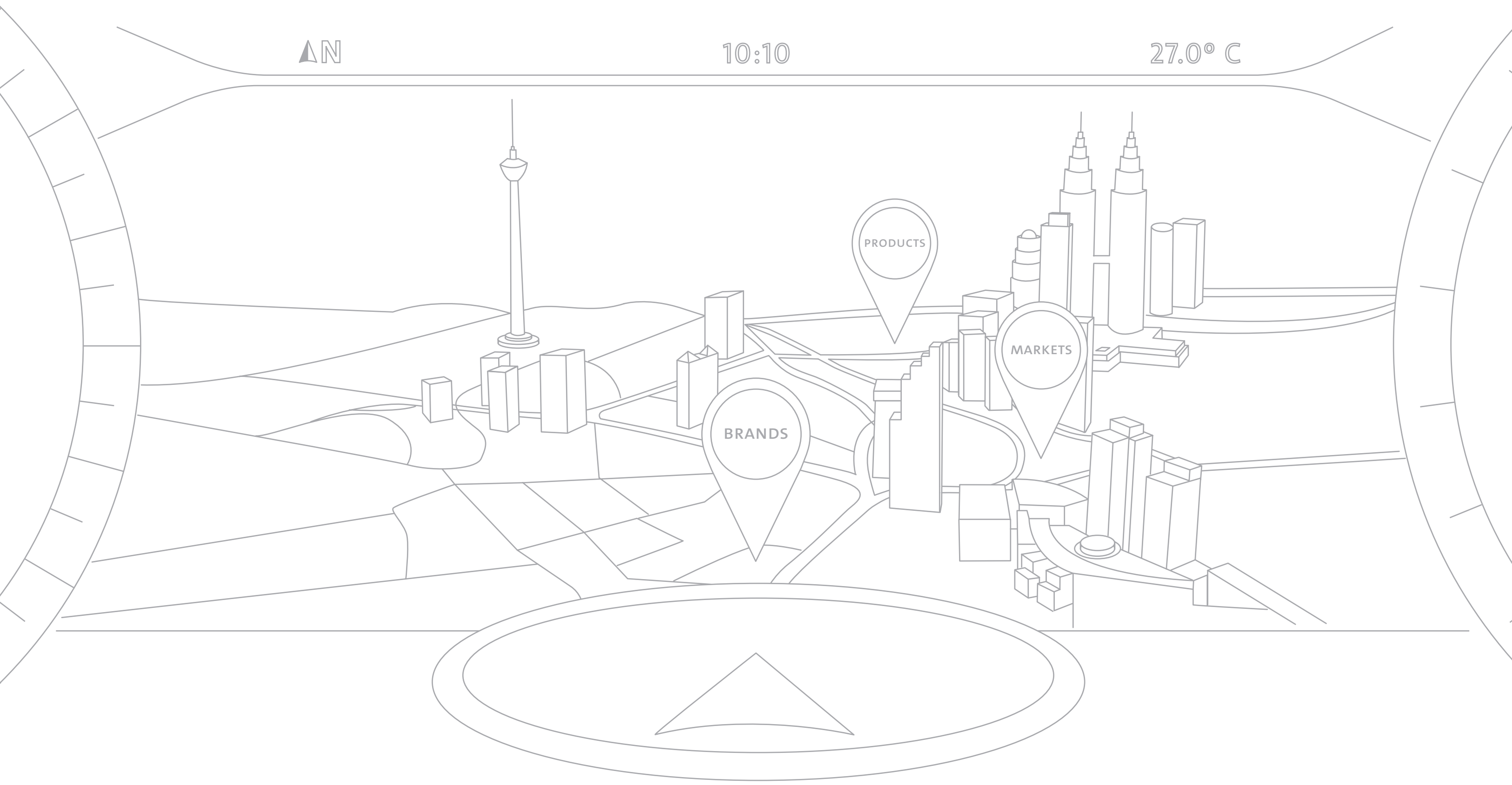
VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



ANNUAL REPORT (IFRS)

OF VOLKSWAGEN BANK GMBH

2014

Volkswagen Bank GmbH Group

KEY FIGURES (IFRS)

in € million (as of Dec. 31)	2014	2013	2012	2011	2010
Total assets	42,947	39,378	39,220	37,866	32,826
Receivables arising from					
Retail financing	21,779	20,431	19,557	17,939	17,696
Dealer financing	8,928	7,973	7,738	7,435	6,261
Leasing business	2,108	1,789	1,540	1,412	1,232
Customer deposits	25,252	23,140	23,722	22,592	20,078
Equity	4,864	4,699	5,021	4,883	4,690
Profit before tax	464	459	558	494	480
Taxes on income and earnings	–153	–151	–127	–125	–131
Profit after tax	310	308	431	369	349

in % (as of Dec. 31)	2014	2013	2012	2011	2010
Equity ratio	11.3	11.9	12.8	12.9	14.3
Common tier 1 capital ratio[1]	13.2	-	-	-	-
Tier 1 capital ratio[1]	13.2	14.0	13.5	14.4	15.6
Total tier 1 ratio[1]	13.4	14.7	14.9	16.3	18.6

Number (as of Dec. 31)	2014	2013	2012	2011	2010
Employees	839	938	864	753	631

RATING (AS OF DEC. 31, 2014)	STANDARD & POOR'S			MOODY'S INVESTORS SERVICE		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Volkswagen Bank GmbH	A–1	A	Stable	Prime–2	A3	Positive
Volkswagen Financial Services AG	A–1	A	Stable	Prime–2	A3	Positive

1 From 2010 to 2013 the regulatory equity ratios were calculated in accordance with the German Solvency Regulation. From 1. January 2014, these ratios are calculated pursuant to Article 92 of the Capital Requirements Regulation (CRR). In accordance with the naming convention in the CRR, the common tier 1 capital ratio was adopted and the overall ratio is now designated as the total tier 1 capital ratio.

Annual Report (IFRS) of Volkswagen Bank GmbH

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Fundamental information about the Group

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

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 transactions

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

Leasing

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

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.

Brokerage 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 organizations of the Volkswagen Group.

ORGANIZATION OF THE VOLKSWAGEN BANK GMBH GROUP

In 2014 the Volkswagen Bank GmbH Group continued to pursue 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 organizational realignment which took effect as of January 1, 2014.

The clear organizational, legal and personnel separation of the functions and areas of activity between the holding company and the German market was then implemented for all German legal units within the Volkswagen Financial Services AG Group on January 1, 2014. The aim of this restructuring is to outline clear responsibilities, avoid duplicated functions and leverage further potential for optimization. Consequently, Volkswagen Bank GmbH realigned itself in 2014 to reflect the new structure and division of responsibilities and also reviewed the responsibilities of the specialist areas and adjusted these where necessary. This means that the German market, like the European branches, is now managed as an independent market.

Until the end of 2013, the Direct Banking customer group was headed up by Torsten Zibell, who had overall responsibility for product development, marketing, sales, process management, customer service and receivables management in the direct banking business. Product development and direct bank marketing were separated and moved to a central unit on January 1, 2014 which is managed by Anthony Bandmann. Due to the realignment of the German market and thus of Volkswagen Bank GmbH, various aspects of process management were transferred during 2014. With the goal of establishing a comprehensive, sustainable process management structure, this area of activity was analyzed in detail in

2014 and restructured as of January 1, 2015 and brought together under a single area of responsibility within Torsten Zibell's division.

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. To further expand upon this approach, Marketing and Sales Management were also established in addition to Sales. The processes for acquiring financing contracts and, as a service for Volkswagen Leasing GmbH, for acquiring leasing contracts have been combined. A close regional integration of the Market and Market Support functions is also the foundation for the corporate customer segment. Market Support bundles credit analysis and loan approval processes together with special assistance under the leadership of Dr. Heidrun Zirfas in order to guarantee rapid process speed and a high degree of customer satisfaction. Dr. Heidrun Zirfas has also been responsible for Human Resources in the German market since January 1, 2014. Legal Affairs, Internal Audit, Compliance, Finance and Risk Management in the German market were also restructured within Dr. Zirfas' business unit.

The structure and organization 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. The Ducati Bank branch provides support for motorcycle financing.

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 fiscal year 2014, 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, Greece, the United Kingdom, Ireland, Italy, the Netherlands, Portugal and Spain conducted its local business with its own staff. The branches employed 833 members of staff as of the end of 2014 (previous year: 765).

INTERNAL MANAGEMENT

The company's control variables are calculated based on IFRS and presented in its internal reporting. The most important non-financial control variables are penetration, 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 recognized in the reporting period as of the reporting date
New contracts	Number of contracts recognized 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 banking
Deposit volume	Customer deposits = sum of liabilities arising from deposits from the direct banking business, current wholesale accounts, the non-direct banking business
Operating result	Net income from lending and leasing transactions after risk provision 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 WITH RESPECT TO EQUITY INVESTMENTS

Since April 2014, Volkswagen Bank GmbH has held shares in BV-BGPB Beteiligungsgesellschaft privater Banken für Internet- und mobile Bezahlungen mbH which is headquartered in Berlin. The company was newly founded. The stake of Volkswagen Bank GmbH in the company is 2.5%.

Report on economic position

During the 2014 fiscal year the world's economy experienced moderate growth that was slightly above the previous year's level. Global demand for automobiles continued to rise and the Volkswagen Bank GmbH Group generated a high level of earnings once again.

MODERATE GROWTH OF THE GLOBAL ECONOMY

In fiscal year 2014, the global economy grew at a slightly higher rate of 2.7% (previous year: 2.6%). The economic situation in many industrialized countries improved despite persistent structural impediments. In spite of the expansionary monetary policy adopted by many central banks, inflation remained moderate on the whole. In a number of emerging markets, economic developments were curbed by exchange rate fluctuations and structural deficits. The declining price of oil also had a negative impact on the economies of oil-producing countries.

Europe

Growth in the gross domestic product (GDP) of Western Europe recovered from the previous year to rise to 1.2% (previous year: 0.0%). The Northern European countries largely returned to a path of moderate growth, and in most crisis countries of Southern Europe there were indications of an end to the recession. The unemployment rate in the eurozone fell slightly to 12.1% (previous year: 12.5%). This figure was still well above average in Greece and Spain.

Germany

On the back of positive consumer sentiment and a stable labor market, the German economy underwent a slight upturn in 2014 to grow by 1.5% year-on-year (previous year: 0.2%).

FINANCIAL MARKETS

Continuing expansionary monetary policy worldwide

Developments on the global financial markets continued to be dominated by expansionary monetary policies in 2014 and were hampered by the geopolitical tensions in Ukraine and Syria.

The situation in the emerging markets led to an economic slowdown, particularly in the second half of the year, and the major nations such as Russia, Brazil and India are having to battle with high inflation rates and depreciation in their currencies.

Although the forecast for China's economic situation has worsened considerably, the country still remains one of the most important driving forces behind the global economy.

Sector-specific environment

The European Central Bank (ECB) continued its expansionary monetary policy and cut its key interest rate to 0.15% at the start of June. At the start of September, the ECB reduced the key interest rate again to the historically low level of 0.05% while at the same time setting a negative interest rate of 0.2% on cash deposits in its accounts.

In the US, the expansionary monetary policy gradually began to bear fruit, which led to the discontinuation of the quantitative easing program and created expectations that an end to the current low interest rate period is in sight.

Europe

The outlook for the eurozone as a whole is one of stagnation, despite the monetary measures that have been taken, and average annual inflation remains extremely low.

In addition to its unusually large interest rate cuts, the ECB launched a quantitative easing program in the third quarter and began purchasing asset-backed securities. This brought about a short-term revival in the markets but also led to upheavals. In addition, yields on eurozone government bonds plummeted, with those for the German government even falling into negative territory at times.

A further ECB measure – the provision of liquidity through two tranches of so-called Targeted Longer-Term Refinancing Operations (TLTROs) – was significantly less successful than expected due to weak demand among banks for both the first tranche in September and the second in December.

Rather than bringing about a short-term revival in eurozone economic growth, the ECB measures actually led to a further fall in yields on European securities and created a global equity bull market of extremely high volatility. As a result, the DAX reached a historic high of over 10,000 points in June 2014 and, like the world's other leading stock exchanges, continues to find itself in a phase of sharp fluctuations at a high level.

One major step for numerous European Union banks this year was a change in their supervision. The 120 banks classed as significant were placed under the direct supervision of the European Central Bank with joint supervisory teams from the ECB and the national authorities, and have been monitored under the Single Supervisory Mechanism (SSM) for banks since November 4, 2014. Responsibility for the operational supervision of the banks classed as less significant remains with the national supervisory authorities.

Germany

Despite signs of a deterioration in the outlook, Germany remained the driving force behind the European economy in 2014. Forecasts for economic growth declined, and increased demand on the bond market for low-risk German debentures as well as among international investors caused yields to reach historically low or even negative levels. The reluctance to invest was coupled with a weakening economy over the course of the year, although private consumption did make a substantial contribution to gross domestic product, in part due to the lack of incentives to save.

INTEGRATION INTO THE VOLKSWAGEN GROUP

The Volkswagen Bank GmbH Group is part of the Volkswagen Financial Services AG Subgroup, 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 DEMAND FOR PASSENGER CARS HITS NEW RECORD HIGH

In fiscal year 2014, the number of global registrations of new passenger cars rose by 4.5% to 73.4 million vehicles, surpassing the previous year's record level. The regions of Asia Pacific, North America and Western and Central Europe in particular contributed to this growth.

SECTOR-SPECIFIC ENVIRONMENT

Passenger car markets around the world performed quite differently during the reporting year: While demand in key industrial countries recovered slowly and markets in the Asia-Pacific region continued to experience strong growth, some markets in Eastern Europe and South America reported considerable declines.

Europe

In Western Europe, the stabilization of the passenger car markets that had begun in the second half of 2013 continued in the reporting year. After four years of declines, the number of new registrations rose again for the first time. However, at 12.1 million vehicles (+4.9%), the market volume was still well below the levels seen before the start of the financial and economic crises (2007: 14.9 million vehicles). While the French market nearly stagnated (+0.5%), in Italy a moderate increase (+4.9%) over the previous year's low volume was reported. The continuation of the government incentive program in Spain accelerated the continued recovery process (18.3%). Sustained strong demand among private customers generated market growth of 9.3% in the United Kingdom.

Germany

At 3.0 million units, the demand for passenger cars in Germany during fiscal year 2014 was 2.9% above the previous year's low level thanks to the positive macroeconomic environment, marking the first time growth has been recorded since 2011. New passenger car registrations only rose among commercial customers (+5.8%), with demand among private customers falling by 1.9%. Higher exports to the EU countries and East Asia in particular generated higher growth than in the previous year, both among passenger car exports (up by +2.5% to 4.3 million vehicles) and in domestic production of passenger cars (+3.0% to 5.6 million vehicles).

OVERALL APPRAISAL OF THE COURSE OF BUSINESS

In the view of the Board of Management of Volkswagen Bank GmbH, business developed positively in 2014. Operating profit developed slightly worse than forecast, nevertheless profit before tax is above the 2014 level. This means that the previous year's expectations regarding earnings proved largely correct.

New business throughout Europe developed very positively during the year. In Germany, France, the United Kingdom, Ireland, Italy and Portugal in particular, the volume of business increased year-on-year. The margins were maintained almost at the previous year's level. Both interest income and interest expense declined due to the further drop in interest rate levels. Funding costs saw a stronger decrease as a result of favorable interest rates, among other factors.

The GO40 strategy launched in 2011 in conjunction with the vehicle brands which aimed to better integrate financial services into the sales activities of the Volkswagen Group brands was continued successfully in 2014, as well. Increased penetration rates are intended to boost customer loyalty and strengthen the dealer network through the creation of additional sources of income.

The Volkswagen Bank GmbH Group managed to increase its deposit business over the previous year.

DEVELOPMENT OF KEY CONTROL VARIABLES FOR FISCAL YEAR 2014 COMPARED WITH THE PRIOR-YEAR FORECAST

For fiscal year 2014, we had expected an operating result slightly over the 2013 level. The operating result in fiscal year 2014 was slightly below the prior-year level.

Current contracts were expanded thanks to the successful collaboration with the brands. As forecast, business volume in 2014 was thereby increased. The penetration rate fell slightly short of the projected figure as absolute new contracts grew at a slightly slower pace than new vehicle deliveries.

Growth of deposits was purposefully managed, resulting in a higher deposit volume.

	Actual 2013	Forecast for 2014	Actual 2014
Non-financial key performance indicators			
Penetration	19.3%	= 19.3	18.7%
Number of current contracts, in thousands of units	2,336	> 2,336	2,679
Number of new contracts, in thousands of units	885	> 885	1,135
Financial key performance indicators			
Volume of business, in € million	30,377	> 30,377	33,013
Deposit volume, in € million	23,140	> 23,140	25,252
Operating result, in € million	455	> 455	446

RESULTS OF OPERATIONS

Although Europe's economy recorded only weak growth in 2014, Volkswagen Bank GmbH delivered a strong performance.

The profit before tax of €464 million was above the previous year's level of €459 million (+0.9%). Foreign branches contributed €149 million (previous year: €126 million). Rising volumes at almost stable margins had a particularly positive effect.

The increase in net interest income and the sharp drop in risk provisions arising from lending and leasing business were compensated by the considerable increase in other expenses. This increase is due to the recognition of necessary provisions and risk coverage arising from recent court rulings. At €1,204 million, the net income from lending and leasing transactions before risk provisions exceeded the previous year's result by €16 million, due to the positive volume trend across almost all regions.

Amounting to €117 million, risk costs were less than half as high as the prior-year figure (€257 million). While the required risk provision expenses, at €305 million, were considerably lower than in the preceding year (€460 million), slightly less income, specifically €187 million (previous year: €203 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 €45 million (previous year: €50 million). This decrease is primarily the result of higher selling costs in connection with the strategy for increasing penetration rates.

At €714 million, general administration expenses were slightly lower year-on-year.

Risks from recent court rulings were fully accounted for in fiscal year 2014. The corresponding provisions were increased by €141.7 million in 2014.

Taking into account the result from the measurement of financial instruments in the amount of €2 million (previous year: €–32 million) and the remaining earnings components, net income of the Volkswagen Bank GmbH Group was €310 million (+0.7%).

The operating result of €446 million was slightly below the previous year's level of €455 million (–1.9%).

Accounting for around 57.2% 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 profit before tax excluding income from investments accounted for using the equity method of €315 million (previous year: €319 million).

Under the existing profit transfer agreement, the remaining profit after tax pursuant to German commercial law of Volkswagen Bank GmbH, amounting to €303 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 8.7% to €32.8 billion. The share of foreign branches and Volkswagen Bank Polska S.A. in the retail lending volume rose from €10.1 billion to €11.3 billion.

Retail financing

In line with the rise in demand for passenger cars, the number of retail financing contracts in the German market increased slightly. The other European markets also reported a higher total number of retail financing contracts.

A total of 408,116 (previous year: 404,310) new contracts were sold in the new vehicle financing business and 309,589 in the used car financing business (previous year: 317,817).

The automotive financing portfolio on the whole rose by 3% to currently 2,108,511 contracts (previous year: 2,047,540 contracts). At the close of 2014, retail financing receivables amounted to €21.8 billion (previous year: €20.4 billion). The foreign branches of Volkswagen Bank GmbH and the Polish entity accounted for €4.3 billion (previous year: €4.1 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 of the balance sheet date were €8.9 billion compared to €8.0 billion at the end of the previous year. The foreign branches and Volkswagen Bank Polska S.A. accounted for €4.9 billion of these aggregate receivables (previous year: €4.2 billion).

The allowances on receivables increased by €13 million to €595 million year-on-year.

Leasing business

Receivables from leasing transactions as of the end of fiscal year 2014 rose from €1.8 billion to €2.1 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: €1.4 billion) and ABS debentures issued by special purpose entities of Volkswagen Leasing GmbH and Volkswagen Finance S.A., Madrid, Spain, with a total value of €0.9 billion (previous year: €1.4 billion).

Financial assets

As of December 31, 2014 Volkswagen Bank GmbH also continued to hold an equity interest of 1% in OOO Volkswagen Bank RUS, Moscow. Volkswagen Bank Polska S.A., Warsaw, is the sole shareholder of Volkswagen Serwis Ubezpieczeniowy Sp.z.o.o., Warsaw.

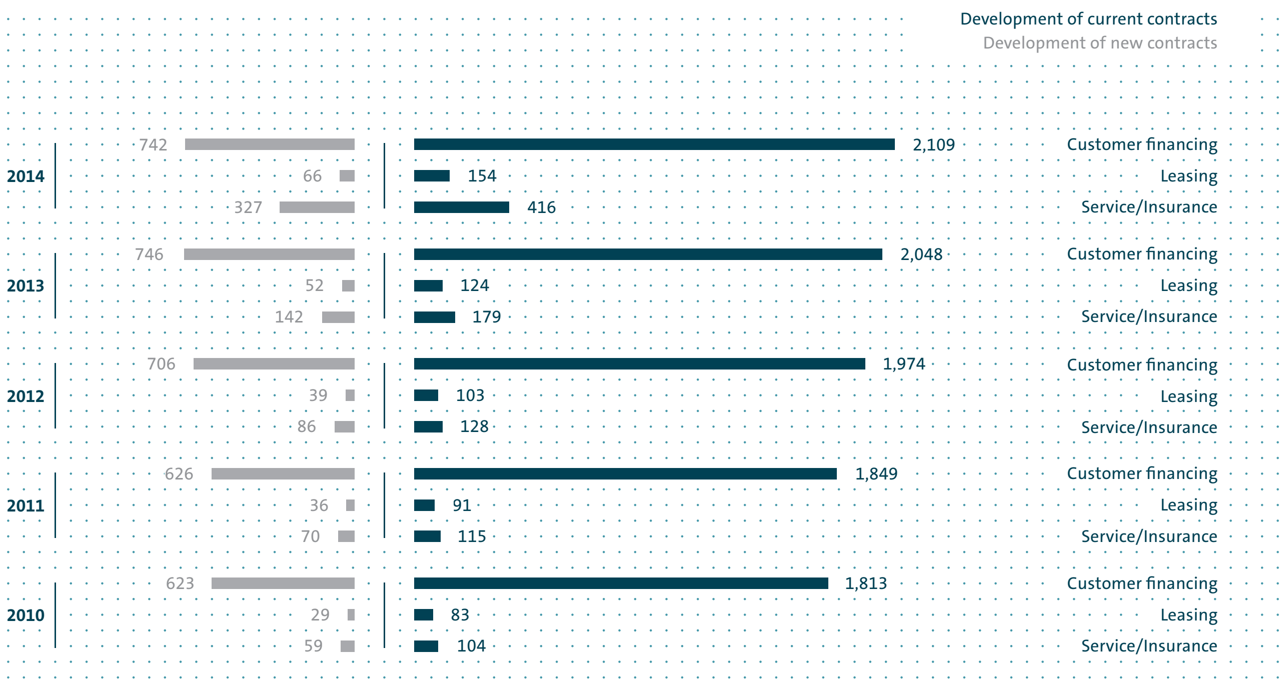
CURRENT AND NEW CONTRACTS

in thousands [1]	VW Bank Group	of which Germany	of which Italy	of which France	Other
Current contracts	2,679	1,532	428	508	212
Retail financing	2,109	1,512	239	174	184
Leasing business	154	–	36	111	8
Service/insurance	416	20	153	223	20
New contracts	1,135	497	195	320	123
Retail financing	742	494	80	63	105
Leasing business	66	–	10	50	6
Service/insurance	327	3	106	207	12
in € million					
Receivables from customers arising from					
Retail financing	21,779	17,498	1,884	1,130	1,266
Dealer financing	8,928	4,057	614	1,200	3,057
Leasing business	2,108	–	606	1,399	103
Leasing and rental assets	487	–	–	487	–
in %					
Penetration rates[1]	18.7	17.6	39.3	37.5	9.6

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.

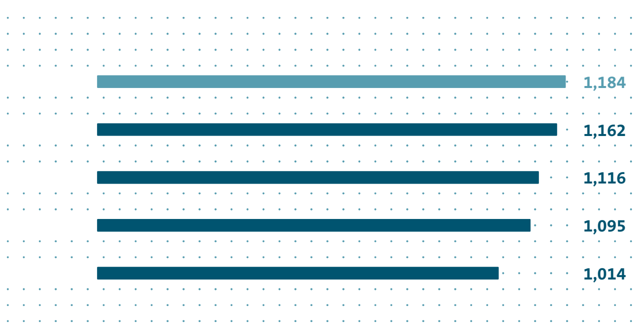
DEVELOPMENT OF NEW CONTRACTS AND CURRENT CONTRACTS AS OF DECEMBER 31

In thousand contracts



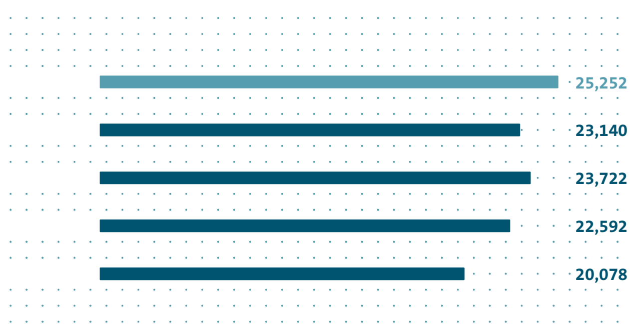
DIRECT BANKING CUSTOMERS AS OF DECEMBER 31

Lending and deposit business and borrowings (in thousands)



CUSTOMER DEPOSITS AS OF DECEMBER 31

In € million



Since 2013 including corporate customers

Deposit business and borrowings

Besides equity, notable liability items include liabilities to customers in the amount of €26.8 billion (previous year: €25.1 billion) as well as securitized liabilities in the amount of €7.6 billion (previous year: €5.5 billion). Due to the issue of debentures, securitized liabilities rose by 36.8% year-on-year. This increase is attributable to growth in the lending business and the continuing low level of interest rates.

DEPOSIT BUSINESS

The Volkswagen Bank GmbH Group managed to expand its deposit business even further over the previous year. As of the balance sheet date, the customer deposit volume was €25.3 billion, up 8.4% over December 31, 2013 (€23.1 billion). This level of deposits allowed Volkswagen Bank GmbH Group to succeed in maintaining its market leadership among automotive direct banks. 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 remains unchanged at 58.8%.

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 January 15, 2014. The profit after tax pursuant to German commercial law of €0.3 billion to be transferred to Volkswagen Financial Services AG under the existing profit transfer agreement is nearly on a par with the profit of €0.3 billion under IFRSS. Since the business volume rose considerably in fiscal year 2014, the equity ratio decreased to 11.3% (previous year: 11.9%).

CAPITAL ADEQUACY ACCORDING TO REGULATORY REQUIREMENTS

Under the provisions of the CRR, banking regulatory authorities assume that a company's capital is adequate if the Common Equity Tier 1 capital ratio is at least 4.5%, the Tier 1 capital ratio is at least 6.0% and the total capital ratio is at least 8.0% (without transitional provisions). Furthermore, the supplemental capital adequacy requirements pursuant to the German Banking Act (KWG) must also be fulfilled within the scope of the fulfilment of the combined capital buffer requirements. The so-called standardized approach to determine capital adequacy in connection with credit risks and operational risks is applied in accordance with CRR.

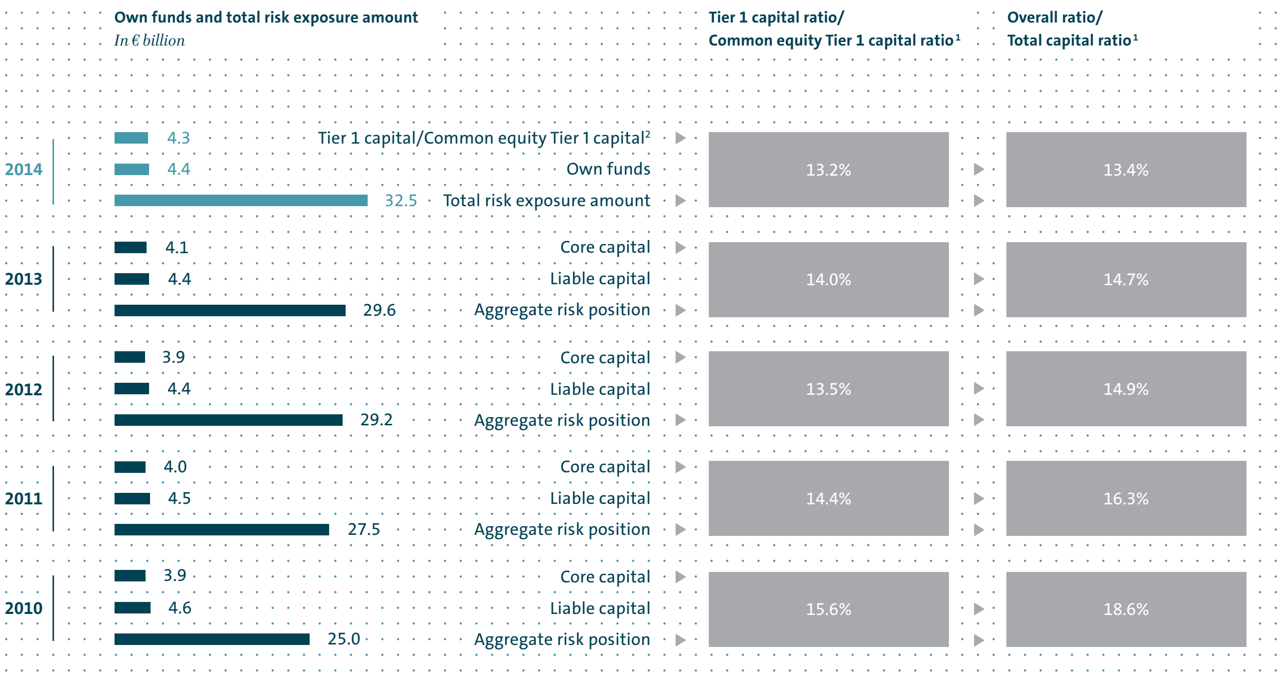
Accordingly, this gives rise to the following figures and financial ratios for Volkswagen Bank GmbH as an individual bank in accordance with the regulatory requirements:

		31.12.2014		31.12.2013
Aggregate risk position (€ million)		32,545		29,553
of which weighted position according to the standardized approach to credit risks	30,069		27,388	
of which market risk positions * 12.5	191		141	
of which operational risks * 12.5	2,242		2,024	
of which risk positions for the credit valuation adjustment (CVA) * 12.5	43		0	
Eligible own funds[1] (€ million)		4,354		4,361
Own funds (€ million)		4,354		4,348
of which common tier 1 capital	4,296		4,146	
of which additional tier 1 capital	0		0	
of which supplementary capital	58		202	
Common tier 1 capital ratio[2] (%)		13.2		-
Tier 1 capital ratio[2] (%)		13.2		14.0
Total tier 1capital ratio[2] %		13.4		14.7

1 Liable capital is shown in this item for 2013.

2 From 2010 to 2013 the regulatory equity ratios were calculated in accordance with the German Solvency Regulation. From January 1, 2014 these ratios are calculated pursuant to Article 92 of the Capital Requirements Regulation (CRR). In accordance with the stipulations in the CRR, the Common Equity Tier 1 capital ratio was also adopted and the overall ratio is now designated as the total tier 1 capital ratio.

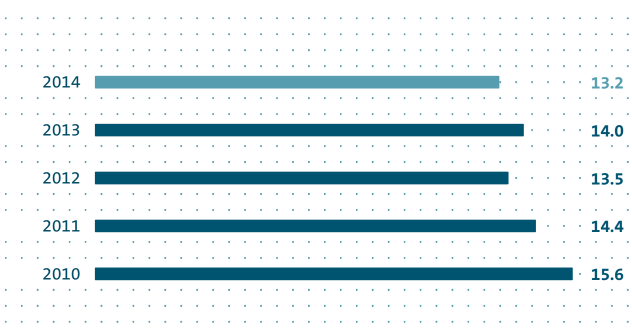
REGULATORY RATIOS OF THE VOLKSWAGEN BANK GMBH AS OF DECEMBER 31



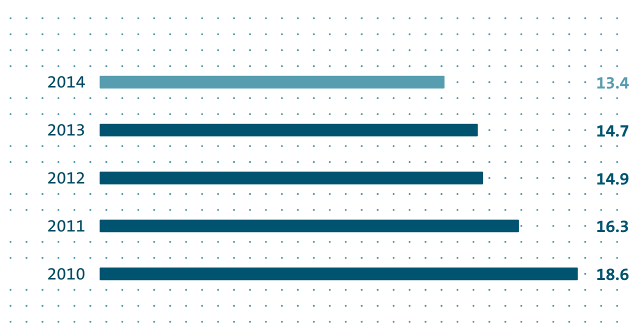
1 From 2010 to 2013 the calculation was made based on the German Solvency Regulation and from January 1, 2014 in accordance with the CRR.
2 The amount of the core capital equals the amount of the hard core capital because Volkswagen Bank GmbH has not issued any additional core-capital instruments.

As a result of a growth in business (increase in risk assets), the change in the capital adequacy and the subordinated liabilities, the Tier 1 capital ratio/Common Equity Tier 1 capital ratio changed from14.0% to 13.2% and the total capital ratio changed from 14.7% to 13.4%. The Tier 1 capital ratio/Common Equity Tier 1 capital ratio and the total capital ratio developed as follows in recent years:

TIER 1 CAPITAL RATIO/COMMON EQUITY TIER 1 CAPITAL RATIO UNDER CRR/SOLVV*
Figures in %



OVERALL RATIO/TOTAL CAPITAL RATIO UNDER CRR/SOLVV*
Figures in %



1 From 2010 to 2013 the calculation was made based on the German Solvency Regulation and from January 1, 2014 in accordance with the CRR.

For an individual bank, the own funds ratio of Volkswagen Bank GmbH is relatively high, ensuring adequate capitalization 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 optimize its equity management. As a result, Volkswagen Bank GmbH, as an individual bank, has a sound basis for the ongoing expansion of its financial services business.

CHANGES IN OFF-BALANCE-SHEET COMMITMENTS

The off-balance-sheet commitments decreased by a total of €106 million year-on-year to €1,288 million as of December 31, 2014. Irrevocable credit commitments also decreased by €71 million and surety agreements were down by €42 million.

LIQUIDITY ANALYSIS

The refinancing of the Volkswagen Bank GmbH Group is essentially executed using capital market and asset-backed securities programs 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 proven to be an efficient liquidity reserve. In addition to bonds issued by various countries in the amount of €1.3 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 €4.2 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 planned to be utilized; 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. Liquidity, together with a simulated, limited refinancing arrangement and a partial withdrawal of the overnight deposits, was adequate during the reporting period for at least 26 weeks.

Compliance with the liquidity coverage ratio prescribed by the Liquiditätsverordnung (German Liquidity Regulation – LiqV) is a stricter prerequisite for managing the liquidity of Volkswagen Bank GmbH. This ratio ranged between 1.55 and 2.84 from January to December of the reporting year and was 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 2015 will be based on this ratio.

The ability required under the Minimum Requirements for Risk Management (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 utilization of the refinancing potential through liquidity requirements did not exceed 18% 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 past fiscal year was marked by stability and continual availability; all instruments could be used at optimal terms and conditions.

In February 2014, Volkswagen Bank GmbH placed a fixed-interest public bond of €750 million and a five-year term under its €10 billion capital market program. A variable-interest bond of €600 million with a two-year term followed in April. The same term was selected in August when placing another bond of €500 million. In addition, other transactions of €775 million were marketed successfully in 2014.

In the area of asset-backed securities, receivables of Volkswagen Bank GmbH amounting to €1.41 billion were securitized in May 2014 through the Driver Twelve ABS transaction. That made this the largest European auto ABS transaction since the financial crisis. Additional securitization transactions of €3.98 billion were carried out for private placement with investors or with the European Central Bank for the purpose of furnishing security.

The customer deposit business in the past fiscal year grew by €2.2 billion to €25.3 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 the past fiscal year. 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. In the following section we report on the developments in the annual financial statements of Volkswagen Bank GmbH in accordance with the German Commercial Code (HGB).

DEVELOPMENT OF BUSINESS IN 2014

The result from ordinary business activities was €469.4 million compared to €1,033.2 million in the previous year. The result of the previous year was mainly due to the sale of the 50% stake in Global Mobility Holding B.V. to Volkswagen AG on January 22, 2013 which generated €614.7 million in revenues.

The net interest income earned by Volkswagen Bank GmbH including the net income from leasing transactions was €1,398.0 million compared to €1,378.1 million in the previous year. This growth of €19.9 million largely stems 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 €82.8 million (previous year: €95.2 million) from securities, €36.8 million (previous year: €46.7 million) of which was attributable to securities purchased by special purpose entities of Volkswagen Bank GmbH. These securities securitize Volkswagen Bank GmbH's own receivables, which were sold to the respective special purpose entities as part of ABS transactions. An additional €11.3 million (previous year: €4.8 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. Despite an increase in commission income, particularly from insurance agency services, net commission income declined on account of higher selling costs in connection with the strategy for increasing penetration rates.

The rise in other operating income of €52.3 million is principally attributable to income in connection with the buyback of receivables from expiring ABS transactions. This generated income of €69.3 million (previous year: €8.4 million). General administration expenses were cut by €14.7 million, mainly due to a €18.9 million decline in personnel expenses resulting from staff moving to Volkswagen Financial Services AG. In addition to the existing valuation allowances, the trend in the crisis-hit countries of Southern Europe was taken into account through the recognition of valuation allowances. Risk costs amounted to €104.7 million (previous year: €249.9 million).

The result from ordinary business was €469.4 million.

The net profit of €302.7 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 rose 8.1% to €34.0 billion (previous year: €31.5 billion). The share of foreign branches in the retail lending volume rose from €9.5 billion to €10.8 billion.

In 2014, Volkswagen Bank placed five transactions with an aggregate volume of €5.4 billion in receivables, specifically Driver Twelve, Private Driver 2014-1, Private Driver 2014-2, Private Driver 2014-3 and Private Driver 2014-4. 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 but continue to be managed by Volkswagen Bank GmbH. These receivables amount to €3.0 billion (previous year: €2.3 billion). The receivables managed thus increased by 9.9% to €37.1 billion.

Since April 2014, Volkswagen Bank GmbH has held shares in BV-BGPB Beteiligungsgesellschaft privater Banken für Internet- und mobile Bezahlungen mbH which is headquartered in Berlin. The company was newly founded. The stake of Volkswagen Bank GmbH in the company is 2.5%.

Volkswagen Bank GmbH mainly holds securities from ABS transactions. In the past years, Volkswagen Bank GmbH 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 carried out in 2014, Private Driver 2014-1, Private Driver 2014-2 and Private Driver 2014-3, were also acquired. All these transactions resulted in a securities portfolio amounting to €4.5 billion (previous year: €4.1 billion). Moreover, ABS debentures with a total value of €0.9 billion (previous year: €1.4 billion) which were issued by special purpose entities of Volkswagen Leasing GmbH and Volkswagen Finance S.A., Madrid, Spain, were in its portfolio for investment purposes.

Securities in the amount of €5.5 billion serve as collateral for participating in Deutsche Bundesbank's open market operations. At the balance sheet date there were open market transactions of €1.5 billion.

Besides equity, the main items under equity and liabilities are €26.3 billion in liabilities to customers including the direct banking business (previous year: €24.6 billion) and €4.5 billion in securitized liabilities (previous year: €3.3 billion).

Volkswagen Bank GmbH managed to expand its deposit business even further over the previous year. As of the balance sheet date, the customer deposit volume was €24.9 billion. This represents a substantial increase of 8.5% compared with December 31, 2013 (€22.8 billion). Its share in the refinancing mix of Volkswagen Bank GmbH is 57.9% (previous year: 57.1%).

Risks from recent court rulings were fully accounted for, as a result of which the corresponding provisions increased by €141.7 million.

Total equity and liabilities for the reporting year were €43.1 billion (previous year: €39.9 billion).

INCOME STATEMENT OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG

€ million	2014	2013
Net interest income/expense	1,164	1,184
Net leasing income	234	194
Net commission income	–42	–31
Administration expenses	688	703
Other comprehensive income	–94	24
Income from the disposal of equity investments	0	615
Risk provision	105	250
Result from ordinary business activities	**469**	**1,034**
Tax expense	167	184
Profit transferred on the basis of a profit and loss transfer agreement	303	849
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	31.12.2014	Dec. 31, 2013
Assets		
Cash reserve	376	205
Receivables from financial institutions	949	459
Receivables from customers	34,034	31,482
Securities	6,735	6,916
Equity investments and shares in affiliated companies	53	53
Leased assets	666	548
Other assets	259	269
Total assets	**43,072**	**39,933**
Equity and liabilities		
Liabilities to banks	1,756	2,048
Liabilities to customers	26,344	24,571
Securitized liabilities	4,497	3,306
Provisions	484	415
Subordinated liabilities	310	479
Fund for general banking risks	26	26
Equity	4,290	4,140
Other liabilities	5,365	4,948
Total liabilities and equity	**43,072**	**39,933**
Notes		
Contingent liabilities	68	110
Other obligations	1,293	1,367

NUMBER OF EMPLOYEES

As of the end of 2014, a total of 2,600 (previous year: 2,198) employees of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH's business units under staff leasing agreements.

As of December 31, 2014 Volkswagen Bank GmbH directly contracted a total of 839 employees (previous year: 938). Of this figure, 6 (previous year: 173) are employed in Germany and 833 (previous year: 765) 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

Responsible risk-taking and targeted utilization of market opportunities ensure sustainable financial success at the Volkswagen Bank GmbH Group.

RISKS AND OPPORTUNITIES

In this section we report on the risks and opportunities the company faces, summarized in various different categories. Unless explicitly mentioned, there were no significant changes to individual risks and opportunities in comparison with the previous year.

We use competition and environment analyses and market monitoring to identify both the risks we face and the opportunities that have a positive impact on the design of our products, the efficiency of our production processes and their market success, and our cost structure. Opportunities and risks which we expect to materialize are already taken into account in our medium-term planning and our forecast. In the following section we therefore report on both fundamental opportunities which could lead to a positive deviation in our forecast as well as on detailed risks in the risk reporting section.

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.

The overall probability of a global recession is estimated to be low. However, a decline in global economic growth or a phase of below-average growth rates cannot be ruled out. The macroeconomic environment may also create opportunities for the Volkswagen Bank GmbH Group if the actual trend is better than forecast.

STRATEGIC OPPORTUNITIES

In addition to maintaining its intense 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 recognized based on this). Especially in the countries of Southern Europe in which a conservative risk approach is followed due to an uncertain economic climate, there is a chance that the realized losses will be less than the expected losses if the economic situation stabilizes, 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 internal risk management system (IRMS) concerns the risk of misstatements in the bookkeeping at the individual entity and Group level 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.
- Group-wide 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'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 mandatory use of a standardized 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 recognized, 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 of the December 31, 2014 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.

ORGANIZATIONAL 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 identifying, assessing, managing, monitoring and communicating risks. The risk management system encompasses a framework of risk principles, organizational structures and processes for risk measurement and monitoring that is 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 fiscal year, no material changes were made to risk management methods.

The adequacy 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 appropriateness of the individual elements of the system is regularly reviewed in a risk-oriented manner by Internal Audit.

Within Volkswagen Bank GmbH, the appointed member of the Board of Management 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 other members of the Board of Management and the sole shareholder, Volkswagen Financial Services AG.

Risk management at Volkswagen Bank GmbH is characterized by the fact that the company's ability to function permanently and independently of individual persons is ensured by a clear separation in organizational and personnel terms between the holding company (Group Risk Management and Methods area) and the markets (local risk management). This separation was also fully implemented for the German market in 2014 in connection with a task analysis.

The role of Group Risk Management & Method in the risk management organization is to set boundary conditions. This includes formulating risk management guidelines, developing and maintaining risk management-related methods and processes as well as defining and tracking international parameters for the procedures used around the globe, 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.

Local risk management ensures that the requirements of Group Risk Management & Methods are implemented and complied with in the relevant markets.

This includes monitoring the models and processes for risk measurement and control, assuming responsibility for their detailed local design and carrying out the procedural and technical implementation locally. There is a direct reporting line from local risk management to Group Risk Management & Methods.

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 utilization 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 Leasing 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 and measures for each type of risk, taking into account the company's approach to business (business strategy) and its risk tolerance. The achievement of targets is assessed annually. The causes of any deviations that arise are analyzed and subsequently discussed with the shareholders' meeting of Volkswagen Bank GmbH.

The 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 operationalized 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 annual risk inventory is to identify the main types of risk. For this, all known types of risk are analyzed to determine whether they arise at the Volkswagen Bank GmbH Group. In the risk inventory, the relevant risk types are analyzed 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 December 31, 2013 showed that the quantifiable types of risk – counterparty credit risk, earnings risk, direct residual risk, market risk, liquidity risk and operational risk – and the unquantifiable types of risk – 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 covered 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. In line with standard banking practice, risks are 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.

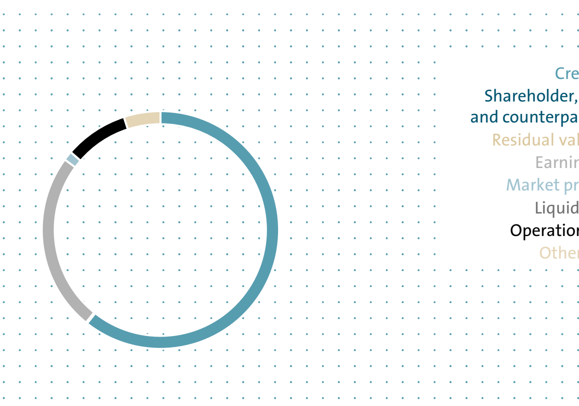
In addition, the Volkswagen Bank GmbH Group uses a limit system derived from its analysis of risk-bearing capacity in order to specifically limit the risk coverage capital of Volkswagen Bank GmbH. Establishing the risk limit system as the core element in capital allocation limits risks at different levels, 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 of credit risk, residual value risk and market risk for management and monitoring purposes 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.

Since 2014, limits have also been set for operational risk and liquidity risk. In addition, an aggregate limit is implemented for counterparty credit risk, a higher-level risk type, under which credit risk, shareholder risk, issuer risk and counterparty risk are 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 of September 30, 2014 amounted to €856 million and is distributed as follows across the individual types of risk:

DISTRIBUTION OF RISKS BY TYPE OF RISK
Figures as of September 30, 2014



	in € million		Share in %	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Risk types				
Credit risk	519	569	61	65
Shareholder, issuer and counterparty risk	1	1	0	0
Residual value risk	0	0	0	0
Earnings risk	208	197	24	22
Market price risk	11	25	1	3
Liquidity risk	0	-	0	-
Operational risk	74	46	9	5
Other risks[1]	43	44	5	5
Total	856	882	100	100

1 Flat amount for unquantifiable risks: strategic risk and reputational risk. (as of December 31, 2013 also including liquidity risk).

As of September 30, 2014 the risk-taking potential amounted to €3.1 billion and was 28% utilized by the aforementioned risks. The maximum rate of utilization of the risk-taking potential in accordance with Pillar II was 29% during the period from January 1, 2014 to September 30, 2014. Up to December 31, 2014 there were no indications of significant changes in the utilization 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 at an early stage those risks 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 revenue). These are complemented by so-called inverse stress tests in order to examine what events could expose the Volkswagen Bank GmbH 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 covered at all times through the available risk-taking potential. During the fiscal year, risk-taking capital used 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 vehicle 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 income of Volkswagen Bank GmbH 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.

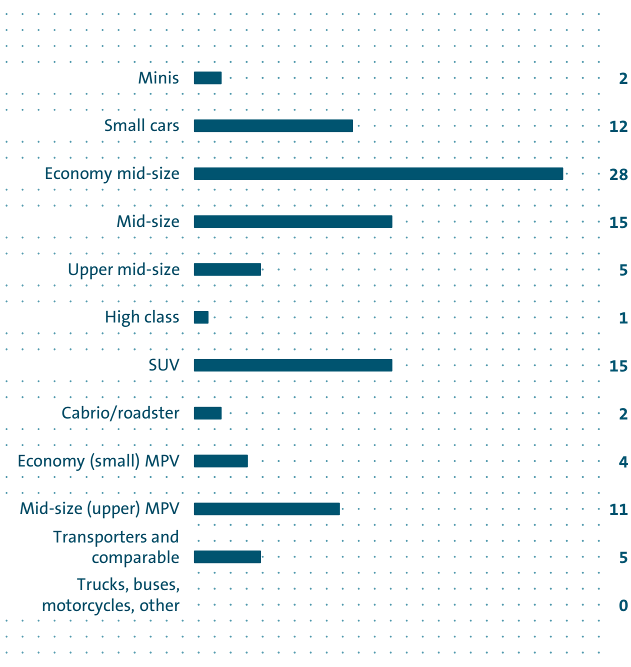
Concentrations of counterparties are insignificant for the Volkswagen Bank GmbH Group because a large portion of the lending business deals with small (retail) loans. Regarding regions, the Volkswagen Bank GmbH Group's business is concentrated in the German market, but strives for broad, international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

Conversely, industry concentrations in the dealer business are inherent to a captive finance company and are therefore analyzed 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, resulting in 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 diagram below) across all automotive segments with a large range of various Volkswagen Group vehicle brands.

COLLATERAL STRUCTURE AS OF SEPTEMBER 30, 2014

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 per se due to the company's business model. The specialized role as a sales promoter for Volkswagen Group vehicles 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 to the Board of Management of Volkswagen Bank GmbH and the shareholders' meeting. The starting point for the risk management report is the risk-bearing capacity due to its importance for the successful continuation of the company from a risk perspective. Also presented are the calculation of available risk-taking potential, limit utilization 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.

The information contained in the risk management report about structures and trends in the portfolios is continually refined and updated on an ongoing basis in view of current circumstances. This is undertaken in order to ensure the report contains high-quality information.

NEW PRODUCT AND NEW MARKET PROCESS

The New Product and New Market Process 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/market are analyzed and possible consequences for managing the risks are outlined. Approvals or rejections are issued by the responsible members of the Board of Management of Volkswagen Bank GmbH and by the Board of Management of Volkswagen Financial Services AG, and in the case of new markets by the members of the Supervisory Board as well.

TYPES OF RISK

Risk of counterparty default

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

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

Credit risk

The credit risk concerns the risk of loss through defaults in customer business, specifically, non-payments by 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 risks of counterparty default.

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, more writedowns will be required, which in turn adversely affects the operating profit.

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 underlying conditions for developing, using and validating scoring procedures in the retail business are described in work instructions.

An expected loss (EL) and an unexpected loss (UL) are calculated at the portfolio level for each company in order to quantify 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 behavior. 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 lending commitments and valuation allowances.

Scoring procedure in the retail business

To analyze the creditworthiness of private customers, scoring systems are integrated into the process for granting loans and managing existing loans in order to provide an objective basis for making decisions about granting loans. These scoring systems utilize internally and externally available data on the borrowers and generally estimate the probability of default of the requested customer transaction based on several years of historical data using statistic methods. In a departure from the above, both generic and robust score cards as well as expert systems are also used, largely for smaller, low-risk portfolios, to measure the risk inherent in loan requests.

Depending on the portfolio's size and risk content, behavioral score cards as well as simple estimates at the risk pool level are used 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 on the basis of standardized procedural models for validating and monitoring risk classification processes. 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.

Using validation procedures performed decentrally, Group Risk Management & Methods reviews the quality of the retail credit assessment models and procedures supervised by the local risk management units abroad. 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 centralized approach is taken to supervising and validating the procedures.

Collateral
As a rule, lending transactions are secured in ways adequate to the risks concerned. In addition, a Group-wide 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 to follow.

The valuations in the 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 analyzed. Adjustments of the valuation methods and disposal processes are made in the event of major changes in these market values.

In addition, Group Risk Management & Methods regularly assesses the quality of the local collateral guidelines, which also includes a review of, and adjustments to, the collateral valuation methods if required.

Valuation allowances
Valuation allowances are based on the incurred loss model pursuant to IAS 39 and are determined using rating and scoring processes. Furthermore, where receivables are in default, a distinction is drawn between significant and insignificant receivables. Item-by-item allowances for doubtful accounts are recognized for significant receivables in default. Conversely, portfolio-based allowances for doubtful accounts are recognized for insignificant receivables in default. Portfolio-based allowances are recognized for receivables for which item-by-item allowances have not been set up.

The following average values were determined for the aggregate active portfolio (i.e. portfolio not in default) over a period of twelve months – for the probability of default (PD): 4.0%; the loss given default (LGD 23.2%); and for the total receivable volume in relation to the active portfolio: €32.4 billion.

Risk management and monitoring
Group Risk Management & Methods establishes boundary conditions for the management of credit risks. These guidelines constitute the central risk management system's mandatory 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 analyzed 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 programs implemented with the brands and a stepped-up expansion of the fleet business have led to further growth in receivables in the retail business in many markets. Compared with the previous year, major growth drivers were primarily Germany and France. The French market in particular benefited from the sales promotion programs. On the whole, risk in the portfolio remained relatively stable.

Corporate portfolio

The passenger vehicle markets recovered from their lows in 2013 in the wake of the incipient economic recovery in the euro-crisis countries. This revival can be seen in the growing volume of lending, particularly in markets such as Portugal, Ireland and Spain. In the United Kingdom the positive business trend of the previous year continued, with the dealer business enjoying considerable growth.

On the whole, credit risk remained mostly stable.

DISTRIBUTION OF CREDIT VOLUME BY REGION
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.

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 materialize, 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 both a normal scenario and 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 the credit rating, which is initially categorized and regularly reviewed by the Credit and Process Management department. Group Risk Management & Methods combines counterparty and issuer risks monthly, analyzes them and communicates this information in both the monthly market risk report and 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. Thus, 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 be paid to country risk at the Volkswagen Bank GmbH Group in particular 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 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.

Shareholder risk

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

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

Risk identification and assessment

Shareholder 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 company influences the business and risk policies of its equity investments through its agents on ownership or supervisory boards. However, responsibility for implementing risk management tools at the operating level rests with the companies.

Market price risk

Market price risk refers to the potential loss resulting from unfavorable 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 price risk management is to minimize the financial losses caused by this risk type. 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

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.

If interest rate changes materialize, this may adversely affect the 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 operational management 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 analyzed 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 behavior of investors in connection with unlimited bank deposits is analyzed 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. Derivatives are recognized in the banking book. Group Risk Management & Methods is tasked with monitoring interest rate risks and reporting on them.

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

Foreign currency risk

Currency risks arise when there is a difference in the carrying amounts of assets and liabilities denominated in foreign currency. However, such open currency items are permitted only in individual cases.

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

Fund price risk

The risk from fund investments arises from possible changes in the market price. It expresses the danger that the securities holding 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, market risks showed a stable development in the past year. The quantified risk remained within the set limits at all times.

Earnings risks (specific profit/loss risk)

Earnings risks describe the danger that specific income statement items not covered by risk types described elsewhere deviate from the targets. This includes the risks of

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

The objective here is to regularly analyze 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 as part of Controlling's regular reporting.

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

Liquidity risk

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 prices. 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 against unexpected fluctuations in cash flow. As a rule, standby credit lines are not planned to be utilized; they serve solely to secure liquidity.

In the event that liquidity risk materializes, 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 thereof. The given parametrization of these stress scenarios is based on two methods. First, historically analyzed 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 utilization 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 thus 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 of Volkswagen Bank GmbH is informed of the current liquidity situation on a monthly basis.

Operational risk

Operational risk (OpR) is defined as the risk of losses that arise from the inappropriateness or failure of internal processes (process risks), people (personnel risks), systems (technology 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 as well as to take preventive measures or countermeasures with the aim of averting or minimizing losses. If an operational loss occurs, the consequence would be a loss with a financial impact that varies on a case-by-case basis.

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 and the "four-eyes" principle (assessor and approver).

A monetary appraisal of future potential risks is performed within the scope of the self-assessment. To this end, a standardized risk questionnaire is made available once a year in which the local experts determine and record the potential amount of risk and the probability of occurrence of various risk scenarios, including with minimum/typical/maximum figures for each.

A central loss database ensures that relevant data pertaining to monetary operational losses are collected internally and saved on an ongoing basis. Local experts are furnished with a standardized loss form for this purpose in which they can determine and record a variety of information including the loss amount and the course of events that led to the loss.

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 specific units responsible for the relevant risk categories. For this purpose, a decision must be made regarding how to handle risks and losses in future, i.e. whether to prevent (avoid), minimize, consciously enter into (accept) or transfer these to a third party.

BCM & Operational Risk checks the plausibility of the data provided by the companies/divisions within the scope of the self assessments as well as the losses reported and takes any corrective measures required, validates the effectiveness of the OpR system and prompts any adjustments needed. This includes, in particular, the full inclusion of all OpR divisions, verifying compliance with the partial risk strategy for operational risks as well as reviewing risk measurement methods and procedures.

Operational risks are communicated on a quarterly basis within the risk management reports. Additionally, an annual report is prepared for OpR which contains another summary of the key events of the fiscal year under review as well as an assessment of these events. Regular reporting is supplemented by ad hoc announcements where the criteria to do so are met.

Development

The increase in operational risks in the past is due to factors including the growth in the business, even after taking legal risks into account, 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 minimize the risks of all outsourcing. As part of outsourcing management and the intensity of control, 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 of the activity can be terminated. The activities in this case can be performed by the bank itself or are eliminated entirely.

Risk identification and assessment

Risks are identified in outsourcing situations by reviewing the circumstances and performing 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 thus 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 prior to the outsourcing of an activity, a risk analysis must be prepared to determine the risk in each case. This analytical process serves as a component of the boundary conditions 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. Hence, this coordination office 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 concluded. However, it is also possible to realize 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). In these cases, 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 value risk management is to maintain risks within the agreed limits. If the residual value risk becomes significant, impairment losses or losses on disposal are recognized, if necessary, which can adversely affect the results of operations.

Risk identification and assessment

Direct residual value risks are quantified in respect of both the EL and the UL.

The EL is the difference between the current expected proceeds on disposal as of the measurement date and the contractually agreed residual value of each vehicle set when the contract was established. In addition, other parameters are taken into account in the calculation, such as the costs of disposal. The portfolio EL is determined by adding the individual ELs of all vehicles.

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 analyzed per individual contract and period. However, given the size of the portfolios and the multitude of vehicles, the systematic risk is significant so 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 is calculated for 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 of EL and UL 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; other risk parameters are also taken into account (dealer defaults and other factors specific to the risk types).

Parameters for developing, using and validating the risk parameters for direct and indirect residual value risks are described in a working guideline.

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 recognizing risk provisions.

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, the amounts of risk allocated to the residual term in the future must therefore still be earned and recognized 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 influences into account. For a comprehensive view of the risk sensitivity of the residual value business, various additional stress tests for direct residual value risks are planned; these procedures are conducted by experts together with risk specialists from the corporate office and the local unit. 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 incurred through strategic decisions that are defective or based on false assumptions.

Likewise the strategic risk also encompasses all risks arising from the integration/reorganization 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.

Reputational risk

Reputational 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 target is therefore to avoid or reduce any negative deviations between the actual reputation of the company and what the reputation is expected to be. Damage to the company's reputation or image can result in a direct effect on the financial success of the company.

Reputational risk is addressed quantitatively through 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, analyzing, monitoring and controlling risks as an integral component of an integrated risk/return-oriented control system. Risk-bearing capacity was assured throughout 2014.

This system was continuously refined in 2014 as well, for example, by adjusting methods and models, systems, processes and IT.

The Volkswagen Bank GmbH Group will continue to invest in the optimization of the comprehensive control system and the risk management systems in order to fulfill the business and statutory requirements for risk management and control.

MATERIAL RISK FORECAST

Credit risk forecast

In 2015, we anticipate the economic environment to remain difficult. The ongoing sovereign debt crisis in Southern Europe is showing initial signs of recovery. 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 2015 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 2015 based on continued expansion of the fleet business deserves particular mention.

Market price risk forecast

Against the backdrop of an interest rate environment anticipated to remain stable and moderate volatility in exchange rates, the market risk situation is projected to remain the same in fiscal year 2015.

Operational risk forecast

Due to the trends in operational risks and future business growth already presented in the risk reporting section, a moderate increase in risks is expected. 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

No important events beyond those described occurred after the close of fiscal year 2014.

Personnel report

Success requires expertise

PERSONNEL FIGURES

As of the end of 2014, a total of 2,600 (previous year: 2,198) 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 old contracts. At December 31, 2014 this staff numbered 6 in Germany (previous year: 173). The branches of Volkswagen Bank GmbH had 833 employees (previous year: 765) and Volkswagen Bank Polska S.A. had 284 (previous year: 303).

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 the targeted development of skills and the encouragement of commitment and satisfaction, our employees deliver first-class performance and delight 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 program launched in 2010 was continued in 2014. Overall, more than 110 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.

As the superordinate credit institution of the financial holding group, Volkswagen Financial Services AG is under the supervision of the European Central Bank and must implement the new version of the Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV) of 16 December 2013 on a Groupwide basis. In addition to the newly-formulated, more stringent general requirements, this ordinance requires that remuneration systems also meet special regulatory requirements for the first time. Human resources work during the 2014 fiscal year was therefore characterized by assessments of the remuneration system, which were aimed at implementing the requirements of InstitutsVergV. Where remuneration systems had previously limited the variable remuneration component, these limits were expanded to include fixed caps for the ratio between fixed and variable components of remuneration. The remuneration systems' existing link to the business and risk strategy was strengthened and enhanced by a more risk-oriented performance measurement method, among other things. A Group-wide risk analysis was conducted for the first time to identify employees whose activities have a material impact on the risk profile of an individual bank or financial holding group. Special deferred and payment models were developed for the variable remuneration of these employees. To ensure universal monitoring of the appropriateness of remuneration systems, special governance functions were created (Remuneration Control Committee and Remuneration Officer).

We measure the degree of achievement 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) and once again received top scores. After being reclassified as a company with more than 5,000 employees, Volkswagen Financial Services AG took first place and also received a special award in the "Health Promotion" category. The results from the employee survey and culture audit conducted as part of the benchmark study show an 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.

Volkswagen Financial Services AG also took first place in 2014 in the FOCUS study entitled "Germany's Best Employers" in the corporate category "Banks and Financial Services".

In the European competition conducted by the Great Place to Work institute, as well, Volkswagen Financial services AG was also able to assert itself in 2013 (for 2014): Volkswagen Financial Services AG made an excellent showing to take 11th place in the category "Best Multinational Workplaces in Europe" which simultaneously makes it the best company headquartered in Germany. This success is the result of the extremely good ranks achieved in the national competitions by our FS companies in Germany, Italy and the United Kingdom. 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 2014 the Training team of 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 in vocational training programs in the fields of banking, insurance and IT. The trainees/students were chosen from a pool of more than 1,500 applicants.

AS of December 31, 2014 a total of 130 trainees and dual-track students of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH's business units under staff leasing agreements.

Report on expected developments

The growth of the global economy is expected to continue in 2015. 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 outline its likely future development. It gives rise to both opportunities and potentials that are integrated in our planning process on an ongoing basis such that we can tap into them in a timely manner.

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

GLOBAL ECONOMIC DEVELOPMENT

Our planning assumes that the global economy will grow somewhat more robustly in 2015 than in the reporting year. The emerging markets of Asia are likely to experience the highest growth rates. We expect the economies of the large industrialized countries to revive, but the expansion rates will remain moderate.

The global economy should also grow further in the period from 2016 to 2019.

Europe

In Western Europe, the economic recovery should continue in 2015. Nonetheless, the upturn remains dependent on the resolution of structural problems.

Germany

In Germany we expect 2015 to bring solid economic development with steady growth rates on a par with those seen during the reporting year. The labor market situation should also remain positive.

FINANCIAL MARKETS

The global economy will recover slightly in 2015 and moderate, global economic growth is anticipated. Geopolitical uncertainty, characterized by the unresolved Russian-Ukrainian crisis, the centers of conflict in the Middle East as well as the Ebola epidemic, remains high and will continue to depress global markets in 2015. While the slight upturn is expected to continue on the whole, in part due to the considerably lower price of oil as well as improved financing conditions, this will be overshadowed by the eurozone's unresolved debt problems.

The depreciation of the euro against the US dollar, the British pound and the Swiss franc will have a particularly positive impact on the corporate profits of export-oriented companies. Capital market developments will continue to put a strain on yields as a result of the ECB's sustained expansive monetary policy which is aimed at preventing deflation. It was decided to implement a government bond buy-back program as practiced by other central banks.

Thanks to low oil prices and the weaker euro, Germany's economy is likely to remain solid, despite cost increases expected to result from the minimum wage introduced in 2015.

Further developments in Russia depend on international circumstances, most notably the sanctions policy, which could lead to slightly negative growth in the country's GDP. Western sanctions are leading to import substitutions and isolation, which are accompanied by weak performance of the ruble and declining prices for crude oil on the global market.

In the United Kingdom, the Monetary Policy Committee can be expected in the middle of 2015 to reach a decision on whether to raise interest rates, and strong economic growth is likely to continue.

With economic data in the USA slowly recovering and following the country's expansive monetary policy, economic growth is anticipated to improve in 2015 and the US FEDERAL RESERVE is expected to raise interest rates at the end of the first half of 2015. This could potentially lead to a US monetary policy that is contrary to the ECB's monetary policy easing which would cause the euro to depreciate even further against the dollar.

The euro is faced with the threat of losing investors to foreign markets due to the ECB's decision to purchase government bonds.

DEVELOPMENT OF THE PASSENGER CAR MARKETS

We project different trends for the passenger car markets in the various regions in 2015. On the whole, worldwide demand for new vehicles will likely rise more slowly than in the reporting year.

The Volkswagen Group is extremely well positioned to deal with a heterogeneous development of global automotive markets. Our broad, steadily growing product range, which includes the most recent generation of fuel-optimized engines and a variety of alternative drive systems, 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 anticipate that global demand for passenger cars will continue growing in the period from 2016 to 2019 as well.

Europe

After the downward trend in Western Europe ended during the reporting year and growth was reported for the first time following four years of declines, we expect demand for automobiles to increase slightly again in 2015. However, the pre-crisis levels are unlikely to be revisited in the medium term. The prolonged sovereign debt crisis will continue to cause uncertainty among consumers in many countries in the region and limit their financial options for new car purchases. The moderate recovery in Spain and Italy is expected to continue; we anticipate the market volume in the United Kingdom will be slightly less than the high level seen during the reporting year. We expect growth in France to exceed that of 2014 due to a scrappage premium for diesel vehicles that came into effect in 2015.

Germany

The German automotive market succeeded in halting its downward trend during the reporting year and reported growth. We expect demand to grow slightly in 2015 as well, provided there is no deterioration in economic conditions.

INTEREST RATE TRENDS

The central banks boosted the global economy and the financial system with their expansive monetary policy during the 2014 fiscal year and also at the start of the current fiscal year. This continues to be reflected in historically low interest rates. Sustained uncertainty about global economic growth will likely prompt central banks to maintain their monetary policy stimulus programs. As 2015 progresses, we anticipate that the European Central Bank will adhere to its policy of low interest rates, meaning the level of interest rates in Europe will continue to languish at a low level. The interest rate policies of other central banks, on the other hand, particularly of those in the USA and England, seem to have ushered in the end of the low interest rate period which is why rising interest rates are more likely there.

MOBILITY CONCEPTS

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 motorized and unmotorized private transport. Mobility is being redefined in many respects.

The Volkswagen Group has already responded in a comprehensive fashion to these challenges by developing fuel- and emission-optimized 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 solutions will expand the traditional definition of what it means to own an automobile. Simple, transparent, safe, reliable, affordable and flexible - these 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 realize 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 fiscal year to be linked to the development of sales of the Volkswagen Group. Efforts to expand the product range in existing markets aim to bring about growth in the company's business volume. For more information regarding 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. The desire for mobility and fixed predictable costs, in particular, are foremost on customers' minds. The product packages and mobility offers that were successfully introduced in recent years will be further refined according to customer needs.

Strategic investment in structural projects as well as process optimizations 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 2015

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: Our expectations in terms of earnings are based on the assumption of stable refinancing costs, continued significant uncertainties regarding the economic environment and their impact on risk costs, among other things.

In 2015 we expect penetration to be slightly lower year-on-year because sales are expected to outpace the increase in the number of new contracts. We are 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 2015.

Compared to the reporting year, a relatively stable level of deposits is projected for the Volkswagen Bank GmbH Group in 2015 despite the persistently low interest rate environment.

Based not only on these developments but also taking into consideration the fact that all currently known risks of court rulings were fully accounted for in 2014, we are forecasting that the operating result for fiscal year 2015 will be substantially higher than in the previous year despite increased pressure on margins.

Consolidated financial statements (IFRS)

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Income statement

OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	Notes	1.1. – 31.12.2014	1.1. – 31.12.2013	Change in %
Interest income from lending transactions before risk provision	(20)	1,327	1,360	−2.4
Net income from leasing transactions before risk provision	(15)	121	113	7.3
Interest expense		−244	−285	−14.5
Net income from lending and leasing transactions before risk provision	(5, 20)	1,204	1,188	1.4
Risk provision arising from lending and leasing business	(9, 21, 30)	−117	−257	−54.5
Net income from lending and leasing transactions after risk provision		1,087	931	16.8
Commission income		272	254	7.2
Commission expenses		−227	−204	11.5
Net commission income	(5, 22)	45	50	−10.3
Result from the measurement of derivative financial instruments and hedged items	(10, 23)	−2	−32	−94.8
Result from joint ventures accounted for using the equity method	(60)	–	6	X
Result from securities and other financial assets	(5)	4	3	4.4
General administration expenses	(5, 6, 13, 14, 15, 24, 60)	−714	−728	−2.0
Other operating result	(5, 14, 25)	43	229	81.2
Profit before tax		**464**	**459**	**0.9**
Taxes on income and earnings	(6, 26)	−153	−151	0.9
Profit after tax		**310**	**308**	**0.9**
Net income attributable to Volkswagen Financial Services AG		310	308	0.9

Statement of comprehensive income

OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	Notes	1.1. – 31.12.2014	1.1. – 31.12.2013
Profit after tax		**310**	**308**
Revaluations from pension plans recognised in equity	(17, 44)	−8	6
deferred taxes thereon	(6, 26)	2	−3
Income/loss not reclassifiable		**−6**	**3**
Available-for-sale financial assets (securities):	(11, 32, 50)		
Fair value changes recognised in equity		9	10
Recognised in the income statement		–	22
deferred taxes thereon	(6, 26)	−2	−9
Cash flow hedges:	(10, 23, 31)		
Fair value changes recognised in equity		4	−20
Recognised in the income statement		−6	10
deferred taxes thereon	(6, 26)	1	3
Currency translation differences	(4, 50)	8	−3
Reclassifiable income and expense of shares measured using the equity method, after taxes		–	4
Reclassifiable income/loss		**13**	**17**
Other income after taxes		**7**	**20**
Comprehensive income		**318**	**328**
Comprehensive income attributable to Volkswagen Financial Services AG		318	328

Balance sheet

OF THE VOLKSWAGEN BANK GMBH GROUP

Assets (€ million)	Notes	31.12.2014	31.12.2013	Change in %
Cash reserve	(7, 28)	386	216	78.9
Receivables from financial institutions	(8)	940	522	80.1
Receivables from customers arising from				
Retail financing		21,779	20,431	6.6
Dealer financing		8,928	7,973	12.0
Leasing business	(15)	2,108	1,789	17.8
Other receivables		4,437	3,744	18.5
Receivables from customers in total	(8, 9, 29, 30)	37,251	33,937	9.8
Derivative financial instruments	(10, 31)	130	104	25.1
Securities	(11, 32)	2,308	2,912	−20.7
Other financial assets	(12, 33)	3	2	18.2
Intangible assets	(13, 34)	46	50	−7.8
Property, plant and equipment	(14, 35)	12	15	−15.8
Leased assets	(15, 36)	487	371	31.3
Investment property	(15, 36)	1	1	−15.0
Deferred tax assets	(6, 37)	999	883	13.2
Income tax assets	(6)	43	45	−5.0
Other assets	(38)	339	320	6.1
Total		**42,947**	**39,378**	**9.1**

Equity and liabilities (€ million)	Notes	31.12.2014	31.12.2013	Change in %
Liabilities to financial institutions	(16, 40)	1,760	2,181	−19.3
Liabilities to customers	(16, 40)	26,844	25,071	7.1
Securitised liabilities	(41, 42)	7,550	5,518	36.8
Derivative financial instruments	(10, 43)	116	106	9.2
Provisions	(17, 18, 44)	373	299	24.7
Deferred tax liabilities	(6, 45)	816	715	14.1
Income tax obligations	(6)	36	55	−34.9
Other liabilities	(46)	124	103	20.5
Subordinated capital	(47)	465	631	−26.3
Equity	(48)	4,864	4,699	3.5
Subscribed capital		318	318	–
Capital reserves		3,946	3,796	4.0
Revenue reserves		602	600	0.3
Other reserves		−2	−15	−84.8
Total		**42,947**	**39,378**	**9.1**

Statement of changes in equity

OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES				TOTAL EQUITY
				Currency translation	Cash flow hedges	Market valuation securities	Shares measured using the equity method	
Balance as of 1.1.2013	**318**	**3,596**	**1,139**	**−26**	**11**	**−13**	**−4**	**5,021**
Profit after tax	–	–	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[1]	–	–	−850	–	–	–	–	−850
Balance as of 31.12.2013 / 1.1.2014	**318**	**3,796**	**600**	**−29**	**4**	**10**	**–**	**4,699**
Profit after tax	–	–	310	–	–	–	–	310
Income and expense recognised directly in equity	–	–	−6	8	−2	7	–	7
Comprehensive income	–	–	305	8	−2	7	–	318
Payments into the capital reserve	–	150	–	–	–	–	–	150
Other changes[1]	–	–	−303	–	–	–	–	−303
Balance as of 31.12.2014	**318**	**3,946**	**602**	**−22**	**2**	**17**	**–**	**4,864**

1 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. – 31.12.2014	1.1. – 31.12.2013
Profit after tax	**310**	**308**
Depreciation, amortisation, valuation allowances and write-ups	225	370
Change in provisions	74	−65
Change in other non-cash items	8	161
Result from the sale of financial assets and property, plant and equipment	1	0
Net interest income/expense and dividend income	−880	−320
Other adjustments	1	1
Change in receivables from financial institutions	−417	26
Change in receivables from customers	−3,302	−1,327
Change in leased assets	−219	−192
Change in other assets from operating activities	−19	−203
Change in liabilities to financial institutions	−423	−547
Change in liabilities to customers	2,320	−879
Change in securitised liabilities	2,032	1,461
Change in other liabilities from operating activities	21	−2
Interest received	1,423	1,451
Dividends received	−299	−846
Interest paid	−244	−285
Income tax payments	−185	−173
Cash flow from operating activities	**427**	**−1,061**
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
Cash outflows from the purchase of subsidiaries and joint ventures	0	−1
Cash inflows from the sale of other assets	2	3
Cash outflows from the purchase of other assets	−8	−13
Change in investments in securities	616	−818
Cash flow from investing activities	**609**	**849**
Cash inflows from changes in capital	150	200
Profit transfer to Volkswagen Financial Services AG	−850	−290
Change in funds resulting from subordinated capital	−166	−152
Cash flow from financing activities	**−865**	**−242**
Cash and cash equivalents at the end of the previous period	**216**	**670**
Cash flow from operating activities	427	−1,061
Cash flow from investing activities	609	849
Cash flow from financing activities	−865	−242
Effects from foreign exchange differences	0	0
Cash and cash equivalents at the end of the current period	**386**	**216**

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

Notes

TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE VOLKSWAGEN BANK GMBH GROUP AS OF 31 DECEMBER 2014

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 are 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 of 31 December 2014 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 section 315a Para. 1 of the Handelsgesetzbuch (HGB - German Commercial Code). All the IFRSs that were approved by the International Accounting Standards Board (IASB) and adopted by the EU by 31 December 2014 and whose application was obligatory for financial year 2014, 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 combined 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 10 February 2015. 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 leasing and rental 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 risk provisions (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. Revaluations 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 recognised through profit or loss. Provisions are regularly adjusted to new findings. 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. The accounting and measurement of new provisions for litigation and legal risk requires assessments of the corresponding legislation and the outcome of legal proceedings. Such an assessment takes place on a case-by-case basis and takes into account the progress of proceedings, past experience in similar matters within the company and the opinions of experts and lawyers. Notes 18 and 44 provide an overview of the other provisions.

For recognised uncertain income tax items the expected tax payment is used as the best estimate. 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 valuation of deferred tax assets for tax losses carried forward is usually based on future taxable income in a planning period of five financial years.

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 when the consolidated financial statements were prepared, taking into account a realistic assumption about 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.

Effects of new and revised IFRSs

Volkswagen Bank GmbH has implemented all accounting standards that had to be applied starting in the financial year 2014.

Since 1 January 2014 the provisions of the so-called consolidation package must be observed. It includes newly introduced standards IFRS 10, IFRS 11 and IFRS 12 and adjustments to IAS 28. IFRS 10 now sets out a model for consolidation and for the subsidiaries to be included in a parent's consolidated financial statements. The switch from IAS 27 to IFRS 10 did not result in any need for adjustments by the Volkswagen Bank GmbH Group.

IFRS 11 sets out the definition and treatment of joint arrangements in consolidated financial statements. For joint arrangements, a distinction is made between joint ventures and joint operations. Since 1 January 2014 joint ventures can only be accounted for using the equity method pursuant to IAS 28. The option of applying proportionate consolidation for these entities in the consolidated financial statements was abolished. Within the Volkswagen Bank GmbH Group the first-time application of IFRS 11 had no impact on the basis of consolidation and the way in which joint ventures and joint operations are included as Volkswagen Bank GmbH holds no shares in such ventures and operations.

IFRS 12 contains the disclosure requirements regarding interests in other entities, and thus bundles all necessary notes on subsidiaries, joint arrangements, associates as well as on structured entities to be consolidated or not to be consolidated. The scope of the information to be published was expanded accordingly.

The amendment to IAS 32 means that the current offsetting model remains in place in principle, but its application has been specified with additional implementation guidance. The amendments clarify that the right to offset must exist as of the balance sheet date – i.e. it may not be dependent on a future event. It also clarifies that under certain circumstances the gross settlement method effectively corresponds to the net settlement method, and in these cases meets the criteria of IAS 32.

The amendment to IAS 39 means that derivatives, despite a novation, remain designated as hedging instruments when certain conditions are met.

All other accounting standards to be applied for the first time in the financial year 2014 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 2014, 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	24.07.2014	01.01.2018	No	Revised accounting requirements for changes in the fair value of financial instruments previously designated as available-for-sale, modified procedure for determining risk provisions, expansion of designation possibilities in hedge accounting, simplified effectiveness checks, expansion of the notes
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11.09.2014	01.01.2016	No	None
IFRS 10, IFRS 12 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Exception to consolidation requirement for investment entities	18.12.2014	01.01.2016	No	None
IFRS 11	Joint Arrangements: Acquisition of shares in a joint operation	06.05.2014	01.01.2016	No	None
IFRS 14	Regulatory Deferral Accounts	30.01.2014	01.01.2016	No	None
IFRS 15	Revenue from Contracts with Customers	28.05.2014	01.01.2017	No	Minor shifts in revenue realisation and expansion of information in the notes
IAS 1	Presentation of Financial Statements	18.12.2014	01.01.2016	No	No material effects
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	12.05.2014	01.01.2016	No	No material effects
IAS 16 and IAS 41	Agriculture: Bearer Plants	30.06.2014	01.01.2016	No	None
IAS 19	Employee Benefits: Defined Benefit Plans – Employee Contributions	21.11.2013	01.01.2016	Yes	No material effects
IAS 27	Single-entity financial statements: Equity Method	12.08.2014	01.01.2016	No	None
	Improvements to International Financial Reporting Standards 2012[2]	12.12.2013	01.01.2016	Yes	Essentially extended segment reporting disclosures in the notes
	Improvements to International Financial Reporting Standards 2013[3]	12.12.2013	01.01.2015	Yes	No material effects
	Improvements to International Financial Reporting Standards 2014[4]	25.09.2014	01.01.2016	No	Expanded disclosures in accordance with IFRS 7
IFRIC 21	Levies	20.05.2013	01.01.2015	Yes	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, IAS 40).
4 Minor amendments to numerous IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34).

ACCOUNTING POLICIES

1. Principles

All companies included in the basis of consolidation have prepared their annual financial statements as of the balance sheet date of 31 December 2014.

The accounting in the Volkswagen Bank GmbH Group is carried out in accordance with IFRS 10 using uniform accounting policies.

The consolidated financial statements are drawn up in euros. Amounts are stated in millions of euros (€million), unless indicated otherwise.

All individual amounts have been subjected to commercial rounding; this may result in minor deviations when they are added.

2. Basis of consolidation

Alongside Volkswagen Bank GmbH, all material domestic and foreign subsidiaries including structured entities directly or indirectly controlled by Volkswagen Bank GmbH are included in the consolidated financial statements. This is deemed to be the case if Volkswagen Bank GmbH controls the potential subsidiary directly or indirectly due to voting rights or other rights, if it participates in positive or negative variable payments flowing back from the potential subsidiary or if it is able to influence these payments.

As in the previous year, one foreign subsidiary is included in consolidation as of the balance sheet date. Furthermore, 20 special purpose entities (previous year: 21) were included in the consolidated financial statements as part of full consolidation. These structured entities are used to conduct asset-backed-securities transactions to refinance the financial services business. There is no equity participation. Due to the contractual terms, however, Volkswagen Bank GmbH determines the material activities and is able to influence the variable returns it receives. These structured entities are thus controlled by Volkswagen Bank GmbH and fully consolidated in the consolidated financial statements.

The following special purpose entities were included in consolidation for the first time in the financial year ended: Private Driver 2014-1 UG (haftungsbeschränkt), Private Driver 2014-2 UG (haftungsbeschränkt), Private Driver 2014-3 UG (haftungsbeschränkt), Private Driver 2014-4 UG (haftungsbeschränkt) and Driver Twelve GmbH.

Subsidiaries are included in the consolidation from the point in time when control exists; it ends when control ceases to exist.

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

Volkswagen Bank GmbH operates nine branches outside Germany.

The list of equity investments is shown in note 67.

3. Principles of consolidation

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

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

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

Foreign currency transactions are translated in the single-entity financial statements of Volkswagen Bank GmbH and the included subsidiaries at the prices applicable at the transaction date. 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, "Foreign exchange differences", 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 on 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 OF 31.12.		INCOME STATEMENT AVERAGE EXCHANGE RATE	
€		2014	2013	2014	2013
United Kingdom	GBP	0.77890	0.83370	0.80612	0.84926
Poland	PLN	4.27320	4.15430	4.18426	4.19749

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 carried out according to the effective interest rate method. Income from financing and leasing transactions, and expenses for their refinancing, are contained in net income from lending and leasing transactions. This item also includes income from operating leases, which are recognised on a straight-line basis over the term of the lease.

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

Dividends are recorded at the time of the legal claim, i.e. always when the corresponding resolution to distribute profits has been adopted.

The general administration expenses are composed of staff and non-staff costs, depreciation and amortisation of property, plant and equipment and intangible assets, and 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 liabilities are measured using the tax rates at which the refund from or payment to the respective tax authority is expected. Current income tax is generally shown unnetted. Provisions are recorded for potential tax risks.

Deferred tax assets and liabilities are calculated based on the difference between the carrying amount of the recognised asset or liability and their respective book value for tax purposes. Loss carryforwards are subject to deferred taxes, as well. The resulting deferred tax items cause an expected future charge or credit to income taxes (temporary differences). They are measured based on the country-specific legislation of the country of incorporation using the tax rate that is expected to be valid in the period when the deferred tax item is anticipated to be realised.

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 liabilities with the same maturity vis-à-vis the same tax authority are netted.

The tax expense chargeable to profit before tax 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 non-income taxes 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 change in amortised cost are recognised through the income statement including the effects from foreign exchange differences. 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 hedged 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 since the relevant special purpose entities are fully consolidated (note 2).

9. Risk provision

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.

A potential impairment need is assumed if certain circumstances exist such as, for example, payment in arrears over a certain period of time, initiation of enforcement 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 if there is uncertainty about the specific receivable that is impaired. Back-testing is regularly used to verify the appropriateness of the allowances.

The receivables are shown in the balance sheet at net carrying amount. Further comments on the risk provision are shown separately in 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. Any cash inflows from written-off receivables are recognised through profit or loss.

10. Derivative financial instruments

The derivative financial instruments comprise hedge-effective hedging transactions and derivatives that are not hedges. All derivatives are stated at fair value and shown separately under notes 31 and 43.

The fair value is determined based on a computer-based measurement using the discounted cash flow method, taking into account credit valuation adjustments (CVAs) and debt valuation adjustments (DVAs). The valuation method was refined during the financial year without resulting in a material effect on earnings.

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 applied 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 the result from the measurement of derivative financial instruments and hedged items at profit or loss. The change in the fair value of the hedged item that is attributable to the hedged risk is also recognised in this item at profit or loss. The effects on profit from both the hedging instrument and the hedged item offset each other to the extent of the hedge's effectiveness.

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. Merely the ineffective portion of the change in fair value is recorded in profit and loss. 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 hedged 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 the result from the measurement of derivative financial instruments and hedged items at profit or loss.

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

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. 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. Where the requirements for impairment are no longer met, write-ups are recognised.

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 through profit or loss, with the offsetting entry recorded in other reserves. 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.

12. Other financial assets

We show equity investments under other financial assets. They are recognised at cost, since there is no active market for these companies. 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.

At each balance sheet date we assess whether there is any indication that an intangible asset with a finite useful life has been impaired. If there are indications of impairment, the carrying amount is compared to the recoverable amount and the respective asset is written down if the recoverable amount is below the carrying 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 amortisation is contained in the general administration expenses. Income from write-ups is contained in the other operating result.

Brand names from business combinations usually have an indefinite useful life. Intangible assets having an indefinite useful life are not amortised. We perform an annual review to confirm that their useful life is still 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 (e.g. economic crises, currency crises). If the goodwill is impaired, an impairment loss is recognised.

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. The cash flow planning is based on expectations with regard to the future global economic performance and the assumptions for the passenger car and commercial vehicle markets, market shares and profitability of Volkswagen Group products that are derived from them. Based on these expectations the financial services segment draws up its planning, taking into account the market penetration and regulatory requirements in each case. This entails taking into account appropriate assumptions about macroeconomic trends (e.g. currency and interest-rate trend) and historical developments. 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 9.0% 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 as well as 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 the write-downs recorded in previous years no longer apply, appropriate write-ups are recognised. Both the residual carrying amounts and the economic lives are reviewed at each 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 other operating result.

15. Leasing business

THE GROUP AS LESSOR

The Volkswagen Bank GmbH Group is engaged in finance leasing and operating leasing. The leasing and rental assets essentially include 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 leasing and rental assets. Interest income from finance lease transactions is recognised according to the effective interest rate method and shown under leasing income in the income statement.

In the case of operating leases, the economic ownership of the leased asset remains with the lessor. In this case the leased items are shown in the consolidated balance sheet in the separate item, leasing and rental assets. They are 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 are recognised through write-downs and adjustments of the depreciation rates. If the reasons for the write-downs recorded in previous years no longer apply, appropriate write-ups are recognised. Write-downs and write-ups are contained in the net income from leasing transactions before risk provision. Leasing income is recognised on a straight-line basis over the term of the lease.

Land and buildings which serve to generate rental income are recognised under the balance sheet item "Investment property" and are recognised in the balance sheet at amortised 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 general administration expenses.

16. Liabilities

Liabilities to banks 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 change in amortised cost are recognised through profit or loss including the effects from foreign exchange differences. 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 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 dependents. 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 2014, they amounted to a total of € 1 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 € 0 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 of 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. Where an outflow of resources is considered to be not likely but not unlikely, information on the existing contingent liability that is not to be recognised in accordance with IAS 37 is provided in note 62.

Provisions not resulting in an outflow of resources in the subsequent financial year are recognised at their settlement value discounted to the balance sheet date. Discounting is based on market interest rates. The settlement value 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 risk provision

The net income from lending and leasing transactions before risk provision developed as follows:

€ million	2014	2013
Interest income from lending and money market transactions	1,327	1,360
Income from leasing transactions	344	287
Expenses from leasing business	–120	–97
Depreciation and impairment losses on leased assets and investment property	–103	–77
Interest expense	–244	–285
Total	**1,204**	**1,188**

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 € 12 million (previous year: € 17 million). Interest income included herein from financial instruments that are not attributable to the category of assets or financial liabilities measured at fair value through profit or loss amounts to € 1,336 million (previous year: € 1,376 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 leasing and rental assets and investment property.

In the reporting period, no impairment losses based on impairments tests were recognised on leasing and rental assets and on investment property, as in the previous year.

The interest expense contains refinancing expenses from lending and leasing transactions. A total of € 255 million (previous year: € 304 million) of that expense concerns financial instruments not measured at fair value through profit or loss. Of this amount, € 11 million (previous year: € 19 million) were offset against the net interest income from hedge-ineffective derivatives for the current financial year.

21. Risk provision arising from lending and leasing business

The risk provision essentially concerns the balance sheet item "Receivables from customers". The risk provision in the income statement of the Group is made up as follows:

€ million	2014	2013
Additions to risk provision	–270	–402
Reversal of risk provision	167	167
Direct depreciation	–35	–58
Income from receivables written off	21	36
Total	**–117**	**–257**

Additional default risks arising for the Volkswagen Bank GmbH Group as a result of the eurozone crisis were accounted for in the amount of € 45 million in the current financial year (previous year: € 150 million).

22. Net commission income

The net commission income of € 45 million (previous year: € 50 million) includes € 202 million (previous year: € 188 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 € 181 million (previous year: € 155 million).

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

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	2014	2013
Gains/losses on fair value hedging instruments	44	–2
Gains/losses on underlying transactions of fair value hedges	–41	–21
Ineffective portion of cash flow hedging instruments	0	3
Gains/losses from the measurement of foreign currency receivables/liabilities	0	0
Gains/losses from other derivatives that are not hedges	–5	–12
Total	**–2**	**–32**

24. General administration expenses

The general administration expenses are made up as follows:

€ million	2014	2013
Staff costs	–91	–115
Non-staff costs	–217	–241
Expense from personnel leases	–211	–184
Expenses from costs charged by companies of the Volkswagen Group	–148	–153
Costs of advertising, PR work and sales promotion	–35	–24
Depreciation of property, plant and equipment and amortisation of and impairment losses on intangible assets	–11	–10
Other taxes	–1	–1
Total	**–714**	**–728**

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

As required by section 314 Para. 1(1) No. 9 of the HGB, the general administration expenses for financial year 2014 include fees billed for the audit of the annual financial statements amounting to € 0.6 million (previous year: € 0.5 million) and for other services amounting to € 0.2 million (previous year: € 0.9 million). A total of € 0.6 million (previous year:

€ 0.3 million) were incurred in 2014 for other auditing and valuation services. No expenses were incurred for tax consultancy services in 2014.

25. Other operating result

The other operating result is made up as follows:

€ million	2014	2013
Income from costs charged to companies of the Volkswagen Group	152	163
Income from the reversal of provisions	36	70
Other operating income	45	45
Expenses for risks arising from changed court rulings	−142	−1
Losses from the disposal of assets	−1	−1
Other operating expenses	−47	−47
Other operating result	**43**	**229**

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	2014	2013
Effective tax expense in Germany	−128	−130
Effective tax expense abroad	−45	−55
Effective tax expense	**−173**	**−185**
Income from the reversal of tax provisions and tax refunds	5	1
Effective taxes on income and earnings	**−168**	**−184**
of which not attributable to the reporting period	−1	1
Deferred tax income/expense in Germany	13	32
Deferred tax income/expense abroad	2	1
Deferred tax income/expense	**15**	**33**
of which not attributable to the reporting period	−11	0
Total	**−153**	**−151**

The actual tax expense in 2014 amounting to € 153 million (previous year: € 151 million) is € 15 million (previous year: € 16 million) higher than the expected tax expense of € 138 million (previous year: € 135 million), which results from applying a tax rate of 29.8% (previous year: 29.5%) on the Group's profit before tax. The following reconciliation shows the connection between taxes on income and earnings and the profit before tax in the financial year:

€ million	2014	2013
Profit before tax	**464**	**459**
multiplied by the German income tax rate of 29.8% (previous year: 29.5%)		
= Arithmetical income tax expense in the financial year at the German income tax rate	**–138**	**–135**
+ Effects from German/foreign tax rate	2	9
+ Effects from tax rate changes	0	–6
+ Effects from permanent accounting differences	–13	0
+ Effects of tax-free income from equity investments	6	6
+ Effects from losses carried forward	1	–2
+ Effects from non-deductible operating expenses	–6	–17
+ Taxes not attributable to the reporting period	–13	1
+ Other differences	8	–7
= Actual taxes on income and earnings	**–153**	**–151**

The statutory corporation tax rate in Germany for the 2014 assessment period was 15%. An aggregate tax rate of 29.8% results when this rate is combined with the trade tax and the solidarity surcharge.

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 37.7% (previous year: between 12.5% and 37.9%).

As of 31 December 2014, the company's unutilised loss carryforwards came to a total of € 29 million (previous year: € 45 million), for which deferred tax assets of € 4 million (previous year: € 1 million) were recognised. Of these unused loss carryforwards, € 14 million (previous year: € 0 million) can be utilised indefinitely.

Deferred tax assets were not recognised for € 16 million in unusable loss carryforwards (previous year: € 45 million). The unusable loss carryforwards expire between 2015 and 2034. Deferred tax expenses resulting from changes in tax rates amounted to € 0 million at Group level (previous year: € 6 million). A deferred tax asset was not recognised in the balance sheet for deductible temporary differences of € 4 million (previous year: € 7 million).

Deferred taxes of € 6 million (previous year: € 0 million) were capitalised without being offset by deferred tax liabilities in the same amount. The branches concerned expect positive taxable income in the future following losses in the current financial year or in the previous year.

Deferred tax liabilities amounting to € 1 million (previous year: € 1 million) were not recognised for temporary differences and undistributed profits of subsidiaries of Volkswagen Bank GmbH because it exercises control in accordance with IAS 12.39.

Of the deferred taxes recognised in the balance sheet, a total of € 4 million (previous year: € 3 million) relate to business transactions that were recognised directly in equity. A partial amount of € 11 million (previous year: € 8 million) concerns actuarial gains/losses (IAS 19), a partial amount of € –1 million (previous year: € –2 million) concerns derivative financial instruments and a further € –6 million (previous year: € –3 million) concerns the market valuation of securities.

27. Further notes to the income statement

There was no income from commission in the financial years 2013 and 2014 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 € 368 million (previous year: € 199 million).

29. Receivables from customers

Receivables from customers include unsecuritised receivables from other companies in the Volkswagen Group amounting to € 2,343 million (previous year: € 1,757 million). There are receivables from the sole shareholder, Volkswagen Financial Services AG, amounting to € 1 million (previous year: € 37 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 plus equipment and investment loans to the dealer organisation. Here, too, collateral comprises assets transferred as security, as well as surety agreements and charges on property. Receivables from leasing business contain receivables from finance leases and receivables due from leasing and rental assets. Other receivables essentially consist of credit lines and overdraft facilities utilised by customers and receivables from companies of the Volkswagen Group. This includes receivables resulting from subordinated loans in the amount of € 649 million (previous year: € 486 million) from a special purpose vehicle that securitises contractual claims of Volkswagen Leasing GmbH. This special purpose vehicle is a structured company not included in consolidation for Volkswagen Bank GmbH. The maximum risk with regard to the subordinated receivables granted is the counterparty risk corresponding to the carrying amount. Further information on non-consolidated structured companies is provided in note 32.

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	31.12.2014	31.12.2013
Receivables from customers	**37,251**	**33,937**
Market value adjustment from portfolio fair value hedging	10	–5
Receivables from customers less market value adjustment from portfolio fair value hedging	37,242	33,942

Receivables from leasing transactions include due receivables amounting to € 18 million (previous year: € 18 million). Of this amount, € 16 million (previous year: € 17 million) are attributable to finance leases and € 2 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	31.12.2014	31.12.2013
Gross receivables from finance leases	**2,234**	**1,898**
by residual term		
up to one year	761	680
more than one year and up to five years	1,456	1,212
more than five years	18	6
Interest not yet earned from finance leases	**128**	**110**
Net receivables from finance leases	**2,106**	**1,788**
by residual term		
up to one year	705	631
more than one year and up to five years	1,384	1,151
more than five years	17	6

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 € 248 million (previous year: € 229 million). A risk provision arising from unrecoverable outstanding minimum lease payments was recognised in the amount of € 5 million (previous year: € 7 million).

30. Risk provision arising from lending and leasing business

The risk provision in the lending and leasing business is made in accordance with uniform rules throughout the Group and cover all recognisable credit risks.

A reconciliation based on classes in accordance with IFRS 7 is as follows:

CLASS: "ASSETS MEASURED AT AMORTISED COST"

	SPECIFIC VALUATION ALLOWANCES		PORTFOLIO-BASED VALUATION ALLOWANCES		TOTAL	
€ million	2014	2013	2014	2013	2014	2013
As of 1.1.	**497**	**512**	**531**	**393**	**1,028**	**905**
Additions	115	163	136	182	251	345
Disposals	136	155	70	47	206	202
of which uses	53	49	–	–	53	49
of which reversals	83	106	70	47	153	153
Transfers	8	–6	48	3	56	–3
Changes in the basis of consolidation	–	–	–	–	–	–
Interest income from impaired receivables	11	16	–	–	11	16
Currency translation	0	–1	0	0	0	–1
Provisions for risks arising from lending and leasing business as of 31.12.	**472**	**497**	**646**	**531**	**1,118**	**1,028**

CLASS: "HEDGE ACCOUNTING"

€ million	Specific valuation allowances 2014	Specific valuation allowances 2013	Portfolio-based valuation allowances 2014	Portfolio-based valuation allowances 2013	Total 2014	Total 2013
As of 1.1.	**28**	**27**	**114**	**74**	**142**	**101**
Additions	6	13	4	39	10	52
Disposals	12	11	6	2	19	13
of which uses	7	7	–	–	7	7
of which reversals	6	4	6	2	12	6
Transfers	–7	0	–49	3	–56	3
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 as of 31.12.	**14**	**28**	**63**	**114**	**77**	**142**

The risk provision was recognised in relation to receivables from customers. As of the end of the financial year, there were valuation allowances amounting to € 393 million (previous year: € 348 million) in those countries that are at the heart of the euro crisis.

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		31.12.2014		31.12.2013
Assets from hedging transactions		117		71
Fair value hedges on assets (currency risk)	72		31	
Fair value hedges on liabilities (currency risk)	–		–	
Fair value hedges (interest rate risk)	43		15	
Portfolio fair value hedges (interest rate risk)	–		8	
Cash flow hedges on interest payments (currency risk)	2		17	
Cash flow hedges (interest rate risk)	–		–	
Assets from derivatives that are not hedges		13		33
Total		**130**		**104**

32. Securities

Securities essentially comprise acquired government bonds amounting to € 1,443 million (previous year: € 1,533 million) as well as asset-backed securities issued by special purpose entities of Volkswagen Finance S. A., Madrid (€ 382 million; previous year: € 663 million), Volkswagen Leasing GmbH, Braunschweig (€ 479 million; previous year: € 631 million).

These special purpose vehicles are structured companies not included in consolidation by Volkswagen Bank GmbH, whose receivables from retail and leasing financing are securitised with matching maturities. The outstanding nominal volume of the securitised assets amounts to € 451 million (previous year: € 756 million) for securitisations of Volkswagen Finance S.A., Madrid, and € 3,400 million (previous year: € 2,956 million) for securitisations of Volkswagen Leasing GmbH. The investment of Volkswagen Bank GmbH in these companies within the meaning of IFRS 12.24 consists in the acquisition of series of the debentures issued and the granting of a subordinated loan. The resulting risks are the issuer's counterparty credit risks and interest rate risks. The maximum risk exposure of Volkswagen Bank GmbH from investments in non-consolidated structured companies is limited to the acquired debentures recognised at fair value in the balance sheet and the carrying amount of the subordinated loan granted (see note 29).

Securities in the amount of € 1,947 million (previous year: € 2,625 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 of 1.1.2013	**1,668**	**2**	**1,670**
Foreign exchange differences/effects recognised in equity	0	0	0
Changes in the basis of consolidation	–	–	–
Additions	6	0	6
Transfers	–	–	–
Disposals	1,674	–	1,674
As of 31.12.2013	**–**	**2**	**2**
Amortisation/write-downs			
As of 1.1.2013	**–**	**–**	**–**
Foreign exchange differences	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
Write-ups	–	–	–
Write-downs	–	–	–
As of 31.12.2013	**–**	**–**	**–**
Carrying amount 31.12.2013	**–**	**2**	**2**
Carrying amount 1.1.2013	**1,668**	**2**	**1,670**

€ million	Companies accounted for using the equity method	Other financial assets	Total
Cost			
As of 1.1.2014	**–**	**2**	**2**
Foreign exchange differences/effects recognised in equity	–	0	0
Changes in the basis of consolidation	–	–	–
Additions	–	1	1
Transfers	–	–	–
Disposals	–	–	–
As of 31.12.2014	**–**	**3**	**3**
Amortisation/write-downs			
As of 1.1.2014	**–**	**–**	**–**
Foreign exchange differences	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
Write-ups	–	–	–
Write-downs	–	–	–
As of 31.12.2014	**–**	**–**	**–**
Carrying amount 31.12.2014	**–**	**3**	**3**
Carrying amount 1.1.2014	**–**	**2**	**2**

34. Intangible assets

€ million	Internally generated intangible assets	Goodwill	Brand name, customer base	Other intangible assets	Total
Cost					
As of 1.1.2013	**4**	**18**	**21**	**41**	**84**
Foreign exchange differences	0	0	0	0	0
Changes in the basis of consolidation	–	–	–	–	–
Additions	–	–	–	7	7
Transfers	–	–	–	0	0
Disposals	4	–	–	2	6
As of 31.12.2013	**0**	**18**	**21**	**46**	**85**
Amortisation/write-downs					
As of 1.1.2013	**4**	**–**	**3**	**27**	**34**
Foreign exchange differences	0	–	0	0	0
Changes in the basis of consolidation	–	–	–	–	–
Additions	–	–	1	4	5
Transfers	–	–	–	–	–
Disposals	4	–	–	0	4
Write-ups	–	–	–	–	–
Write-downs	–	–	–	–	–
As of 31.12.2013	**0**	**0**	**4**	**31**	**35**
Carrying amount 31.12.2013	**0**	**18**	**17**	**15**	**50**
Carrying amount 1.1.2013	**0**	**18**	**18**	**14**	**50**

€ million	Internally generated intangible assets	Goodwill	Brand name, customer base	Other intangible assets	Total
Cost					
As of 1.1.2014	**–**	**18**	**21**	**46**	**85**
Foreign exchange differences	–	–1	0	0	–1
Changes in the basis of consolidation	–	–	–	–	–
Additions	–	–	–	5	5
Transfers	–	–	–	0	0
Disposals	–	–	–	–1	–1
As of 31.12.2014	**–**	**18**	**20**	**50**	**88**
Amortisation/write-downs					
As of 1.1.2014	**–**	**–**	**4**	**31**	**35**
Foreign exchange differences	–	–	0	0	0
Changes in the basis of consolidation	–	–	–	–	–
Additions	–	–	1	6	7
Transfers	–	–	–	–	–
Disposals	–	–	–	–1	–1
Write-ups	–	–	–	–	–
Write-downs	–	–	–	–	–
As of 31.12.2014	**–**	**–**	**5**	**36**	**42**
Carrying amount 31.12.2014	**–**	**18**	**14**	**14**	**46**
Carrying amount 1.1.2014	**–**	**18**	**17**	**15**	**50**

The goodwill amounting to € 18 million (previous year: € 18 million) recognised as of 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. On the balance sheet date there were intangible assets with an indefinite useful life amounting € 25 million (previous year: € 25 million).

35. Property, plant and equipment

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

€ million	Land and buildings	Operating and office equipment	Total
Cost			
As of 1.1.2014	**23**	**24**	**47**
Foreign exchange differences	0	0	0
Changes in the basis of consolidation	–	–	–
Assets held for sale (IFRS 5)	–	–	–
Additions	1	2	3
Transfers	–	–	–
Disposals	3	4	7
As of 31.12.2014	**21**	**21**	**42**
Depreciation/write-downs			
As of 1.1.2014	**18**	**14**	**32**
Foreign exchange differences	0	0	0
Changes in the basis of consolidation	–	–	–
Assets held for sale (IFRS 5)	–	–	–
Additions	1	3	3
Transfers	–	–	–
Disposals	2	3	5
Write-ups	–	–	–
Write-downs	–	–	–
As of 31.12.2014	**16**	**14**	**30**
Carrying amount 31.12.2014	**5**	**8**	**12**
Carrying amount 1.1.2014	**5**	**10**	**15**

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

36. Leasing and rental assets and investment property

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

€ million	Movable leased assets	Investment property	Total
Cost			
As of 1.1.2014	**484**	**3**	**487**
Foreign exchange differences	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	282	–	282
Transfers	–	–	–
Disposals	129	–	129
As of 31.12.2014	**636**	**3**	**639**
Depreciation/write-downs			
As of 1.1.2014	**113**	**2**	**115**
Foreign exchange differences	–	–	–
Changes in the basis of consolidation	–	–	–
Additions	103	0	103
Transfers	–	–	–
Disposals	66	–	66
Write-ups	–	–	–
Write-downs	–	–	–
As of 31.12.2014	**149**	**2**	**151**
Carrying amount 31.12.2014	**487**	**1**	**488**
Carrying amount 1.1.2014	**371**	**1**	**372**

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: € 1 million). Operating costs incurred for maintaining investment property in the financial year were non-material, as in the previous year.

We expect payments of €111 million in 2015 and € 110 million between 2016 and 2019 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	31.12.2014	31.12.2013
Deferred taxation	1,397	1,396
of which non-current	42	43
Capitalised benefits from unused tax losses carried forward	4	0
of which non-current	4	0
Netting (with deferred tax liabilities)	−401	−513
Total	**999**	**883**

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

€ million	31.12.2014	31.12.2013
Property, plant and equipment/intangible assets	9	12
Leased assets	8	18
Other financial assets	–	–
Receivables and other assets	36	136
Cash and cash equivalents, and securities	1,333	1,216
Liabilities and provisions	12	14
Total	**1,397**	**1,396**

38. Other assets

€ million	31.12.2014	31.12.2013
Restricted cash	156	168
Receivables from other taxes	15	37
Deferred income	28	29
Vehicles taken back for resale	18	11
Other	122	75
Total	**339**	**320**

39. Non-current assets

€ million	31.12.2014	of which non-current	31.12.2013	of which non-current
Cash reserve	386	–	216	–
Receivables from financial institutions	940	–	522	83
Receivables from customers	37,251	19,098	33,937	17,533
Derivative financial instruments	130	79	104	45
Securities	2,308	–	2,912	–
Other financial assets	3	3	2	2
Intangible assets	46	46	50	50
Property, plant and equipment	12	12	15	15
Leased assets	487	487	371	371
Investment property	1	1	1	1
Income tax assets	43	–	45	–
Other assets	339	10	320	10
Total	**41,948**	**19,737**	**38,495**	**18,110**

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 € 1,602 million (previous year: € 64 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 € 2,444 million (previous year: € 2,941 million) in liabilities to affiliated companies - of which € 458 million (previous year: € 1,008 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" currently have the longest investment horizon. The maximum term is ten years.

Portions of the fixed-rate 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 € 1,078 million (previous year: € 1,161 million).

The reconciliation from the balance sheet figures is as follows:

€ million	31.12.2014	31.12.2013
Liabilities to customers	**26,844**	**25,071**
Market value adjustment from portfolio fair value hedging	0	–5
Liabilities to customers less market value adjustment from portfolio fair value hedging	26,844	25,076

41. Securitised liabilities

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

€ million	31.12.2014	31.12.2013
Debentures issued	7,339	5,194
Money market papers issued	211	324
Total	**7,550**	**5,518**

The non-current portion of the securitised liabilities amounts to € 5,548 million (previous year: € 2,865 million).

42. ABS transactions

The Volkswagen Bank GmbH Group utilises ABS transactions for the purpose of refinancing. The associated liabilities are contained in the following balance sheet items:

€ million	31.12.2014	31.12.2013
Liabilities to financial institutions	–	93
Securitised liabilities	3,026	2,211
Subordinated capital	147	143
Total	**3,173**	**2,446**

The securitisation transactions of Volkswagen Bank GmbH concern solely financial assets. The corresponding carrying amount of securitised receivables from retail financing amounts to € 2,987 million (previous year: € 2,280 million). As of 31 December 2014 the fair value of the liabilities was € 2,968 million (previous year: € 2,179 million). The fair value of the assigned and still recognised receivables was € 3,101 million as of 31 December 2014 (previous year: € 2,366 million). Receivables in the amount of € 2,987 million (previous year: € 2,280 million) arising from retail financing serve as security. This entails assigning the anticipated payments to special purpose entities and transferring the vehicles financed as collateral. The assigned receivables cannot be assigned again or otherwise serve as security. The claims of the bondholders are limited to the assigned receivables and incoming payments from these receivables are used to repay the corresponding liability.

These transactions with asset-backed-securities did not result in derecognition of receivables from financing business in the balance sheet, because bad debt and timely-settlement risks still remained with the Volkswagen Bank GmbH Group. The difference between the assigned receivables and the associated liabilities results from different terms and the share in the securitised debentures held by Volkswagen Bank GmbH itself.

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

43. 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		31.12.2014		31.12.2013
Obligations from hedging transactions		99		76
Fair value hedges on assets (currency risk)	0		0	
Fair value hedges on liabilities (currency risk)	58		–	
Fair value hedges (interest rate risk)	19		57	
Portfolio fair value hedges on assets (interest rate risk)	21		11	
Cash flow hedges on interest payments (currency risk)	–		8	
Cash flow hedges (interest rate risk)	–		0	
Obligations from derivatives that are not hedges		17		30
Total		**116**		**106**

The non-current portion of derivative financial instruments amounts to € 47 million (previous year: € 49 million).

44. Provisions

The provisions break down as follows:

€ million	31.12.2014	31.12.2013
Provisions for pensions and similar obligations	54	69
Other provisions	319	230
of which provisions for litigation and legal risks	234	140
of which for personnel	18	35
of which other	68	55
Total	**373**	**299**

The provisions for litigation and legal risks take into account any risks identified as of the reporting date regarding claims and legal costs resulting from current legislation and ongoing legal proceedings. Please note that upon invoking the safeguard clause in accordance with IAS 37.92, detailed information about provisions are not made if these could seriously compromise the interests of the company.

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

€ million	31.12.2014	31.12.2013
Present value of funded obligations	11	17
Fair value of plan assets	10	17
Funded status (net)	**1**	**0**
Present value of unfunded obligations	53	69
Amount not recognised as an asset due to the ceiling of IAS 19	0	0
Amount recognised in the balance sheet	**54**	**69**
of which provisions for pensions	54	69
of which other assets	–	–

Material principal pension regulations in 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 categorized 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 the 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 that depends 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's committees, which also 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 cushion 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	
%	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Discount rate	2.30	3.70	3.37	3.47
Salary trend	3.30	3.32	2.00	2.00
Pension trend	1.80	1.80	2.75	2.67
Fluctuation rate	0.75	0.75	2.00	4.20
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, also taking into account 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	2014	2013
Balance as of 1.1.	**69**	**76**
Changes in the basis of consolidation	–	–
Current service cost	2	2
Net interest expense	3	2
Actuarial gains and losses (recognised in equity)	–	–
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	–	0
Actuarial gains (-)/losses (+) due to changes in financial assumptions	8	−5
Actuarial gains (-)/losses (+) due to experience adjustments	−1	−1
Income/expenses from plan assets not recognised in interest income	0	0
Changes in the amount not recognised as an asset due to the ceiling of IAS 19	0	1
Employer contributions to the fund	−1	−1
Pension payments from company assets	−3	−3
Other changes	−24	−2
Currency differences from foreign plans	0	0
Balance as of 31.12.	**54**	**69**

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

€ million	2014	2013
Present value of obligations as of 1.1.	**86**	**91**
Changes in the basis of consolidation	–	–
Current service cost	2	2
Interest cost	3	3
Actuarial gains and losses (recognised in equity)	–	–
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	–	0
Actuarial gains (-)/losses (+) due to changes in financial assumptions	8	−5
Actuarial gains (-)/losses (+) due to experience adjustments	−1	−1
Employee contributions to the fund	0	0
Pension payments from company assets	−3	−3
Pension payments out of the fund	0	0
Other changes	−33	−1
Currency differences from foreign plans	0	0
Present value of obligations as of 31.12.	**64**	**86**

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

Present value of the defined benefit obligations if		31.12.2014 € million	31.12.2014 In %
Discount rate	is 0.5 percentage points higher	3	4.86
	is 0.5 percentage points lower	−4	−6.01
Pension trend	is 0.5 percentage points higher	4	6.67
	is 0.5 percentage points lower	−3	−4.48
Salary trend	is 0.5 percentage points higher	0	0.03
	is 0.5 percentage points lower	0	−0.03
Life expectancy	is one year higher	2	3.24

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 13 years.

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

€ million	2014	2013
Active members entitled to pensions	6	37
Members with vested benefits who are no longer with the company	12	10
Pensioners	47	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	2014	2013
Payments due within the next financial year	3	3
Payments due within two to five years	11	10
Payments due in more than five years	50	73

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

€ million	2014	2013
Fair value of plan assets as of 1.1.	**17**	**16**
Changes in the basis of consolidation	–	–
Interest income on plan assets determined using the discount rate	1	1
Income/expenses from plan assets not recognised in interest income	0	–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	–9	0
Currency differences from foreign plans	0	0
Fair value of plan assets as of 31.12.	**10**	**17**

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

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

€ million	31.12.2014		
	Market price quotation in an active market	No market price quotation in an active market	Total
Cash and cash equivalents	0	–	0
Equity instruments	2	–	2
Debt instruments	6	–	6
Investments in real property	–	–	–
Derivatives	1	–	1
Equity funds	0	–	0
Bond funds	1	–	1
Property investment funds	0	–	0
Other investment funds	1	–	1
Other	0	–	0

8% of the plan assets are invested in German assets, 89% in other European assets and 3% 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	2014	2013
Current service cost	2	2
Net interest expense (+)/income (-)	3	3
Total amount shown under staff costs	4	5

Other provisions developed as follows:

€ million	OTHER PROVISIONS		
	Human resources	Legal and litigation risks	Other
As of 1.1.2014	**35**	**140**	**55**
Use	28	35	9
Reversal	4	30	4
Addition	14	159	26
Changes in the basis of consolidation	–	–	–
Other changes	0	–	0
As of 31.12.2014	**18**	**234**	**68**

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. Other provisions also contain provisions for indirect credit risk in the amount of € 27 million (previous year: € 24 million). Risks from changed court rulings were fully accounted for by recognising provisions of € 144 million in financial year 2014 (previous year: € 136 million).

The terms of the other provisions are as follows:

€ million	31.12.2014 Residual term more than one year	31.12.2014 Total	31.12.2013 Residual term more than one year	31.12.2013 Total
Human resources	0	18	3	35
Legal and litigation risks	187	234	105	140
Other	63	68	47	55
Total	**250**	**319**	**155**	**230**

The expected outflow of payments for the other provisions will be 22% in 2015, 78% in the years 2016 to 2019 and 0% thereafter.

45. Deferred tax liabilities

The deferred tax liabilities break down as follows:

€ million	31.12.2014	31.12.2013
Deferred income tax liabilities	1,218	1,228
of which non-current	709	658
Netting (with deferred tax assets)	−401	−513
Total	**816**	**715**

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

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

€ million	31.12.2014	31.12.2013
Receivables and other assets	753	557
Property, plant and equipment/intangible assets	4	5
Leased assets	6	4
Investment property	0	0
Cash and cash equivalents, and securities	0	12
Liabilities, grants and provisions	454	650
Total	**1,218**	**1,228**

46. Other liabilities

Other liabilities concern the following items:

€ million	31.12.2014	31.12.2013
Liabilities from other taxes	27	32
Liabilities within the framework of social security and the wage and salary settlement	16	12
Deferred income	62	43
Other	18	16
Total	**124**	**103**

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

47. Subordinated capital

Net subordinated capital breaks down as follows:

€ million	31.12.2014	31.12.2013
Subordinated liabilities	465	631
of which: due within two years	406	577
Total	**465**	**631**

The subordinated liabilities to affiliated companies amount to € 427 million (previous year: € 438 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 € 123 million (previous year: € 385 million).

48. Equity

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

The capital reserves of Volkswagen Bank GmbH include the capital contributions of Volkswagen Financial Services AG, the company's sole shareholder. The capital reserves amounted to € 3,946 million in the financial year 2014 (previous year: € 3,796 million).

Retained earnings consists of undistributed profits from prior years and mainly includes other retained earnings.

The profit of € 303 million based on the HGB single-entity statements (previous year: € 850 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 € 4 million (previous year: € 3 million).

49. 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 common equity tier 1 capital, the tier 1 capital and the supplementary capital (subordinated liabilities) net of certain deductible and adjustment items and must satisfy legally defined requirements.

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

According to the supervisory law regulations (CRR, German Banking Act, Solvency Regulation), the bank regulatory authorities generally assume that the capitalisation is adequate if the companies subject to banking supervision show a consolidated common equity tier 1 capital ratio of at least 4.5%, a consolidated tier 1 capital ratio of at least 6.0% and consolidated total tier 1 capital ratio, respectively, of at least 8.0% (without taking transitional provisions into account). In determining these ratios, the regulatory equity is considered in relation to the eligible amounts determined in accordance with statutory requirements for counterparty risks, operational risks, market risk positions and credit valuation adjustments (CVAs). 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 the HGB:

	31.12.2014	31.12.2013
Aggregate risk position (€ million)	32,545	29,553
of which weighted position according to the standardised approach to credit risks	30,069	27,388
of which market risk positions * 12.5	191	141
of which operational risks * 12.5	2,242	2,024
of which risk positions for the credit valuation adjustment (CVA) * 12.5	43	0
Eligible own funds[1] (€ million)	4,354	4,361
Own funds(€ million)	4,354	4,348
of which common tier 1 capital	4,296	4,146
of which additional tier 1 capital	0	0
of which supplementary capital	58	202
Common tier 1 capital ratio[2] (%)	13.2	–
Tier 1 capital ratio[2] (%)	13.2	14.0
Total tier 1 capital ratio[2] (%)	13.4	14.7

1 Liable capital is shown in this item for 2013.
2 From 2010 to 2013 the regulatory equity ratios were calculated in accordance with the German Solvency Regulation. From 1 January 2014, these ratios are calculated pursuant to Article 92 of the Capital Requirements Regulation (CRR). In accordance with the naming convention in the CRR, the tier 1 capital ratio was also adopted and the overall ratio is now designated as the total tier 1 capital ratio.

NOTES TO THE FINANCIAL INSTRUMENTS

50. 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 of the settlement date. The derivative financial instruments are recognised as of 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Assets								
Cash reserve	386	216	–	–	–	–	–	–
Receivables from financial institutions	940	522	–	–	–	–	–	–
Receivables from customers	35,144	32,148	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	13	33
Securities	–	–	2,308	2,912	–	–	–	–
Other financial assets	–	–	0	2	–	–	–	–
Other assets	278	243	–	–	–	–	–	–
Total	**36,748**	**33,129**	**2,309**	**2,914**	**–**	**–**	**13**	**33**
Liabilities								
Liabilities to financial institutions	–	–	–	–	1,760	2,181	–	–
Liabilities to customers	–	–	–	–	26,844	25,071	–	–
Securitised liabilities	–	–	–	–	7,550	5,518	–	–
Derivative financial instruments	–	–	–	–	–	–	17	30
Other liabilities	–	–	–	–	18	16	–	–
Subordinated capital	–	–	–	–	465	631	–	–
Total	**–**	**–**	**–**	**–**	**36,637**	**33,417**	**17**	**30**

The receivables from leasing transactions are not allocated to any category.
The net results of these categories were as follows:

€ million	2014	2013
Loans and receivables	1,281	1,176
Available-for-sale financial assets	24	−1
Financial liabilities measured at amortised cost	−267	−344
Financial assets or liabilities measured at fair value through profit or loss	−3	−6

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	Fair value changes in accordance with IAS 39 in conjunction with IFRS 13 including valuation allowances, 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
Financial assets or liabilities measured at fair value through profit or loss	Fair value changes in accordance with IAS 39 in conjunction with IFRS 13 including valuation allowances, interest and effects from currency translation

51. 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

A reconciliation of the relevant balance sheet items with the aforementioned classes is found in the following schedule:

€ million	BALANCE SHEET ITEM		MEASURED AT FAIR VALUE		MEASURED AT AMORTISED COST		HEDGE ACCOUNTING		OTHER FINANCIAL ASSETS		NOT SUBJECT TO IFRS 7	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Assets												
Cash reserve	386	216	–	–	386	216	–	–	–	–	–	–
Receivables from financial institutions	940	522	–	–	940	522	–	–	–	–	–	–
Receivables from customers	37,251	33,937	–	–	34,203	28,738	3,048	5,199	–	–	–	–
Derivative financial instruments	130	104	13	33	–	–	117	71	–	–	–	–
Securities	2,308	2,912	2,308	2,912	–	–	–	–	–	–	–	–
Other financial assets	3	2	–	–	–	–	–	–	3	2	–	–
Other assets	339	320	–	–	278	243	–	–	–	–	61	77
Total	**41,358**	**38,013**	**2,321**	**2,945**	**35,808**	**29,719**	**3,165**	**5,270**	**3**	**2**	**61**	**77**
Liabilities												
Liabilities to financial institutions	1,760	2,181	–	–	1,760	2,181	–	–	–	–	–	–
Liabilities to customers	26,844	25,071	–	–	26,589	24,163	255	908	–	–	–	–
Securitised liabilities	7,550	5,518	–	–	7,550	5,518	–	–	–	–	–	–
Derivative financial instruments	116	106	17	30	–	–	99	76	–	–	–	–
Other liabilities	124	103	–	–	18	16	–	–	–	–	106	87
Subordinated capital	465	631	–	–	465	631	–	–	–	–	–	–
Total	**36,859**	**33,610**	**17**	**30**	**36,382**	**32,509**	**354**	**984**	**–**	**–**	**106**	**87**

The credit commitments class includes liabilities arising from irrevocable credit commitments amounting to € 1,200 million (previous year: € 1,271 million).

52. Measurement levels of financial instruments

To measure the fair value and the associated information we have classified the fair values 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 can be directly established on an active market are classified in Level 1.

Level 2 fair values are determined based on observable market data such as foreign exchange rates or interest rate curves using market-based valuation techniques (e.g. discounted cash flow method). This includes, among others, derivatives or 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.

€ million	Level 1		Level 2		Level 3	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013[1]	31.12.2014	31.12.2013[1]
Assets						
Measured at fair value						
Derivative financial instruments	–	–	13	33	–	–
Securities	1,448	1,535	861	1,377	–	–
Measured at amortised cost						
Cash reserve	386	216	–	–	–	–
Receivables from financial institutions	718	433	222	88	–	–
Receivables from customers	–	7	4,288	3,585	30,730	25,890
Other assets	–	–	278	243	–	–
Hedge accounting			–		–	
Receivables from customers	–	–	–	–	3,048	5,199
Derivative financial instruments	–	–	117	71	–	–
Total	**2,552**	**2,191**	**5,779**	**5,396**	**33,779**	**31,090**
Liabilities						
Measured at fair value						
Derivative financial instruments	–	–	17	30	–	–
Measured at amortised cost						
Liabilities to financial institutions	–	–	1,731	2,172	–	–
Liabilities to customers	–	–	27,213	24,209	–	–
Securitised liabilities	–	–	7,565	5,523	–	–
Other liabilities	–	–	18	16	–	–
Subordinated capital	–	–	480	660	–	–
Hedge accounting						
Liabilities to customers	–	–	255	908	–	–
Derivative financial instruments	–	–	99	76	–	–
Total	**–**	**–**	**37,377**	**33,594**	**–**	**–**

1 The previous year was adjusted.

All financial services receivables are assigned to Level 3 because material input factors from parameters that are not observable in the market are used to determine fair value.

53. 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 price at which an asset can be sold or the price paid for the assignment of a debt in an orderly business transaction between market participants on the valuation date. Market prices were applied unadjusted 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 web as equity and administrative costs as necessary. The fair value of receivables and liabilities with a residual term of less than one year was deemed to be the carrying amount on the grounds of materiality.

Fair value for other financial assets is likewise not determined because there is no active market for the companies contained therein. There were no plans as of 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	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Assets						
Measured at fair value						
Derivative financial instruments	13	33	13	33	–	–
Securities	2,308	2,912	2,308	2,912	–	–
Measured at amortised cost						
Cash reserve	386	216	386	216	–	–
Receivables from financial institutions	940	521	940	522	–	–1
Receivables from customers	35,019	29,482	34,203	28,738	816	744
Other assets	278	243	278	243	–	–
Hedge accounting						
Receivables from customers	3,048	5,199	3,048	5,199	–	–
Derivative financial instruments	117	71	117	71	–	–
Other financial assets	3	2	3	2	–	–
Liabilities						
Measured at fair value						
Derivative financial instruments	17	30	17	30	–	–
Measured at amortised cost						
Liabilities to financial institutions	1,731	2,172	1,760	2,181	–29	–9
Liabilities to customers	26,702	24,209	26,589	24,163	113	46
Securitised liabilities	7,565	5,523	7,550	5,518	15	5
Other liabilities	18	16	18	16	–	–
Subordinated capital	480	660	465	631	15	29
Hedge accounting						
Liabilities to customers	255	908	255	908	–	–
Derivative financial instruments	99	76	99	76	–	–

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	0.129	0.583	1.899
Interest for one year	0.117	0.641	1.758
Interest for five years	0.359	1.442	1.935
Interest for ten years	0.813	1.847	2.205

54. 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.

€ million	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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Assets												
Cash reserve	386	216	-	-	386	216	-	-	-	-	386	216
Receivables from financial institutions	940	522	-	-	940	522	-	-	-	-	940	522
Receivables from customers	37,354	34,014	−103	−77	37,251	33,937	-	-	−602	−636	36,649	33,301
Derivative financial instruments	130	104	-	-	130	104	−49	−57	−80	-	-	46
Securities	2,308	2,912	-	-	2,308	2,912	-	-	-	-	2,308	2,912
Other financial assets	3	2	-	-	3	2	-	-	-	-	-	2
Other assets	285	250	−6	−7	278	243	-	-	-	-	278	243
Total	**41,406**	**38,020**	**−109**	**−84**	**41,297**	**37,936**	**−49**	**−57**	**−683**	**−636**	**40,563**	**37,243**
Liabilities												
Liabilities to financial institutions	1,760	2,181	-	-	1,760	2,181	-	-	-	-	1,760	2,181
Liabilities to customers	26,947	25,148	−103	−77	26,844	25,071	-	-	-	-	26,844	25,071
Securitised liabilities	7,550	5,518	-	-	7,550	5,518	-	-	−1,492	−1,548	6,058	3,970
Derivative financial instruments	116	106	-	-	116	106	−49	−57	−51	-	15	49
Other liabilities	25	23	−6	−7	18	16	-	-	-	-	18	16
Subordinated capital	465	631	-	-	465	631	-	-	-	-	465	631
Total	**36,862**	**33,607**	**−109**	**−84**	**36,753**	**33,523**	**−49**	**−57**	**−1,543**	**−1,548**	**35,160**	**31,918**

55. 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 € 19,285 million (previous year: € 23,658 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 surety agreements and charges on property. Cash collateral is also used in connection with hedge accounting.

The following table shows the credit quality of the financial assets:

€ million	Gross carrying amount		Neither past due nor impaired		Past due but not impaired		Impaired	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Measured at fair value	2,321	2,945	2,321	2,945	–	–	–	–
Measured at amortised cost								
Cash reserve	386	216	386	216	–	–	–	–
Receivables from financial institutions	940	522	940	522	–	–	–	–
Receivables from customers	35,321	29,765	33,986	28,182	256	395	1,079	1,188
Other assets	278	243	278	243	–	–	–	–
Hedge accounting								
Receivables from customers	3,126	5,342	3,048	5,156	26	78	51	108
Derivative financial instruments	117	71	117	71	–	–	–	–
Other financial assets	3	2	3	2	–	–	–	–
Total	**42,493**	**39,106**	**41,080**	**37,337**	**283**	**473**	**1,130**	**1,296**

In financial year 2014, there were additions to risk provisions of € 251 million (previous year: € 345 million), in the class "Measured at amortised cost" and € 10 million (previous year: € 52 million) in the class "Hedge accounting".

The maximum exposure to credit risk from irrevocable credit commitments is € 1,200 million (previous year: € 1,271 million).

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

€ million	Neither past due nor impaired		Risk class 1		Risk class 2	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Measured at fair value	2,321	2,945	2,321	2,945	–	–
Measured at amortised cost						
Cash reserve	386	216	386	216	–	–
Receivables from financial institutions	940	522	940	522	–	–
Receivables from customers	33,986	28,182	29,815	24,354	4,172	3,828
Other assets	278	243	278	243	–	–
Hedge accounting						
Receivables from customers	3,048	5,156	2,472	4,112	576	1,043
Derivative financial instruments	117	71	117	71	–	–
Other financial assets	3	2	3	2	–	–
Total	**41,080**	**37,337**	**36,332**	**32,465**	**4,748**	**4,872**

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

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

			PAST DUE WITHIN THE FOLLOWING PERIODS					
	PAST DUE BUT NOT IMPAIRED		up to 1 month		1 to 3 months		more than 3 months	
€ million	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Measured at fair value	–	–	–	–	–	–	–	–
Measured at amortised cost								
Cash reserve	–	–	–	–	–	–	–	–
Receivables from financial institutions	–	–	–	–	–	–	–	–
Receivables from customers	256	395	162	308	94	87	–	–
Other assets	–	–	–	–	–	–	–	–
Hedge accounting								
Receivables from customers	26	78	14	55	12	23	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–	–	–
Total	**283**	**473**	**177**	**363**	**106**	**110**	**–**	**–**

Gross carrying amounts of impaired receivables:

€ million	31.12.2014	31.12.2013
Measured at fair value	–	–
Measured at amortised cost		
Cash reserve	–	–
Receivables from financial institutions	–	–
Receivables from customers	1,079	1,188
Other assets	–	–
Hedge accounting		
Receivables from customers	51	108
Derivative financial instruments	–	–
Other financial assets	–	–
Total	**1,130**	**1,296**

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	31.12.2014	31.12.2013
Vehicles	29	42
Property	–	–
Other movables	–	–
Financial assets	–	–
Total	**29**	**42**

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

56. Liquidity risk

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

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

€ million	ASSETS		PAYABLE ON DEMAND		UP TO 3 MONTHS		3 MONTHS TO 1 YEAR		1 TO 5 YEARS	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Cash reserve	386	216	386	216	–	–	–	–	–	–
Receivables from financial institutions	940	522	574	264	366	170	–	5	–	83
Securities	2,308	2,912	–	–	2,308	2912	–	–	–	–
Total	**3,634**	**3,650**	**960**	**480**	**2,674**	**3,082**	**–**	**5**	**–**	**83**

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

€ million	CASH OUTFLOWS		REMAINING CONTRACTUAL MATURITY up to 3 months		3 months to 1 year		1 to 5 years		more than 5 years	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Liabilities to financial institutions	1,779	2,182	147	1,984	14	125	1,584	50	35	23
Liabilities to customers	27,090	25,330	24,290	21,324	1,511	2,658	704	806	585	542
Securitised liabilities	7,658	5,587	553	371	1,469	2,306	5,636	2,910	–	–
Derivative financial instruments	2,704	3,495	396	252	2,110	2,937	198	306	0	0
Other liabilities	81	16	73	14	6	0	1	1	1	1
Subordinated capital	486	666	108	21	240	236	94	361	45	48
Irrevocable credit commitments	1,200	1,271	145	118	1,055	1,153	–	0	–	0
Total	**40,999**	**38,547**	**25,711**	**24,084**	**6,405**	**9,415**	**8,217**	**4,434**	**665**	**614**

57. Market risk

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

The value-at-risk (VaR) method based on historical simulation is used for quantitative measurements of the interest and currency translation risks. The VaR indicates the amount 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	2014	2013
Interest rate risk	12	46
Currency translation risk	0	0
Total market risk	**12**	**46**

58. Foreign currency items

In the Volkswagen Bank GmbH Group the following assets and liabilities are contained in the currencies shown as of 31 December 2014:

€ million	CZK	GBP	NOK	PLN	RUB	TRY	USD	Others
Cash reserve	–	2	–	11	–	–	–	–
Receivables from financial institutions	0	11	0	43	0	–	0	1
Receivables from customers	96	2,127	209	382	24	231	22	–
Securities	–	66	–	42	–	–	–	–
Intangible assets	–	–	–	38	–	–	–	–
Property, plant and equipment	–	–	–	3	–	–	–	–
Income tax assets	–	2	–	8	–	–	–	–
Other assets	–	1,898	–	1	–	–	–	–
Assets	**96**	**4,106**	**209**	**526**	**24**	**231**	**23**	**1**
Liabilities to financial institutions	–	–	–	4	–	0	–	0
Liabilities to customers	–	128	–	395	–	–	–	–
Securitised liabilities	–	–	–	6	–	–	–	–
Provisions	–	1	–	7	–	–	–	–
Income tax obligations	–	4	–	5	–	–	–	–
Other liabilities	–	1	–	3	–	–	–	–
Liabilities	**–**	**135**	**–**	**420**	**–**	**0**	**–**	**0**

59. Notes to the hedging policy

HEDGING POLICY AND FINANCIAL DERIVATIVES

On account of its activities in international financial markets, the Volkswagen Bank GmbH Group is affected by interest rate fluctuations on the international money and capital markets. 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, conventional 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. These present values were determined on the basis of standardised procedures or quoted prices.

INTEREST RATE RISK

Changes in the level of interest rates on the money and capital markets constitute an interest rate risk in the case of refinancing with unmatched 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.

CURRENCY RISK

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

LIQUIDITY RISK/FUNDING RISK

The Volkswagen Bank GmbH Group takes precautions against potential liquidity shortages by maintaining a confirmed line of credit at VW AG and by using multi-currency-capable debt issuance programs. 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.

The actual default risk is considered to be small because transactions are concluded only with counterparties that have an excellent credit standing, and the company's risk management procedures include the setting of trading limits for each counterparty. 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	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Cash flow hedges						
Interest rate swaps	–	–	–	–	–	–
Cross-currency interest rate swaps	–	–	–	–	–	–
Currency futures contracts	2	3	–	1	–	–
Currency swaps	13	244	–	17	–	–
Other						
Interest rate swaps	3,437	5,759	7,462	5,729	0	0
Cross-currency interest rate swaps	–	1,327	–	–	–	–
Currency futures contracts	338	176	–	8	–	–
Currency swaps	2,032	5	166	217	–	–
Total	**5,823**	**7,514**	**7,628**	**5,972**	**0**	**0**

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 the future were not recognised as of the balance sheet date.

SEGMENT REPORTING

60. 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 profit before tax.

The operating result includes the net income from lending and leasing transactions after risk provision, net commission income, the result from derivative financial instruments as well as general administration expenses and other operating income and expenses. Interest expense, the result from derivative financial instruments, the result from other financial assets, general administration expenses and other operating income and expenses that are not a component of the operating result mainly comprise the result from hedge accounting, income from shares in affiliated companies, 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
	FINANCIAL YEAR 2014					
Revenue from lending transactions with third parties	947	109	67	191	–	1,313
Revenue from lending transactions between the segments	71	0	0	0	−71	–
Segment revenue from lending transactions	1,017	109	67	191	−71	1,313
Revenue from leasing transactions	–	41	299	3	–	344
Commission income	154	49	56	13	–	272
Revenue	1,171	200	423	207	−71	1,929
Cost of sales from lending and leasing transactions	–	−27	−92	−1	–	−120
Write-ups on leased assets and investment property	–	–	–	–	–	–
Depreciation and impairment losses on leased assets and investment property	–	–	−103	–	–	−103
of which impairment losses pursuant to IAS 36	–	–	–	–	–	–
Interest expense (part of the operating result)	−227	−20	−30	−38	71	−244
Risk provision arising from lending and leasing business	−26	−32	−29	−30	–	−117
Commission expenses	−140	−30	−50	−8	–	−227
Result from the measurement of derivative financial instruments and hedged items (part of the operating result)	−4	–	–	–	–	−4
General administration expenses (part of the operating result)	−503	−49	−78	−82	1	−711
Other operating result (part of the operating result)	30	3	4	8	−1	43
Segment result (operating result)	301	45	45	56	–	446
Interest income not classified as revenue	14	–	–	–	–	14
Interest expense (not part of the operating result)	0	–	–	–	–	0
Result from the measurement of derivative financial instruments and hedged items (not part of the operating result)	2	–	0	–	–	2
Result from joint ventures accounted for using the equity method	–	–	–	–	–	–
Result from securities and other financial assets	0	–	–	4	–	4
General administration expenses (not part of the operating result)	−2	0	–	0	–	−3
Other operating result (not part of the operating result)	0	0	–	–	–	0
Profit before tax	315	45	45	59	–	464
Taxes on income and earnings	−115	−17	−16	−5	–	−153
Profit after tax	199	28	29	54	–	310
Net income attributable to Volkswagen Financial Services AG	199	28	29	54	–	310
Segment assets	21,643	3,104	4,216	4,537	–	33,500
of which non-current assets	13,156	1,536	2,158	911	–	17,762
Segment liabilities	34,269	2,979	3,621	4,222	−9,606	35,485

The presentation for the previous year is as follows:

€ million	FINANCIAL YEAR 2013					
	Germany	Italy	France	Other	Consolidation	Total
Revenue from lending transactions with third parties	981	113	76	174	–	1,344
Revenue from lending transactions between the segments	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 leasing and rental 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
Risk provision 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 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
Profit before tax	325	43	37	54	–	459
Taxes on income and earnings	−99	−20	−19	−13	–	−151
Profit after tax	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

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

€ million	31.12.2014	31.12.2013
Interest income from lending transactions	1,327	1,360
./. Interest income not classified as revenue	14	16
Net income from leasing transactions before risk provision	121	113
./. Expenses from leasing business	–120	–97
./. Depreciation and impairment losses on leased assets and investment property	–103	–77
./. Write-ups on leased assets and investment property	–	–
Commission income	272	254
Consolidated revenue	**1,929**	**1,885**
Net income from leasing transactions before risk provision	121	113
./. Income from leasing transactions	344	287
./. Depreciation and impairment losses on leased assets and investment property	–103	–77
Cost of sales from lending and leasing transactions	**–120**	**–97**
Receivables from customers arising from		
Retail financing	21,779	20,431
Dealer financing	8,928	7,973
Leasing business	2,108	1,789
Other receivables	4,437	3,744
of which not included in segment assets	–4,239	–3,561
Leased assets	487	371
Consolidated assets acc. to segment reporting	**33,500**	**30,747**
Liabilities to financial institutions	1,760	2,181
of which not included in borrowings	0	0
Liabilities to customers	26,844	25,071
of which not included in borrowings	–1,115	–1,501
Securitised liabilities	7,550	5,518
of which not included in borrowings	–18	–18
Subordinated capital	465	631
Consolidated liabilities acc. to segment reporting	**35,485**	**31,882**

All transactions between the segments are conducted at arm's length 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, leasing and rental assets and investment property amount to € 3 million (previous year: € 4 million) in the Italy segment, € 285 million (previous year: € 241 million) in the France segment and € 2 million (previous year: € 5 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 amounted to € 1 million (previous year: € 1 million) in the Germany segment, € 4 million (previous year: € 4 million) in the Italy segment, € 105 million (previous year: € 79 million) in the France segment, and € 4 million (previous year: € 4 million) in the other reporting entities.

OTHER NOTES

61. Cash flow statement

The cash flow statement of the Volkswagen Bank GmbH Group documents the change in funds available due to the cash flows resulting from current operating activities, investing activities and financing activities. The cash flows resulting from investing activities comprise payments resulting from the purchase and proceeds resulting from the sale of investment property and other assets. The financing activities comprise all the cash flows resulting from transactions with equity, subordinated capital and other financing activities. All other cash flows are assigned to operating activities, in accordance with international practice for financial services companies.

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

62. Off-balance-sheet commitments

€ million	31.12.2014	31.12.2013
Contingent liabilities		
Liabilities from surety and warranty agreements	68	110
Other obligations		
Irrevocable credit commitments	1,200	1,271
Other financial obligations		
Purchase obligations	20	11
Other	0	2

The obligations under non-cancelablle rental and leasing contracts in the Volkswagen Bank GmbH Group will trigger expenses of € 3 million (previous year: € 3 million) in financial year 2015 and € 6 million (previous year: € 4 million) in financial years 2016 to 2019. The irrevocable credit commitments may be utilised at any time.

63. Trust activities

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

64. Average number of employees during the financial year

	2014	2013
Salaried employees	1,138	1,215
of which senior management	35	61
of which part-time staff	54	55
Trainees	13	8

65. 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 of the balance sheet date. The extraordinary Annual General Meeting of Volkswagen AG resolved on 3 December 2009 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. According to their notification dated 5 January 2015 the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover held 20.00% of the voting rights of Volkswagen AG on 31 December 2014. 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. All transactions between the two companies are conducted at arm's length 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 favor 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 transactions with non-consolidated subsidiaries as well as other Group entities that are related parties of Volkswagen AG are conducted at arm's length terms.

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

€ million	FINANCIAL YEAR 2014								
	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	–	5	4,764	53	–	–
Allowances on receivables	–	–	–	–	–	–	–	–	–
of which: additions, current year	–	–	–	–	–	–	–	–	–
Obligations	4	6	1,084	–	573	1,282	8	–	–
Interest income	0	0	0	–	0	112	5	–	–
Interest expense	0	0	–3	–1	–4	–16	0	–	–
Services and products provided	–	–	0	–	9	156	5	–	–
Services and products received	–	–	–59	–	–1,347	–139	0	–	–
Provision of sureties	–	–	3	–	1	6	–	–	–

€ million	FINANCIAL YEAR 2013								
	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	–	–	–

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.

The total compensation paid to the members of the Board of Management was borne by Volkswagen Financial Services AG. In the previous year, two members of the Board of Management were paid by Volkswagen Bank GmbH. Their total compensation in financial year 2013 was € 1 million. The pro rata provisions recognised for this group of people in connection with current pensions and entitlements amounted to € 1 million in the previous year.

A total of € 4 million (previous year: € 4 million) was recognised as provisions for pensions and similar obligations to former members of the Board of Management and their surviving dependents. The payments to former members of the Board of Management and their surviving dependants amounted to less than € 0.5 million.

66. 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 (until 31.12.2013)
Sales & Marketing (from 1.1.2014)
Sales Individual Customers & Corporate Customers (until 31.12.2013)
Customer Service & Process Management Individual Customers (until 31.12.2013)
Customer Service Individual Customers (from 1.1.2014)
International

TORSTEN ZIBELL
Direct bank
Treasury (until 31.12.2013)
Corporate Development (from 1.1.2014)

DR. HEIDRUN ZIRFAS
Finance / Risk Management (until 31.12.2013)
Finance / Corporate Steering (from 1.1.2014)
Market Support / Dealer Restructuring (until 31.12.2013)
Market Support / Dealer Restructuring / Risk Management (from 1.1.2014)
Human Resources / Organisation (until 31.12.2013)
Human Resources (from 1.1.2014)

The Audit Committee has the following members:

DR. JÖRG BOCHE
Chairman (from 24.4.2014)
Executive Vice President of Volkswagen AG
Group Treasurer

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

DR. ARNO ANTLITZ
Chairman (until 23.4.2014)
Member of the Board of Management Volkswagen Brand
Controlling and Accounting

GABOR POLONYI (FROM 1.5.2014)
Head of Major Client Management for Volkswagen Leasing GmbH

JÖRG THIELEMANN (UNTIL 30.4.2014)
Head of Customer Service Retail North/East of Volkswagen Bank GmbH

67. 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	
Liquiditats-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
BV-BGPB Beteiligungsgesellschaft privater Banken für Internet- und mobile Bezahlungen mbH, Berlin	2.5
III. Investments in affiliated companies	
OOO Volkswagen Bank RUS, Moscow, Russian Federation	1.0

As of 31 December 2013 the equity of Volkswagen Bank Polska S.A. amounted to € 69 million (PLN 293 million); the result of Volkswagen Bank Polska S.A. in 2013 amounted to € 8 million (PLN 34 million). All information refers to the company's IFRS financial statements.

The special purpose entities included in the consolidated financial statements pursuant to IFRS 10 - Driver Seven GmbH i. L., Driver Eight GmbH, Driver Nine GmbH, 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, Driver Eleven GmbH and Driver Twelve GmbH - all domiciled in Frankfurt am Main, each have subscribed capital of € 25,050. The companies Private Driver 2013-1 UG (haftungsbeschränkt), Private Driver 2013-2 UG (haftungsbeschränkt), Private Driver 2014-1 UG (haftungsbeschränkt), Private Driver 2014-2 UG (haftungsbeschränkt), Private Driver 2014-3 UG (haftungsbeschränkt) and Private Driver 2014-4 UG (haftungsbeschränkt), all domiciled in Frankfurt am Main, each have share capital of € 5,100. Driver France FCT Compartiment 2013-1 domiciled in Paris, France, has liable capital of € 300, the result of the 2013 abridged financial year amounted to € 1 million. The special purpose entities that were operational in 2014 each posted earnings of under € 0.1 million in 2014.

Volkswagen Bank GmbH is contractually obliged to transfer funds to the structured entities included in its consolidated financial statements subject to certain conditions.

Since the transfer of the claim to the special purpose vehicle takes place in the form of an undisclosed assignment, it may be the case that the claim was reduced with legal force by the originator, e.g. if the debtor performs a set-off vis-à-vis Volkswagen Bank GmbH. A performance deposit for netting claims against the special purpose vehicle that may result from this must be paid if the rating of Volkswagen Bank GmbH falls to a contractually stipulated reference value. Financial assistance was not granted by Volkswagen Bank GmbH in the financial year 2014 nor in preceding periods.

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.

68. Post-balance sheet date events

There were no other significant events up to 10 February 2015.

69. Responsibility statement of the Board of Management

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, 10 February 2015
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 business year from 1 January to 31 December 2014. 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 section 315a Para. 1 of the HGB are the responsibility of the parent company's management. 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 section 317 of the HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group 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 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 management, 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.

In our opinion, which is based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a Para. 1 HGB give a true and fair view of the net assets, financial position and results of the operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements, provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 10 February 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ralf Schmitz
Wirtschaftsprüfer
[German Public Auditor]

ppa. Christian Bertram
Wirtschaftsprüfer
[German Public Auditor]

Report of the Audit Committee

OF VOLKSWAGEN BANK GMBH

Volkswagen Bank GmbH is a publicly traded company within the meaning of section 264d of the HGB. The company established an Audit Committee pursuant to the provisions of section 324 HGB whose principal tasks are described in section 107 Para. 3 sentence 2 German Stock Corporation Act (AktG). The Audit Committee consists of four members. Compared to the previous year, the changes made to personnel are described in the information on corporate bodies.

The Audit Committee convened for two 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 26 February 2014, 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 financial year 2014 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 reasons 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 meeting on 25 November 2014 the Audit Committee addressed the issue of risk management and the comprehensive assessment by the ECB. The head of Internal Audit also reported to the Audit Committee on the audit system and monitoring of the elimination of any non-conformances found. In addition, audit planning, the content of the audit and the auditor's information requirements were discussed with the auditor.

Braunschweig, 17 February 2015

Dr. Jörg Boche
Chairman

Waldemar Drosdziok
Deputy Chairman

Dr. Arno Antlitz
Member

Gabor Polonyi
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 developments 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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You will also find the Annual Report 2014 at www.vwfs.com/ar14

The Annual Report is also published in German.

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

VOLKSWAGEN BANK GMBH

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