its portfolio for investment purposes.

Securities in the amount of € 5.8 billion serve as collateral for participating in Deutsche Bundesbank's open market operations. At the balance sheet date there were open market transactions of € 1.8 billion.

Besides equity, the main items under equity and liabilities are € 24.6 billion in liabilities to customers including the direct banking business (previous year: € 25.0 billion) and € 3.3 billion in securitised liabilities (previous year: € 2.8 billion).

In its deposit business, Volkswagen Bank GmbH maintained a high level. As at the balance sheet date, the customer deposit volume was € 22.8 billion. This represents a slight decline of 2.5% compared with 31 December 2012 (€ 23.4 billion). Its share in the refinancing mix of Volkswagen Bank GmbH is 57.1% (previous year: 58.1%).

The reduction of the provisions is mainly attributable to provisions that were no longer required for risks arising from changed court rulings. The parameters underlying these provisions were adjusted in line with current expectations.

Total equity and liabilities for the reporting year were € 39.9 billion (previous year: € 40.3 billion).

INCOME STATEMENT OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG,

€ million	2013	2012
Net interest income	1,184	1,038
Net leasing income	194	165
Net commission income	–31	–5
Administration expenses	703	650
Other comprehensive income	24	19
Income from the disposal of equity investments	615	0
Provisions for risks	250	128
Result from ordinary business activities	**1,034**	**439**
Tax expense	184	149
Profit transferred on the basis of a profit and loss transfer agreement	849	290
Net income	**0**	**0**
Retained earnings brought forward from previous year	0	0
Net retained profits	**0**	**0**

BALANCE SHEET STRUCTURE OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG

€ million	31.12.2013	31.12.2012
Assets		
Cash reserve	205	660
Receivables from financial institutions	459	332
Receivables from customers	31,482	31,275
Securities	6,916	6,212
Equity investments and shares in affiliated companies	53	1,116
Leased assets	548	443
Other assets	269	266
Total assets	**39,933**	**40,303**
Liabilities		
Liabilities to financial institutions	2,048	2,454
Liabilities to customers	24,571	24,972
Securitised liabilities	3,306	2,847
Provisions	415	442
Subordinated liabilities	479	565
Fund for general banking risks	26	26
Equity	4,140	3,940
Other liabilities	4,948	5,057
Total assets	**39,933**	**40,303**
Notes		
Contingent liabilities	110	199
Other obligations	1,367	1,264

NUMBER OF EMPLOYEES

As at the end of 2013, a total of 2,198 (previous year: 1,892) employees of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH's business units under staff leasing agreements.

As at 31 December 2013, Volkswagen Bank GmbH directly contracted a total of 938 employees (previous year: 864). Of this figure, 173 (previous year: 169) are employed in Germany and 765 (previous year: 695) are employed by the foreign branches of Volkswagen Bank GmbH.

OPPORTUNITIES AND RISKS OF THE DEVELOPMENT OF BUSINESS OF VOLKSWAGEN BANK GMBH

The development of business of Volkswagen Bank GmbH is essentially subject to the same opportunities and risks as that of the Volkswagen Bank GmbH Group. We will explain these opportunities and risks in the following report on opportunities and risks in this management report.

Report on opportunities and risks

The Volkswagen Bank GmbH Group continues to pursue its successful business model by taking a balanced approach to opportunity and risk management.

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 further economic growth. The Volkswagen Bank GmbH Group 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. Growth areas are being developed and expanded thoroughly.

OPPORTUNITIES ARISING FROM CREDIT RISKS

An opportunity can arise from credit risk if the loss incurred from a lending transaction is lower than the previously calculated expected loss (and the risk provision recognised based on this). Especially in Southern European countries in which a conservative risk approach is followed due to an uncertain economic climate, there is a chance that the realised losses will be less than the expected losses if the economic situation stabilises, and borrower credit ratings improve as a result.

OPPORTUNITIES ARISING FROM RESIDUAL VALUE RISKS

When disposing of vehicles, the Volkswagen Bank GmbH Group has the opportunity to generate a higher price for the vehicles than the calculated residual value. As a result of the continuous alignment of residual values with current conditions, opportunities may arise if the market values develop more positively than expected. Promotional sales activities through supporting marketing campaigns may also have positive effects on the results of the marketing.

Opportunities arising from risk management would ultimately have a positive impact on the income of the Volkswagen Bank GmbH Group.

MATERIAL CHARACTERISTICS OF THE INTERNAL CONTROL AND THE INTERNAL RISK MANAGEMENT SYSTEM RELEVANT FOR THE FINANCIAL REPORTING PROCESS

The internal control system (ICS) for the consolidated and annual 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.
- 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 (IFRSS) – govern the accounting policies applied by the domestic and foreign entities that are consolidated in the Volkswagen Bank GmbH Group Group's annual financial statements.

- The accounting standards of 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.
- Internal Audit is a key component of 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 Volkswagen Bank GmbH and the Group and the Group as at the 31 December 2013 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 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 risk management system for the institute for identifying, assessing, managing, monitoring and communicating risks. The risk management 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. This structure enables the company to identify at an early stage trends that could endanger its continued existence so that suitable countermeasures can be introduced. In the past financial year, no material changes were made to risk management methods.

The suitability of the risk management system is ensured with the appropriate procedures. Firstly, the system is monitored on an ongoing basis by Group Risk Management & Methods and, secondly, the individual elements of the system are regularly reviewed for adequacy in a risk-oriented manner by Internal Audit.

Within Volkswagen Bank GmbH, the Chief Risk Officer (CRO) is responsible for risk management and credit analysis. In this capacity, he regularly reports the Volkswagen Bank GmbH Group's overall risk position to both the Board of Management and the sole shareholder, Volkswagen Financial Services AG.

Group Risk Management & Methods also exercises a crash barrier role in the risk management organisation. This includes developing and maintaining risk management-related methods and processes as well as defining and tracking international parameters for the procedures used worldwide, particularly models for performing credit checks, calculating risk types and risk-bearing capacity, and measuring collateral. Group Risk Management & Methods thus is responsible for the identification of potential risks, the analysis and quantification as well as the assessment of risks and the resulting determination of risk management measures. As a neutral and independent department, Group Risk Management & Methods reports directly to the Board of Management of Volkswagen Bank GmbH.

Taken together, 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 decisions relating to strategy and tools for risk management are the responsibility of the Board of Management of Volkswagen Bank GmbH.

As part of its overall responsibility, the Board of Management of Volkswagen Bank GmbH has implemented a strategy process that conforms to the MaRisk as well as a business and risk strategy. 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 as well as the steps required to achieve these goals. The WIR2018 business strategy also serves as the starting point for the creation and systematic determination of the risk strategy.

The risk strategy is reviewed annually based on the risk inventory, the risk-bearing capacity and legal requirements, adjusted as necessary and discussed with the shareholders' meeting 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 tolerance. Actions are taken to achieve these goals, and their effects are described. The achievement of targets is assessed annually. The causes of any deviations that arise are analysed and subsequently discussed with the shareholders' meeting of Volkswagen Bank GmbH.

The groupwide risk strategy comprises all material quantifiable and unquantifiable risks. More extensive details and specifics concerning the individual types of risk are formulated in secondary risk strategies and operationalised in the planning round process.

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 INVENTORY

The objective of the risk inventory to be carried out once a year is to identify the main types of risk. For this, all known types of risk are analysed to determine whether they arise at the Volkswagen Bank GmbH Group. In the risk inventory, the relevant risk types are analysed in greater detail and quantified, or unquantifiable types of risk are assessed for the purposes of an expert opinion and their materiality for the Volkswagen Bank GmbH Group is subsequently determined.

The risk inventory performed on the basis of data as per 31 December 2012 showed that the quantifiable types of risk – counterparty credit risk, earnings risk, direct residual risk, market risk, operational risk – and the unquantifiable types of risk – liquidation, reputation and strategic risk – qualify as significant types of risk. The indirect residual value risk was classified as non-material because it represents only a small proportion of the overall risk. Other existing subcategories of risk are taken into consideration in the above-mentioned risk types.

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 risk taking 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 taking 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 pursuant to the methodological recommendations of the Basel Capital Accord based on statistical models and supported by expert estimates. At banks, risks are normally assessed using the net method.

The material risks are quantified as part of the analysis of the risk-bearing capacity based on the going-concern approach with a general confidence level of 90% and an observation period of one year.

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 coverage capital 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 of the Volkswagen Bank GmbH Group. The risk taking 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 taking 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 risk for purposes of monitoring and steering at the operating level. Furthermore, a system of risk limits has been put in place for these risks at the branch level and at VOLKSWAGEN BANK POLSKA S.A.

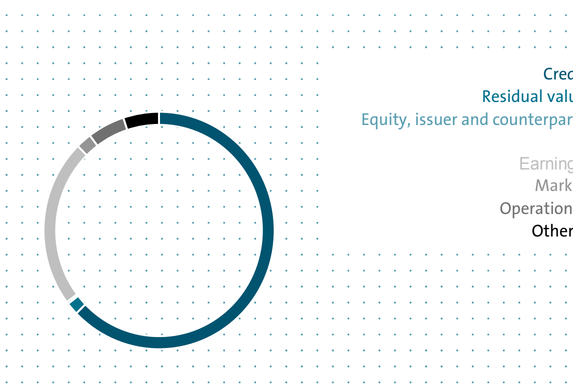
From 2014, limits will also be set for operational risk and liquidity risk. In addition, an aggregate limit will be implemented for the higher-level counterparty credit risk type, under which credit risk, equity risk, issuer risk and counterparty risk will be defined individually.

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.

The overall economic risk of the Volkswagen Bank GmbH Group as at 30 September 2013 amounted to € 874 million and was distributed as follows across the individual types of risk:

DISTRIBUTION OF RISKS BY TYPE OF RISK

Figures as at 30.09.2013



	IN € MILLION		SHARE IN %	
	30.09.2013	31.12.2012	30.09.2013	31.12.2012
Risk types				
Credit risk	548	527	63	60
Residual value risk	15	11	2	1
Equity, issuer and counterparty risk	2	43	0	5
Earnings risk	200	197	23	22
Market risk	20	15	2	2
Operational risk	45	45	5	5
Other risk[1]	44	44	5	5
Total	**874**	**882**	**100**	**100**

[1] Flat amount for non-quantifiable risks: liquidity risk, strategic risk, reputation risk

As at 30 September 2013 the risk taking potential amounted to € 3.8 billion and was 23% utilised by the aforementioned risks. The maximum rate of utilisation of the risk taking potential in accordance with Pillar II was 23% during the period from 01 January 2013 to 30 September 2013. Up to 31 December 2013, there were no indications of significant changes in the utilisation of the risk taking potential.

In addition to determining the risk-bearing capacity in a normal scenario, the Volkswagen Bank GmbH Group also performs quarterly stress tests throughout the bank and reports the results directly to the Board of Management and the shareholders' meeting of Volkswagen Bank GmbH. The stress tests determine what effects extraordinary, but plausible, events could have on the risk-bearing capacity and financial strength of Volkswagen Bank GmbH. These scenarios serve to identify risks early on that would be particularly affected by the trends simulated in the scenarios so that timely countermeasures can be introduced, if necessary. The stress tests also account for historical scenarios (e.g. repeat of the 2008-2010 financial crisis) and hypothetical scenarios (e.g. worldwide economic downturn, sharp downturn in the Volkswagen Group's sales). These are complemented by so-called inverse stress tests in order to examine what events could expose the Group to a going-concern risk. The results of the inverse stress test did not indicate a necessity to update the measures already in place.

Based on calculations of risk-bearing capacity, all material risks that could adversely affect the net assets, results of operations or liquidity situation were sufficiently hedged at all times through the available risk taking potential. During the financial year, risk coverage capital was kept below the overall internal risk limit. The stress tests performed do not indicate any need for action.

CONCENTRATIONS OF RISK

The Volkswagen Bank GmbH Group is a manufacturer-associated automotive financial services provider (captive finance company). Risk concentrations can arise to various degrees due to the company's business model, which focuses on promoting sales of the various Volkswagen Group brands.

For instance, concentrations of risk can be caused by an unbalanced distribution of a large share of loans

- to only a few borrowers/contracts (concentrations of counterparties),
- to only a few industries (concentrations of industries) or
- to companies within a geographically limited area (concentrations of regions) and
- when receivables are only secured with one or a few types of collateral (concentrations of collateral),
- a major portion of the risky residual values are limited to a few automotive segments and models (concentrations of residual value) or
- the company's income is only generated from a few sources (concentrations of income).

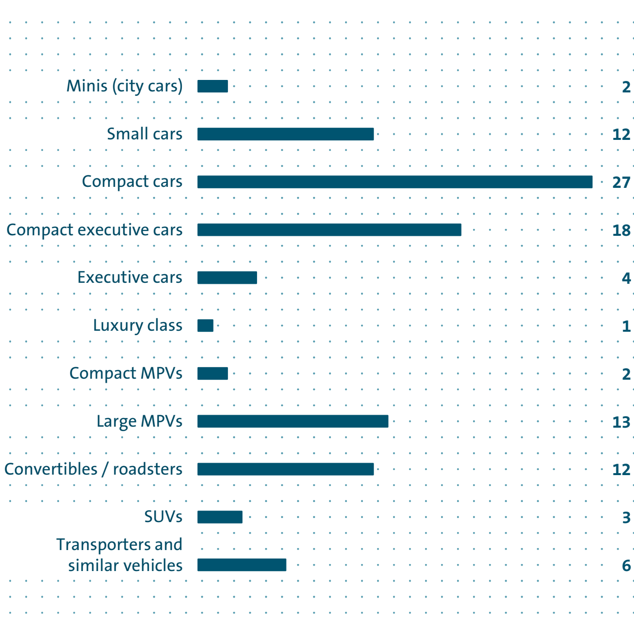
The Volkswagen Bank GmbH Group's risk policy aims for broad diversification in order to reduce concentrations.

Concentrations of counterparties are insignificant for the Volkswagen Bank GmbH Group because a large portion of the lending business deals with small (retail) loans. Regarding regions, the Volkswagen Bank GmbH Group's business is concentrated in the German market, but strives for broad, international diversification.

However, industry concentrations in the dealer business are inherent to a captive finance company and are therefore analysed individually. It was determined that on the whole specific industries did not have a particular impact, even in downturns such as the economic crisis in recent years.

Concentrations of collateral are also unavoidable for captive finance companies, since vehicles are the dominant type of collateral due to the company's business model. Risks from concentrations of collateral can arise if negative price movements in used car markets or segments reduce proceeds from the disposal of collateral and, as a result, a decline in the value of collateral. However, with regard to the vehicles serving as collateral, the Volkswagen Bank GmbH Group is broadly diversified (see chart below) across all automotive segments with a large range of various Volkswagen Group vehicle brands.

COLLATERAL STRUCTURE AS AT 30 SEPTEMBER 2013
Figures in %



Because of this broad selection of vehicles, there are no concentrations of residual value at the Volkswagen Bank GmbH Group.

A concentration of income arises intrinsically due to the company's business model. The particular role as a sales promoter for the Volkswagen Group gives rise to dependencies that directly affect the development of income.

RISK REPORTING

Risk reporting is conducted quarterly in the form of an extensive risk management report which, like the stress tests, is sent directly to the Board of Management of Volkswagen Bank GmbH and the shareholders' meeting. The starting point for the risk management report is risk-bearing capacity due to its importance for the successful continued existence of the company from a risk perspective. Also presented are the calculation of available risk taking potential, limit utilisation and the current percentage breakdown of overall risk by individual risk types. Moreover, Group Risk Management & Methods also reports in detail about credit, market, liquidity, operational, residual value and equity risks at aggregate and, to a large degree, at market level. In addition to a quantitative presentation of financial indicators, this includes a qualitative component comprising the analysis of the current and expected situation in which recommendations for action are outlined, if necessary. Other risk type-specific reports are also produced. Regular reporting is supplemented as needed with ad hoc reports at.

The information about structures and trends in the portfolios in the risk management report is continually refined and updated on an ongoing basis in view of current circumstances to maintain its high level of quality.

NEW PRODUCT AND NEW MARKET PROCESS

The New Product and New Market Process of Volkswagen Financial Services AG must be applied before new products are brought to market or activities are launched in new markets. All departments that participate in the process are included (e.g. Risk Management, Controlling, Accounting, Legal Services, Compliance, Treasury, IT). A written concept is prepared in which factors including the risk level of the new product are analysed and possible consequences for managing the risks are outlined. The product is approved or rejected by the responsible members of the Board of Management of Volkswagen Bank GmbH and by the Board of Management of Volkswagen Financial Services AG.

RISK TYPES

Counterparty credit risk

The counterparty credit risk 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, issuer, country and equity risk.

Credit risk

The credit risk concerns the risk of loss through defaults in customer business, specifically, default of a borrower or lessee. 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 counterparty credit risks relating to leasing contracts, represent by far the largest component of the risk positions among the counterparty credit risks.

One goal of systematic credit risk monitoring is identifying the possible insolvency of a borrower or lessee early on and, if necessary, taking timely measures to prevent a default as well as taking this into account through allowances on receivables.

The consequences of loan defaults include a loss of the company's assets, which would adversely affect the company’s net assets, financial position and results of operations depending on the amount of the loss. If, for example, an economic downturn leads to increased inability or unwillingness to pay on the part of borrowers or lessees, increased write-downs will be required, which in turn adversely affects the operating result.

Risk identification and assessment

Volkswagen Bank GmbH bases its lending decisions on credit assessments of the given borrowers using rating and scoring methods, which provide an objective basis for the technical departments' decisions on granting loans and leases.

Parameters for developing and maintaining rating systems are described in a working guideline. There is also a rating manual, which governs the application rating systems as part of the loan approval process. Similarly, the framework for developing, using and validating scoring procedures in the retail business is described in work instructions.

An expected loss (EL) and an unexpected loss (UL) are calculated at portfolio level for each company for the purpose of quantifying credit risks. The UL is equal to the value at risk (VaR) less the EL. This figure is quantified using an Asymptotic Single Risk Factor (ASRF) model in accordance with the capital requirements of the Basel Committee on Banking Supervision (Gordy formula) and takes into account the quality assessment of the individual rating and scoring procedures used.

Rating procedures in the corporate business

The Volkswagen Bank GmbH Group assesses the creditworthiness of corporate customers based on rating procedures. The assessment includes both the key quantitative 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. The credit rating procedure results in the customer’s assignment to a rating class which is connected to a probability of default. Primarily a centrally maintained workflow-based rating application is used to support the assessments of creditworthiness. The result of the rating provides an important basis for decisions on the approval and prolongation of credit commitments and valuation allowances.

Scoring procedures in the retail business

Analysing the creditworthiness of private customers involves scoring systems that are integrated in the loan granting and portfolio processes and provide an objective decision-making basis for granting loans. These scoring systems utilise internally and externally available data on the borrowers and generally estimate the probability of default of the customer transaction requested based on several years of historical data using static methods. In a departure from the above, both generic and robust score cards and expert systems are used largely for smaller portfolios with lower risk exposures to measure the risk inherent in loan requests.

Depending on the portfolios’ size and risk content, behavioural score cards as well as simple estimates at the risk pool level serve to classify the risk of the loan portfolio.

Control and review of retail and corporate procedures

The models and procedures controlled by Group Risk Management & Methods are regularly validated and monitored, adjusted as necessary and refined. This concerns the models and procedures for assessing creditworthiness and estimating the probability of default (such as rating and scoring procedures), loss given default and credit conversion factors.

Group Risk Management & Methods reviews the quality of the retail credit rating models and procedures supervised by the local risk management units abroad based on decentralised validations. In addition, when the need for action is identified, the unit develops measures in cooperation with the local risk management departments and monitors implementation of these measures. Validation refers in particular to checking whether the models are separable and calibrated in ways adequate to the risks. The treatment of corporate procedures is analogous. However, a centralised approach is taken to supervising and validating the procedures.

Collateral

As a rule, credit transactions are secured in ways adequate to the risks concerned. In addition, a groupwide guideline establishes the requirements that collateral as well as assessment procedures and principles must satisfy. Additional local guidelines (collateral guidelines) prescribe concrete valuations as well as regional specificities.

The valuations in collateral guidelines are based on historical data and many years of expert experience. 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 as well as vehicle leasing. For this reason, the development of vehicles’ market values is monitored and analysed. 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.

Valuation allowances
Valuation allowances are determined based on the incurred loss model pursuant to IAS 39. They are calculated based on the rating and scoring processes performed. Furthermore, where receivables are in default, a distinction is drawn between significant and insignificant receivables. Specific valuation allowances are recognised for significant receivables in default (loss identification pursuant to Basel II). In contrast, collective specific allowances are recognised for insignificant receivables in default (loss identification pursuant to Basel II). Portfolio-based valuation allowances are recognised for receivables for which specific allowances have not been set up.

Over a period of twelve months, the following average values were determined for the entire active portfolio (i.e. portfolio not in default): For the probability of default (PD): 4.2%; the loss given default (LGD): 22.5%; and for the total receivable volume in relation to the active portfolio: € 30.0 billion.

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, which are determined individually for each branch and VOLKSWAGEN BANK POLSKA S.A.

The portfolio is analysed with the help of the credit risk portfolio rating to monitor risks at portfolio level. This rating compiles various risk parameters into a single indicator to make the international portfolios of Volkswagen Bank GmbH comparable. In addition, in branches where problems are identified, risk reviews are conducted by Group Risk Management & Methods.

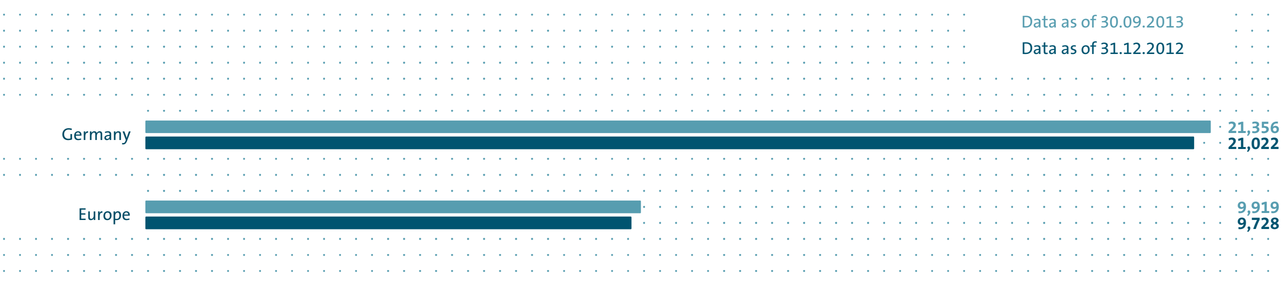
Development

Retail portfolio
The sales promotion programmes implemented with the manufacturer and a stepped-up expansion of the fleet business have led to further growth in receivables in the retail business. Compared with the previous year, major growth drivers were primarily Germany and France. The French market in particular benefited from the sales promotion programmes. On the whole, risk in the portfolio remained relatively stable.

Corporate portfolio
Growth in the commercial borrower business slowed in the past year. The euro crisis and the severe downturn in vehicle markets are leaving their mark on European markets with lower sales targets and fewer loans extended at our dealers as a result.

On the whole, credit risk remained mostly stable.

DISTRIBUTION OF CREDIT VOLUME BY REGION AS AT 31.12.
in € million



1 Europe excluding Germany

Counterparty/issuer risk

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. Similarly, issuer risk arises from the risk that the issuer of a financial product will become insolvent during the term of the product, resulting in the need to write down the invested capital including the expected interest payments in full or in part.

The counterparty risk arises from interbank overnight and term deposits, the conclusion of derivatives as well as the acquisition of pension fund shares for employee pensions. Issuer risks arise from the purchase of government bonds.

The primary goal of counterparty and issuer risk management is the timely identification of potential defaults so that countermeasures can be introduced early, if possible. The objective is to restrict risk exposure to the approved limits.

If counterparty and issuer risks were to materialise, the consequences would be a potential loss of the company's assets, which would adversely affect the company's net assets, financial position and results of operations depending on the amount of the loss.

Risk identification and assessment

Counterparty and issuer risk are both included under counterparty credit risks. Both risk types are calculated using a Monte Carlo simulation to determine the unexpected loss (value-at-risk and expected shortfall) and the expected loss from a normal scenario as well as stress scenarios.

Risk management and monitoring

Volume limits for each counterparty and issuer are defined in advance to ensure effective management and monitoring. Daily compliance with these limits is monitored by Treasury. The volume limit amounts are based on an assessment of credit rating which is initially categorised and regularly reviewed by the Credit and Process Management department. Group Risk Management & Methods combines counterparty and issuer risks monthly, analyses them and communicates this information in the monthly market risk report as well as in the quarterly risk management report.

Country risk

Country risk comprises risks that arise in international business, which exist not on account of the contractual partner as such, but due to its head office being located abroad. As a result, political or economic crises or problems in the financial system as a whole of a country can, for example, lead to a stoppage of cross-border capital transfer services due to transfer difficulties resulting from governmental actions taken by a foreign state. Attention would have to be paid to country risk in the Volkswagen Bank GmbH Group, particularly in the case of funding and equity investments in foreign companies as well as in the lending business of the bank branches. However, due to the business focus of the Volkswagen Bank GmbH Group, there is virtually no chance that country risks (e.g. exchange rate risks and legal risks) will arise.

As a rule, the Volkswagen Bank Group is not involved in cross-border lending, with the exception of intercompany lending. The classic country risk approach is not applicable to intercompany lending, because if the aforementioned difficulties arise, financing provided to Group companies is extended, if necessary, with borrowings to guarantee continuation of strategic market activities. For this reason, setting up country or regional limits for the business as a whole, for example, to limit transfer risks, is not necessary.

Equity risk

Equity 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. Generally, the Volkswagen Bank GmbH Group only makes equity investments in other companies that serve to achieve its own corporate goals and are commensurate with its long-term investment planning.

The consequences of the occurrence of equity risk in the form of a loss of market value or even loss of an equity investment would have a direct effect on the corresponding financial indicators. The results of operations and the net assets of the Volkswagen Bank GmbH Group would be adversely affected by impairment losses recognised in profit or loss.

Risk identification and assessment

Equity risk is quantified by means of the carrying amounts of equity investments, a probability of default assigned to each equity investment, and a loss given default of 90% using an ASRF model. Moreover, stress scenarios with rating migrations (upgrade and downgrade) or complete losses of equity investments are simulated.

Risk management and monitoring

Equity investments are integrated in the annual strategy and planning processes of the Volkswagen Bank GmbH Group. The Group influences the business and risk policies of its equity investments through its agents on ownership or supervisory bodies. However, responsibility for implementing risk management tools at the operating level rests with the companies.

Market risk

Market 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 risks due to price changes that trigger a change in the value of open interest rate or currency positions.

The goal of market risk management is to keep losses of assets caused by this risk type to a minimum. Risk limits were agreed by the Board of Management to address this risk. If limits are exceeded, this is escalated ad hoc to the Board of Management and the Asset Liability Management Committee (ALM Committee). Risk-reduction measures are discussed and approved by the ALM Committee.

Managing risks includes transparently assessing market risks in the monthly risk report using value-at-risk (VaR), offsetting these risks against the ceiling for losses of the Volkswagen Bank GmbH Group and recommending results-oriented risk management measures.

Interest rate risk

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

The consequences of unforeseen interest rate changes mainly comprise interest rate losses due to the potential carrying of primarily long-term fixed interest rates. There is also a danger of losses, and therefore write-downs, of securities, which would have an adverse effect on the company's net assets, financial position and results of operations.

Risk identification and assessment

Interest rate risks are determined for the Volkswagen Bank GmbH Group 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.

Whereas the VaR calculated for monitoring purposes serves to estimate potential losses under historical market conditions, future-oriented stress test scenarios are also run in which the interest rate positions are subjected to extraordinary changes in interest rates and worst case scenarios, and are subsequently analysed in terms of the at-risk potential 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 ALM Committee. Interest rate risks are managed through interest rate derivatives at both the micro level and the portfolio level. The hedge accounting performed under IFRSS is not taken over in the annual financial statements of Volkswagen Bank GmbH prepared in accordance with the German Commercial Code. Derivatives are recognised in the banking book. Group Risk Management & Methods 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 numerical inconsistencies between foreign currency items shown in assets and in liabilities. However, such open currency items are permitted only in individual cases.

If foreign currency risks were to materialise, the consequence would be losses in all positions affected by a foreign currency.

Fund price risk

The risk from fund investments arises from possible changes in market price. It expresses the danger that the securities holdings may lose value due to market price changes and therefore cause a loss to occur.

The Volkswagen Bank GmbH Group incurs 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.

Development

On the whole, the market risks showed a stable development in the past year. The quantified risk remained within the set limits at all times.

EARNINGS RISK (SPECIFIC PROFIT/LOSS RISK)

Earnings risks denote the danger of deviations from the targets for specific items in the income statement that are not covered by 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.

The objective here is to regularly analyse and monitor the risk potential associated with earnings risks in order to ensure early identification of deviations from targets and, if necessary, to initiate countermeasures. An occurrence of the risk would reduce profits and thus affect the operating result.

Risk identification and assessment

The Volkswagen Bank GmbH Group quantifies 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.

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 taking potential as a deductible item in connection with the analysis of the risk-bearing capacity. The results are monitored by Group Risk Management & Methods.

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

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

In the event that liquidity risk materialise, funding risk would result in higher costs and market liquidity risk would result in lower selling prices for assets – both would put downward pressure on results of operations. In the worst case scenario, the consequence of the risk of insolvency is insolvency due to a lack of liquidity, which liquidity risk management at the Volkswagen Bank GmbH Group prevents.

Risk identification and assessment

The Treasury unit of the Volkswagen Bank GmbH Group evaluates the expected cash flows of the Volkswagen Bank GmbH Group.

Liquidity risks are identified and recorded by Group Risk Management & Methods. 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. On the one hand, historically analysed events are used, and the different degrees of hypothetically conceivable events are defined. To quantify the funding 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. On the other hand, 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.

Risk 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 funding 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 funding 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. An emergency concept with an appropriate action plan for obtaining liquidity is therefore available in the event of a liquidity bottleneck.

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 risk (OpR) is 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) or from external events (external risks). This definition includes legal risks.

Other risk types, such as reputation risks or strategic risks, are not included in the OpR definition.

The aim of OpR management is to transparently identify operational risks and to keep operational losses to a minimum. The consequence of the occurrence of an operational loss would be a loss of assets with the amount of financial damage varying widely depending on the case.

The approach for managing operational risks is laid down in the OpR strategy, and the OpR Manual governs the implementation process and responsibilities.

Risk identification and assessment
Operational risks and losses are identified and assessed by local experts using the self-assessment and loss database OpR tools.

The self-assessment, which must be carried out at least yearly, comprises a standardised, technology-supported questionnaire that records and evaluates various risk scenarios by likelihood of occurrence and amount of loss. Losses incurred are recorded and assessed on an ongoing basis in the central loss database. The information documented includes the monetary loss, the course of the loss event and other background information.

Risk management and monitoring
Operational risks are managed by the companies/divisions based on the guidelines that have been put in place as well as the requirements applicable to the special units responsible for the special risk categories. That includes preventive management measures with regard to the risk potential identified in the self-assessment and countermeasures in the case of losses that have occurred.

Group Risk Management & Methods conducts plausibility checks of the assessments from the self-assessments and the reported losses, and monitors the full inclusion of all OpR divisions. In addition, the risk measurement methods and procedures used are regularly reviewed and updated as needed by this unit.

Development
The increase in operational risks in the past is due to factors including the business growth of Volkswagen Bank GmbH. Furthermore, training and efforts to raise awareness of the issue of operational risks led to improved documentation of losses. This is also reflected simultaneously in the estimates of future operational risk, which are based on the experience and expertise of the persons responsible locally. The insights gained from losses that have occurred allow potential risks to be estimated better and can also lead to the implementation of new scenarios.

Risk arising from outsourcing activities

Outsourcing means hiring another company (outsourcing company) to conduct activities and processes associated with services that would otherwise be performed by the company itself.

This does not include one-time or occasional procurement of third-party goods and services, or services that are typically obtained from a supervised company and, due to actual circumstances or legal requirements, usually cannot be performed either at the time of external procurement or in the future by the company outsourcing the work.

The aim of managing outsourcing risk is to identify and minimise the risks of all outsourcing. As part of outsourcing management and control intensities, measures are taken, if necessary, that monitor deviations from an identified risk and ensure that the original outsourcing risk situation can be reinstated.

Ultimately, a deviation from the calculated risk can lead to a mandatory change in service providers, or, if possible and strategically desirable, the outsourcing activity can be terminated. The activities in this case can be performed by the bank itself or are eliminated entirely.

Risk identification and assessment

Risk identification here is by means of a review of the circumstances and a risk analysis. The first step is to use the review of the circumstances to determine whether the planned activity constitutes external procurement or outsourcing. The risk analysis determines the level of risk inherent in an outsourcing activity using various criteria, and as a result the activity is deemed "non-material" or "material" outsourcing. Stricter control and management intensity is applicable to "material" outsourcing activities along with special and stricter contract clauses.

Risk management and monitoring

The risks arising from outsourcing activities are documented within operational risks. For effective management of these risks, general guidelines were drawn up stipulating the crash barriers for outsourcing processes. These guidelines require that a risk analysis be prepared before any outsourcing is undertaken to determine the risk in each case. This analytical process serves as a component of the crash barriers and ensures that sufficient management and control intensity is applied. The general guidelines also set out that all outsourcing activities must be agreed with Group Outsourcing Coordination department. This coordination office therefore has information about all outsourcing activities and the associated risks and also informs the Board of Management about these risks once a quarter.

Moreover, all risks arising from outsourcing activities are subject to risk monitoring and management by way of the operational risk loss database and the annual self-assessment.

Residual value risk

A residual value risk arises if the estimated market value of a leased asset at the time of disposal 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 through disposal.

Direct and indirect residual value risks are differentiated relative to the bearer of the residual value risks. A direct residual value risk is present when the residual value risk is borne by the Volkswagen Bank GmbH Group. 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 residual value risk is transferred to the Volkswagen Bank GmbH Group.

The aim of residual risk management is to maintain risks within the agreed limits.

If the residual value risk becomes significant, impairment losses or losses on disposal are recognised, if necessary, which can adversely affect the results of operations.

Risk identification and assessment

Direct residual value risks are regularly quantified throughout the year in respect of both the expected loss (EL) and the unexpected loss (UL).

The change in the projected residual value one year ahead of contract expiry is measured at the sale price actually achieved (adjusted for losses and deviations from rated mileage) for purposes of quantifying the UL. In a first step, the change in value is analysed per individual contract and period. Given the size of the portfolios and the multitude of vehicles however, the systematic risk is so significant that, in a second step, the median change in value of the projected residual values is determined across several periods. The resulting deduction is determined using the quantile function of the normal distribution based on a prescribed confidence level.

The UL is determined by multiplying the current residual value forecast with the discount. It may be determined for each and every vehicle contained in the portfolio irrespective of the EL. Analogous to the EL, the portfolio's UL follows from the ULs of all vehicles and must be determined on a quarterly basis. 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.

Risk management and monitoring
Group Risk Management & Methods monitors residual value risks within the Volkswagen Bank GmbH Group.

For direct residual risks, 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 due to the conservative approach taken.

Given risk distribution, the risks incurred may not always be hedged in full at the level of the individual contract due to the difference between the residual value curve (degressive) and the incoming payments curve (linear) during the term of the contract. As far as previously identified risks are concerned, in future the amounts of risk allocated to the residual term must therefore still be earned and recognised as impairment losses (in accordance with IAS 36).

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. For a comprehensive picture of the risk sensitivity of the residual value business, various additional stress tests for direct residual value risks are planned that will be conducted by experts along with central and local risk specialists. The indirect residual value risks of the Volkswagen Bank GmbH Group 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.

Development
At Volkswagen Bank GmbH, residual value risks are assumed in the French and Italian branches only.

Volumes of these risks in France rose compared with the previous year. This volume growth also causes a rise in residual value risks in total, although the risk per vehicle increased only marginally.

In the portfolio of Volkswagen Bank's Italian branch, the contracts are not measured at an individual level due to the fact that almost all of these contracts have a residual value of less than 30% of the list price. For this reason, the risks arising from residual values are classified as insignificant.

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 may be rooted in fundamental decisions on the company's structure, which management makes in respect of its positioning in the market.

The objective of the Volkswagen Bank GmbH Group is controlled assumption of strategic risks for systematic leveraging of earnings potential in its core business. In the worst case scenario, the occurrence of strategic risk could endanger the company's existence as a going concern.

Strategic risk is taken into account quantitatively in risk-bearing capacity with a reduction in risk cover.

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, refinancing costs etc.) or direct financial losses (penalties, litigation costs etc.).

The responsibilities of the corporate communications department include avoiding negative reports in the press or similar reputation-damaging reports or, if this effort is unsuccessful, assessing and initiating adequate, target group-specific communication activities to limit the damage to the company's reputation as much as possible. The strategic goal is therefore to avoid or reduce negative deviations of reputation from the expected level. Damage to the company's reputation or image can result in a direct effect on the financial success of the company.

Reputation risk is addressed quantitatively with a reduction in risk-bearing capacity.

SUMMARY

In connection with its business activities, the Volkswagen Bank GmbH Group responsibly assumes risks. 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. Risk-bearing capacity was assured throughout 2013.

This system was continuously refined in 2013 as well, for example, by adjusting methods and models, systems, processes and IT.

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.

Material risk forecast

Credit risk forecast

In 2014, we anticipate the economic environment to remain difficult. The ongoing sovereign debt crisis in Southern Europe is not expected to improve until 2015 at the earliest. On the whole, the risk situation remains unchanged and stable.

Residual value risk forecast

On account of the persistently difficult economic environment, the situation in 2014 will remain strained. The countermeasures taken, such as the adjustment of residual values in the new vehicle business, are expected to counteract the rise in risk levels. The anticipated further growth of the residual value portfolio in France in 2014 based on continued expansion of the fleet business deserves particular mention.

Market risk forecast

Against the backdrop of an interest rate environment anticipated to stay stable and moderate volatility in exchange rates, the market risk situation is projected to remain the same in the 2014 financial year.

Operational risk forecast

Due to the trends in operational risks and future business growth already presented in the risk reporting section, the forecast indicates a moderate rise in risks. In this context, it is assumed that the effectiveness of efforts to prevent fraud and maintain the level of quality of processes and employee qualifications will remain unchanged.

Report on post-balance sheet date events

Volkswagen Financial Services AG paid € 150 million into the capital reserve in January 2014.

On 06 February 2014, Volkswagen Bank GmbH issued a € 0.8 billion benchmark bond.

No important events beyond these occurred after the close of the 2013 financial year.

Personnel report

The Volkswagen Bank GmbH Group and Volkswagen Financial Services AG continue to pursue their successful personnel strategy.

PERSONNEL FIGURES

As at the end of 2013, a total of 2,198 (previous year: 1,892) 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 2013, this staff numbered 173 in Germany (previous year: 169). The branches of Volkswagen Bank GmbH had 765 employees (previous year: 695) and VOLKSWAGEN BANK POLSKA S.A. had 303 (previous year: 310) employees.

EMPLOYEES

Our company's sustained success is only possible thanks to our employees' best efforts. For this reason, our personnel strategy is geared toward consistently attracting the best applicants to our company and taking a focused and systematic approach to promoting and developing employees in our company. Our WIR2018 strategy also entails continuing to establish ourselves as a TOP employer.

Our human resources strategy

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

Our employee strategy and its guiding principle, "We are a top team", support goal achievement in the four action areas of our WIR2018 strategy: "customers", "employees", "profitability" and "volume". Through specific skills development and the encouragement of commitment and satisfaction, our employees deliver first-class performance and impress our customers.

We are consciously leveraging in-house talent as we strive to achieve our goal of becoming a TOP employer by 2018. The talent programme launched in 2010 was continued in 2013. Overall, more than 100 talents in the three groups "young talent", "experts" and "up-and-coming managers" received individual guidance, supported by core modules for the individual talent groups.

Volkswagen Financial Services AG and the Volkswagen Bank GmbH Group already offer competitive and performance-based compensation. The introduction of the performance appraisal as part of employee performance reviews in Germany in 2011 has also added an individual performance-based component to the compensation of all employees subject to collectively agreed terms: a performance-based compensation element.

We measure the degree of maturity of our goal, "We are a top team", externally based on our participation in employer competitions as well as internally with the "mood barometer", our internal employee survey. Volkswagen Financial Services AG participated in the "Best Workplace in Germany" (Great Place to Work) employer competition for the sixth time in 2013 (for 2014). Our participation in 2012 produced the best possible result: first place in the category for companies with 2,001 to 5,000 employees. The results already available from the employee survey conducted as part of the benchmark study show a further improvement on the excellent ratings from 2011 (for 2012) and indicate that we have embarked on the right path for shaping our corporate and leadership culture. Likewise, in 2013 several international subsidiaries again participated in national employer competitions and derived measures to implement from the results of those surveys. The successful rankings as a TOP employer and the insights from the studies are important strategic parameters and indicators that help us to safeguard and further build on what we have achieved.

Personnel development

In 2013 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 trainees/students were chosen from a pool of 1,548 applicants.

As at 31 December 2013, a total of 128 trainees and dual-track students were employed with us in Germany for the duration of the apprenticeship programmes and in all occupational groups.

Report on expected developments

The global economy and many automotive markets are expected to grow further in 2014. The Volkswagen Bank GmbH Group will continue to closely follow the development of the Volkswagen Group in its markets.

After the material opportunities and risks of the company's business have been set out in the report on opportunities and risks, below we wish to describe its likely future development.The risks and opportunities that cause a deviation from the expected developments are presented in the report on opportunities and risks.

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

GLOBAL ECONOMIC DEVELOPMENT

Our planning is based on the assumption that the global economy will grow somewhat more robustly in 2014 than in the reporting year. For the major industrialised countries, we believe the economy will revive, but that expansion rates will remain moderate for the medium term.

The global economy should also grow further in the period from 2015 to 2018.

Europe

In Western Europe, the economic recovery that began in the reporting year should take hold in 2014. Nonetheless, performance remains dependent on the resolution of structural problems, particularly in Southern Europe.

Germany

In Germany, we expect the upward trend to continue and growth rates to rise in 2014. The labour market situation should also remain positive.

FINANCIAL MARKETS

In 2014, the global financial markets will be shaped substantially by the effects of global economic growth, which will stem from the industrialised countries. The International Monetary Fund (IMF) expects 2014 to bring an increase in global GDP by 3.7% and further growth in the following year. However, with inflation rates extraordinarily low in the industrialised countries, deflation risks from the extremely low interest rate policy pursued by the central banks to date are rising. This increases the necessity to return to a more conventional monetary policy in order to support economic recovery and kick start a sustained growth trend. In contrast, emerging markets must increasingly use the freedom created by the low interest rate climate to implement structural reforms in the financial realm and for growth initiatives.

The banking system in Europe will take an important step forward toward a banking union. The ECB is assuming regulatory duties over the major European commercial banks. To this end, it will work with national regulators to subject 128 banks – including the Volkswagen Financial Services AG Group – initially to a three-phase asset quality review, including stress tests. The IMF expects that further efforts by the banks to increase their equity base and reduce risks will be necessary. European financial institutions can therefore be expected to be hesitant bond issuers again in 2014. Moreover, a trend toward declining new issues of government bonds is emerging in the euro zone. The main reason for this is the probably decreasing financing volume in Germany. For Italy and Spain, leading investment banks anticipate volumes to stabilise.

DEVELOPMENT OF THE PASSENGER CAR MARKETS

In 2014, we project different trends for the passenger car markets in the various regions. On the whole, worldwide demand for new vehicles will likely rise more slowly than in the reporting year.

The Volkswagen Group is well positioned to deal with a 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. Our goal is to offer every customer the mobility and innovations they need and thereby strengthen our competitive position in the long term.

We expect global demand for passenger cars to continue growing in the period from 2015 to 2018 too.

Europe

After four years of decline, we expect automobile demand to rise again in Western Europe in 2014. However, because the prolonged sovereign debt crisis continues to cause uncertainty among consumers in many countries in the region and to limit their financial options for buying new cars, we project only minimal growth. In major markets such as Spain and Italy in particular, the government's austerity measures have dampened demand.

Germany

After initial losses, the German automobile market stabilised more and more in the course of 2013. This trend will likely continue in 2014 and result in slight market growth.

INTEREST RATE TRENDS

The US Federal Reserve had originally planned to scale back its programme for the large-scale buying-up of bonds and mortgage-backed securities in 2013. Due to the US government lock-down in October 2013, this change of course in monetary policy was temporarily put on hold. However, in December, the Fed tapered its bond-buying programme by USD 10 billion. The financial markets are bracing themselves for a reversal of the interest rate trend in 2014, starting with the United States. In Europe, on the other hand, the European Central Bank is expected to continue its expansionary monetary policy for the foreseeable future, as indicated by the still weak economic momentum as well as the extremely low inflation rate in the euro zone. While interest rates will trend upwards, as part of a controlled adjustment to a more conventional monetary policy they will nevertheless promote stability in the markets and create a positive economic trend worldwide.

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 as well as motorised and unmotorised private transport. 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. In collaboration with the automotive brands of the Volkswagen Group, the Volkswagen Bank GmbH Group is working intensely to be a pioneer in the development of new mobility packages just as has been the case for a long time in the classical automotive business.

New mobility packages will supplement the traditional concept of 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.

SUMMARY OF THE COMPANY'S EXPECTED DEVELOPMENT

The Volkswagen Bank GmbH Group expects its growth in the next financial year to be linked to the development of sales 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. For more information of credit and residual value risk, please see the disclosures in the report on opportunities and risks.

Sales activities related to the Volkswagen Group brands will be further intensified, particularly through strategic projects.

Furthermore, the Volkswagen Bank GmbH Group intends to continue enhancing the leveraging of potential along the automotive value chain.

Our aim is to fulfil the desires and needs of our customers in cooperation with the Volkswagen Group brands as best we can.

Strategic investment in structural projects as well as process optimisations and productivity gains will further enhance the position of the Volkswagen Bank GmbH Group vis-à-vis its global competition in parallel with the company's market-based activities.

PROSPECTS FOR 2014

The following overall picture for the Group and the single entity of Volkswagen Bank GmbH emerges, taking the aforementioned factors and the development of the market into account:

In 2014, we again expect to be able to match the high penetration rates of the previous year with a moderate increase in deliveries resulting from a slight increase in new contracts as well. We are similarly optimistic about the development of the business volume, especially in retail financing and the leasing business, and expect to see an improvement on the previous year. We predict that receivables in the dealer financing segment will record a modest increase in 2014.

A somewhat higher level of deposits is projected for the Volkswagen Bank GmbH Group in 2014.

Based on these developments as well as lower provisions for risk, we are forecasting that the operating result for the 2014 financial year will be slightly higher than in the previous year despite increased pressure on margins.

Consolidated financial statements (IFRS)

Income statement

OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	Note	1.1. - 31.12.2013	1.1. - 31.12.2012	Change in %
Interest income from lending transactions before provisions for risks	(20)	1,360	1,516	−10.3
Net income from leasing transactions before provisions for risks	(15)	113	108	4.6
Interest expense		−285	−497	−42.7
Net income from lending and leasing transactions before provisions for risks	(5, 20)	1,188	1,127	5.4
Provisions for risks arising from lending and leasing business	(9, 21, 30)	−257	−112	X
Net income from lending and leasing transactions after provisions for risks		931	1,015	−8.3
Commission income		254	239	6.3
Commission expenses		−204	−184	10.9
Net commission income	(5, 22)	50	55	−9.1
Result from the measurement of derivative financial instruments and hedged items	(10, 23)	−32	−37	−13.5
Result from available-for-sale assets		–	−1	X
Result from joint ventures accounted for using the equity method	(2, 59)	6	118	−94.9
Result from other financial assets	(5)	3	4	−25.0
General administration expenses	(5, 6, 13, 14, 15, 24, 59)	−728	−684	6.4
Other operating result	(5, 14, 25)	229	88	X
Pre-tax result		**459**	**558**	**−17.7**
Taxes on income and earnings	(6, 26)	−151	−127	19.5
Income after taxes		**308**	**431**	**−28.5**
Net income attributable to Volkswagen Financial Services AG		308	431	−28.5

Statement of comprehensive income

OF THE VOLKSWAGEN BANK GMBH GROUP[1]

€ million	Note	1.1. - 31.12.2013	1.1. - 31.12.2012
Income after taxes		**308**	**431**
Actuarial gains and losses	(17, 43)	6	−17
deferred taxes thereon	(6, 26)	−3	5
Income/loss not reclassifiable		**3**	**−12**
Available-for-sale financial assets (securities):	(11, 32, 49)		
Fair value changes recognised in equity		10	−18
Recognised in the income statement		22	6
deferred taxes thereon	(6, 26)	−9	3
Cash flow hedges:	(10, 23, 31)		
Fair value changes recognised in equity		−20	0
Recognised in the income statement		10	0
deferred taxes thereon	(6, 26)	3	0
Currency translation differences	(4, 49)	−3	10
Income and expense of shares measured using the equity method, recognised directly in equity, after taxes	(2)	4	8
Reclassifiable income/loss		**17**	**9**
Income and expense recognised directly in equity		**20**	**−3**
Comprehensive income		**328**	**428**
Comprehensive income attributable to Volkswagen Financial Services AG		328	428

1 The presentation was adjusted due to the amendment of IAS 1.

Balance sheet

OF THE VOLKSWAGEN BANK GMBH GROUP

Assets (€ million)	Note	31.12.2013	31.12.2012	Change in %
Cash reserve	(7, 28)	216	670	−67.8
Receivables from financial institutions	(8)	522	548	−4.7
Receivables from customers arising from				
Retail financing		20,431	19,557	4.5
Dealer financing		7,973	7,738	3.0
Leasing business	(15)	1,789	1,540	16.2
Other receivables		3,744	4,082	−8.3
Receivables from customers in total	(8, 9, 29, 30)	33,937	32,917	3.1
Derivative financial instruments	(10, 31)	104	148	−29.7
Securities	(11, 32)	2,912	2,087	39.5
Joint ventures accounted for using the equity method	(2, 33)	–	1,668	X
Other financial assets	(12, 33)	2	2	0.0
Intangible assets	(13, 34)	50	50	0.0
Property, plant and equipment	(14, 35)	15	15	0.0
Leased assets	(15, 36)	371	256	44.9
Investment property	(15, 36)	1	2	−50.0
Deferred tax assets	(6, 37)	883	704	25.4
Income tax assets	(6)	45	36	25.0
Other assets	(38)	320	117	X
Total		**39,378**	**39,220**	**0.4**

Equity and liabilities (€ million)	Note	31.12.2013	31.12.2012	Change in %
Liabilities to financial institutions	(16, 40)	2,181	2,730	−20.1
Liabilities to customers	(16, 40)	25,071	25,398	−1.3
Securitised liabilities	(41)	5,518	4,058	36.0
Derivative financial instruments	(10, 42)	106	167	−36.5
Provisions	(17, 18, 43)	299	364	−17.9
Deferred tax liabilities	(6, 44)	715	561	27.5
Income tax obligations	(6)	55	33	66.7
Other liabilities	(45)	103	105	−1.9
Subordinated capital	(46)	631	783	−19.4
Equity	(47)	4,699	5,021	−6.4
Subscribed capital		318	318	–
Capital reserve		3,796	3,596	5.6
Revenue reserves		600	1,139	−47.3
Other reserves		−15	−32	−53.1
Total		**39,378**	**39,220**	**0.4**

Statement of changes in equity

OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	SUB-SCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES				TOTAL EQUITY
				Currency trans-lation	Cash flow hedges	Market valuation securities	Shares measured using the equity method	
Balance as at 1.1.2012[1]	**318**	**3,596**	**1,010**	**−36**	**11**	**−4**	**−12**	**4,883**
Income after taxes	–	–	431	–	–	–	–	431
Income and expense recognised directly in equity[1]	–	–	−12	10	0	−9	8	−3
Comprehensive income[1]	–	–	419	10	0	−9	8	428
Payments into the capital reserve	–	–	–	–	–	–	–	–
Other changes[2]	–	–	−290	–	–	–	–	−290
Balance as at 31.12.2012/1.1.2013[1]	**318**	**3,596**	**1,139**	**−26**	**11**	**−13**	**−4**	**5,021**
Income after taxes	–	–	308	–	–	–	–	308
Income and expense recognised directly in equity	–	–	3	−3	−7	23	4	20
Comprehensive income	–	–	311	−3	−7	23	4	328
Payments into the capital reserve	–	200	–	–	–	–	–	200
Other changes[2]	–	–	−850	–	–	–	–	−850
Balance as at 31.12.2013	**318**	**3,796**	**600**	**−29**	**4**	**10**	**–**	**4,699**

1 The previous year's period was adjusted.
2 The figures represent the proportion of income attributable to Volkswagen Financial Services AG under HGB.

Cash flow statement

OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	1.1. - 31.12.2013	1.1. - 31.12.2012
Income after taxes	**308**	**431**
Depreciation, amortisation, valuation allowances and write-ups	370	201
Change in provisions	−65	51
Change in other non-cash items	161	28
Result from the sale of financial assets and property, plant and equipment	0	0
Interest result and dividend income	−320	−824
Other adjustments	1	0
Change in receivables from financial institutions	26	1,652
Change in receivables from customers	−1,327	−1,640
Change in leased assets	−192	−112
Change in other assets from operating activities	−203	23
Change in liabilities to financial institutions	−547	2,252
Change in liabilities to customers	−879	304
Change in securitised liabilities	1,461	−1,842
Change in other liabilities from operating activities	−2	8
Interest received	1,451	1,695
Dividends received	−846	−284
Interest paid	−285	−587
Income tax payments	−173	−151
Cash flow from operating activities	**−1,061**	**1,205**
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	1,678	0
Cash outflows from the purchase of subsidiaries and joint ventures	−1	−26
Cash inflows from the sale of other assets	3	0
Cash outflows from the purchase of other assets	−13	−14
Change in investments in securities	−818	−751
Cash flow from investing activities	**849**	**−791**
Cash inflows from changes in capital	200	0
Profit transfer to Volkswagen Financial Services AG	−290	−229
Change in funds resulting from subordinated capital	−152	−160
Cash flow from financing activities	**−242**	**−389**
Cash and cash equivalents at the end of the previous period	**670**	**644**
Cash flow from operating activities	−1,061	1,205
Cash flow from investing activities	849	−791
Cash flow from financing activities	−242	−389
Effects from exchange rate changes	0	1
Cash and cash equivalents at the end of the period	**216**	**670**

Comments on the cash flow statement are shown in note 60.

Notes

TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE VOLKSWAGEN BANK GMBH GROUP AS AT 31 DECEMBER 2013

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 profit transfer agreement between these two companies is in place.

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

Group accounting principles

Volkswagen Bank GmbH prepared its consolidated financial statements as per 31 December 2013 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 December 2013, and whose application was obligatory for the 2013 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 IFRSs include the statement of changes in equity, the cash flow statement and the notes. The separate report on the risks of future development is contained in the report on opportunities and risks in the management report. 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 IFRSs 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 7 February 2014. 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 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 depends in particular on the residual value of the leased vehicles after the end of the contractually agreed lease term, because the residual value is a major component of the expected cash flows. More information on impairment testing as well as on the measurement parameters used, can be found in the explanations on the accounting policies for intangible assets (note 13) and leasing (note 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 specific valuation allowances and portfolio-based valuation allowances are recognised. For an overview of the specific and portfolio-based valuation allowances, please refer to the notes to the provisions for risks (notes 9 and 30).

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 respective expense items. Notes 18 and 43 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 assumptions and estimates made 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-specific environment. Our estimates and assumptions remain subject to a high degree of uncertainty because future business developments are subject to uncertainties that in part cannot be influenced by the Group. 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 developments 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.

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 report on expected developments contained in the combined management report.

Effects of new and revised IFRSs

Volkswagen Bank GmbH has implemented all accounting standards that had to be applied starting in the 2013 financial year.

In the Volkswagen Bank GmbH Group's consolidated financial statements, the amendment to IAS 36 (2013) "Recoverable Amount Disclosures for Non-Financial Assets" was voluntarily applied early in the current financial year. The amendments clarify and correct unwanted changes concerning the disclosure requirements for the recoverable amount in accordance with IFRS 13.

The amendment of IAS 1 leads to a revised presentation of the statement of comprehensive income. The amended standard sets out that items of other comprehensive income must be presented separately. A distinction must be made between line items that will not be reclassified subsequently to profit or loss and line items that will be reclassified subsequently to profit or loss when specific conditions are met. The related tax effects must also be allocated to these two groups. Volkswagen Bank GmbH has accordingly revised the statement of comprehensive income in the consolidated financial statements. The other amendments to IAS 1 have no effect on the presentation of the assets, financial position and results of operations of the Volkswagen Bank GmbH Group.

In this connection, the statement of changes in equity has also been amended. The retained earnings reported in the consolidated financial statements comprise the accumulated profits and the reserve from actuarial gains and losses. The remaining items have been recognised as other reserves.

The amendments to IAS 19 have changed the accounting for employee benefits. This has the following effects in particular on the consolidated financial statements of Volkswagen Bank GmbH:

- Step-up amounts for partial retirement agreements must be accrued for the block model used in the Volkswagen Bank GmbH Group.
- Past service cost for pension commitments must be immediately recognised in profit or loss.
- A standard rate of interest must be charged on the pension commitment and plan assets (net interest approach).

The adjustments caused by the amended IAS 19 must be applied retrospectively. The resulting effect on the carrying amount of the obligation under partial retirement agreements as at 31 December 2012 amounted to a reduction of the recognised amount by € 178,000. The deferred income tax obligations increased by € 53,000. Overall, the adjustment amounted to € 125,000, which was recognised directly in the previous year's equity. Since the figures in the financial statements are presented in millions of euros, as a result of rounding this does not affect the presentation of the previous year's figures. The other amendments to IAS 19 have no material effects on the presentation of the net assets, financial position and results of operations in the consolidated financial statements of Volkswagen Bank GmbH. Continuing to apply the 2008 version of IAS 19 has an insignificant effect on the balance sheet of the Volkswagen Bank GmbH Group for the period ended 31 December 2013 as well as on its income statement and statement of comprehensive income for the 2013 financial year.

IFRS 13 provides general guidance on the calculation of fair value in a separate standard. The Group implements the guidance in IFRS 13 when calculating fair value. This did not have a material effect on the net assets, financial position and results of operations presented in the consolidated financial statements of Volkswagen Bank GmbH.

All other accounting standards to be applied for the first time in the 2013 financial year do not have a significant impact on the net assets, financial position and results of operations in the consolidated financial statements of Volkswagen Bank GmbH.

New or revised IFRSs not applied

In its consolidated financial statements for 2013, 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		Published by the IASB	Mandatory application[1]	Adopted by the EU	Expected effects
IFRS 9	Financial Instruments: Classification and Measurement	12.11.2009/ 28.10.2010	to be determined	No	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 9	Financial Instruments: Hedge Accounting	19.11.2013	to be determined	No	Expanded designation options, simplified effectiveness reviews, extended disclosures in the notes
	Financial Instruments: Effective Date and Transition Guidance to IFRS 9 and IFRS 7	16.12.2011	to be determined	No	Extended disclosures in the notes
IFRS 10	Consolidated Financial Statements	12.05.2011	01.01.2014	Yes	No material effects
IFRS 11	Joint Arrangements	12.05.2011	01.01.2014	Yes	No material effects
IFRS 12	Disclosures of Interests in Other Entities	12.05.2011	01.01.2014	Yes	Extended disclosures in the notes of interests in other entities
	Transition Guidance to IFRS 10, IFRS 11, IFRS 12	28.06.2012	01.01.2014	Yes	No material effects
	Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27)	31.10.2012	01.01.2014	Yes	None
IFRS 14	Regulatory Deferral Accounts	30.01.2014	01.01.2016	No	None
IAS 19	Employee Benefits: Defined Benefit Plans – Employee Contributions	21.11.2013	01.01.2015	No	No material effects
IAS 27	Separate Financial Statements	12.05.2011	01.01.2014	Yes	None
IAS 28	Investments in Associates and Joint Ventures	12.05.2011	01.01.2014	Yes	None
IAS 32	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	16.12.2011	01.01.2014	Yes	No material effects
IAS 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	27.06.2013	01.01.2014	Yes	No material effects
	Improvements to International Financial Reporting Standards 2012[2]	10.12.2013	01.07.2014[4]	No	Essentially extended segment reporting disclosures in the notes
	Improvements to International Financial Reporting Standards 2013[3]	10.12.2013	01.01.2015	No	No material effects
IFRIC 21	Levies	20.05.2013	01.01.2014	No	None

1 First-time application mandatory for Volkswagen Bank GmbH
2 Minor amendments to numerous IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24)
3 Minor amendments to numerous IFRSs (IFRS 1, IFRS 3, IFRS 13, IFRS 13, IAS 40)
4 This concerns the first-time application of the amendments to IFRS 2 and IFRS 3; the amendments to IFRS 8, IAS 16, IAS 24 and IAS 38 must be observed from 01.01.2015.

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 December 2013.

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.

Subsidiaries are not consolidated if they are of secondary importance for the Volkswagen Bank GmbH Group.

As in the previous year, one foreign subsidiary is included in consolidation as at the balance sheet date. Furthermore, 22 special purpose entities (previous year: 21 special purpose entities) are included in the consolidated financial statements as at the balance sheet date because their assets, regarded in economic terms, are attributable to the Volkswagen Bank GmbH Group.

Due to the securitisation transactions executed by Volkswagen Bank GmbH, the following special purpose entities were included in consolidation for the first time in the financial year ended: Private Driver 2013-1 UG (limited liability), Private Driver 2013-2 UG (limited liability), Driver Ten GmbH, Driver Eleven GmbH and Driver France FCT Compartiment 2013-1.

As at 31 December 2012, Volkswagen Bank GmbH held a 50% stake in Global Mobility Holding B.V., Amsterdam. Global Mobility Holding B.V., which holds 100% of the shares in LeasePlan Corporation N.V,. was accounted for in the consolidated financial statements using the equity method. The equity investment by Volkswagen Bank GmbH in Global Mobility Holding B.V. was sold to Volkswagen AG effective 22 January 2013 as part of internal restructuring of the Group. This transaction was not recognised in profit or loss.

Volkswagen Bank GmbH operates nine branches outside Germany.

The list of equity investments is shown in note 66.

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.

As a rule, 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 applicable at the previous year's balance sheet date, and the annual average rates of the change data with the translated final levels at the middle spot rate applicable at the balance sheet date.

In the income statement, weighted annual average exchange rates are applied. The net retained profits/accumulated deficits of the UK branch and VOLKSWAGEN BANK POLSKA S.A. 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	
€		2013	2012	2013	2012
United Kingdom	GBP	0.83370	0.81610	0.84926	0.81087
Poland	PLN	4.15430	4.07400	4.19749	4.18474

5. Realisation of income and expense

Income and expenses are deferred pro rata temporis and are recognised in profit or loss 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 income and interest expense include components of profit or loss from interest rate hedging derivatives. In order to provide a better picture of the results of operations, in the reporting year the gains on interest rate hedging derivatives were reported in the same income statement item as the hedged item. The presentation of prior-period interest income and interest expense was adjusted. The previous year's interest income (€ 1,606 million) decreases by € 90 million to € 1,516 million, and interest expense (€ 587 million) decreases by € 90 million to € 497 million.

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 and from tax loss carryforwards. 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 tax assets are recognised if it is likely that future taxable profits will occur in the same tax unit. Deferred tax assets that are unlikely to be realised within a clearly predictable period are reduced by valuation allowances. 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 profit or loss 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.

Volkswagen Bank GmbH transfers receivables to special purpose entities. At the level of the Volkswagen Bank Group, these transfers neither constitute a disposal of a receivable nor a continuing involvement (note 2).

9. Provisions for risks

We take full account of the default risks in the banking business by means of specific valuation allowances and portfolio-based valuation allowances made in accordance with IAS 39. They are recognised in allowance accounts. In addition indirect residual value risks were taken into account by means of provisions.

Specific valuation allowances 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 there is no indication of impairment, 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 note 30.

Unrecoverable receivables from exposures 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 specific valuation allowances are utilised. Income from receivables written off is recognised in profit or loss.

10. Derivative financial instruments

The derivative financial instruments comprise hedge-effective transactions and derivatives that are not hedges. All derivatives are stated at fair value and shown separately under notes 31 and 42.

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 (hedged item) are recognised in profit or loss. The change in the fair value of the hedged item that is attributable to the hedged risk is also recognised in profit or loss. The effects on earnings of both the hedging instrument and the hedged item fully offset each other.

IAS 39 also permits the application of a fair value hedge not only for individual hedged items but also for a class of similar hedged items. 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 as a 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 hedged currency transactions have 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 profit or loss.

11. Securities

The securities are classified as available-for-sale financial assets and recognised directly at fair value in equity. 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.

An impairment loss is recognised on financial assets available for sale if there is objective evidence of permanent impairment. In the case of equity instruments, evidence of impairment is taken to exist, among other things, if the fair value decreases below cost significantly (by more than 20%) or the decrease is prolonged (by more than 10% of the average market prices over one year). If impairment is identified, the cumulative loss is recognised in other reserves and charged to profit and loss. In the case of equity instruments, reversals of impairment losses are taken directly to equity. Impairment losses are recognised on debt instruments if a decrease in the future cash flows of the financial asset is expected. An increase in the risk-free interest rate or an increase in credit risk premiums reflected in the interest rate is not in itself evidence of impairment.

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 and customer relationships, are capitalised at cost and amortised over their useful life of three years (software) or ten years (customer relationships) 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 there is are indications of impairment, 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 fair value less disposal costs and 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 recoverable amount was determined on the basis of its value in use.

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

Brand names from business combinations usually have an indefinite useful life. Intangible assets having an indefinite useful life are not amortised. We review annually whether the useful life of an intangible asset is indefinite. The impairment of such assets is reviewed annually based on a comparison between the carrying amount and the recoverable amount pursuant to IAS 36. If necessary, the asset is written down to the lower recoverable value.

Goodwill is subjected to an impairment test annually or if events or circumstances occur which indicate that the goodwill is impaired. An impairment loss is recognised if the goodwill is impaired.

The enterprise value determined using the discounted cash flow method was used to calculate the recoverable amount of goodwill. This is based on the management's current planning with a detailed planning horizon of five years and subsequent perpetual annuity. In each case, the planning premises are adjusted to the current level of knowledge. The discount rate applied is based on the applicable long-term market interest rate relating to the relevant cash generating unit. A cost of equity rate of 9.5% was used throughout the Group. This entails taking into account both appropriate assumptions regarding macroeconomic trends and historical developments. The growth rates expected for the individual markets are used to determine the respective cash flows. The estimate of the cash flows after the close of the planning period is based on a growth rate of 1% p.a.

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 life. It is depreciated using the straight-line method pro rata temporis over the expected useful life. Low-value purchases are written down completely in the year of acquisition.

Depreciation is 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 economic 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 economic life of ten to fifty 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 profit or loss 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 liabilities to customers allocated to portfolio hedging are measured at fair value (hedged 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

Provisions for pension obligations are recognised for commitments arising from pension plans, i.e. retirement pensions, disability pensions and benefits for surviving dependants. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees.

Volkswagen Bank GmbH Group companies provide occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Volkswagen Bank GmbH Group. Current contributions are recognised as pension expenses of the period concerned. In 2013, they amounted to a total of € 2 million (previous year: € 2 million) in the Volkswagen Bank GmbH Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €1 million (previous year: €1 million).

Most pension plans are defined benefit plans, with a distinction made between pensions financed by provisions and externally funded plans. The pension provisions for defined benefits are measured by independent actuaries using the internationally accepted projected unit credit method in accordance with IAS 19, under which the future obligations are measured on the basis of the ratable benefit entitlements earned as at the balance sheet date. Measurement reflects actuarial assumptions for the discount rates, salary and pension trends, staff turnover rates and cost increases for health care, calculated for each Group company based on the economic conditions. Actuarial gains and losses arise from differences between actual trends and the prior-year estimates as well as from changes in assumptions. Actuarial gains and losses are recognised in equity in the period in which they are incurred, net of deferred taxes.

18. Other provisions

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

Provisions not resulting in an outflow of resources in the year immediately following are recognized at their settlement value discounted to the balance sheet date. 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 made.

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	2013	2012
Interest income from lending and money market transactions	1,360	1,516
Income from leasing transactions	287	250
Expenses from leasing business	−97	−84
Depreciation and impairment losses on leased assets and investment property	−77	−58
Interest expense	−285	−497
Total	**1,188**	**1,127**

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 € 17 million (previous year: € 15 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 € 1,376 million (previous year: € 1,536 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 € 304 million (previous year: € 516 million) of that expense concerns financial instruments not measured at fair value through profit or loss. Of this amount, € 19 million (previous year: € 19 million) were offset against the net interest income from hedge-ineffective derivatives for the current financial year.

21. Provisions for risks arising from lending and leasing business

Provisions for risks essentially concern the balance sheet item “receivables from customers”. The provision for risks in the income statement of the Group is made up as follows:

€ million	2013	2012
Additions to provisions for risks	−402	−392
Reversal of provisions for risks	167	315
Direct depreciation	−58	−49
Additions from receivables written off	36	14
Total	**−257**	**−112**

Additional default risks arising for the Volkswagen Bank GmbH Group as a result of the euro zone crisis were accounted for in the amount of € 150 million in the current financial year (previous year: € 10 million).

22. Net commission income

The net commission income of € 50 million (previous year: € 55 million) contains € 188 million (previous year: € 167 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 € 155 million (previous year: € 135 million).

23. Result from the measurement of derivative financial instruments and hedged items

The designation of this item was changed from the previous year, but its content remains the same.
This item contains the result from hedging transactions, the result from derivatives that are not hedges and the result from the measurement of foreign currency receivables and liabilities.

The result from hedging transactions contains income and expenses from the fair value measurement of hedging transactions and hedged items. Gains and losses from other derivatives that are not hedges 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	2013	2012
Gains/losses on fair value hedging instruments	–2	–38
Gains/losses on underlying transactions of fair value hedges	–21	15
Ineffective portion of cash flow hedging instruments	3	–3
Gains/losses from the measurement of foreign currency receivables/liabilities	0	2
Gains/losses from other derivatives that are not hedges	–12	–13
Total	**–32**	**–37**

24. General administration expenses

The general administration expenses are made up as follows:

€ million	2013	2012
Staff costs	–115	–109
Non-staff costs	–241	–253
Expense from personnel leases	–184	–167
Expenses from costs charged by companies of the Volkswagen Group	–153	–119
Costs of advertising, PR work and sales promotion	–24	–24
Depreciation of property, plant and equipment and amortisation of and impairment losses on intangible assets	–10	–10
Other taxes	–1	–2
Total	**–728**	**–684**

The non-staff costs contain expenses for leased assets (vehicles and real property) under operating leases amounting to € 8 million (previous year: € 8 million).

As required by § 314 Para. 1 No. 9 HGB, the general administration expenses for the 2013 financial year include fees billed for the audit of the annual financial statements amounting to € 0.5 million (previous year: € 1.0 million) and for other services amounting to € 0.9 million (previous year: € 0.6 million). A total of € 0.3 million (previous year: € 0.8 million) were incurred in 2013 for other auditing and valuation services. No expenses were incurred for tax consultancy services in 2013.

25. Other operating result

The other operating result is made up as follows:

€ million	2013	2012
Income from costs charged to companies of the Volkswagen Group	163	126
Income from the reversal of provisions	70	75
Other operating income	45	34
Expenses for risks arising from changed court rulings	–1	–112
Losses from the disposal of assets	–1	0
Other operating expenses	–47	–35
Other operating result	**229**	**88**

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 subsidiaries and branches, and deferred taxes. The income taxes are made up as follows:

€ million	2013	2012
Effective tax expense in Germany	–130	–113
Effective tax expense abroad	–55	–36
Effective tax expense	**–185**	**–149**
Income from the reversal of tax provisions and tax refunds	1	1
Effective taxes on income and earnings	**–184**	**–148**
of which not attributable to the reporting period	1	0
Deferred tax income/expense in Germany	32	26
Deferred tax income/expense abroad	1	–5
Deferred tax income/expense	**33**	**21**
of which not attributable to the reporting period	0	0
Total	**–151**	**–127**

The actual tax expense in 2013 amounting to € 151 million (previous year: € 127 million) is € 16 million (previous year: € 38 million) higher than the expected tax expense of € 135 million (previous year: € 165 million), which results from applying a tax rate of 29.5% (previous year: 29.5%) 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	2013	2012
Pre-tax result	**459**	**558**
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	**–135**	**–165**
+ Effects from German/foreign tax rate	9	4
+ Effects from tax rate changes	–6	–
+ Effects from permanent accounting differences	0	8
+ Effects of tax-free income from equity investments	6	38
+ Effects from losses carried forward	–2	–5
+ Effects from non-deductible operating expenses	–17	–1
+ Taxes not attributable to the reporting period	1	1
+ Other differences	–7	–7
= Current taxes on income and earnings	**–151**	**–127**

The statutory corporation tax rate in Germany for the 2013 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 29.5%. On account of changes in the German tax group, a tax rate of 29.8% (previous year: 29.5%) is applied for the measurement of the deferred taxes of the German companies.

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 subsidiaries and branches have their registered office. These rates, which differ from the German income tax rate, are between 12.5% and 37.9% (previous year: between 12.5% and 35.8%).

As at 31 December 2013, the company's tax losses carried forward not yet used to date were € 0 million (previous year: € 5 million), for which deferred tax assets of € 0 million (previous year: € 1 million) were recognised. Of these unused tax losses carried forward, € 0 million (previous year: € 5 million) can be utilised indefinitely.

No deferred tax assets were recognised on € 45 million in unusable tax losses carried forward (previous year: € 38 million). The unusable loss carryforwards expire between 2014 and 2018. Deferred tax expenses resulting from changes in tax rates amounted to € 6 million at Group level (previous year: € 0 million). A deferred tax asset was not recognised in the balance sheet for deductible temporary differences of € 7 million (previous year: € 3 million). Of the deferred taxes recognised in the balance sheet, a total of € 3 million (previous year: € 11 million) relate to business transactions that are recognised directly in equity. A partial amount of € 8 million (previous year: € 10 million) concerns actuarial gains/losses (IAS 19), a partial amount of € -2 million (previous year: € -5 million) concerns derivative financial instruments, and a further € -3 million (previous year: € 6 million) concern the market valuation of securities.

27. Further notes to the income statement

There was no income from commission in the 2012 and 2013 financial years that was not taken into account using the effective interest method.

NOTES TO THE BALANCE SHEET

28. Cash reserve

The cash reserve essentially contains balances at Deutsche Bundesbank in the amount of € 199 million (previous year: € 655 million).

29. Receivables from customers

Receivables from customers include unsecuritised receivables from affiliated companies amounting to € 1,757 million (previous year: € 1,941 million). There are receivables from the sole shareholder, Volkswagen Financial Services AG, amounting to € 37 million (previous year: € 10 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, collateral comprises assets transferred as security, as well as surety agreements and real property liens. 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 19.10% (previous year: 0.01% and 24.88%).

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	31.12.2013	31.12.2012
Receivables from customers	**33,937**	**32,917**
Market value adjustment from portfolio fair value hedging	–5	28
Receivables from customers less market value adjustment from portfolio fair value hedging	33,942	32,889

Receivables from leasing transactions include due receivables amounting to € 18 million (previous year: € 9 million). Of this amount, € 17 million (previous year: € 8 million) are attributable to finance leases and € 1 million (previous year: € 1 million) to operating leases. The due receivables from leases have a residual term of up to three months.

The receivables from finance leases are made up as follows:

€ million	31.12.2013	31.12.2012
Gross receivables from finance leases	**1,898**	**1,639**
by residual term		
up to one year	680	599
more than one year and up to five years	1,212	1,040
more than five years	6	0
Interest not yet earned from finance leases	**110**	**100**
Net receivables from finance leases	**1,788**	**1,539**
by residual term		
up to one year	631	554
more than one year and up to five years	1,151	985
more than five years	6	0

At the Volkswagen Bank GmbH 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 € 201 million (previous year: € 200 million). A provision for risks arising from unrecoverable outstanding minimum lease payments was recognised in the amount of € 7 million (previous year: € 4 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"

	SPECIFIC VALUATION ALLOWANCES		PORTFOLIO-BASED VALUATION ALLOWANCES		TOTAL	
€ million	2013	2012	2013	2012	2013	2012
As at 1.1.	**512**	**516**	**393**	**345**	**905**	**861**
Additions	163	215	182	146	345	361
Disposals	155	221	47	93	202	314
of which uses	49	56	–	–	49	56
of which reversals	106	165	47	93	153	258
Transfers	–6	2	3	–9	–3	–7
Changes in the basis of consolidation	–	12	–	4	–	16
Interest income from impaired receivables	16	14	–	–	16	14
Currency translation	–1	2	0	0	–1	2
Provisions for risks arising from lending and leasing business on 31.12.	**497**	**512**	**531**	**393**	**1,028**	**905**

CLASS: "HEDGE ACCOUNTING"

€ million	SPECIFIC VALUATION ALLOWANCES		PORTFOLIO-BASED VALUATION ALLOWANCES		TOTAL	
	2013	2012	2013	2012	2013	2012
As at 1.1.	**27**	**44**	**74**	**67**	**101**	**111**
Additions	13	5	39	10	52	15
Disposals	11	19	2	12	13	31
of which uses	7	6	–	–	7	6
of which reversals	4	13	2	12	6	25
Transfers	0	–2	3	9	3	7
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.	**28**	**27**	**114**	**74**	**142**	**101**

The provisions for risks were recognised in relation to receivables from customers. As at the end of the financial year, the valuation allowances on receivables in countries that are at the heart of the euro crisis amounted to € 348 million (previous year: € 198 million).

31. Derivative financial instruments

This item contains the positive market values from hedging transactions and from derivatives that are not hedges; it is made up as follows:

€ million		31.12.2013		31.12.2012
Assets from hedging transactions		71		99
Fair value hedges on assets (currency risk)	31		–	
Fair value hedges on liabilities (currency risk)	–		–	
Fair value hedges (interest rate risk)	15		55	
Portfolio fair value hedges (interest rate risk)	8		40	
Cash flow hedges on interest payments (currency risk)	17		4	
Cash flow hedges (interest rate risk)	–		–	
Assets from derivatives that are not hedges		33		49
Total		**104**		**148**

With the exception of derivatives that are not hedges, no financial instruments are classified as being held for trading.

32. Securities

Securities essentially comprise acquired government bonds amounting to € 1,533 million (previous year: € 1,586 million) as well as asset-backed securities issued by special purpose entities of Volkswagen Finance S. A., Madrid (€ 663 million; previous year: € 0 million), Volkswagen Leasing GmbH, Braunschweig (€ 631 million; previous year: € 496 million) and Dealers Financierings Maatschappij N.V., Amersfoort, the Netherlands (€ 83 million; previous year: € 0 million).

These securities in the amount of € 2,625 million (previous year: € 1,961 million) are pledged as security for own liabilities. They are deposited with Deutsche Bundesbank and have been pledged to it in connection with the company's participation in open market operations.

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			
As at 1.1.2012	**1,595**	**1**	**1,596**
Exchange rate changes/effects recognised in equity	2	0	2
Changes in the basis of consolidation	−35	0	−35
Additions	108	1	109
Transfers	–	–	–
Disposals	2	0	2
As at 31.12.2012	**1,668**	**2**	**1,670**
Amortisation/write-downs			
As at 1.1.2012	**–**	**–**	**–**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2012	**–**	**–**	**–**
Carrying amount 31.12.2012	**1,668**	**2**	**1,670**
Carrying amount 1.1.2012	**1,595**	**1**	**1,596**

€ million	Companies accounted for using the equity method	Other financial assets	Total
Cost			
As at 1.1.2013	**1,668**	**2**	**1,670**
Exchange rate changes/effects recognised in equity	0	0	0
Changes in the basis of consolidation	–	–	–
Additions	6	0	6
Transfers	–	–	–
Disposals	1,674	–	1,674
As at 31.12.2013	**–**	**2**	**2**
Amortisation/write-downs			
As at 1.1.2013	**–**	**–**	**–**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2013	**–**	**–**	**–**
Carrying amount 31.12.2013	**–**	**2**	**2**
Carrying amount 1.1.2013	**1,668**	**2**	**1,670**

34. Intangible assets

€ million	Internally generated intangible assets	Goodwill, brand name, customer base	Other intangible assets	Total
Cost				
As at 1.1.2012	**4**	**3**	**25**	**32**
Exchange rate changes	0	3	0	3
Changes in the basis of consolidation	–	33	8	41
Additions	–	–	8	8
Transfers	–	–	–	–
Disposals	–	–	0	0
As at 31.12.2012	**4**	**39**	**41**	**84**
Amortisation/write-downs				
As at 1.1.2012	**3**	**1**	**19**	**23**
Exchange rate changes	0	0	0	0
Changes in the basis of consolidation	–	0	4	4
Additions	1	2	4	7
Transfers	–	–	–	–
Disposals	–	–	–	–
Write-ups	–	–	–	–
Write-downs	–	–	–	–
As at 31.12.2012	**4**	**3**	**27**	**34**
Carrying amount 31.12.2012	**0**	**36**	**14**	**50**
Carrying amount 1.1.2012	**1**	**2**	**6**	**9**

€ million	Internally generated intangible assets	Goodwill, brand name, customer base	Other intangible assets	Total
Cost				
As at 1.1.2013	**4**	**39**	**41**	**84**
Exchange rate changes	0	0	0	0
Changes in the basis of consolidation	–	–	–	–
Additions	–	–	7	7
Transfers	–	–	0	0
Disposals	4	–	2	6
As at 31.12.2013	**0**	**39**	**46**	**85**
Amortisation/write-downs				
As at 1.1.2013	**4**	**3**	**27**	**34**
Exchange rate changes	0	0	0	0
Changes in the basis of consolidation	–	–	–	–
Additions	–	1	4	5
Transfers	–	–	–	–
Disposals	4	–	0	4
Write-ups	–	–	–	–
Write-downs	–	–	–	–
As at 31.12.2013	**0**	**4**	**31**	**35**
Carrying amount 31.12.2013	**0**	**35**	**15**	**50**
Carrying amount 1.1.2013	**0**	**36**	**14**	**50**

The goodwill amounting to € 18 million (previous year: € 18 million) recognised as at the balance sheet date and the brand name amounting to € 6 million (previous year: € 6 million) result from the acquisition of VOLKSWAGEN BANK POLSKA S.A. and have an indefinite useful life. The indefinite useful lives arise from the fact that both the goodwill and the brand name are derived from the relevant cash generating unit and thus exist as long as that unit exists. The acquired customer base of VOLKSWAGEN BANK POLSKA S.A. is amortised over a period of ten years. There were intangible assets with an indefinite useful life amounting € 25 million (previous year: € 25 million) at the balance sheet date.

35. Property, plant and equipment

€ million	Land and buildings	Operating and office equipment	Total
Cost			
As at 1.1.2012	**20**	**15**	**35**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	1	5	6
Assets held for sale (IFRS 5)	–	–	–
Additions	1	6	7
Transfers	–	–	–
Disposals	–	2	2
As at 31.12.2012	**22**	**24**	**46**
Depreciation/write-downs			
As at 1.1.2012	**16**	**10**	**26**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	0	3	3
Assets held for sale (IFRS 5)	–	–	–
Additions	1	3	4
Transfers	–	–	–
Disposals	–	2	2
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2012	**17**	**14**	**31**
Carrying amount 31.12.2012	**5**	**10**	**15**
Carrying amount 1.1.2012	**4**	**5**	**9**

€ million	Land and buildings	Operating and office equipment	Total
Cost			
As at 1.1.2013	**22**	**24**	**46**
Exchange rate changes	0	0	0
Changes in the basis of consolidation	–	–	–
Assets held for sale (IFRS 5)	–	–	–
Additions	1	5	6
Transfers	0	0	0
Disposals	0	5	5
As at 31.12.2013	**23**	**24**	**47**
Depreciation/write-downs			
As at 1.1.2013	**17**	**14**	**31**
Exchange rate changes	0	0	0
Changes in the basis of consolidation	–	–	–
Assets held for sale (IFRS 5)	–	–	–
Additions	1	3	4
Transfers	–	–	–
Disposals	–	3	3
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2013	**18**	**14**	**32**
Carrying amount 31.12.2013	**5**	**10**	**15**
Carrying amount 1.1.2013	**5**	**10**	**15**

Land and buildings include plant under construction with a carrying amount of € 1 million (previous year: € 0 million).

36. Leased assets and investment property

€ million	Movable leased assets	Investment property	Total
Cost			
As at 1.1.2012	**282**	**3**	**285**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	154	–	154
Transfers	–	–	–
Disposals	94	–	94
As at 31.12.2012	**342**	**3**	**345**
Depreciation/write-downs			
As at 1.1.2012	**80**	**1**	**81**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	58	0	58
Transfers	–	–	–
Disposals	51	–	51
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2012	**87**	**1**	**88**
Carrying amount 31.12.2012	**255**	**2**	**257**
Carrying amount 1.1.2012	**202**	**2**	**204**

€ million	Movable leased assets	Investment property	Total
Cost			
As at 1.1.2013	**342**	**3**	**345**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	237	–	237
Transfers	–	–	–
Disposals	95	–	95
As at 31.12.2013	**484**	**3**	**487**
Depreciation/write-downs			
As at 1.1.2013	**87**	**1**	**88**
Exchange rate changes	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	77	1	78
Transfers	–	–	–
Disposals	51	–	51
Write-ups	–	–	–
Write-downs	–	–	–
As at 31.12.2013	**113**	**2**	**115**
Carrying amount 31.12.2013	**371**	**1**	**372**
Carrying amount 1.1.2013	**255**	**2**	**257**

The fair value of investment property could not be determined with reasonable effort. It is therefore shown at amortised cost and amounts to € 1 million (previous year: € 2 million). Operating costs incurred for maintaining investment property in the financial year were non-material, as in the previous year.

We expect payments of € 89 million in 2014 and € 92 million between 2015 and 2018 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	31.12.2013	31.12.2012
Deferred taxation	1,396	1,316
of which non-current	43	28
Capitalised benefits from unused tax losses carried forward	0	1
of which non-current	0	1
Netting (with deferred tax liabilities)	–513	–613
Total	**883**	**704**

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

€ million	31.12.2013	31.12.2012
Property, plant and equipment/intangible assets	12	17
Leased assets	18	–
Other financial assets	–	–
Receivables and other assets	136	52
Cash and cash equivalents, and securities	1,216	1,235
Liabilities and provisions	14	12
Total	**1,396**	**1,316**

38. Other assets

€ million	31.12.2013	31.12.2012
Restricted cash	168	–
Receivables from other taxes	37	33
Deferred income	29	33
Vehicles taken back for resale	11	9
Other	75	42
Total	**320**	**117**

In the current financial year, restricted cash was reclassified out of receivables from financial institutions into other assets in connection with the provision of collateral for ABS transactions. The corresponding prior-year figure is € 140 million.

39. Non-current assets

€ million	31.12.2013	of which non-current	31.12.2012	of which non-current
Cash reserve	216	–	670	–
Receivables from financial institutions	522	83	548	–
Receivables from customers	33,937	17,533	32,917	16,563
Derivative financial instruments	104	45	148	118
Securities	2,912	–	2,087	421
Joint ventures accounted for using the equity method	–	–	1,668	1,668
Other financial assets	2	2	2	2
Intangible assets	50	50	50	50
Property, plant and equipment	15	15	15	15
Leased assets	371	371	256	256
Investment property	1	1	2	2
Deferred tax assets	883	883	704	704
Income tax assets	45	–	36	–
Other assets	320	10	117	9
Total	**39,378**	**18,993**	**39,220**	**19,808**

40. Liabilities to financial institutions and customers

The liabilities to financial institutions and customers are unsecuritised. Securitised liabilities are shown separately. The non-current portion of the liabilities to financial institutions amounts to € 64 million (previous year: € 2,224 million).

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

The drawing of funds, which is shown as unsecuritised liabilities to customers, amounts to € 2,941 million (previous year: € 2,741 million) in liabilities to affiliated companies – of which € 1,008 million (previous year: € 511 million) is attributable to the sole shareholder, Volkswagen Financial Services AG, including the profit transfer.

The liabilities to customers essentially comprise customer deposits. They consist of 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 € 1,161 million (previous year: € 2,196 million).

The reconciliation from the balance sheet figures is as follows:

€ million	31.12.2013	31.12.2012
Liabilities to customers	**25,071**	**25,398**
Market value adjustment from portfolio fair value hedging	–5	3
Liabilities to customers less market value adjustment from portfolio fair value hedging	25,076	25,395

41. Securitised liabilities

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

€ million	31.12.2013	31.12.2012
Debentures issued	5,194	3,805
Money market papers issued	324	253
Total	**5,518**	**4,058**

In addition to the funding sources mentioned above, the Volkswagen Bank GmbH Group also uses ABS transactions. At the balance sheet date, the associated liabilities recognised under debentures issued amounted to € 2,210 million (previous year: € 1,182 million), those under liabilities to financial institutions amounted to € 93 million (previous year: € 213 million) and those under subordinated liabilities amounted to € 143 million (previous year: € 195 million). Receivables in the amount of € 2,280 million (previous year: € 1,416 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.

The ABS transactions of Volkswagen Bank GmbH may be subject to early repayment (so-called clean-up call) if less than 9% or 10% of the original transaction volume is outstanding.

The non-current portion of the securitised liabilities amounts to € 2,865 million (previous year: € 1,484 million).

42. Derivative financial instruments

This item contains the negative market values from hedging transactions and from derivatives that are not hedges; it is made up as follows:

€ million		31.12.2013		31.12.2012
Obligations from hedging transactions		76		133
Fair value hedges on assets (currency risk)	0		–	
Fair value hedges on liabilities (currency risk)	–		–	
Fair value hedges (interest rate risk)	57		37	
Portfolio fair value hedges on assets (currency risk)	11		61	
Cash flow hedges on interest payments (currency risk)	8		35	
Cash flow hedges (interest rate risk)	0		0	
Obligations from derivatives that are not hedges		30		34
Total		**106**		**167**

The non-current portion of derivative financial instruments amounts to € 49 million (previous year: € 115 million).

43. Provisions

The provisions break down as follows:

€ million	31.12.2013	31.12.2012
Provisions for pensions and similar obligations	69	76
Other provisions	230	288
Total	**299**	**364**

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

€ million	31.12.2013	31.12.2012
Present value of funded obligations	17	16
Fair value of plan assets	17	16
Funded status (net)	**0**	**0**
Present value of unfunded obligations	69	75
Amount not recognised as an asset due to the ceiling of IAS 19	0	1
Amount recognised in the balance sheet	**69**	**76**
of which provisions for pensions	69	76
of which other assets	–	–

Material Principal pension regulations the Volkswagen Bank GmbH Group

Volkswagen Bank GmbH provides post-employment benefits for its employees under contemporary, attractive company pension plans for the period following employees' active service. The majority of the pension commitments in the Volkswagen Bank GmbH Group are pension plans for employees in Germany that are categorised as defined benefit plans in accordance with IAS 19. These commitments are mainly financed through provisions recognised in the balance sheet. These plans are now closed to new members. To reduce the risks associated with defined benefit plans, especially longevity, salary increases and inflation, the Volkswagen Bank GmbH Group introduced new defined benefit plans in recent years whose benefits will be financed through corresponding external plan assets. The aforementioned risks were substantially reduced in these pension plans. In future, pension obligations financed through plan assets will account for an ever-larger share of the total obligation. The main pension commitments are described below.

Domestic pension plans financed exclusively through provisions recognised in the balance sheet

The pension plans financed exclusively through provisions recognised in the balance sheet are either contribution-based plans with guarantees or final salary-based defined benefit plans. In contribution-based plans, annual income- and status-linked pension expenses are converted into a lifelong pension using annuity conversion factors (guarantee components). The annuity conversion factors include a guaranteed interest rate. The annually acquired pension components are added when benefits become due. In final salary-based benefit plans, when benefits become due the salary used to calculate the pension is multiplied by a percentage depending on the employee's length of service until the time the benefits fall due. The present value of the guaranteed obligation rises when interest rates fall and is therefore subject to interest rate risk. The post-employment benefits system provides for lifelong pension payments. In this respect, the companies bear the longevity risk. This is taken into account by the fact that to calculate the annuity conversion factors and the present value of the guaranteed obligation the most recent generation mortality tables, Heubeck's 2005 G mortality tables, are used, which already factor in a future increase in life expectancy. To reduce the inflation risk by adjusting current pension payments in the amount of the inflation rate, a non-inflation-related pension adjustment was introduced for the pension obligations for which this is legally permissible.

Domestic pension plans financed with external plan assets

The pension plans financed with external plan assets are based on contribution-based plans with guarantees. Here, either annual income- and status-linked pension expenses are converted into a lifelong pension using annuity conversion factors (guarantee components) or the pension is paid out as a lump sum or in instalments. In some cases, employees may be able to top up their pensions by way of deferred compensation. The annuity conversion factors include a guaranteed interest rate. The annually acquired pension components are added when benefits become due. The pension expenses are regularly transferred to an investment fund that is managed in trust independently of the company and invested in the capital markets. If the plan assets are higher than the present value of the obligations calculated using the guaranteed interest rate, surpluses are allocated (surplus components). However, since the investment fund administered by the trustee meets the requirements of IAS 19 as plan assets, any surplus is set off against the obligations.

As the amount of the pension plan assets is subject to general market risk, the investment focus and how the funds are invested is continuously monitored by the trust committees, which include representatives of the companies. For example, the principles for capital investments are specified in investment guidelines with the aim of limiting market risk and its impact on the plan assets. In addition, asset/liability management studies are periodically conducted to ensure that the capital investment is in conformity with the obligations being hedged. Currently, the pension plan assets are primarily invested in investment funds comprising fixed-income securities or shares, which means the main risks are interest rate risk and share price risk. To hedge the market risk, the pension system also stipulates that funds be transferred to an equalisation reserve prior to the allocation of a surplus.

The present value of the obligation is recognised as the higher of the present value of the guaranteed obligation and the plan assets. If the value of the plan assets falls below the present value of the guaranteed obligation, a provision must be recognised in this amount. The present value of the guaranteed obligation rises when interest rates fall and is therefore subject to interest rate risk. In the case of lifelong pension payments, the Volkswagen Bank GmbH Group bears the longevity risk. This is taken into account by the fact that to calculate the annuity conversion factors and the present value of the guaranteed obligation the most recent generation mortality tables, Heubeck's 2005 G mortality tables, are used, which already factor in a future increase in life expectancy. In addition, annual risk monitoring is performed by independent actuaries in connection with the review of the investments in the trusts.

To reduce the inflation risk by adjusting current pension payments in the amount of the inflation rate, a non-inflation-related pension adjustment was introduced for the pension obligations for which this is legally permissible.

The following actuarial assumptions were used in the calculation of the present value of the defined benefit pension obligations:

	GERMANY		ABROAD	
%	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Discount rate	3.70	3.20	3.47	3.83
Salary trend	3.32	2.70	2.00	3.33
Pension trend	1.80	1.80	2.67	2.63
Fluctuation rate	0.75	0.75	4.20	3.90
Annual increase in healthcare costs	–	–	2.00	2.00

These figures are averages that were weighted based on the present values of the defined benefit obligation.
In all countries, the most recent mortality tables are used for life expectancy; in Germany, for example, Professor Klaus Heubeck's 2005 G mortality tables are used. The discount rates are generally determined on the basis of returns from investment-grade corporate bonds whose maturity and currency are in line with the obligations in question. The iBoxx AA 10+ Corporates index was used to calculate the obligations of the Group's domestic companies. Comparable indices were used for the foreign pension obligations.

The salary trends comprise expected increases in wages and salaries that also make allowances for career-related increases. The pension trends correspond either to the contractually stipulated guaranteed pension adjustments or are based on the regulations governing pension adjustments in the countries in question. The fluctuation rates are based on past experience as well as future expectations.

The development of the recognised amounts from defined benefit pension commitments is shown below:

€ million	2013	2012
Balance on 1.1.	**76**	**61**
Changes in the basis of consolidation	–	0
Current service cost	2	2
Net interest expense	3	3
Actuarial gains and losses (recognised in equity)	–	16
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	0	–
Actuarial gains (-)/losses (+) due to changes in financial assumptions	−5	–
Actuarial gains (-)/losses (+) due to experience adjustments	−1	–
Income/expenses from plan assets not recognised in interest income	1	–
Changes in the amount not recognised as an asset due to the ceiling of IAS 19	1	1
Employer contributions to the fund	1	2
Pension payments from company assets	3	3
Other changes	−2	2
Currency differences from foreign plans	0	0
Balance on 31.12.	**69**	**76**

The development of the present value of the defined benefit pension obligations is comprised as follows:

€ million	2013	2012
Present value of obligations as at 1.1.	**91**	**77**
Changes in the basis of consolidation	–	2
Current service cost	2	2
Interest cost	3	3
Actuarial gains and losses (recognised in equity)	–	16
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	0	–
Actuarial gains (-)/losses (+) due to changes in financial assumptions	−5	–
Actuarial gains (-)/losses (+) due to experience adjustments	−1	–
Employee contributions to the fund	0	0
Pension payments from company assets	3	2
Pension payments out of the fund	0	0
Other changes	−1	−3
Currency differences from foreign plans	0	0
Present value of obligations as at 31.12.	**86**	**91**

Changes in the material actuarial assumptions would have the following effects on the defined benefit pension obligation:

Present value of the defined benefit obligations if		31.12.2013 € million	31.12.2013 In %
Discount rate	is 0.5 percentage points higher	−5	−6.25
	is 0.5 percentage points lower	6	7.22
Pension trend	is 0.5 percentage points higher	4	4.66
	is 0.5 percentage points lower	−4	−4.27
Salary trend	is 0.5 percentage points higher	1	0.81
	is 0.5 percentage points lower	−1	−0.79
Life expectancy	is one year higher	2	2.30

The sensitivity analyses depicted each take account of the change in an accounting assumption, with the other assumptions remaining unchanged on the original calculation, i.e. possible correlation effects between the individual assumptions are not reflected in the calculations.

To examine the sensitivity of the present value of the defined benefit pension obligation to a change in the assumed life expectancy, the mortality rates carried in a comparative calculation are lowered such that the reduction approximately leads to an increase in the life expectancy of one year.

The weighted average term to maturity based on the present value of the obligation (Macaulay duration) of the defined benefit pension obligation is 17 years.

The present value of the defined benefit pension obligation is distributed as follows among the plan members:

€ million	2013
Active members entitled to pensions	37
Members with vested benefits who are no longer with the company	10
Pensioners	39

The maturity profile of the payments for the defined benefit pension obligation, in which the present value of the obligation is broken down according to the maturity of the underlying payments, is shown in the table below:

€ million	2013
Payments due within the next financial year	3
Payments due within two to five years	10
Payments due in more than five years	73

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

€ million	2013	2012
Fair value of plan assets at 1.1.	**16**	**16**
Changes in the basis of consolidation	–	–2
Expected return on plan assets – equivalent to the discount rate	1	1
Income/expenses from plan assets not recognised in interest income	–1	–
Employer contributions to the fund	1	1
Employee contributions to the fund	0	0
Pension payments out of the fund	0	0
Other changes	0	0
Currency differences from foreign plans	0	0
Fair value of plan assets at 31.12.	**17**	**16**

Investment of the plan assets to cover future pension obligations resulted in income in the amount of € 0 million (previous year: € 1 million). Employer contributions to plan assets in the next financial year are expected to amount to € 2 million (previous year: € 2 million).

The plan assets have been invested in the following investment categories:

€ million	31.12.2013 Market price quotation in an active market	No market price quotation in an active market	Total
Cash and cash equivalents	1	–	1
Equity instruments	1	–	1
Debt instruments	5	–	5
Investments in real property	–	–	–
Derivatives	0	–	0
Equity funds	3	–	3
Bond funds	6	–	6
Property investment funds	0	–	0
Other investment funds	1	–	1
Other	0	–	0

36% of the plan assets are invested in German assets, 46% in other European assets and 18% in assets from other regions. Investments in debt instruments by the Volkswagen Group included in the plan assets are insignificant.

The following amounts were recognised in the income statement:

€ million	2013	2012
Current service cost	2	2
Net interest expense (+)/income (-)	3	3
Total amount shown under staff costs	5	5

Other provisions developed as follows:

€ million	OTHER PROVISIONS Human resources	Other
As at 1.1.2013	**34**	**254**
Use	26	9
Reversal	4	74
Addition	31	24
Changes in the basis of consolidation	–	–
Other changes	0	0
As at 31.12.2013	**35**	**195**

The provisions in human resources include 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 € 26 million (previous year: € 30 million) in provisions for indirect default risks. Risks from changed court rulings were fully accounted for by recognising provisions of € 136 million in the 2013 financial year (previous year: € 195 million).

The terms of the other provisions are as follows:

	31.12.2013		31.12.2012	
€ million	Residual term more than one year	Total	Residual term more than one year	Total
Human resources	3	35	2	34
Other	152	195	16	254
Total	155	230	18	288

The expected outflow of payments is as follows: 33% in the following year, 66% in the years 2015 to 2018 and 1% thereafter.

44. Deferred tax liabilities

The deferred tax liabilities break down as follows:

€ million	31.12.2013	31.12.2012
Deferred income tax obligations	1,228	1,174
of which non-current	658	533
Netting (with deferred tax assets)	−513	−613
Total	**715**	**561**

The deferred income tax obligations contain taxes from temporary differences between measurements in accordance with IFRSs 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	31.12.2013	31.12.2012
Receivables and other assets	557	386
Property, plant and equipment/intangible assets	5	6
Leased assets	4	4
Investment property	0	–
Cash and cash equivalents, and securities	12	54
Liabilities, grants and provisions	650	724
Total	**1,228**	**1,174**

45. Other liabilities

Other liabilities concern the following items:

€ million	31.12.2013	31.12.2012
Liabilities from other taxes	32	42
Liabilities within the framework of social security and the wage and salary settlement	12	10
Deferred income	43	34
Other	16	19
Total	**103**	**105**

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

46. Subordinated capital

Net subordinated capital breaks down as follows:

€ million	31.12.2013	31.12.2012
Subordinated liabilities	631	783
of which: due within two years	577	198
Total	**631**	**783**

The subordinated liabilities to affiliated companies amount to € 438 million (previous year: € 498 million). A conversion into capital or other form of debt has not been agreed, nor is it planned. The non-current portion of subordinated capital amounts to € 385 million (previous year: € 556 million).

47. Equity

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

The capital reserves of Volkswagen Bank GmbH include the capital contributions of Volkswagen Financial Services AG, the company's sole shareholder. The capital reserves amounted to € 3,796 million in the 2013 financial year (previous year: € 3,596 million).

Retained earnings consist of undistributed profits from prior years and mainly include other retained earnings.

The profit of € 850 million based on the HGB single-entity statements (previous year: € 290 million) is transferred to Volkswagen Financial Services AG, the company's sole shareholder, under its existing profit transfer agreement.

The accumulated deferred taxes recognised in equity amount to € 3 million (previous year: € 17 million). In the previous year, € 6 million were attributable to income and expense from shares measured using the equity method, which is recognised directly in equity.

48. Capital management

Capital in this connection refers to equity as defined in the IFRSs. 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 IFRSs (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) net of certain deductible items and must satisfy legal requirements.

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

According to the regulations of the German Banking Act and the Solvency Regulation, 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 counterparty 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.

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

	31.12.2013	31.12.2012
Aggregate risk position (€ million)	29,553	29,168
of which weighted position according to the standardised approach to credit risks	27,388	27,214
of which market risk positions * 12.5	141	128
of which operational risks * 12.5	2,024	1,826
Liable capital[1] (€ million)	4,361	4,363
Modified available capital[2] (€ million)	4,348	4,355
of which core capital[3]	4,146	3,948
of which supplementary capital[3]	202	407
Own funds (€ million)	4,348	4,355
Core capital ratio[4] (%)	14.0	13.5
Overall ratio[5] (%)	14.7	14.9

1 Calculation according to §10 Para. 2 Sentence 2 German Banking Act
2 Calculation according to §10 Para. 1d Sentence 2 German Banking Act
3 The deductible items are already deducted from core and supplementary capital
4 Core capital ratio = Core capital/ ((Capital requirement for counterparty risks + operational risks + market risks) * 12.5) * 100
5 Overall ratio = Own funds/ ((Capital requirement for counterparty risks + operational risks + market risks) * 12.5) * 100

NOTES TO THE FINANCIAL INSTRUMENTS

49. 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 are financial assets that cannot be assigned 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 at the settlement date. The derivative financial instruments are recognised as at the trading date.

The carrying amounts of the financial instruments (excluding hedge derivatives) pursuant to the measurement categories are as follows:

€ million	LOANS AND RECEIVABLES		AVAILABLE-FOR-SALE FINANCIAL ASSETS		FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets								
Cash reserve	216	670	–	–	–	–	–	–
Receivables from financial institutions	522	548	–	–	–	–	–	–
Receivables from customers	32,148	31,377	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	33	49
Securities	–	–	2,912	2,087	–	–	–	–
Other financial assets	–	–	2	2	–	–	–	–
Other assets	243	41	–	–	–	–	–	–
Total	**33,129**	**32,636**	**2,914**	**2,089**	**–**	**–**	**33**	**49**
Liabilities								
Liabilities to financial institutions	–	–	–	–	2,181	2,730	–	–
Liabilities to customers	–	–	–	–	25,071	25,398	–	–
Securitised liabilities	–	–	–	–	5,518	4,058	–	–
Derivative financial instruments	–	–	–	–	–	–	30	34
Other liabilities	–	–	–	–	16	19	–	–
Subordinated capital	–	–	–	–	631	783	–	–
Total	**–**	**–**	**–**	**–**	**33,417**	**32,988**	**30**	**34**

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

The net results of these categories were as follows:

€ million	2013	2012[1]
Loans and receivables	1,176	1,420
Available-for-sale financial assets	−1	46
Financial liabilities measured at amortised cost	−344	−558
Assets or financial liabilities measured at fair value through profit or loss	−6	−17

1 Previous year’s figures were adjusted due to the amendment described in note 5.

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 valuation allowances 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

50. 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
- Credit commitments
- Not subject to IFRS 7

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

€ million	BALANCE SHEET ITEM 31.12.2013	BALANCE SHEET ITEM 31.12.2012	MEASURED AT FAIR VALUE 31.12.2013	MEASURED AT FAIR VALUE 31.12.2012	MEASURED AT AMORTISED COST 31.12.2013	MEASURED AT AMORTISED COST 31.12.2012	HEDGE ACCOUNTING 31.12.2013	HEDGE ACCOUNTING 31.12.2012	OTHER FINANCIAL ASSETS 31.12.2013	OTHER FINANCIAL ASSETS 31.12.2012	NOT SUBJECT TO IFRS 7 31.12.2013	NOT SUBJECT TO IFRS 7 31.12.2012
Assets												
Cash reserve	216	670	–	–	216	670	–	–	–	–	–	–
Receivables from financial institutions	522	548	–	–	522	548	–	–	–	–	–	–
Receivables from customers	33,937	32,917	–	–	28,738	28,126	5,199	4,791	–	–	–	–
Derivative financial instruments	104	148	33	49	–	–	71	99	–	–	–	–
Securities	2,912	2,087	2,912	2,087	–	–	–	–	–	–	–	–
Joint ventures accounted for using the equity method	–	1,668	–	–	–	–	–	–	–	–	–	1,668
Other financial assets	2	2	–	–	–	–	–	–	2	2	–	–
Other assets	320	117	–	–	243	41	–	–	–	–	77	76
Total	**38,013**	**38,157**	**2,945**	**2,136**	**29,719**	**29,385**	**5,270**	**4,890**	**2**	**2**	**77**	**1,744**
Liabilities												
Liabilities to financial institutions	2,181	2,730	–	–	2,181	2,730	–	–	–	–	–	–
Liabilities to customers	25,071	25,398	–	–	24,163	23,460	908	1,938	–	–	–	–
Securitised liabilities	5,518	4,058	–	–	5,518	4,058	–	–	–	–	–	–
Derivative financial instruments	106	167	30	34	–	–	76	133	–	–	–	–
Other liabilities	103	105	–	–	16	19	–	–	–	–	87	86
Subordinated capital	631	783	–	–	631	783	–	–	–	–	–	–
Total	**33,610**	**33,241**	**30**	**34**	**32,509**	**31,050**	**984**	**2,071**	**–**	**–**	**87**	**86**

The credit commitments class includes liabilities arising from irrevocable credit commitments amounting to € 1,271 million (previous year: € 1,173 million).

51. Measurement levels of the financial instruments measured at fair value and at amortised cost

The financial instruments measured at fair value and at amortised cost 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 or securitised liabilities, for which a market price is directly observable on an active market are classified in Level 1.

Level 2 fair values are determined based on market inputs such as foreign exchange rates or yield curves using market-based valuation techniques. This includes, among others, derivatives or receivables from/liabilities to customers.

Level 3 fair values are calculated using valuation techniques that do not take directly observable factors in an active market into account.

There was no need to distinguish between the levels in the reporting year.

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

	LEVEL 1		LEVEL 2		LEVEL 3	
€ million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets						
Measured at fair value						
Derivative financial instruments	–	–	33	49	–	–
Securities	1,535	1,587	1,377	500	–	–
Hedge accounting						
Receivables from customers	–	–	5,199	4,791	–	–
Derivative financial instruments	–	–	71	99	–	–
Total	**1,535**	**1,587**	**6,680**	**5,439**	**–**	**–**
Liabilities						
Measured at fair value						
Derivative financial instruments	–	–	30	34	–	–
Hedge accounting						
Liabilities to customers	–	–	908	1,938	–	–
Derivative financial instruments	–	–	76	133	–	–
Total	**–**	**–**	**1,014**	**2,105**	**–**	**–**

The financial instruments measured at amortised cost break down as follows:

	LEVEL 1		LEVEL 2		LEVEL 3	
€ million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets						
Cash reserve	216	670	–	–	–	–
Receivables from financial institutions	433	352	88	196	–	–
Receivables from customers	7	2	28,784	26,796	691	964
Other assets	–	–	243	41	–	–
Total	**656**	**1,024**	**29,115**	**27,033**	**691**	**964**
Liabilities						
Liabilities to banks	–	–	2,172	2,712	–	–
Liabilities to customers	–	–	23,549	23,503	–	–
Securitised liabilities	–	–	5,523	4,066	–	–
Other liabilities	–	–	16	19	–	–
Subordinated capital	–	–	660	820	–	–
Total	**–**	**–**	**31,920**	**31,120**	**–**	**–**

Receivables classified in Level 3 are measures as shown in note 9.

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

The fair values of the financial instruments are shown in the following table. The fair value is the amount for which financial instruments can be sold or bought on fair terms on the balance sheet date. Market prices were applied wherever available for measurement purposes. 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.

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	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets						
Measured at fair value						
Derivative financial instruments	33	49	33	49	–	–
Securities	2,912	2,087	2,912	2,087	–	–
Measured at amortised cost						
Cash reserve	216	670	216	670	–	–
Receivables from financial institutions	521	548	522	548	–1	–
Receivables from customers	29,482	27,762	28,738	28,126	744	–364
Other assets	243	41	243	41	–	–
Hedge accounting						
Receivables from customers	5,199	4,791	5,199	4,791	–	–
Derivative financial instruments	71	99	71	99	–	–
Other financial assets	2	2	2	2	–	–
Liabilities						
Measured at fair value						
Derivative financial instruments	30	34	30	34	–	–
Measured at amortised cost						
Liabilities to financial institutions	2,172	2,712	2,181	2,730	–9	–18
Liabilities to customers	24,209	23,503	24,163	23,460	46	43
Securitised liabilities	5,523	4,066	5,518	4,058	5	8
Other liabilities	16	19	16	19	–	–
Subordinated capital	660	820	631	783	29	37
Hedge accounting						
Liabilities to customers	908	1,938	908	1,938	–	–
Derivative financial instruments	76	133	76	133	–	–

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

%	EUR	GBP	PLN
Interest for six months	0.401	0.553	2.687
Interest for one year	0.428	0.644	2.722
Interest for five years	1.258	2.136	3.705
Interest for ten years	2.155	2.986	4.215

53. Offsetting financial assets and financial liabilities

The following table contains disclosures on the effects of offsetting on the consolidated balance sheet as well as the financial effects of offsetting financial instruments that are subject to an enforceable master netting arrangement or similar arrangement.

As a rule, financial assets and financial liabilities are recognised in gross amounts. Financial assets and financial liabilities are only offset if there is a legally enforceable right to set off the recognised amounts and the Volkswagen Bank GmbH Group intends to settle on a net basis.

The amounts that are subject to a master netting arrangement but were not set off because they did not meet some or all of the offsetting criteria are disclosed in the “Financial instruments” column. These are mostly positive and negative market values from derivative financial instruments entered into with the same contracting party.

The “Collateral received” and “Collateral furnished” columns show the amounts of cash collateral received and collateral pledged based on the total amount of assets and liabilities and reported in the form of financial instruments, including the collateral relating to assets and liabilities that have not been offset. This principally relates to collateral furnished in the form of cash collateral from ABS transactions and pledged securities as well as collateral received in the form of cash deposits.

	Gross amount recognised for financial assets/ liabilities		Gross amount recognised for financial assets/ liabilities netted in the balance sheet		Net amount of financial assets /liabilities shown in the balance sheet		AMOUNTS NOT NETTED IN THE BALANCE SHEET: Financial instruments		AMOUNTS NOT NETTED IN THE BALANCE SHEET: Collateral received/ provided		Net amount	
€ million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets												
Cash reserve	216	670	–	–	216	670	–	–	–	–	216	670
Receivables from financial institutions	522	548	–	–	522	548	–	–	–	–	522	548
Receivables from customers	34,014	32,957	–77	–40	33,937	32,917	–	–	–636	–654	33,301	32,263
Derivative financial instruments	104	148	–	–	104	148	–57	–81	–	–	47	67
Securities	2,912	2,087	–	–	2,912	2,087	–	–	–	–	2,912	2,087
Other financial assets	2	2	–	–	2	2	–	–	–	–	2	2
Other assets	250	63	–7	–22	243	41	–	–	–	–	243	41
Total	**38,020**	**36,475**	**–84**	**–62**	**37,936**	**36,413**	**–57**	**–81**	**–636**	**–654**	**37,243**	**35,678**
Liabilities												
Liabilities to financial institutions	2,181	2,730	–	–	2,181	2,730	–	–	–	–	2,181	2,730
Liabilities to customers	25,148	25,438	–77	–40	25,071	25,398	–	–	–	–	25,071	25,398
Securitised liabilities	5,518	4,058	–	–	5,518	4,058	–	–	–1,548	–1,580	3,970	2,478
Derivative financial instruments	106	167	–	–	106	167	–57	–81	–	–	49	86
Other liabilities	23	41	–7	–22	16	19	–	–	–	–	16	19
Subordinated capital	631	783	–	–	631	783	–	–	–	–	631	783
Total	**33,607**	**33,217**	**–84**	**–62**	**33,523**	**33,155**	**–57**	**–81**	**–1,548**	**–1,580**	**31,918**	**31,494**

54. Counterparty credit risk

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

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims under carrying amounts receivable from them and the irrevocable credit commitments. The maximum credit and default risk is reduced through the collateral held and other credit enhancements in the amount of € 23,658 million (previous year: € 22,342 million). This concerns collateral held for receivables from customers classified as assets measured at amortised cost and hedge accounting. Collateral comprises vehicles and assets transferred as security, as well as guarantees and real property liens. Cash collateral is also used in connection with hedge accounting.

The following table shows the quality of the financial assets:

€ million	GROSS CARRYING AMOUNT		NEITHER PAST DUE NOR IMPAIRED		PAST DUE AND NOT IMPAIRED		IMPAIRED	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Measured at fair value	2,945	2,136	2,945	2,136	–	–	–	–
Measured at amortised cost								
Cash reserve	216	670	216	670	–	–	–	–
Receivables from financial institutions	522	548	522	548	–	–	–	–
Receivables from customers	29,765	29,031	28,182	27,254	395	301	1,188	1,476
Other assets	243	41	243	41	–	–	–	–
Hedge accounting								
Receivables from customers	5,342	4,892	5,156	4,734	78	59	108	99
Derivative financial instruments	71	99	71	99	–	–	–	–
Other financial assets	2	2	2	2	–	–	–	–
Total	**39,106**	**37,419**	**37,337**	**35,484**	**473**	**360**	**1,296**	**1,575**

In the 2013 financial year, there were additions to risk provisions of € 345 million (previous year: € 361 million) in the class, "Assets measured at amortised cost", and € 52 million (previous year: € 15 million) in the class, "Hedge-accounting".

The maximum default risk from irrevocable credit commitments class is € 1,271 million (previous year: € 1,173 million).

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

€ million	NEITHER PAST DUE NOR IMPAIRED 31.12.2013	NEITHER PAST DUE NOR IMPAIRED 31.12.2012	RISK CLASS 1 31.12.2013	RISK CLASS 1 31.12.2012	RISK CLASS 2 31.12.2013	RISK CLASS 2 31.12.2012
Measured at fair value	2,945	2,136	2,945	2,136	–	–
Measured at amortised cost						
Cash reserve	216	670	216	670	–	–
Receivables from financial institutions	522	548	522	548	–	–
Receivables from customers	28,182	27,254	24,354	23,543	3,828	3,711
Other assets	243	41	243	41	–	–
Hedge accounting						
Receivables from customers	5,156	4,734	4,112	3,760	1,043	974
Derivative financial instruments	71	99	71	99	–	–
Other financial assets	2	2	2	2	–	–
Total	**37,337**	**35,484**	**32,465**	**30,799**	**4,872**	**4,685**

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 31.12.2013	PAST DUE AND NOT IMPAIRED 31.12.2012	PAST DUE WITHIN THE FOLLOWING PERIODS: up to 1 month 31.12.2013	up to 1 month 31.12.2012	1 to 3 months 31.12.2013	1 to 3 months 31.12.2012	more than 3 months 31.12.2013	more than 3 months 31.12.2012
Measured at fair value	–	–	–	–	–	–	–	–
Measured at amortised cost								
Cash reserve	–	–	–	–	–	–	–	–
Receivables from financial institutions	–	–	–	–	–	–	–	–
Receivables from customers	395	301	308	229	87	72	–	–
Other assets	–	–	–	–	–	–	–	–
Hedge accounting								
Receivables from customers	78	59	55	36	23	23	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–	–	–
Total	**473**	**360**	**363**	**265**	**110**	**95**	**–**	**–**

Gross carrying amounts of impaired receivables:

€ million	31.12.2013	31.12.2012
Measured at fair value	–	–
Measured at amortised cost		
Cash reserve	–	–
Receivables from financial institutions	–	–
Receivables from customers	1,188	1,476
Other assets	–	–
Hedge accounting		
Receivables from customers	108	99
Derivative financial instruments	–	–
Other financial assets	–	–
Total	**1,296**	**1,575**

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	31.12.2013	31.12.2012
Vehicles	42	36
Property	–	–
Other movables	–	–
Financial assets	–	–
Total	**42**	**36**

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

55. 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:

€ million	Assets 31.12.2013	Assets 31.12.2012	Payable on demand 31.12.2013	Payable on demand 31.12.2012	Up to 3 months 31.12.2013	Up to 3 months 31.12.2012	3 months to 1 year 31.12.2013	3 months to 1 year 31.12.2012	1 to 5 years 31.12.2013	1 to 5 years 31.12.2012
Cash reserve	216	670	216	670	–	–	–	–	–	–
Receivables from financial institutions	522	548	264	209	170	339	5	–	83	–
Securities	2,912	1,586	–	–	2,912	135	–	154	–	1,297
Total	**3,650**	**2,804**	**480**	**879**	**3,082**	**474**	**5**	**154**	**83**	**1,297**

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

			REMAINING CONTRACTUAL MATURITY							
	CASH OUTFLOWS		up to 3 months		3 months to 1 year		1 to 5 years		more than 5 years	
€ million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Liabilities to financial institutions	2,182	2,784	1,984	388	125	126	50	2,239	23	31
Liabilities to customers	25,330	25,827	21,324	21,789	2,658	1,633	806	1,873	542	532
Securitised liabilities	5,587	4,089	371	425	2,306	2,201	2,910	1,463	0	–
Derivative financial instruments	3,495	2,180	252	1,534	2,937	295	306	351	0	0
Other liabilities	16	19	14	17	0	1	1	1	1	0
Subordinated capital	666	824	21	39	236	208	361	537	48	40
Irrevocable credit commitments	1,271	1,173	118	123	1,153	1,049	0	1	0	0
Total	**38,547**	**36,896**	**24,084**	**24,315**	**9,415**	**5,513**	**4,434**	**6,465**	**614**	**603**

56. 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 VaR indicates the scope of a possible loss in the overall portfolio that will not be exceeded with a 99% probability within a 40-day period. It requires an interest rate gap analysis that shows all cash flows resulting from original and derivative financial instruments. The historical market data used to determine the VaR comprise the 1,000 most recent trade dates.

This yields the following figures:

€ million	2013	2012
Interest rate risk	46	26
Currency translation risk	0	0
Total market risk	**46**	**26**

57. Foreign currency items

In the Volkswagen Bank GmbH Group the following assets and liabilities are contained in the currencies shown as at 31 December 2013:

€ million	CZK	GBP	NOK	PLN	RUB	TRY	Other
Cash reserve	–	1	–	11	–	–	–
Receivables from financial institutions	–	2	0	32	8	–	0
Receivables from customers	97	1,824	31	374	–	220	2
Securities	–	62	–	75	–	–	–
Intangible assets	–	–	–	41	–	–	–
Property, plant and equipment	–	–	–	3	–	–	–
Income tax assets	–	2	–	7	–	–	–
Other assets	–	–2	–	1	–	–	–
Assets	**97**	**1,889**	**31**	**544**	**8**	**220**	**2**
Liabilities to financial institutions	0	125	–	28	–	0	0
Liabilities to customers	–	94	–	393	–	–	–
Securitised liabilities	–	–	–	10	–	–	–
Provisions	–	2	–	4	–	–	–
Income tax obligations	–	4	–	5	–	–	–
Other liabilities	–	0	–	2	–	–	–
Liabilities	**0**	**225**	**–**	**442**	**–**	**0**	**0**

58. 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. 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 RISK

A market 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). They are based on interest rate gap analyses which are subjected to various interest rate scenarios and thus quantify the interest rate risk. The interest rate hedging contracts concluded comprise interest rate swaps and cross-currency interest rate swaps.

CURRENCY RISK

To avoid currency risks, currency hedging contracts consisting of forward exchange transactions and interest rate/currency swaps are used. As a rule, all cash flows in foreign currency are hedged.

LIQUIDITY RISK/FUNDING 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.

DEFAULT RISK

The default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the total net amount of the claims against the respective counterparty.

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 default risk is considered to be small. Furthermore, the default risk from transactions is also minimised by furnishing collateral, as stipulated by regulatory provisions.

Concentrations of risk arise in the Volkswagen Bank GmbH Group to varying degrees. A detailed description of these risks is provided in the report on opportunities and risks in the combined management report.

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	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Cash flow hedges						
Interest rate swaps	–	10	–	–	–	–
Cross-currency interest rate swaps	–	–	–	–	–	–
Currency futures contracts	3	1,658	1	0	–	–
Currency swaps	244	70	17	262	–	–
Other						
Interest rate swaps	5,759	3,265	5,729	6,934	0	32
Cross-currency interest rate swaps	1,327	–	–	–	–	–
Currency futures contracts	176	0	8	–	–	–
Currency swaps	5	–	217	–	–	–
Total	**7,514**	**5,003**	**5,972**	**7,196**	**0**	**32**

The periods related to future payments on the items hedged with the cash flow hedges correspond to the maturity of the hedges.

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

SEGMENT REPORTING

59. Division by geographical markets

The reportable segments of the Volkswagen Bank GmbH Group as defined by IFRS 8, based on the internal reporting structure, are the reporting entities in Germany, Italy, France and "Other", with the latter including the branches in the United Kingdom, the Netherlands, Spain, Ireland, Greece and Portugal as well as VOLKSWAGEN BANK POLSKA S.A.

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, the result from derivative financial instruments 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 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 risk provisions on branch receivables in those countries that are at the heart of the euro crisis are allocated to the Germany segment.

€ million	Germany	Italy	France	Other	Consolidation	Total
	2013 FINANCIAL YEAR					
Revenue from lending transactions with third parties	981	113	76	174	–	1,344
Revenue from intersegment lending transactions	75	0	0	0	−75	–
Segment revenue from lending transactions	1,056	113	76	174	−75	1,344
Revenue from leasing transactions	–	49	237	1	–	287
Commission income	148	41	54	11	–	254
Revenue	**1,204**	**203**	**367**	**186**	**−75**	**1,885**
Cost of sales from lending and leasing transactions	–	−24	−72	−1	–	−97
Write-ups on leased assets and investment property	–	–	–	–	–	–
Depreciation and impairment losses on leased assets and investment property	–	–	−77	–	–	−77
of which impairment losses pursuant to IAS 36	–	–	–	–	–	–
Interest expense (part of the operating result)	−267	−21	−36	−36	75	−285
Provisions for risks arising from lending and leasing business	−180	−32	−22	−23	–	−257
Commission expenses	−122	−31	−46	−5	–	−204
Result from derivative financial instruments (part of the operating result)	−13	–	–	–	–	−13
General administration expenses (part of the operating result)	−520	−52	−76	−79	1	−726
Other operating result (part of the operating result)	222	0	−1	9	−1	229
Segment result (operating result)	**324**	**43**	**37**	**51**	**–**	**455**
Interest income not classified as revenue	16	–	–	–	–	16
Interest expense (not part of the operating result)	0	–	–	–	–	0
Result from derivative financial instruments (not part of the operating result)	−19	–	0	–	–	−19
Result from available-for-sale assets	–	–	–	–	–	–
Result from joint ventures accounted for using the equity method	6	–	–	–	–	6
Result from other financial assets	0	–	–	3	–	3
General administration expenses (not part of the operating result)	−2	0	–	0	–	−2
Other operating result (not part of the operating result)	0	–	–	–	–	0
Pre-tax result	**325**	**43**	**37**	**54**	**–**	**459**
Taxes on income and earnings	−99	−20	−19	−13	–	−151
Income after taxes	**226**	**23**	**18**	**41**	**–**	**308**
Net income attributable to Volkswagen Financial Services AG	226	23	18	41	–	308
Segment assets	**20,151**	**2,953**	**3,858**	**3,785**	**–**	**30,747**
of which non-current assets	12,080	1,454	1,528	733	–	15,795
Segment liabilities	**30,256**	**2,918**	**3,303**	**3,552**	**−8,147**	**31,882**

The presentation for the previous year is as follows:

€ million	Germany	Italy	France	Other	Consolidation	Total
	2012 FINANCIAL YEAR					
Revenue from lending transactions with third parties	1,118	120	81	177	–	1,496
Revenue from intersegment lending transactions	107	0	0	0	−107	–
Segment revenue from lending transactions	1,225	120	81	177	−107	1,496
Revenue from leasing transactions	–	51	199	–	–	250
Commission income	148	34	46	11	–	239
Revenue	**1,373**	**205**	**326**	**188**	**−107**	**1,985**
Cost of sales from lending and leasing transactions	–	−21	−62	0	–	−83
Write-ups on leased assets and investment property	–	–	–	–	–	–
Depreciation and impairment losses on leased assets and investment property	–	–	−59	–	–	−59
of which impairment losses pursuant to IAS 36	–	–	–	–	–	–
Interest expense (part of the operating result)	−470	−36	−44	−54	107	−497
Provisions for risks arising from lending and leasing business	−41	−25	−22	−24	–	−112
Commission expenses	−107	−23	−51	−3	–	−184
Result from derivative financial instruments (part of the operating result)	−9	–	–	–	–	−9
General administration expenses (part of the operating result)	−478	−53	−70	−81	1	−681
Other operating result (part of the operating result)	76	2	6	5	−1	88
Segment result (operating result)	**344**	**49**	**24**	**31**	**–**	**448**
Interest income not classified as revenue	20	–	–	–	–	20
Interest expense (not part of the operating result)	0	–	–	–	–	0
Result from derivative financial instruments (not part of the operating result)	−28	–	–	–	–	−28
Result from available-for-sale assets	–	–	–	−1	–	−1
Result from joint ventures accounted for using the equity method	118	–	–	–	–	118
Result from other financial assets	0	–	–	4	–	4
General administration expenses (not part of the operating result)	−3	0	–	0	–	−3
Other operating result (not part of the operating result)	0	0	–	–	–	0
Pre-tax result	**451**	**49**	**24**	**34**	**–**	**558**
Taxes on income and earnings	−88	−17	−10	−12	–	−127
Income after taxes	**363**	**32**	**14**	**22**	**–**	**431**
Net income attributable to Volkswagen Financial Services AG	363	32	14	22	–	431
Segment assets	**19,577**	**2,916**	**3,364**	**3,402**	**–**	**29,259**
of which non-current assets	11,211	1,416	1,631	641	–	14,899
Segment liabilities	**31,153**	**2,951**	**2,904**	**3,213**	**−8,009**	**32,212**

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

€ million	31.12.2013	31.12.2012
Interest income from lending transactions	1,360	1,516
./. Interest income not classified as revenue	16	20
Net income from leasing transactions before provisions for risks	113	108
./. Expenses from leasing business	–97	–83
./. Depreciation and impairment losses on leased assets and investment property	–77	–59
./. Write-ups on leased assets and investment property	–	–
Commission income	254	239
Consolidated revenue	**1,885**	**1,985**
Net income from leasing transactions before provisions for risks	113	108
./. Income from leasing transactions	287	250
./. Depreciation and impairment losses on leased assets and investment property	–77	–59
Cost of sales from lending and leasing transactions	**–97**	**–83**
Receivables from customers arising from		
Retail financing	20,431	19,557
Dealer financing	7,973	7,738
Leasing business	1,789	1,540
Other receivables	3,744	4,082
of which not included in segment assets	–3,561	–3,914
Leased assets	371	256
Consolidated assets acc. to segment reporting	**30,747**	**29,259**
Liabilities to financial institutions	2,181	2,730
of which not included in borrowings	0	0
Liabilities to customers	25,071	25,398
of which not included in borrowings	–1,501	–755
Securitised liabilities	5,518	4,058
of which not included in borrowings	–18	–2
Subordinated capital	631	783
Consolidated liabilities acc. to segment reporting	**31,882**	**32,212**

All business relations between the segments are handled 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 reporting entities of the Volkswagen Bank GmbH Group.

The result from joint ventures accounted for using the equity method is allocated 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: € 4 million) in the Italy segment, € 241 million (previous year: € 158 million) in the France segment and € 5 million (previous year: € 6 million) in the other reporting entities. As in the previous year, there were no additions to these assets in the Germany segment. Depreciation, amortisation and impairment losses totalled € 1 million (previous year: € 1 million) in the Germany segment, € 4 million (previous year: € 3 million) in the Italy segment, € 79 million (previous year: € 60 million) in the France segment, and € 4 million (previous year: € 5 million) in the other reporting entities.

OTHER NOTES

60. 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.

61. Off-balance-sheet commitments

€ million	31.12.2013	31.12.2012
Contingent liabilities		
Liabilities from surety and warranty agreements	110	199
Other obligations		
Irrevocable credit commitments	1,271	1,173
Other financial obligations		
Purchase obligations	11	7
Other	2	–

The obligations under non-cancellable rental and leasing contracts in the Volkswagen Bank GmbH Group will trigger expenses of € 3 million (previous year: € 2 million) in the 2014 financial year and € 4 million (previous year: € 5 million) in the 2015 to 2018 financial years. The irrevocable credit commitments may be utilised at any time.

62. 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.

63. Average number of employees during the financial year

	2013	2012
Salaried employees	1,215	1,139
of which senior management	61	60
of which part time staff	55	44
Trainees	8	7

64. Related parties

Related parties as defined by IAS 24 are persons or entities which can be influenced by Volkswagen Bank GmbH or which can influence Volkswagen Bank GmbH or which are influenced by another related party of Volkswagen Bank GmbH.

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. As a result, Porsche SE can no longer appoint the majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the opportunity to participate in the Volkswagen Group's corporate decision making.

Porsche SE contributed its holding company operating business to Volkswagen AG by way of singular succession on 1 August 2012. Under the terms of the Comprehensive Agreement, Porsche SE and Volkswagen AG had granted each other put and call options with regard to the remaining 50.1% interest in Porsche Holding Stuttgart held by Porsche SE until the contribution of its holding company operating business to Volkswagen AG. The strike price for the two options was € 3,883 million and was subject to specific adjustments. In the course of the contribution, the legal position of Porsche SE under the put and call options was transferred to Volkswagen AG in each case such that the options were extinguished due to confusion of rights.

According to the notification dated 8 January 2014, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on 31 December 2013. In addition – as described above – the General Meeting of Volkswagen AG resolved on 3 December 2009 that the State of Lower Saxony is entitled to appoint two members of the Supervisory Board.

A control and profit transfer agreement between the sole shareholder, Volkswagen Financial Services AG, 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, collateral from Volkswagen AG and its subsidiaries was furnished 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 non-consolidated subsidiaries as well as other Group entities that are related parties of Volkswagen AG are handled at normal market terms.

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

2013 FINANCIAL YEAR

€ million	Supervisory Board Audit Committee	Board of Management	Volkswagen AG	Porsche SE	Volkswagen Financial Services AG	Other related parties within the Group	Non-consolidated subsidiaries	Joint ventures	Associated companies
Receivables	0	0	0	–	37	4,123	88	–	–
Allowances on receivables	–	–	–	–	–	–	–	–	–
of which: additions, current year	–	–	–	–	–	–	–	–	–
Obligations	4	7	1,133	400	1,162	1,194	6	–	–
Interest income	0	0	5	–	0	118	3	–	–
Interest expense	0	0	–3	–1	–3	–15	0	–	–
Services and products provided	–	–	0	–	50	132	6	–	–
Services and products received	–	–	–58	–	–786	–101	–1	–	–
Provision of sureties	–	–	3	–	–	0	–	–	–

2012 FINANCIAL YEAR

€ million	Supervisory Board Audit Committee	Board of Management	Volkswagen AG	Porsche	Volkswagen Financial Services AG	Other related parties within the Group	Non-consolidated subsidiaries	Joint ventures	Associated companies
Receivables	0	0	1	–	10	3,853	15	–	–
Allowances on receivables	–	–	–	–	–	–	–	–	–
of which: additions, current year	–	–	–	–	–	–	–	–	–
Obligations	4	6	1,103	871	646	1,620	6	–	–
Interest income	0	0	6	0	0	126	0	–	–
Interest expense	0	0	–8	1	–4	–24	0	–	–
Services and products provided	–	–	69	0	40	144	6	–	–
Services and products received	–	–	–1	0	–671	–74	0	–	–
Provision of sureties	–	–	–	–	–	–	–	–	–

Since the contribution of the holding company operating business to Volkswagen AG on 1 August 2012, the Porsche column only shows the business relationships with Porsche SE, Stuttgart. The obligations as at the balance sheet date result from term deposits of Porsche SE held with Volkswagen Bank GmbH. The column "Other related parties within the Group" includes, in addition to fellow subsidiaries, joint ventures of Volkswagen AG that are Group entities and as such are related parties of Volkswagen AG. The service relationships with the Board of Management and the Supervisory Board/Audit Committee include the corresponding groups of people at Volkswagen Bank GmbH, Volkswagen Financial Services AG and the Group parent, Volkswagen AG. The relationships to benefit plans were of minor importance, as in the previous year.

Members of the Board of Management and of the Audit Committee 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 € 1 million (previous year: € 1 million).

A total of € 4 million (previous year: € 5 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.

65. Corporate bodies of the Volkswagen Bank GmbH Group

The Board of Management is made up as follows:

ANTHONY BANDMANN
Spokesman of the Board of Management
Strategy & Marketing
Sales Individual Customers & Corporate Customers
Customer Service & Process Management Individual Customers International

TORSTEN ZIBELL
Direct bank
Treasury

DR. HEIDRUN ZIRFAS
Finance, Risk Management
Market Support, Dealer Restructuring
Human Resources, Organisation

The Audit Committee has the following members:

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

WALDEMAR DROSDZIOK
Deputy Chairman
Chairman of the Joint Works Council of Volkswagen Financial Services AG
and Volkswagen Bank GmbH

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

JÖRG THIELEMANN
Head of Customer Service Retail North/East of Volkswagen Bank GmbH

66. Shareholdings

Name and domicile of company	Percentage of capital and voting rights held
I. Subsidiaries	
VOLKSWAGEN BANK POLSKA S.A., Warsaw, Poland	100.0
VOLKSWAGEN SERWIS UBEZPIECZENIOWY SP. Z.O.O., Warsaw, Poland	100.0
II. Equity investments	
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, Germany	0.02
Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium	0.01
Visa Europe Limited, London, United Kingdom	0.03
III. Investments in affiliated companies	
OOO Volkswagen Bank RUS, Moscow, Russian Federation	1.0

As at 31 December 2012, the equity of VOLKSWAGEN BANK POLSKA S.A. totalled € 62 million (PLN € 259 million); the result of VOLKSWAGEN BANK POLSKA S.A. amounted to € 5 million (PLN € 19 million) in 2012. All information refers to the company's IFRS financial statements.

The special purpose entities included in the consolidated financial statements pursuant to SIC 12 – Driver Two GmbH i.L., Driver Three GmbH i.L., Driver Six GmbH i.L, Driver Seven GmbH, Driver Eight GmbH, Driver Nine GmbH, Private Driver 2008-1 GmbH i.L., Private Driver 2008-2 GmbH i.L., Private Driver 2008-3 GmbH i.L., Private Driver 2008-4 GmbH i.L., Private Driver 2010-1 fixed GmbH, Private Driver 2011-1 GmbH, Private Driver 2011-2 GmbH, Private Driver 2011-3 GmbH, Private Driver 2012-1 GmbH, Private Driver 2012-2 GmbH, Private Driver 2012-3 GmbH, Driver Ten GmbH and Driver Eleven GmbH – all domiciled in Frankfurt am Main, each have subscribed capital of € 25,050. The entities, Private Driver 2013-1 UG (limited liability) and Private Driver 2013-2 UG (limited liability), both domiciled in Frankfurt am Main, each have share capital of € 5,100. Driver France FCT Compartiment 2013-1 has liable capital of € 300. The special purpose entities that were operational in 2013 each posted earnings of under € 0.1 million in 2013.

No disclosures are made regarding VOLKSWAGEN SERWIS UBEZPIECZIOWY SP. Z.O.O., the equity investments and OOO Volkswagen Bank RUS, Moscow, Russian Federation, given their insignificance. For the same reason, no disclosures are made pursuant to IFRS 7.30.

67. Post-balance sheet date events

Volkswagen Financial Services AG paid € 150 million into the capital reserve in January 2014.

On 6 February 2014, Volkswagen Bank GmbH issued a € 0.8 billion benchmark bond.

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, 7 February 2014
The Board of Management

Anthony Bandmann

Torsten Zibell

Dr. Heidrun Zirfas

Independent Auditors' Report

We have audited the consolidated financial statements prepared by Volkswagen Bank Gesellschaft mit beschränkter Haftung, Braunschweig, comprising the balance sheet, income statement and statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of Volkswagen Bank Gesellschaft mit beschränkter Haftung, Braunschweig, for the financial year from 1 January to 31 December 2013.

The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Para. 1 HGB (German Commercial Code) are the responsibility of the company's Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Hanover, 7 February 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ralf Schmitz	ppa. Georg Lange
Auditor	Auditor

Report of the Audit Committee

OF VOLKSWAGEN BANK GMBH

Volkswagen Bank GmbH is a publicly traded company within the meaning of § 264d of the HGB. The company established an Audit Committee pursuant to the provisions of § 324 HGB whose principal tasks are described in § 107 Para. 3 Sentence 2 German Stock Corporation Act (AktG). The Audit Committee consists of four members; its composition has not changed compared to the previous year.

The Audit Committee convened for three regular meetings in the financial year; there were no extraordinary meetings. In the reporting period there were no urgent matters to be resolved in writing by means of a circular memorandum. All members of the Audit Committee attended all of the meetings.

At its meeting on 27 February 2013, the Audit Committee examined the annual financial statements and the management report, the consolidated financial statements and the Group management report of Volkswagen Bank GmbH for the 2012 financial year as well as the proposal on the appropriation of profit. At the same time, the reports on the audit of the annual financial statements and the management report, the consolidated financial statements and the Group management report of Volkswagen Bank GmbH as well as important matters and issues concerning the accounting were discussed with the auditors. The Audit Committee reported on the audit to the sole shareholder. Furthermore, the Committee requested explanations of the extent to which relationships of a professional, financial or other nature exist between the auditor of the financial statements and the company or its corporate bodies in order to assess the independence of the auditor. In this context, the Audit Committee obtained information about the services performed for the company by the auditor in addition to auditing activities and about grounds for exclusion or indications of bias. After extensive review of the auditor's independence, the Audit Committee of the sole shareholder issued a recommendation on appointment of the auditor and prepared the resolution of the shareholders' meeting on issuing the audit engagement.

At its second meeting on 12 June 2013, the Audit Committee concerned itself with the material business transactions in the first six months of 2013 and work in connection with the half-yearly financial reporting. The Audit Committee also dealt with assessing the effectiveness of the internal control system (ICS), the risk management system and compliance issues. The Audit Committee asked the head of Group Risk Management & Methods, the head of Internal Audit and the Chief Compliance Officer to explain, among other things, material changes in the regulatory and statutory environment and the status of the work performed on these topics during the financial year.

At its final meeting in the reporting year on 14 November 2013, the Audit Committee asked the head of Internal Audit to report on the processing status of the audit programme and the findings of the audits performed. Furthermore, the material business transactions of the 2013 financial year and the planning for the audit of the annual and consolidated financial statements for 2013 were discussed with the auditor of the financial statements.

Braunschweig, 26 February 2014

Dr. Arno Antlitz
Chairman

Waldemar Drosdziok
Deputy Chairman

Dr. Jörg Boche
Member

Jörg Thielemann
Member

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.

VOLKSWAGEN BANK GMBH

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