# VOLKSWAGEN BANK

GMBH






# The key to mobility.

ANNUAL REPORT 2012 (IFRS)





# Volkswagen Bank GmbH (IFRS)
## at a glance

| in € million (as at 31.12.) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Total assets | 39,220 | 37,866 | 32,826 | 34,193 | 33,497 |
| Receivables arising from | | | | | |
| Retail financing | 19,557 | 17,939 | 17,696 | 17,421 | 15,481 |
| Dealer financing | 7,738 | 7,435 | 6,261 | 6,427 | 7,653 |
| Leasing business | 1,540 | 1,412 | 1,232 | 1,156 | 1,136 |
| Customer deposits | 23,722 | 22,592 | 20,078 | 19,489 | 12,829 |
| Equity | 5,021 | 4,883 | 4,690 | 4,095 | 3,318 |
| Pre-tax result | 558 | 494 | 480 | 330 | 375 |
| Taxes on income and earnings | –127 | –125 | –131 | –81 | –84 |
| Net income | 431 | 369 | 349 | 249 | 291 |

| in % (as at 31.12.) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Cost/income ratio[1] | 52 | 51 | 53 | 60 | 56 |
| Equity ratio | 12.8 | 12.9 | 14.3 | 12.0 | 9.9 |
| Core capital ratio | 13.5 | 14.4 | 15.6 | 14.9 | 12.8 |
| Overall ratio | 14.9 | 16.3 | 18.6 | 18.0 | 18.8 |
| Return on equity | 11.3 | 10.3 | 10.9 | 8.9 | 11.2 |

| Number (as at 31.12.) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Employees | 864 | 753 | 631 | 644 | 669 |

| RATING (AS AT 31.12.2012) | STANDARD & POOR´S | | | MOODY´S INVESTORS SERVICE | | |
|---|---|---|---|---|---|---|
| | short-term | long-term | Outlook | short-term | long-term | Outlook |
| Volkswagen Bank GmbH | A–2 | A– | positive | Prime–2 | A3 | positive |
| Volkswagen Financial Services AG | A–2 | A– | positive | Prime–2 | A3 | positive |

1 General administration expenses divided by net income from lending, leasing and insurance transactions after provisions for risks and net commission income

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# Management Report (IFRS)

# Development of business
## Volkswagen Bank GmbH Group boosts business volume

The mood in the global economy darkened perceptibly in the 2012 financial year, dragging down the automotive industry substantially in some cases. The Volkswagen Bank GmbH Group nevertheless succeeded in consolidating its market position.

### GLOBAL ECONOMY LOSES MOMENTUM

In 2012, the global economy grew at a slower rate than in the preceding year. Industrialised countries recorded only minimal expansion as a consequence of structural impediments, mainly due to partly overstretched national budgets. The emerging markets continued to outperform the global economy, though at a reduced pace. In spite of the expansionary monetary policy adopted by many central banks, inflation remained moderate. Global economic growth in 2012 stood at 2.6% (previous year: 3.0%).

#### Europe

The gross domestic product (GDP) of Western Europe receded by an average of 0.2% after a 1.5% increase in the previous year. In addition to the euro zone countries in Southern Europe, a number of Northern European countries also recorded negative growth rates. Average unemployment across the euro zone rose to 11.8% (previous year: 10.6%), though the jobless figures were much higher in Greece, Ireland, Portugal and Spain. The GDP growth rate in Central and Eastern Europe fell to 2.5% on average (previous year: 4.8%).

#### Germany

With the global economy losing steam and no sign of the euro zone crisis ending, the rate of economic expansion in Germany also declined in 2012 compared with the previous year. The labour market recovery continued in the reporting year, with the associated growth in income stimulating private consumption and stabilising the economy. In spite of this encouraging development, the German economy grew by just 0.9 % on average over the year (previous year: 3.1 %).

### FINANCIAL MARKETS

The development of the global financial markets in 2012 was overshadowed by the European banking and sovereign debt crisis.

In the European Union's crisis meetings, it became apparent that there was a political intention to use the crisis to strengthen unity within the European Union and tighten budgetary controls within the currency union to be able to prevent individual countries from creating debt problems in the future. This intention helped to calm the global financial markets as the year progressed. The measures resolved by the European Central Bank (ECB) in the second half of the year to support the euro by buying up unlimited numbers of bonds from struggling countries as necessary also had a major influence on this. In the shadow of these decisions, rating downgrades of individual EU countries by international rating agencies in the meantime did not rattle the financial markets any further.

#### Europe

In Europe, the interdependence of the international banking crisis and the debt problems of individual euro zone countries became very apparent as the euro crisis deepened. Only the measures taken by the ECB and the structural reforms instituted in the euro zone countries helped reassure the financial markets, on which private capital flows had been severely disrupted by the loss of confidence in the credit quality of public budgets. After the stock market indices plunged due to widespread uncertainty around mid-year, the indices ended the year on a high note once more. In the EU, the net issue volume of bonds rose slightly in 2012. While the volume of new government bond issues declined, companies in the private sector substantially increased their bond issue volumes year on year.

#### Germany

In 2012, the financial sector largely benefited from stabilising factors, due in particular to the injections of cash from the ECB. On the whole, bond issues took a downtrend, driven by the much lower volume of new issues by financial institutions and a slight decrease in government issues. Companies outside the financial sector recorded significantly higher issue volumes in spite of much lower interest rates.

### INTEGRATION INTO THE VOLKSWAGEN GROUP

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

### DEMAND FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES REACHES NEW HIGH

In the 2012 financial year, passenger car sales rose worldwide by 7.2 % to 66.6 million vehicles, surpassing the record level of 2011. All regions with the exception of Western Europe contributed to this increase. In Central and Eastern Europe, more new vehicles were sold than in the previous year, though fewer than in 2008 and 2007.

Worldwide passenger car production rose during the reporting period by 6.0 % to 70.5 million units.

#### Industry-specific business environment

The established passenger car markets developed at different rates in 2012. Whilst some industrialised countries were impacted by the sovereign debt crisis and its consequences, others – among them Germany – benefited from the continued robust demand in some of the growth markets during the year's first half.

#### Europe

As expected, new passenger car registrations in Western Europe during the reporting period fell short of the prior-year figure. Instead, at 11.7 million vehicles (–8.2 %), the lowest overall market volume since 1993 was recorded. The repercussions of the sovereign debt crisis, the weak economy, rising unemployment and the associated uncertainty among market participants were the main factors leading to the large downswings in the Southern European markets in particular. Demand declined perceptibly in the large-volume markets of Italy (–19.9 %), France (–14.1 %) and Spain (–13.4 %). In the United Kingdom, buoyant demand among private customers generated market growth of 5.3 %. At 54.9 %, the market share of diesel vehicles (passenger cars) in Western Europe in 2012 nearly reached the peak level recorded in the previous year.

#### Germany

New passenger car registrations in Germany in the 2012 financial year were down slightly compared with the previous year. This 2.9 % decline to 3.1 million vehicles was due exclusively to consumer restraint among private customers. The growing uncertainty about how the economy will continue to develop pushed down demand in the second half of the year in particular. The market volume for light commercial vehicles also fell short of the prior-year figure. New vehicle registrations decreased overall by 6.2 % to 226,000 vehicles. In 2012, both domestic production and exports missed the prior-year figures 2011. Passenger car production fell by 3.7 % to 5.4 million vehicles, while exports of passenger cars were down 2.6 % to 4.1 million vehicles, mainly due to a large drop in exports to other euro zone countries caused by the ongoing recessionary trend.

The Volkswagen Group managed to further expand its market leadership in Germany by increasing its market share to 37.7 % (previous year: 35.9 %).

### OVERALL APPRAISAL OF THE DEVELOPMENT OF BUSINESS

In the view of the Board of Management of Volkswagen Bank GmbH, business developed positively in 2012. Earnings in 2012 were in line with expectations and therefore higher than in 2011.

New business throughout Europe has developed positively during the year. Business volume grew again 2012, while margins remained nearly stable year-on-year. Both interest income and interest expense declined due to lower interest rate levels. Refinancing costs saw a slightly disproportionate decrease as a result of favourable interest rates, among other factors. Risk costs fell in comparison with the previous year

In the 2012 financial year, the Volkswagen Bank GmbH Group boosted its business volume year on year – especially in Germany, Italy, Ireland and France. Please see the section on the analysis of the company's business development for more information on the development of current contracts.

Furthermore, the Volkswagen Bank GmbH Group continued to enhance the leveraging of potential along the automotive value chain. As in recent years, we further intensified the integration of our financial services into the sales activities of the Volkswagen Group brands. The GO$^{40}$ strategy launched in 2011 in conjunction with the vehicle brands is a key part of this process. By increasing penetration rates, we will especially boost customer loyalty and strengthen the dealer network through the creation of additional sources of income. In particular, integrating service and maintenance packages will further increase the contribution customers make to raising the Group's enterprise value.

The Volkswagen Bank direct division continues to be of great significance given its deposit volume and its use of innovative sales channels. Volkswagen Bank GmbH further expanded its deposit business from the previous year's high level.

Effective 01 January 2012, the outstanding stake in VOLKSWAGEN BANK POLSKA S.A., Warsaw, which until then had been jointly controlled, was acquired by Volkswagen Bank GmbH from the former co-owner, Kulczyk Pon Investment N.V., Leusden, to strengthen sales activities in Poland. This company has been fully consolidated in the consolidated financial statements of Volkswagen Bank GmbH for the first time in 2012.

With the bank branch in Portugal opening for business, we gained entry into another market. Initially, the dealer organisation here will be supported in selling vehicles with a financing package by the Group.

# Management and organisation
## New structures and growth

The customer-focused realignment in the German market continued.

### KEY OBJECTIVES

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

#### Financing business

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

#### Leasing transactions

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

#### Direct banking business

Volkswagen Bank direct offers private customers the entire portfolio of a direct bank, from account management and instalment loans to savings and investment products. Volkswagen Bank direct provides its business customers with overnight deposit accounts, fixed-term deposits and savings certificates and offers them wide-ranging payment transaction services.

#### Agency business

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

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

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

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

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

### ORGANISATION OF THE VOLKSWAGEN BANK GMBH GROUP

The Volkswagen Bank GmbH Group is another step closer to its goal of aligning the Group such that the quality it offers customers and dealers alike is improved, its processes are streamlined and additional synergies are leveraged. Employee motivation and satisfaction are an important factor in order to defend our top position as an attractive employer.

The Direct Banking customer group is headed by Torsten Zibell, who has overall responsibility for product development, marketing, sales, customer service and receivables management in the direct banking business.

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. 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 fully leveraging the Corporate Customer segment. Market Support combines credit analysis and loan approval processes in order to guarantee rapid process speed and a high degree of customer satisfaction. Leadership was transferred as at 01 January 2013 from Dr. Michael Reinhart to Dr. Heidrun Zirfas, who also assumed responsibility for Finance and Risk Management.

The organisational realignment of controlling for the German market undertaken in the previous year for purposes of implementing the WIR2018 strategy and meeting higher standards from Groupwide management proved to be successful.

Effective 01 January 2012, the responsibility as primary institution was transferred from Volkswagen Bank GmbH to Volkswagen Financial Services AG.

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

### REPORT ON THE BRANCHES AND BRANCH OFFICES

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

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

At the end of the 2012 financial year, the Volkswagen Bank GmbH Group was represented in the European market by branches in eight EU countries, which were set up using the "European Passport". Each of the Volkswagen Bank GmbH Group's international branches in France, Greek, the United Kingdom, Ireland, Italy, the Netherlands, Portugal and Spain conducted its local business with its own staff. In the previous year, Volkswagen Financial Services AG and D'Ieteren S.A., Belgium, established a joint venture named Volkswagen D'Ieteren Finance S.A. Among other things, this entity was founded for the purpose of handling customer and dealer financing in Belgium. Based on a contract entered into in 2011, select assets and liabilities of Volkswagen Bank GmbH, which had been allocated to the Belgium branch within the other branches segment, were transferred to Volkswagen D'Ieteren Finance S.A. as at 13.02.2012. The Belgium branch was subsequently wound up and closed on 06 August 2012. The branches employed 695 members of staff as at the end of 2012 (previous year: 591).

# Analysis of the Group's business development and position

## Further improvement of earnings

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

The Volkswagen Bank GmbH Group succeeded in consolidating its strong market position in 2012 as well. Thanks to the close cooperation with the brands, the intensive collaboration with the dealers of the Volkswagen Group and the attractive product portfolio of the Volkswagen Group, customer receivables again rose over the level at 31 December 2011. Net interest income including net income from leasing transactions decreased slightly year on year.

### RESULTS OF OPERATIONS

The 2012 financial year was a positive one for the Volkswagen Bank GmbH Group.

The pre-tax result was € 558 million compared to € 494 million in the previous year. Foreign branches contributed € 103 million (previous year: € 124 million) to earnings. The change in earnings was substantially affected by the positive development of risk costs and the other operating result. These were primarily offset by an increase in general administration expenses.

The net income from lending and lasing transactions before risk provisions earned by the Volkswagen Bank GmbH Group was € 1,127 million, which was almost unchanged compared to the previous year (€ 1,096 million).

Interest income from lending and money market transactions continues to stem primarily from consumer financing, as well as from vehicle and investment financing for the dealers of the Volkswagen Group. The decline in the interest income from retail financing before risk provisions in the amount of € 28 million was more than offset by the increase in interest income from dealer financing before risk provisions in the amount of € 10 million and the reduction in interest expense by € 59 million.

The Volkswagen Bank GmbH Group succeeded in lowering its interest expense by 9.3 % to € 587 million year on year thanks to the consistent execution of its diversified refinancing strategy, the flexible utilisation of its instruments and the positive developments in the capital market.

The allowances and provisions recognised in connection with the lending business take into account all impairments existing as at the balance sheet date. At € 441 million, the required risk provision expenses again were below the previous year's level (€ 484 million). Both indirect residual value risks and default risks in countries that are most affected by the euro crisis are thus taken into account by recognising provisions and allowances. Reversals of provisions were substantially higher in the financial year just ended than in the previous year, as was income from receivables written off. The remaining expenses overall fell from € 173 million to € 112 million. The net commission income increased year on year, from € 39 million to € 55 million, thanks almost exclusively to an increase in commission income from the German business.

In spite of commission expenses to reinforce dealer loyalty as part of the $GO^{40}$ strategy, net commission income on the foreign markets was also positive.

General administration expenses rose by € 98 million in line with the growth in business volume. The majority of this is due to personnel expenses and personnel lease costs of € 47 million.

The method used to calculate provisions for indirect residual value risks underwent further refinement and the parameters used were adapted to reflect the changes in the market conditions in 2012. This gave an overall boost to earnings of € 25.1 million in the 2012 financial year. All other methods and procedures for recognising and assessing risks remained unchanged from the previous year's financial statements. Risks from changed court rulings were fully accounted for again in the 2012 financial year. The underlying parameters were adjusted in line with current expectations. Although the corresponding provisions had to be increased by € 40.9 million in 2012, Nevertheless, other operating expenses decreased by € 41 million, while other operating income increase by € 37 million, mainly due to the reversal of provisions that were no longer required.

Under the existing profit transfer agreement, the remaining profit after tax pursuant to German commercial law of Volkswagen Bank GmbH, amounting to € 290 million, is transferred to the parent company, Volkswagen Financial Services AG.

## SUMMARY

In 2012 the Volkswagen Bank GmbH Group succeeded yet again in substantially boosting its pre-tax result year on year especially due to the positive effects from the other operating result and the substantial improvement in risk costs.

## ASSETS AND FINANCIAL POSITION

### Lending business

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

Retail financing

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

Our attractive terms have helped the Volkswagen Bank GmbH Group to benefit from this development. A total of 387,798 (previous year: 344,653) new contracts were sold in the new vehicle financing business and 297,473 in the used car financing business (previous year: 263,970).

The automotive financing portfolio on the whole rose to currently 1,973,883 contracts (previous year: 1,848,588 contracts). At the close of 2012, retail financing receivables were € 19.6 billion (previous year: € 18.4 billion). The foreign branches of Volkswagen Bank GmbH and the Polish entity accounted for € 3.9 billion (previous year: € 3.6 billion) of this amount.

Dealer financing

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

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

In this context, a positive, upward trend can be identified in both the core market of Germany and the foreign branches of the Volkswagen Bank GmbH Group. Total dealer financing receivables as at the balance sheet date were € 7.7 billion compared to € 7.4 billion at the end of the previous year. The foreign branches and Volkswagen Bank Polska accounted for € 3.9 billion of these aggregate receivables (previous year: € 3.7 billion).

The write-downs of receivables decreased from € 584 million to € 556 million year on year.

Leasing business

The Volkswagen Bank GmbH Group offers finance leasing and operating leasing through the foreign branches of the Volkswagen Bank GmbH Group. While the French branch engages in both finance and operating leasing, the Italian and the Portuguese branches offer only finance leasing. Receivables as at the end of the 2012 financial year rose from € 1.4 billion to € 1.5 billion. They largely comprise receivables from finance leasing.

Securities

The portfolio of the Volkswagen Bank GmbH Group principally comprises bonds issued by different countries in the amount of € 1.6 billion (previous year: € 0.8 billion) and senior ABS debentures issued by special purpose entities of Volkswagen Leasing GmbH with a total value of € 0.5 billion (previous year: € 0.5 billion).

In addition to government bonds of € 1.5 billion and the ABS debentures issued by special purpose entities of Volkswagen Leasing GmbH in the amount of € 0.5 billion, Volkswagen Bank GmbH has also deposited debentures issued by special purpose entities that securitise the Bank's own receivables with Deutsche Bundesbank in the amount of € 4.2 billion as collateral for participation in open market transactions. Due to the consolidation of these special purpose entities, the aforementioned securities are not disclosed in the consolidated financial statements of Volkswagen Bank GmbH. At the balance sheet date there were open market transactions of € 2.2 billion with Deutsche Bundesbank.

Companies accounted for using the equity method
The Volkswagen Bank GmbH Group holds a 50 % stake in Global Mobility Holding B.V., Amsterdam. Global Mobility Holding B.V. in turn holds all shares of LeasePlan Corporation N.V., Amsterdam. This equity investment of Volkswagen Bank GmbH was sold to Volkswagen AG effective 22.01.2013 as part of internal restructuring of the Group.

The Volkswagen Bank GmbH Group is represented in Poland through its affiliated company VOLKSWAGEN BANK POLSKA S.A., Warsaw.

Volkswagen Bank GmbH bought the remaining 40% of the equity interest in VOLKSWAGEN BANK POLSKA S.A., Warsaw, which were held by Kulczyk Pon Investment B.V., Leusden, the Netherlands, with an effective date of 01 January 2012.

Volkswagen Bank GmbH also continues to hold an equity interest of 1% in Limited Liability Company Volkswagen Bank RUS, Moscow, which was established in 2010.

CURRENT AND NEW CONTRACTS

| in thousands (as at 31.12.) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| New contracts[1] | | | | | |
| Retail financing[2] | 706 | 626 | 623 | 690 | 563 |
| Leasing business | 39 | 36 | 29 | 27 | 36 |
| Service/insurance | 86 | 70 | 59 | 58 | 45 |
| Current contracts[3] | | | | | |
| Retail financing | 1,974 | 1,849 | 1,813 | 1,940 | 1,638 |
| Leasing business | 103 | 91 | 83 | 78 | 77 |
| Service/insurance | 128 | 115 | 104 | 105 | 117 |
| Direct banking customers | 1,116 | 1,095 | 1,014 | 939 | 812 |

1 The new contracts in 2008 were adjusted to the volume definition applicable from 2009 onwards.
2 Including direct banking business
3 The year-end figure for 2008 was adjusted to the volume definition applicable from 2009 onwards.

**Deposit business and borrowings**

Besides equity, notable liability items include liabilities to customers in the amount of € 25.4 billion (previous year: € 24.7 billion) as well as securitised liabilities in the amount of € 4.1 billion (previous year: € 5.8 billion). The increase in liabilities to financial institutions is largely the result of the acquisition of a low-interest loan from Deutsche Bundesbank for € 2.0 billion in April 2012 and a further short-term open-market transaction with Deutsche Bundesbank totalling € 0.2 billion in December 2012.

Deposit business
The Volkswagen Bank GmbH Group slightly expanded its deposit business from the previous year’s high level. As at the balance sheet date, the customer deposit volume was € 23.7 billion, up 4.8 % compared to 31 December 2011 (€ 22.6 billion). The Volkswagen Bank GmbH Group succeeded in further expanding its market leadership among automotive direct banks thanks to this level of deposits. The deposit business is thus contributing substantially to customer loyalty to the Volkswagen Group. Its share in the refinancing mix of the Volkswagen Bank GmbH Group remains almost unchanged at 60.5 %.

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

**SUMMARY**

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

**EQUITY**

Subscribed capital and capital reserves remained unchanged year on year.

Volkswagen Bank GmbH was the primary credit institution under the German Banking Act (Kreditwesengesetz - KWG) until 31 December 2011. Volkswagen Financial Services AG assumed the function of the primary company starting on 01 January 2012. As such it is now responsible for ensuring the capital adequacy of the financial holding group, Volkswagen Financial Services AG.

**Capital adequacy according to regulatory requirements**

Under the provisions of the Solvency Regulations, banking regulatory authorities assume that a company's capital is adequate if the core capital ratio is at least 4.0% and the regulatory overall ratio is at least 8.0%. The so-called standardised approach to determine capital adequacy in connection with credit risks and operational risks is applied in accordance with the Solvency Regulation.

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

| | | 31.12.2012 | | 31.12.2011 |
|---|---|---|---|---|
| Aggregate risk position (€ million) | | 29,168 | | 27,461 |
| of which weighted position according to the standardised approach to credit risks | 27,214 | | 25,781 | |
| of which market risk positions * 12.5 | 128 | | 121 | |
| of which operational risks * 12.5 | 1,826 | | 1,559 | |
| Liable capital[1] (€ million) | | 4,355 | | 4,464 |
| of which core capital[2] | 3,948 | | 3,951 | |
| of which supplementary capital[2] | 407 | | 513 | |
| Own funds (€ million) | | 4,355 | | 4,464 |
| Core capital ratio [3] (%) | | 13.5 | | 14.4 |
| Overall ratio[4] (%) | | 14.9 | | 16.3 |

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

Overall, the core capital ratio changed from 14.4% to 13.5% as a result of a growth in business (increase in risk assets), the change in the core capital and the subordinated funds, and the overall ratio changed from 16.3% to 14.9%. The core capital ratio and the overall ratio developed as follows in recent years:

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


The own funds ratio of the Volkswagen Bank GmbH Group is relatively high, ensuring adequate capitalisation even in the event of large increases in its business volume. In principle, the bank can use ABS transactions and raise supplementary capital as needed in the form of subordinated liabilities in order to optimise its equity management.

As a result, the Volkswagen Bank GmbH Group has a sound basis for the ongoing expansion of its financial services business.

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

| in % (as at 31.12.) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Cost/income ratio[1] | 52 | 51 | 53 | 60 | 56 |
| Equity ratio[2] | 12.8 | 12.9 | 14.3 | 12.0 | 9.9 |
| Core capital ratio[3] | 13.5 | 14.4 | 15.6 | 14.9 | 12.8 |
| Overall ratio[4] | 14.9 | 16.3 | 18.6 | 18.0 | 18.8 |
| Return on equity[5] | 11.3 | 10.1 | 10.9 | 8.9 | 11.2 |

1 General administration expenses net of charges passed on, divided by net income from lending and leasing transactions after provisions for risks and net commission income
2 Ratio between equity and total capital
3 Core capital ratio = Core capital/ ((Capital requirement for credit risks + operational risks + market risks) * 12.5) * 100
4 Overall ratio = Own funds/ ((Capital requirement for credit risks + operational risks + market risks) * 12.5) * 100
5 Pre-tax result divided by the average equity

## DISCLOSURES ON THE EQUITY RATIO

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

Subscribed capital and capital reserves remained unchanged year on year. Since the business volume grew by around 3.6% in the 2012 financial year, the equity ratio was 12.8%, which is almost on a par with the previous year's figure of 12.9%. The Volkswagen Bank GmbH Group managed to raise funds at all times thanks to its good standing in the capital market and the expansion of its deposit business.

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

## REFINANCING

### Strategic principles

In terms of its refinancing activities, the Volkswagen Bank GmbH Group generally follows a strategy aimed at diversification, which is conceived as the best possible weighing of cost and risk factors. This entails developing a diverse range of refinancing sources in different regions and countries with the aim of ensuring the sustained availability such resources at optimum terms.

### Implementation

Despite volatile markets, the refinancing situation in the financial year just ended was marked by stability and continual availability; the company was able to utilise all instruments at optimal terms and conditions. In the past financial year, the Volkswagen Bank GmbH Group availed itself of the European Central Bank's refinancing facility in the amount of € 2.0 billion. The funds were used in the core business of automotive financial services, existing maturities were replaced and refinancing costs were optimised further. Furthermore, private placements totalling € 305 million were marketed successfully during the year. Receivables of the Volkswagen Bank GmbH Group in the amount of € 3.0 billion were securitised as asset-backed securities. These were repurchased by the Volkswagen Bank GmbH Group in full for the purpose of depositing collateral with the European Central Bank.

With interest rates at historical lows, the customer deposit business grew by € 1.1 billion to € 23.7 billion in the financial year just ended.

The company borrowed at corresponding maturities and used derivatives in line with its strategy of refinancing largely at matching maturities. Currency risks were largely precluded through the use of derivatives. The Volkswagen Bank GmbH Group remained solvent at all times throughout financial year 2012. 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.

# Opportunity and risk report
## Opportunity and risk management – a success factor

A multitude of risks are taken in the financial services business. In doing so, the Volkswagen Bank GmbH Group acts responsibly in order to take advantage of the resulting market opportunities for long-term commercial success.

### MACROECONOMIC OPPORTUNITIES

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

### STRATEGIC OPPORTUNITIES

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

### MATERIAL COMPONENTS OF THE INTERNAL CONTROL SYSTEM AND THE INTERNAL RISK MANAGEMENT SYSTEM IN REGARDS TO THE ACCOUNTING PROCESS

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

- Given its function as the corporate body tasked with managing the company's business and in view of ensuring proper accounting, the Board of Management of Volkswagen Bank GmbH has established Accounting, Customer Service, Treasury, Risk Management and Controlling departments and has clearly delineated their respective spheres of responsibility and authority.
- Groupwide requirements and accounting rules serve as the basis for a uniform, proper and continuous accounting process.
- For instance, the accounting standards of the Volkswagen Financial Services AG Group – including the International Financial Reporting Standards (IFRS) – govern the accounting policies applied by the domestic and foreign entities that are consolidated in the Volkswagen Bank GmbH Group Group's annual financial statements.
- The accounting standards of the Volkswagen Bank GmbH Group also govern concrete formal requirements that the consolidated financial statements must fulfil. They not only determine which companies to include in consolidation, they also fix the components of the reporting packages that the Group companies must prepare in detail. Among other things, these formal requirements serve to ensure the binding utilisation of a standardised and complete set of forms. The accounting standards also contain specific requirements regarding the treatment and settlement of intra-group transactions and the reconciliation of accounts based thereon.
- At the Group level, specific elements of control designed to ensure the propriety and reliability of Group accounting principles comprise analyses and possibly revisions of Group companies' single-entity financial statements, with due regard for the reports submitted by the auditors or the discussions held with them to this end.
- All of this is supplemented by the clear delineation of spheres of responsibility as well as a variety of controlling and monitoring mechanisms. The aim is to ensure that all transactions are accurately posted, processed, evaluated and included in the company's financial accounting.
- These controlling and monitoring mechanisms are designed to be process-integrated and independent of processes. Hence automated IT process controls besides manual process controls (such as the "four-eyes" principle) comprise material components of the process-integrated activities. These controls are supplemented by

specific Group functions of the parent company, Volkswagen AG, for example Group Controlling.

- Internal Audit is a key component of the controlling and monitoring system of the Volkswagen Bank GmbH Group. Internal Audit regularly performs audits, both in Germany and abroad, of processes relevant to accounting as part of its risk-based audit procedures and directly reports its findings to the Board of Management of Volkswagen Bank GmbH.

In sum, the existing internal controlling and monitoring system of the Volkswagen Bank GmbH Group is designed to ensure that the information on the financial position of the Volkswagen Bank GmbH Group as at the 31 December 2012 reporting date is proper and reliable. No material changes were made to the internal controlling and monitoring system of the Volkswagen Bank GmbH Group after the reporting date.

#### ORGANISATIONAL STRUCTURE OF RISK MANAGEMENT

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

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

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

This risk management system allows timely detection of developments that might jeopardise the company's activities.

The system encompasses both a framework of risk principles as well as organisational structures and processes for risk measurement and monitoring that are tightly integrated in the activities of the individual divisions.

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

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

The Chief Risk Officer (CRO) regularly reports the Volkswagen Bank GmbH Group's overall risk position to both the Board of Management and the sole shareholder, Volkswagen Financial Services AG. The Supervisory Board of Volkswagen Bank GmbH was dissolved effective 15.05.2012; its tasks have been assumed by the company's shareholder.

Group Risk Management & Methods is responsible for the formulation of risk management guidelines, the development of methods and processes, the identification of potential risks, the analysis and quantification as well as the assessment of risks and the resulting determination of risk management measures.

Group Risk Management & Methods defines parameters for the procedures and models used worldwide for assessing creditworthiness and collateral and it is responsible for monitoring their adequacy.

As a neutral and independent department, Group Risk Management & Methods reports directly to the Board of Management of Volkswagen Bank GmbH.

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

#### RISK STRATEGY AND RISK MANAGEMENT

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

As part of its overall responsibility, the Board of Management of Volkswagen Bank GmbH and the Board of Management of Volkswagen Financial Services AG jointly established and documented a strategy process that conforms to minimum risk management requirements 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 and the steps required to achieve these goals.

The risk strategy, which is consistent with the business strategy, is reviewed annually based on the risk inventory, the risk-bearing capacity and legal requirements, adjusted as necessary and discussed with the Supervisory Board (until 15.05.2012) or the shareholders' meeting of Volkswagen Bank GmbH (from 16.05.2012).

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

The risk strategy covers all key quantifiable and unquantifiable risks. It is further detailed and specified by means of secondary risk strategies for the individual risk types and operationalised in the planning round process.

Materiality is identified and determined in the risk inventory process, which must be carried out annually.

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

#### RISK-BEARING CAPACITY, RISK LIMITS AND STRESS TESTING

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

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

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

Risk quantification is executed by means of different approaches pursuant to the methodological recommendations of the Basel Capital Accord based on statistical models and supported by expert estimates.

The material risks are quantified as part of the analysis of the risk-bearing capacity based on a general confidence level of 90% and an observation period of one year. A holding period of 40 trading days is applied for market price risks.

The risk-bearing capacity of the Volkswagen Bank GmbH Group was certain throughout the year 2012.

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 in accordance with the risk appetite of the Board of Management of Volkswagen Bank GmbH.

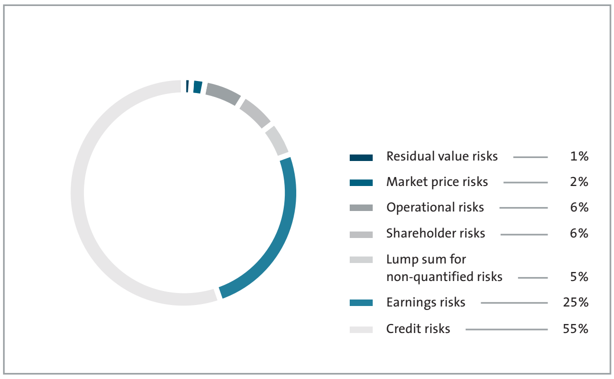
Establishing the risk limit system as the core element in capital allocation limits risks at different levels, thus ensuring the economic risk-bearing capacity of the Volkswagen Bank GmbH Group. The risk taking potential is determined based on the available equity and income components, taking various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

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

The overall risk of the Volkswagen Bank GmbH Group amounts to € 765.7 million and is distributed as follows across the individual types of risk:

DISTRIBUTION OF RISKS BY TYPE OF RISK

Figures as at 30.09.




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

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

Based on calculations of risk-bearing capacity, all material risks that could adversely affect the assets, results of operations or liquidity situation were sufficiently hedged at all times through the available risk taking potential.

During the financial year, risk coverage capital was kept below the overall internal risk limit.

The stress tests performed do not indicate any need for action. A list of measures was developed based on the results of the inverse stress test.

#### RISK REPORTING

The risk-bearing capacity is the starting point in the risk management report. After describing the Bank's overall risk, Group Risk Management & Methods addresses the credit, market price, liquidity, operational, residual value and shareholder risks in detail in its quarterly risk management report. This report is addressed directly to the Board of Management of Volkswagen Bank GmbH as well as the Supervisory Board (until 15.05.2012) or the shareholders' meeting (from 16.05.2012).

Regular reporting is supplemented by ad hoc reporting.

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

#### FOURTH AMENDED VERSION OF MARISK

The Federal Financial Supervisory Authority (BaFin) published the new version of MaRisk in December 2012. Among other changes, it stipulates the following:

- a stronger risk control function,
- critical analyses of risk quantification procedures for all relevant risk types to be performed at least annually,
- new and more specific requirements for risk-bearing capacity,
- setting up a MaRisk-compliant, multi-year capital planning process in accordance with Pillar I (regulatory minimum capital requirements) and Pillar II (internal capital adequacy requirements to ensure risk-bearing capacity beyond the risk evaluation period of one year),
- setting up early warning indicators for all material risk types as well as across risk types,
- setting up processes preceding material changes in organisational structure and workflows and in IT systems for analysing the effects of planned changes on control procedures and control intensity,
- setting up a Groupwide compliance function and
- setting up a suitable liquidity netting procedure.

The required changes and the need for action were analysed. The new requirements are scheduled to be implemented in 2013.

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

#### RISK TYPES

##### RISK OF COUNTERPARTY DEFAULT

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

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

**Credit risk**

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

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

Risk assessment

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

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

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

The Volkswagen Bank GmbH Group bases its lending decisions on credit assessments of the given borrowers using rating and scoring procedures.

Parameters for developing and maintaining rating systems are described in a working guideline. There is also a rating manual, which governs the application rating systems as part of the loan approval process.

Scoring procedures in the retail business

Analysing the creditworthiness of private customers involves scoring systems that are integrated in the purchasing and portfolio processes and provide an objective decision-making basis for granting loans.

These scoring systems utilise internally and externally available data on the borrowers and generally estimate the probability of default of the customer transaction requested based on several years of historical data using static methods. In a departure from the above, both generic and robust score cards and expert systems are used largely for smaller portfolios with lower risk exposures to measure the risk inherent in loan requests.

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

Rating procedures in the corporate business

The Volkswagen Bank GmbH Group uses credit rating procedures to rate its national and international corporate customers (e.g. automobile dealers).

The assessment includes both the key performance indicators from annual financial statements as well as qualitative factors – such as the outlook for future business development, the quality of management, the climate in both the market and industry, as well as the customer's payment behaviour. To the extent possible, all these factors are taken into account statistically.

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

The centrally maintained, workflow-based rating application (CARAT), which had initially been used only in Germany and certain branches, was rolled out worldwide to support analyses of creditworthiness.

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

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

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

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

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

Validation refers in particular to checking whether the models are separable and calibrated in ways adequate to the risks. In order to ensure a high standard of quality, the models developed abroad are subject to centralised quality assurance, which centrally monitors all models in Germany and enhances them as necessary. A risk committee which meets in different committees is in place to approve rating and scoring procedures.

Collateral

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

The valuations in local collateral guidelines are based on historical data and many years of expert experience.

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

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

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

Value adjustments

The determination of adjustments based on the incurred loss model pursuant to IAS 39 also takes risks of counterparty default in connection with ABS transactions into account.

The model we used for determining these adjustments was derived from the Basel II risk quantification method.

As a rule, a conservative approach is used in connection with model and parameter assumptions.

Risk management and monitoring

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

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

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

Furthermore, credit risks are also managed by applying the approval limits of the Volkswagen Bank GmbH Group. These approval limits are fixed for each branch individually. The local decision makers can exercise discretion within these limits.

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

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

**Concentrations of risk**

Concentrations of credit risk

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

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

Concentrations of industries

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

Concentrations of collateral

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

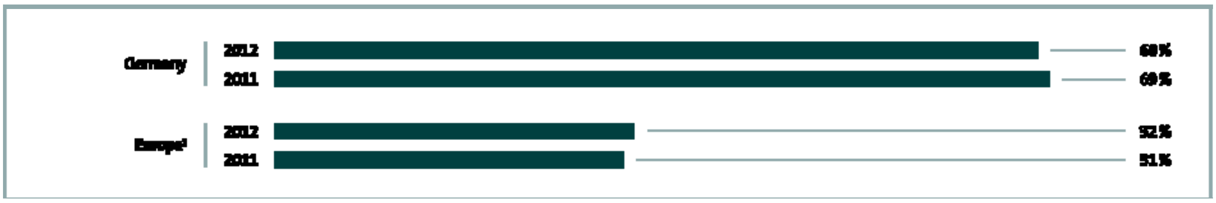
Vehicles are the dominant type of collateral for the Volkswagen Bank GmbH Group. Risks arising from such concentrations of collateral basically arise when negative price developments in the used vehicle markets reduce both the value of the collateral and the proceeds from the disposal of the collateral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

In terms of the vehicles that serve as collateral, the Volkswagen Bank GmbH Group is diversified not just across all automotive segments but also across many countries in Europe. The range of vehicles that are financed and leased is equally diversified.

Both of these effects reduce the risk of concentrations of collateral.

**Developments/Outlook**

DISTRIBUTION OF CREDIT VOLUME BY REGION




1 Europe excluding Germany

The economic horizon remained dim in 2012, particularly in the crisis-affected Southern European countries. This also impacted on the market for motor vehicles. While the portfolios in Germany and the United Kingdom showed a stable trend, markets such as Italy or Greece witnessed a sharp rise in the volume of bad debts.

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

Driven by the manufacturer’s marketing campaigns and an economic environment that was stable especially in the first six months of the year, the retail portfolios grew, particularly in the major European markets.

Defaults in the private customer segment were up slightly, primarily in Southern European markets.

Stabilising trends in the business with commercial borrowers continued until the end of the first half of 2012. In the second half of 2012, signs of a slight deceleration began to emerge. Overall, the dealer business continued to grow in connection with the expansion of the factoring business.

The economic environment is expected to become increasingly challenging in 2013. Resolving the sovereign debt crisis in Europe and its ramifications will be decisive.

**Counterparty/issuer risk**

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

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

Risk assessment

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

Counterparty/issuer risk is calculated using a Monte Carlo simulation to determine the unexpected loss (value-at-risk and expected shortfall).

Risk management and monitoring

Treasury is responsible for risk management in relation to counterparty/issuer risks. The counterparty/issuer default risk is calculated and monitored monthly by Group Risk Management.

In addition, the investment volume per counterparty is controlled using counterparty volume limits. Compliance with these counterparty volume limits is monitored by the Treasury back office.

#### Country risk

Country risk comprises risks that arise in international business, which exist not on account of the contractual partner as such, but due to its head office being located abroad. As a result, political or economic crises or problems in the financial system as a whole of a country can, for example, lead to a stoppage of cross-border capital transfer services due to transfer difficulties resulting from governmental actions taken by a foreign state. Attention must be paid to country risk in the Volkswagen Bank GmbH Group, particularly in the case of refinancing 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 will arise.

#### Shareholder risk

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

Parameters

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

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

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

Volkswagen Bank GmbH has been holding a significant – i. e. 50% – stake in LeasePlan Corporation N.V., Amsterdam, which is held indirectly via Global Mobility Holding B.V. (GMH), Amsterdam, since the end of 2004.

Risk assessment

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

The fleet management contract portfolio changed by 1.5% over the prior year. Despite growing macroeconomic challenges in key markets, LeasePlan was able to slightly increase the result from ordinary business activities as against previous years.

Due to the unstable market environment in the euro zone, rating agency Moody's downgraded LeasePlan's credit rating by two levels to Baa2 in June 2012.

Rating agency Fitch (A-) lowered the outlook for LeasePlan from stable to negative and also justified this based on the difficult market climate in the euro zone. In contrast, S&P kept its rating unchanged at BBB+.

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

Risk management and monitoring

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

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

The 50% equity investment by the Volkswagen Bank GmbH Group in Global Mobility Holding B.V., which holds 100% of LeasePlan Corporation N.V., was sold to Volkswagen AG effective 22.01.2013 as part of internal restructuring of the Group.

### MARKET PRICE RISK

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

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

#### Interest rate risk

The interest rate risk includes potential losses from changes in market rates. It arises from non-matching fixed-interest periods of a portfolio's assets and liabilities.

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

Risk assessment

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

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

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

Interest rate positions are subjected to stress tests comprising extraordinary changes in interest rates and worst case scenarios and are subsequently analysed in terms of the at-risk potentials using the simulated results.

In this connection, changes in the present value are also quantified and monitored monthly using the +200 and – 200 basis points interest rate shock scenarios defined by the Federal Financial Supervisory Authority (BaFin).

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

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

Risk management and monitoring

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

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

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

Risk communication

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

#### Foreign currency risk

Currency risks arise in connection with numerical inconsistencies between foreign currency items shown in assets and in liabilities. Open currency items are permitted only in individual cases.

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

They are quantified monthly based on the VaR approach, analogous to the market price risks, and are included in risk assessment. Compared to the entire portfolio, these play only a subordinate role.

In addition, endowment capital in the amount of GBP 96 million was made available to the branch in the United Kingdom as at 31.12.2012. Given its unlimited maturity, the endowment capital which is refinanced in euros is not secured through hedging transactions.

#### Fund price risk

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

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

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

### EARNINGS RISK (SPECIFIC PROFIT/LOSS RISK)

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

This includes the risks of

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

Risk measurement

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. In addition stress tests specific to risk types are conducted quarterly using historical and hypothetical scenarios.

Risk management and monitoring

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

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

Concentrations of risk

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

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

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

## LIQUIDITY RISK

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

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

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

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

Parameters

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

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

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

Risk assessment

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

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

Managing the liquidity of the Volkswagen Bank GmbH Group requires strict compliance with the liquidity ratio prescribed by the Liquidity Regulation. It was between 2.19 and 3.53 from January to December of the reporting year and thus always substantially higher than the regulatory floor of 1.0. Treasury continually monitors this liquidity ratio and actively manages it by imposing a floor for internal management purposes.

Liquidity management and monitoring

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

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

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

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

Risk communication

As part of risk communication, the managing directors of Volkswagen Bank GmbH are informed daily of outstanding refinancing, open confirmed bank credit lines and the value of the standby credit line with the German Central Bank.

The Board of Management is informed monthly of the current liquidity situation.

## OPERATIONAL RISK

Operational risk (OpR) is defined as the risk of losses that arise from the inappropriateness or failure of internal processes (process risks), employees (personnel risks) and systems (infrastructure and IT risks) or from external factors (external risks, e.g. terrorist attacks). The definitions of these four risk categories include the respective legal risks.

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

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

Risk identification and assessment

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

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

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

Risk management and monitoring

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

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

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

Outsourcing

The risks arising from outsourcing activities are documented and managed within operational risks.

The crash barriers are stipulated by the general guidelines for the outsourcing process. These guidelines require that a risk analysis be prepared before any outsourcing is undertaken to determine the risk in each case. This analytical process serves as a component of the crash barriers and ensures that sufficient management and control intensity is applied.

All outsourcing activities are combined in Group Outsourcing Coordination. This coordination office has information about all outsourcing activities and the associated risks – the Board of Management is regularly informed about these risks.

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.

Corporate Security

The goal of the Corporate Security unit is to ensure security for individuals, information and property at the Volkswagen Bank GmbH Group and to avoid or reduce damage to its image and losses from operational disruptions. To this end, we use Security Management at Volkswagen AG's Group sites worldwide and our network of security services, associations and security officers of other companies in Germany and abroad when necessary.

Business continuity management

A business continuity management system, which is based on the British BS 25999 Standard, was introduced in order to ensure the Volkswagen Bank GmbH Group's ability to withstand crises ("global business resilience").

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

Strategic crisis management at the Volkswagen Bank GmbH Group serves to establish a Groupwide crisis management organisation whose mission is to ensure a coordinated and structured approach to crises. Active monitoring of the global security situation as an integral part of Strategic Crisis Management is a forward-looking, preventive measure that bolsters the Volkswagen Bank GmbH Group's capacity for action, even in extreme situations that endanger the company as a whole.

### RESIDUAL VALUE RISK

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

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

A direct residual value risk is present when the residual value risk is borne directly by the Volkswagen Bank GmbH Group or one of its branches (because of contractual provisions).

A residual value risk management circle has been implemented at the Volkswagen Bank GmbH Group or one of its branches. This circle requires regular residual value forecasts and continuous risk assessments, mainly in regards to direct residual value risks. Proactive marketing activities are derived from the measurement results in order to optimise earnings from the assumption of residual value risks. The marketing results so obtained are considered in the review of the residual value guidelines.

An indirect residual value risk is present if the residual value risk has been transferred to a third party based on the guaranteed residual value (e.g. dealerships).

The initial risk is that the counterparty guaranteeing the residual value might default.

If the guarantor of the residual value defaults, the residual value risk is transferred to the Volkswagen Bank GmbH Group.

#### Risk identification and assessment

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

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

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

The change in the projected residual value one year ahead of contract expiry is measured at the sale price actually achieved (adjusted for losses and deviations from rated mileage) for purposes of quantifying the UL. Using the price for used cars enables integrating an observable benchmark into the model, with the result that the modelling may be deemed to be statistically valid. In a first step, the change in value is analysed per individual contract and period. Given the size of the portfolios and the multitude of vehicles however, the systematic risk is so significant that, in a second step, the median change in value of the projected residual values is determined across several periods. In the final analysis, this is relevant to the determination of the residual value risk. The resulting deduction is determined using the quantile function of the normal distribution based on a prescribed confidence level.

The unexpected loss is determined by multiplying the current residual value forecast with the discount.

It may be determined for each and every vehicle contained in the portfolio irrespective of the expected loss. Analogous to the EL, the portfolio's UL follows from the ULs of all vehicles and must be determined on a quarterly basis.

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

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

In addition, the existing procedure for quantifying the indirect residual value risk was refined further. In particular, the parameterisation of the loss ratio was adjusted based on the historical information now available. The parameters used include the probability that the dealerships will recover as well as a ratio that takes in to account premature and normal contract terminations as part of "normal" operations. The business trend and the above-mentioned refinement of the quantification methods will further reduce the indirect residual value risks (in comparison with previous years).

As a consequence, the indirect residual value risks will continue to be classified as a "non-material risk type" for our company.

#### Risk management and monitoring

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

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

Opportunities from residual values are not considered when recognising risk provisions.

Given risk distribution, as at the assessment date the risks incurred may not always be hedged in full at the level of the individual contract while it is in effect.

As far as previously identified risks are concerned, in future the amounts of risk allocated to the residual term must still be earned and recognised as impairment losses. The resulting residual value risk potential is used to take a variety of measures as part of proactive risk management in order to limit the residual value risk.

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

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

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

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

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

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

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

#### Concentrations of risk

Concentrations of residual value risks arise if a major portion of the at-risk residual values are concentrated on a few automotive segments and models. Accordingly, such concentrations are considered in the risk measurement methodology applied, the risk reporting and the analysis at the level of both brands and models in connection with the residual value risk management circle.

In regards to residual automotive values, the Volkswagen Bank GmbH Group is also diversified across all segments given the Volkswagen Group's broad range of brands and models.

#### Developments/Outlook

In the first half of 2012, residual value risks were mostly stable. In the second half-year, however, pressure on used car markets again built increasingly, which led to a slight increase in residual value risks.

As a result of the expansion of the fleet business in France, the residual value portfolio will continue to grow on the whole in 2013. A car market expected to continue to be weak will result in an overall increase in risks again next year due to a fundamental downturn in residual values.

### STRATEGIC RISK

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

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

### REPUTATION RISK

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

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

## SUMMARY

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

This system was continuously refined in 2012 as well.

Among the default risk categories, credit risk in the dealer and retail customer business represents the material risk type for the Volkswagen Bank GmbH Group.

By using modern tools for risk identification, analysis and monitoring, credit risk in connection with business activities is actively controlled and secured using our own resources in accordance with the requirements of the German Banking Act.

The Volkswagen Bank GmbH Group succeeded in mastering challenges in 2012 despite the still-darkened economic horizon, particularly in the Southern European countries affected by the economic crisis.

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

#### EVENTS AFTER THE BALANCE SHEET DATE

Volkswagen Financial Services AG paid € 200 million into the capital reserve in January.

The 50% equity investment by the Volkswagen Bank GmbH Group in Global Mobility Holding B.V., which holds 100% of LeasePlan Corporation N.V., was sold to Volkswagen AG effective 22.01.2013 as part of internal restructuring of the Group.

No important events beyond those described in this report occurred after the close of the 2012 financial year.

# Personnel report
## Successful ranking as a TOP employer

The Volkswagen Bank GmbH Group and Volkswagen Financial Services AG are jointly and successfully implementing their personnel strategy.

### PERSONNEL FIGURES

As at the end of 2012, a total of 1,892 (previous year: 1,787) employees of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH's business units under staff leasing agreements.

Volkswagen Bank GmbH continues to employ certain staff directly due to regulatory requirements. At 31 December 2012, this staff numbered 169 in Germany (previous year: 162). The branches of Volkswagen Bank GmbH had 695 employees (previous year: 591) and VOLKSWAGEN BANK POLSKA S.A. had 310 employees.

### EMPLOYEES

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

#### Our personnel strategy

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

The "We Are a Top Team" employee strategy supports goal achievement in the four action areas, "customers", "employees", "profitability" and "volume". Targeted personnel development serves to foster and challenge employees. We are consciously leveraging in-house talent as we strive to achieve our goal of becoming a TOP employer by 2018. The talent programme launched in 2010 was continued in 2012. Currently, a total of 65 high-performing employees are participating in the three groups.

Volkswagen Financial Services AG already offers competitive and performance-based compensation. The introduction of the performance appraisal as part of employee performance reviews in the German market in 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.

The aim, "We are a top team", is measured by Volkswagen Financial Services AG based on participation in employer competitions as well as the "mood barometer", the company's internal staff survey.

Volkswagen Financial Services AG's participation in the 2012 "Best Workplace in Germany" (Great Place to Work") employer benchmark survey produced the best possible result: first place in the category for companies with 2,001 to 5,000 employees. The very positive responses by the employees surveyed in the competition indicate that we have embarked on the right path for shaping our company and leadership culture. The successful ranking as a TOP employer in Germany and the insights from the benchmark study are important strategic parameters and indicators that help us to safeguard and further build on what we have achieved.

#### Human resources planning and development

In 2012 Volkswagen Financial Services AG hired 43 new trainees/students of WelfenAkademie and Leibniz-Akademie, two universities of co-operative education that offer dual-track courses of study leading respectively to a Bachelor of Arts and a Bachelor of Science. The trainees/students were chosen from a pool of 1,700 applicants.

As at 31 December 2012, a total of 128 trainees and students of WelfenAkademie were employed with us in Germany for the duration of the apprenticeship programmes and in all occupational groups. Volkswagen Financial Services AG also offers college graduates and young professionals attractive job opportunities as trainees.

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

We conduct a standardised procedure for performance target meetings with all managers worldwide analogously to our parent company Volkswagen AG. In these discussions, we not only set goals for the coming financial year, but also evaluate the degree of target achievement for the year ended and the manager's performance. Internationally, we continued to work on broad-based introduction and optimisation of Group standards, e.g. the establishment of a uniform management selection process.

# Anticipated developments
## Weaker growth expected

**Despite economic uncertainties, the global economy and many automotive markets are expected to grow further in 2013 and 2014. The Volkswagen Bank GmbH Group expects moderate growth.**

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

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

#### GLOBAL ECONOMIC DEVELOPMENT

Our plans are based on the assumption that the global economy will continue to grow. As in recent years, we expect the emerging markets to generate the greatest economic momentum; in our view the major industrialised countries will achieve only moderate growth rates in the medium term.

##### Europe

Due to the continuing sovereign debt crises, we expect the Western European economies to stagnate in 2013, with recessionary trends evident in Southern Europe. A robust recovery will only be possible in 2014 if significant progress is made in solving the crisis in the euro zone. In Central and Eastern European countries, on the other hand, we believe that much higher growth rates are likely, although growth will still be influenced to a large degree by developments in Western Europe.

##### Germany

After last year's downturn in the economy, we expect no more than modest growth from the German economy in 2013. The labour market situation will remain stable for the time being. The German economy is expected to resume moderate growth in 2014. The size of the growth rate will greatly depend on future developments in the euro zone.

#### FINANCIAL MARKETS

Going forward, the financial markets will remain dependent on the progress made in managing the European banking and sovereign debt crisis. In view of the close links with the global economy, this is a global challenge. The shortfall of capital flows to other regions of the world, especially the USA and Japan, owing to the euro zone crisis still poses a risk to the stability of the global financial markets given the uncertain economic growth in these markets too. In view of this situation, financial investments will also gain in importance in the growth markets of Brazil, Russia, India and China.

In Europe, the European banking system will have to adapt to the European banking supervision proposed by the European Commission in September 2012. In line with the European Commission's plans, the ECB will act as a watchdog and progressively supervise all banks in the 17 euro zone countries in 2013. The changes in the overall conditions are forcing a number of European banks to realign their business models, increase their equity ratios and implement further measures to reduce costs.

#### DEVELOPMENT OF THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

We expect developments in the markets for passenger cars and light commercial vehicles in the individual regions to be mixed in 2013; on the whole, global demand for new vehicles will probably grow at a much slower pace than in the reporting period. The market is likely to pick up speed in 2014 compared with 2013.

The Volkswagen Group is well positioned for a heterogeneous development of the automobile markets. Its broad product range, which includes the most recent generation of fuel-optimised engines, gives the Volkswagen Group 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.

#### Europe

We expect demand for automobiles to decline in Western Europe in 2013. The continuing sovereign debt crisis in many European countries is damaging consumer confidence and limiting the ability of consumers to finance new car purchases. In major markets such as Spain and Italy in particular, the government's austerity measures have dampened demand. We expect the economic situation in Western Europe to ease somewhat in 2014. As a result, we are likely to see a moderate recovery in demand for new vehicles in many markets.

For the markets in Central and Eastern Europe we anticipate that demand for vehicles in 2013 will be muted and only marginally higher than in 2012, though growth rates should increase again in 2014. In Russia, demand in 2013 will not exceed the high level of the previous year, although the market is expected to return to growth in 2014.

#### Germany

The general downturn in consumer spending in Western Europe also reached the German market during the course of the year despite the stability of the country's economy. For 2013, we are therefore forecasting a slight fall in demand. From 2014, automotive demand in Germany should return to moderate growth, depending on future developments in the euro zone.

### INTEREST RATE TRENDS

In the 2012 financial year and also at the start of the current financial year, the central banks supported the global economy and the financial system with low interest rates and an unconventional monetary policy. On account of the continuing uncertainty about the growth of the global economy and the sovereign debt crisis in Europe, monetary policy stimulus programmes are likely to be extended in spite of historically low interest rates. We expect monetary policies to be implemented in Europe and the United States during 2013 that make an increase in interest rates unlikely. Long-term interest rates should remain stable worldwide. Interest rates could rise in 2014 if an inflationary trend emerges.

### MOBILITY PACKAGES

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

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

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

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

### DEVELOPMENT OF THE VOLKSWAGEN BANK GMBH GROUP

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

For more information of credit and residual value risk, please see the disclosures in the Opportunity and Risk Report.

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

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 along this chain. The product packages that were successfully introduced in recent years will be further refined according to customer needs. This approach is a key element in international competition.

Strategic investment in structural projects as well as process optimisations and productivity gains will further enhance the position of the Volkswagen Bank GmbH Group vis-à-vis its international competition in parallel with the company's market-based activities. The Volkswagen Bank direct division remains highly significant to the development of the Volkswagen Bank GmbH Group due to its deposit volume. We aim to steadily increase the number of customers through attractive and innovative products.

#### PROSPECTS FOR 2013 AND 2014

In 2013 and 2014 there is expected to be considerable uncertainty about conditions in the real economy.

Nevertheless, the Board of Management of Volkswagen Bank GmbH anticipates a moderately higher business volume depending on the performance of the Volkswagen Group.

A muted rise in interest rates from 2014 onwards at the earliest is expected to result in only a slight narrowing of interest margins and stable refinancing costs.

Taking into account the aforementioned factors and market developments, adverse effects are also anticipated, for instance on risk costs.

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

Earnings in 2013 and 2014 are expected to fall short of the 2012 level, mainly due to the lack of income from the equity investment in Global Mobility Holding B.V., which was sold to Volkswagen AG on 22 January 2013.

# Annual Financial Statements (IFRS)

# Income statement

## of the Volkswagen Bank GmbH Group

| € million | Note | 1.1. – 31.12.2012 | 1.1. – 31.12.2011 | Change in % |
|---|---|---|---|---|
| Interest income from lending transactions before provisions for risks | | 1,606 | 1,632 | –1.6 |
| Net income from leasing transactions before provisions for risks | (15) | 108 | 111 | –2.7 |
| Interest expense | | –587 | –647 | –9.3 |
| Net income from lending and leasing transactions before provisions for risks | (5, 20) | 1,127 | 1,096 | 2.8 |
| Provisions for risks arising from lending and leasing business | (9, 21, 30) | –112 | –173 | –35.3 |
| Net income from lending and leasing transactions after provisions for risks | | 1,015 | 923 | 10.0 |
| Commission income | | 239 | 217 | 10.1 |
| Commission expenses | | –184 | –178 | 3.4 |
| Net commission income | (5, 22) | 55 | 39 | 41.0 |
| Result from derivative financial instruments | (10, 23) | –37 | 11 | X |
| Result from available-for-sale assets | | –1 | – | X |
| Result from joint ventures accounted for using the equity method | (2, 5, 59) | 118 | 104 | 13.5 |
| Result from other financial assets | (5) | (4) | 0 | X |
| General administration expenses | (5, 6, 13, 14, 15, 24, 59) | –684 | –593 | 15.3 |
| Other operating result | (5, 14, 25) | 88 | 10 | X |
| **Pre-tax result** | | **558** | **494** | **13.0** |
| Taxes on income and earnings | (6, 26) | –127 | –125 | 1.6 |
| **Net income** | | **431** | **369** | **16.8** |
| Net income attributable to Volkswagen Financial Services AG | | 431 | 369 | 16.8 |

# Statement of comprehensive income

## of the Volkswagen Bank GmbH Group

| € million | Note | 1.1. – 31.12.2012 | 1.1. – 31.12.2011 |
|---|---|---|---|
| **Net income** | | **431** | **369** |
| Actuarial gains and losses | (17, 44) | – 17 | – 3 |
| deferred taxes thereon | (6, 26) | 5 | 1 |
| Available-for-sale financial assets (securities): | (11, 32, 50) | | |
| Fair value changes recognised in equity | | – 18 | – 9 |
| Recognised in the income statement | | 6 | 0 |
| deferred taxes thereon | (6, 26) | 3 | 3 |
| Cash flow hedges | (10, 23, 31) | | |
| Fair value changes recognised in equity | | 0 | 14 |
| Recognised in the income statement | | 0 | 5 |
| deferred taxes thereon | (6, 26) | 0 | – 6 |
| Currency translation differences | (4, 50) | 10 | 4 |
| Income and expense of shares measured using the equity method, recognised directly in equity, after taxes | (2) | 8 | – 6 |
| **Income and expense recognised directly in equity** | | **– 3** | **3** |
| **Comprehensive income** | | **428** | **372** |
| Comprehensive income attributable to Volkswagen Financial Services AG | | 428 | 372 |

# Balance sheet

## of the Volkswagen Bank GmbH Group

| Assets (€ million) | Note | 31.12.2012 | 31.12.2011 | Change in % |
|---|---|---|---|---|
| Cash reserve | (7, 28) | 670 | 644 | 4.0 |
| Receivables from financial institutions | (8) | 548 | 2,149 | –74.5 |
| Receivables from customers arising from | | | | |
| Retail financing | | 19,557 | 17,939 | 9.0 |
| Dealer financing | | 7,738 | 7,435 | 4.1 |
| Leasing business | (15) | 1,540 | 1,412 | 9.1 |
| Other receivables | | 4,082 | 3,762 | 8.5 |
| Receivables from customers in total | (8, 9, 29, 30) | 32,917 | 30,548 | 7.8 |
| Derivative financial instruments | (10, 31) | 148 | 181 | –18.2 |
| Securities | (11, 32) | 2,087 | 1,286 | 62.3 |
| Joint ventures accounted for using the equity method | (2, 33) | 1,668 | 1,595 | 4.6 |
| Other financial assets | (12, 33) | 2 | 1 | X |
| Intangible assets | (13, 34) | 50 | 9 | X |
| Property, plant and equipment | (14, 35) | 15 | 9 | 66.7 |
| Leased assets | (15, 36) | 256 | 202 | 26.7 |
| Investment property | (15, 36) | 2 | 2 | X |
| Deferred tax assets | (6, 37) | 704 | 637 | 10.5 |
| Income tax assets | (6) | 36 | 27 | 33.3 |
| Other assets | (38) | 117 | 140 | –16.4 |
| Assets held for sale (IFRS 5) | | – | 436 | X |
| **Total** | | **39,220** | **37,866** | **3.6** |

| Equity and liabilities (€ million) | Note | 31.12.2012 | 31.12.2011 | Change in % |
|---|---|---|---|---|
| Liabilities to financial institutions | (16, 41) | 2,730 | 435 | X |
| Liabilities to customers | (16, 41) | 25,398 | 24,682 | 2.9 |
| Securitised liabilities | (42) | 4,058 | 5,835 | –30.5 |
| Derivative financial instruments | (10, 43) | 167 | 143 | 16.8 |
| Provisions | (17, 18, 44) | 364 | 308 | 18.2 |
| Deferred tax liabilities | (6, 45) | 561 | 524 | 7.1 |
| Income tax obligations | (6) | 33 | 24 | 37.5 |
| Other liabilities | (46) | 105 | 94 | 11.7 |
| Subordinated capital | (47) | 783 | 935 | –16.3 |
| Liabilities in connection with the assets held for sale (IFRS 5) | (50, 51) | – | 3 | X |
| Equity | (48) | 5,021 | 4,883 | 2.8 |
| Subscribed capital | | 318 | 318 | – |
| Capital reserve | | 3,596 | 3,596 | – |
| Retained earnings | | 1,107 | 969 | 14.2 |
| **Total** | | **39,220** | **37,866** | **3.6** |

# Statement of changes in equity

## of the Volkswagen Bank GmbH Group

| € million | Subscribed capital | Capital reserve | RETAINED EARNINGS | | | | | | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | Accumulated profits | Currency translation | Cash flow hedges | Actuarial gains and losses | Market valuation securities | Shares measured using the equity method | |
| **Balance as at 1.1.2011** | **318** | **3,546** | **882** | **–40** | **–2** | **–10** | **2** | **–6** | **4,690** |
| Net income | – | – | 369 | – | – | – | – | – | 369 |
| Income and expense recognised directly in equity | – | – | – | 4 | 13 | –2 | –6 | –6 | 3 |
| Comprehensive income | – | – | 369 | 4 | 13 | –2 | –6 | –6 | 372 |
| Payments into the capital reserve | – | 50 | – | – | – | – | – | – | 50 |
| Distributions/profit transfer to Volkswagen Financial Services AG | – | – | –229 | – | – | – | – | – | –229 |
| **Balance as at 31.12.2011/1.1.2012** | **318** | **3,596** | **1,022** | **–36** | **11** | **–12** | **–4** | **–12** | **4,883** |
| Net income | – | – | 431 | – | – | – | – | – | 431 |
| Income and expense recognised directly in equity | – | – | – | 10 | 0 | –12 | –9 | 8 | –3 |
| Comprehensive income | – | – | 431 | 10 | 0 | –12 | –9 | 8 | 428 |
| Payments into the capital reserve | – | – | – | – | – | – | – | – | – |
| Distributions/profit transfer to Volkswagen Financial Services AG | – | – | –290 | – | – | – | – | – | –290 |
| **Balance as at 31.12.2012** | **318** | **3,596** | **1,163** | **–26** | **11** | **–24** | **–13** | **–4** | **5,021** |

# Cash flow statement

## of the Volkswagen Bank GmbH Group

| € million | 1.1. – 31.12.2012 | 1.1. – 31.12.2011 |
|---|---|---|
| **Net income** | **431** | **369** |
| Depreciation, amortisation, value adjustments and write-ups | 201 | 269 |
| Change in provisions | 51 | 130 |
| Change in other non-cash items | 28 | 8 |
| Result from the sale of financial assets and property, plant and equipment | 0 | 0 |
| Interest result and dividend income | – 824 | – 1,075 |
| Other adjustments | 0 | 0 |
| Change in receivables from financial institutions | 1,652 | – 1,294 |
| Change in receivables from customers | – 1,640 | – 2,879 |
| Change in leased assets | – 112 | – 72 |
| Change in other assets from operating activities | 23 | – 37 |
| Change in liabilities to financial institutions | 2,252 | 16 |
| Change in liabilities to customers | 304 | 3,337 |
| Change in securitised liabilities | – 1,842 | 984 |
| Change in other liabilities from operating activities | 8 | 9 |
| Interest received | 1,695 | 1,717 |
| Dividends received | – 284 | 5 |
| Interest paid | – 587 | – 647 |
| Income tax payments | – 151 | – 161 |
| **Cash flow from operating activities** | **1,205** | **679** |
| 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 | 0 | – |
| Cash outflows from the purchase of subsidiaries and joint ventures | – 26 | 0 |
| Cash inflows from the sale of other assets | 0 | 1 |
| Cash outflows from the purchase of other assets | – 14 | – 8 |
| Change in investments in securities | – 751 | – 210 |
| **Cash flow from investing activities** | **– 791** | **– 217** |
| Cash inflows from changes in capital | 0 | 50 |
| Profit transfer to Volkswagen Financial Services AG | – 229 | – 180 |
| Change in funds resulting from subordinated capital | – 160 | – 158 |
| **Cash flow from financing activities** | **– 389** | **– 288** |
| | | |
| **Cash and cash equivalents at the end of the previous period** | **644** | **470** |
| Cash flow from operating activities | 1,205 | 679 |
| Cash flow from investing activities | – 791 | – 217 |
| Cash flow from financing activities | – 389 | – 288 |
| Effects from exchange rate changes | 1 | 0 |
| **Cash and cash equivalents at the end of the period** | **670** | **644** |

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

# Notes

## to the consolidated financial statements of Volkswagen Bank GmbH as at 31 December 2012

### General comments regarding the consolidated financial statements

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

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

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

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

### Group accounting principles

Volkswagen Bank GmbH prepared its consolidated financial statements as per 31 December 2012 according to International Financial Reporting Standards (IFRS), as applicable in the European Union, and the interpretations of the IFRS Interpretations Committee, as well as supplementary provisions that are applicable under § 315a Para. 1 German Commercial Code (HGB). All the IFRS that were approved by the International Accounting Standards Board (IASB) and adopted by the EU by 31 December 2012, and whose application was obligatory for the 2012 financial year, were taken into account in these consolidated annual financial statements.

In addition to the income statement, the statement of comprehensive income and the balance sheet, the consolidated financial statements according to IFRS include the statement of changes in equity, the cash flow statement and the notes. The separate report on the risks of future development (risk report according to § 315 Para. 1 HGB) is contained in the management report on pages 17 – 27. It contains the qualitative disclosures required under IFRS 7 regarding the type and scope of risks from financial instruments.

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

The Board of Management prepared the consolidated financial statements on 7 February 2013. The period allowing for adjustments of amounts recognised in the financial statements ended with this date.

### Estimates and assumptions by management

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

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

The recoverable amount of the Group's leased assets depends in particular on the residual value of the leased vehicles after the end of the contractually agreed lease term, because this 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 (item 13) and leasing (item 15).

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

The recognition and measurement of provisions is also based on the assumption about the amount and the probability of occurrence of future events as well as on the estimate of the discount factor. Past experience or reports by external experts are also drawn on wherever possible. In addition, the measurement of pension provisions is dependent on the estimate of changes in plan assets. Please refer to item 17 for the assumptions underlying the calculation of pension provisions. Actuarial gains and losses are recognised in other comprehensive income and do not affect the profit or loss presented in the income statement. Any change in estimates of the amount of other provisions must always be included in profit or loss. Due to the recognition of empirical values, subsequent additions are frequently made to provisions or unused provisions are reversed. Reversals of provisions are recognised as other operating income, while the expense from the recognition of new provisions is allocated directly to the relevant functions. In 2012, the method used to calculate provisions for indirect residual value risks underwent further refinement and the parameters used were adapted to reflect the changes in the market conditions. This gave an overall boost to earnings of € 25.1 million in the 2012 financial year. Items 18 and 44 provide an overview of the other provisions.

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

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

Actual amounts may differ from the original estimates because of 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.

The global economy continued growing in the reporting period, though at a much slower pace in the second half of the year. We assume that the worldwide economic expansion will continue at the same level in 2013. As things stand today, therefore, management does not believe that there will be any requirement for material adjustments to the carrying amounts of assets and liabilities reported in the consolidated financial statements in the following financial year.

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

## Effects of new and revised IFRS

Volkswagen Bank GmbH has implemented all accounting standards that had to be applied starting in the 2012 financial year.

The amendment to IFRS 7 “Financial Instruments: Disclosures” in October 2010 extended the disclosure requirements in connection with the transfer of financial assets. Additional disclosures must be made for both transferred financial assets that are derecognised in their entirety and financial assets that are transferred but not derecognised in their entirety.

## New or revised IFRS that were not applied

In its consolidated financial statements for 2012, Volkswagen Bank GmbH did not take into account the following accounting standards which were adopted by the IASB but whose application was not mandatory in the financial year.

| Standard/Interpretation[1] | | Published by the IASB | Mandatory application [2] | Adopted by the EU commission [1] | Expected effects |
|---|---|---|---|---|---|
| IFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters | 20.12.2010 | 01.01.2013 | Yes | None |
| IFRS 1 | Government Grants | 13.03.2012 | 01.01.2013 | No | None |
| IFRS 7 | Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities | 16.12.2011 | 01.01.2013 | Yes | Expanded disclosures in the notes on offsetting financial instruments |
| IFRS 9 | Financial Instruments: Classification and Measurement | 12.11.2009/ 28.10.2010 | 01.01.2015[3] | No | Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale |
| IFRS 10 | Consolidated Financial Statements | 12.05.2011 | 01.01.2014 | Yes | No material effects |
| IFRS 11 | Joint Arrangements | 12.05.2011 | 01.01.2014[4] | Yes | No material effects |
| IFRS 12 | Disclosures of Interests in Other Entities | 12.05.2011 | 01.01.2014[4] | Yes | Expanded disclosures in the notes of interests in other entities |
| | Transition Guidance to IFRS 10, IFRS 11, IFRS 12 | 28.06.2012 | 01.01.2013 | No | No material effects |
| | Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27) | 31.10.2012 | 01.01.2014 | No | None |
| IFRS 13 | Fair Value Measurement | 12.05.2011 | 01.01.2013 | Yes | Adjustments and expanded disclosures in the notes of fair value measurements |
| IAS 1 | Presentation of Financial Statements: Presentations of Items of other Comprehensive Income | 16.06.2011 | 01.01.2013 | Yes | Changes in the presentation of other comprehensive income |
| IAS 12 | Deferred taxes: Recovery of Underlying Assets | 20.12.2010 | 01.01.2013 | Yes | No material effects |
| IAS 19 | Employee Benefits | 16.06.2011 | 01.01.2013 | Yes | Change in the presentation and expanded disclosures in the notes of employee benefits |
| IAS 27 | Separate Financial Statements | 12.05.2011 | 01.01.2014[4] | Yes | None |
| IAS 28 | Investments in Associates and Joint Ventures | 12.05.2011 | 01.01.2014[4] | Yes | None |
| IAS 32 | Financial Instruments: Presentation – Offsetting financial assets and financial liabilities | 16.12.2011 | 01.01.2014 | Yes | No material effects |
| | Improvements to International Financial Reporting Standards 2011[4] | 17.05.2012 | 01.01.2013 | No | No material effects |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 19.10.2011 | 01.01.2013 | Yes | None |

1 Until 31 December 2012.
2 First-time adoption required from the perspective of the Volkswagen Bank GmbH Group.
3 Postponement of first-time application from 2013 to 2015 under the Mandatory Effective Day project.
4 Effective date of the IASB: 1 January 2013.
5 Minor amendments to numerous IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34).

# Accounting policies

## 1 | Principles

All the companies included in consolidation have drawn up their annual financial statements as at the balance sheet date of 31 December 2012.

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

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

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

## 2 | Basis of consolidation

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

To strengthen its sales activities, Volkswagen Bank GmbH acquired the remaining 40 % of VOLKSWAGEN BANK POLSKA S.A., Warsaw, which up to then had been managed as a joint venture, from the previous co-owner (Kulczyk Pon Investment B.V.) with effect from 1 January 2012. The purchase price of € 34 million was paid in cash. On the acquisition of the remaining interests, the interests that until the acquisition date had been accounted for using the equity method were remeasured at the fair value of € 51 million. After allowing for the recognition through profit or loss of the amounts of € 6 million that had previously been recognised directly in equity, the transition to full consolidation produced a non-cash accounting profit of € 11 million that was recognised in the result from joint ventures accounted for using the equity method.

Goodwill was measured based on the following:

| € million | 2012 |
|---|---|
| Purchase price of the acquired shares | 34 |
| Fair value of the shares previously held | 51 |
| **Basis for measuring goodwill** | **85** |

Transaction costs of € 0.4 million were directly expensed.

The allocation of the purchase price to the acquired assets and liabilities is shown in the following table:

| € million | IFRS carrying amounts at acquisition date | Purchase price allocation | Fair values at acquisition date |
|---|---|---|---|
| Cash reserve | 8 | – | 8 |
| Receivables from financial institutions | 44 | – | 44 |
| Receivables from customers | 362 | – | 362 |
| Securities | 62 | – | 62 |
| Other assets[1] | 11 | 17 | 28 |
| of which customer bases | – | 11 | 11 |
| of which acquired brands | – | 5 | 5 |
| of which other contract-based intangible assets | – | 1 | 1 |
| **Total assets** | **487** | **17** | **504** |
| Liabilities to financial institutions | 40 | – | 40 |
| Liabilities to customers | 317 | – | 317 |
| Securitised liabilities | 61 | – | 61 |
| Other liabilities | 15 | 3 | 18 |
| **Total liabilities** | **433** | **3** | **436** |

1 excluding goodwill of Volkswagen Bank GmbH

The gross value of the acquired receivables at the acquisition date was € 429 million, while the net carrying amount (corresponding to the fair value) was € 406 million. The contractual cash flows that are expected to be uncollectible were taken into account in the recognition of provisions for risks. For more information on the provisions for risk, please refer to item 30.

In the purchase price allocation, fair value adjustments on assets were identified in the amount of € 17 million. The acquisition gave rise to goodwill of € 17 million. This is attributable to much-improved opportunities to control the Volkswagen Bank GmbH Group as well as to future profit expectations. The goodwill is not tax deductible. Other liabilities comprise the deferred tax liabilities calculated as part of the purchase price allocation.

The integration of VOLKSWAGEN BANK POLSKA S.A. contributed € 43 million to consolidated revenue as at 31 December 2012. In addition, the recognition of fair value adjustments identified as part of the purchase price allocation reduced earnings by € 9 million.

Due to the securitisation transactions executed by Volkswagen Bank GmbH, the following special purpose entities were included in the basis of consolidation in the 2012 financial year: Private Driver 2012-1 GmbH, Private Driver 2012-2 GmbH and Private Driver 2012-3 GmbH. Furthermore, the Driver Ten GmbH special purpose entity was established. As at the balance sheet date, 21 special purpose entities (previous year: 17 special purpose entities) whose assets, regarded in economic terms, are attributable to the Volkswagen Bank GmbH Group are fully consolidated.

As at 31 December 2012, Volkswagen Bank GmbH held a 50 % stake in Global Mobility Holding B.V., Amsterdam. Global Mobility Holding B.V. in turn holds all shares of LeasePlan Corporation N.V., Amsterdam. The core business of LeasePlan Corporation N.V. is focused on multi-brand fleet management.

Global Mobility Holding B.V., Amsterdam is accounted for in the consolidated financial statements using the equity method. The following table provides an overview of the assets, liabilities as well as income and expenses related to the interest in the joint venture:

| € million | 2012 | 2011 |
|---|---|---|
| Receivables from financial institutions | 1,101 | 997 |
| Receivables from customers | 1,547 | 1,698 |
| Leased assets | 6,210 | 6,097 |
| Other assets | 1,367 | 1,439 |
| Liabilities to financial institutions | 888 | 830 |
| Liabilities to customers | 2,056 | 1,678 |
| Securitised liabilities | 4,262 | 4,768 |
| Other liabilities | 1,369 | 1,379 |
| Equity | 1,650 | 1,576 |
| Income | 522 | 541 |
| Expenses | 401 | 437 |
| Contingent liabilities | – | 935 |

With regard to the interests in joint ventures held by Volkswagen Bank GmbH, the non-current assets amount to € 5,510 million (previous year: € 5,306 million) and the non-current liabilities amount to € 3,885 million (previous year: € 3,595 million).

The list of equity investments is shown in item 66.

## 3 | Principles of consolidation

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

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

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

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

## 4 | Currency translation

The foreign branches belonging to the Volkswagen Bank GmbH Group are independent entities, whose financial statements are translated according to the concept of “functional currency”. According to this concept, all asset and liability items, with the exception of equity, are translated using the exchange rate on the balance sheet date. Equity is carried at historical rates, with the exception of the income and expenses recognised directly in equity. The resulting currency translation differences are treated as not affecting income and are shown as a separate item under equity.

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

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

| | | BALANCE SHEET MIDDLE RATE AS AT 31.12. | | INCOME STATEMENT AVERAGE EXCHANGE RATE | |
|---|---|---|---|---|---|
| | € | 2012 | 2011 | 2012 | 2011 |
| United Kingdom | GBP | 0.8161 | 0.8353 | 0.8108 | 0.8679 |
| Poland | PLN | 4.0740 | 4.4580 | 4.1847 | 4.1206 |

## 5 | Realisation of income and expense

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

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

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

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

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

The other operating result essentially contains income from costs charged to other companies of the Volkswagen Group.

## 6 | Income tax

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

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

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

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

## 7 | Cash reserve

The cash reserve is shown at nominal value.

## 8 | Receivables

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

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

## 9 | Provisions for risks

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

Individual value adjustments corresponding to the loss already incurred are made for existing credit risks related to significant individual receivables in connection with customer or bank receivables (e.g. receivables from dealer financing and from fleet customers) in accordance with uniform standards applicable throughout the Group.

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

Receivables that are not significant as well as significant individual receivables for which no impairment is indicated, are combined into homogeneous portfolios based on comparable credit risk characteristics and divided into risk classes. Average historical loss probabilities related to the respective portfolio are employed to determine the extent of the impairment loss as long as there is uncertainty as to losses on specific receivables. Back-testing is used to regularly review the appropriateness of the allowances.

The receivables are shown in the balance sheet at net carrying amount. Notes to the provisions for risks are presented under item 30.

Unrecoverable receivables 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 individual value adjustments are utilised. Income from receivables written off is recognised in profit or loss.

## 10 | Derivative financial instruments

The derivative financial instruments are made up of assets and/or obligations from hedge-ineffective and hedge-effective transactions. All derivatives are stated at fair value and shown separately under items 31 and 43. They are recognised as of the respective trade date.

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

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

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

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

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

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

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

## 11 | Securities

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

## 12 | Other financial assets

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

## 13 | Intangible assets

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

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

The recoverable amount is the higher of fair value less disposal costs and value in use. The fair value less costs to sell is the amount that could be realised in an arm's length transaction between knowledgeable, willing parties. The value in use arises from the present value of future cash flows which are expected to be derived from the asset. The recoverable amount was determined on the basis of its value in use.

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

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

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

The enterprise value determined using the discounted cash flow method was used to calculate the recoverable amount of goodwill. This is based on the management's current planning with a detailed planning horizon of five years and subsequent perpetual annuity. In each case, the planning premises are adjusted to the current level of knowledge. The discount rate applied is based on the applicable long-term market interest rate relating to the relevant cash generating unit. A cost of equity rate of 10.2 % was used throughout the Group. This entails taking into account both appropriate assumptions regarding macroeconomic trends and historical developments. The growth rates expected for the individual markets are used to determine the respective cash flows. The estimate of the cash flows after the close of the planning period is based on a growth rate of 1 % p.a.

## 14 | Property, plant and equipment

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

Depreciation is mainly based on the following useful lives:

| Property, plant and equipment | Useful life |
|---|---|
| Buildings and property facilities | 10 to 50 years |
| Operating and office equipment | 3 to 13 years |

Write-downs are recognised if the requirements of IAS 36 are satisfied, i.e. when the realisable net selling price or value in use of the asset concerned has fallen below its carrying amount. If the reasons for write-downs made in previous years no longer apply, appropriate write-ups are recognised. Both the residual carrying amounts and the useful lives are reviewed at the given balance sheet date and adjusted as necessary. The cost of depreciation is contained in the general administration expenses. Income from write-ups is contained in the other operating result.

## 15 | Leasing business

### THE GROUP AS LESSOR

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

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

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

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

### THE GROUP AS LESSEE

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

## 16 | Liabilities

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

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

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

## 17 | Provisions for pensions and similar obligations

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

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

In the case of defined contribution plans, the Volkswagen Bank GmbH Group does not enter into any payment obligations beyond payment of contributions to special purpose funds. The expenses from contribution payments in the current period are shown under staff costs. In the reporting period, payments amounting to € 1 million (previous year: € 0 million) were made to defined contribution pension plans.

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

Since 1 January 2001, pension expenses for new expectancies of employees have been financed through an external pension fund. The annual salary-related pension expenses are invested in special funds by VW Pension Trust e.V. acting as trustee. Since the fund shares administered by the trustee fulfil the requirements of IAS 19 as plan assets, they are offset against provisions. This model offers the possibility of increasing the pension entitlements through the fund's investment.

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

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

| | GERMANY | | ABROAD | |
|---|---|---|---|---|
| % | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| Expected return on plan assets | 3.75 | 3.75 | 3.70 - 4.80 | 3.00 - 5.40 |
| Discount rate | 3.20 | 4.60 | 3.00 - 4.80 | 4.40 - 5.30 |
| Expected rate of salary increases | 2.70 | 2.80 | 3.33 | 3.33 |
| Expected rate of pension increases | 1.80 | 1.50 | 2.00 - 3.00 | 2.00 - 3.10 |
| Fluctuation rate | 0.75 | 0.75 | 2.80 - 5.00 | 3.00 - 5.00 |

The career trend is taken into account by applying a premium on the regular salary increase assumed. For reasons of materiality, some actuarial assumptions made for countries outside Germany are shown in bandwidths.

## 18 | Other provisions

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

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

Provisions are not offset against claims for reimbursement.

## 19 | Trust activities

Transactions which are based on administration or placement of assets for third-party account – trust activities – are not made.

# Notes to the income statement

## 20 | Net income from lending and leasing transactions before provisions for risks

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

| € million | 2012 | 2011 |
|---|---|---|
| Interest income from lending and money market transactions | 1,606 | 1,632 |
| Income from leasing transactions | 250 | 231 |
| Expenses from leasing business | – 84 | – 69 |
| Depreciation and impairment losses on leased assets and investment property | – 58 | – 51 |
| Interest expense | – 587 | – 647 |
| **Total** | **1,127** | **1,096** |

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 € 15 million (previous year: € 14 million). Interest income included here from financial instruments which are not attributable to the category of assets or financial liabilities measured at fair value through profit or loss amounts to € 1,606 million (previous year: € 1,632 million).

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

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

The interest expense contains refinancing expenses from lending and leasing transactions. A total of € 620 million (previous year: € 721 million) of that expense concerns financial instruments not measured at fair value through profit or loss. Of this amount, € 33 million (previous year: € 74 million) were offset against the net interest income from hedge-ineffective derivatives for the current financial year.

## 21 | Provisions for risks arising from lending and leasing business

Provisions for risks essentially concern the balance sheet item “receivables from customers”. In addition indirect residual value risks were taken into account by means of provisions. As at the end of the 2012 financial year, the value adjustments on branch receivables in those countries that are at the heart of the euro crisis amounted to € 198 million (previous year: € 188 million). The provision for risks in the income statement of the Group is made up as follows:

| € million | 2012 | 2011 |
|---|---|---|
| Additions to provisions for risks | – 392 | – 429 |
| Reversal of provisions for risks | 315 | 290 |
| Direct depreciation | – 49 | – 54 |
| Additions from receivables written off | 14 | 20 |
| **Total** | **– 112** | **– 173** |

## 22 | Net commission income

The net commission income of € 55 million (previous year: € 39 million) contains € 167 million (previous year: € 151 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 € 135 million (previous year: € 127 million).

## 23 | Result from derivative financial instruments

This item contains the results from hedging transactions, derivatives that are not hedges and 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 underlying transactions. 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 | 2012 | 2011 |
|---|---|---|
| Gains/losses on fair value hedging instruments | −38 | −34 |
| Gains/losses on underlying transactions of fair value hedges | 15 | 33 |
| Ineffective portion of cash flow hedging instruments | −3 | 0 |
| Gains/losses from the measurement of foreign currency receivables/liabilities | 2 | −4 |
| Gains/losses from other derivatives that are not hedges | −13 | 16 |
| **Total** | **−37** | **11** |

## 24 | General administration expenses

The general administration expenses are made up as follows:

| € million | 2012 | 2011 |
|---|---|---|
| Staff costs | −109 | −85 |
| Non-staff costs | −253 | −223 |
| Expense from personnel leases | −167 | −144 |
| Expense from intra-Group costs charged on | −119 | −101 |
| Costs of advertising, PR work and sales promotion | −24 | −31 |
| Depreciation of property, plant and equipment and amortisation of and impairment losses on intangible assets | −10 | −6 |
| Other taxes | −2 | −3 |
| **Total** | **−684** | **−593** |

The non-staff costs contain expenses for leased assets under operating leases amounting to € 8 million (previous year: € 7 million).

As required by § 314 Para. 1 No. 9 HGB, the general administration expenses for the 2012 financial year include fees billed for the audit of the annual financial statements amounting to € 1 million (previous year: € 2 million) and for other services amounting to € 1 million (previous year: € 2 million). A total of € 1 million (previous year: € 1 million) were incurred in 2012 for other auditing and valuation services. No expenses were incurred for tax consultancy services in 2012.

## 25 | Other operating result

The other operating result is made up as follows:

| € million | 2012 | 2011 |
|---|---|---|
| Income from costs charged to companies of the Volkswagen Group | 126 | 106 |
| Income from the reversal of provisions | 75 | 26 |
| Other operating income | 34 | 66 |
| Expenses for risks arising from changed court rulings | –112 | –154 |
| Losses from the disposal of assets | 0 | 0 |
| Other operating expenses | –35 | –34 |
| **Other operating result** | **88** | **10** |

## 26 | Taxes on income and earnings

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

| € million | 2012 | 2011 |
|---|---|---|
| Effective tax expense in Germany | –113 | –162 |
| Effective tax expense abroad | –36 | –27 |
| **Effective tax expense** | **–149** | **–189** |
| Income from the reversal of tax provisions and tax refunds | 1 | 1 |
| **Effective taxes on income and earnings** | **–148** | **–188** |
| of which not attributable to the reporting period | 0 | 2 |
| Deferred tax income/expense in Germany | 26 | 78 |
| Deferred tax income/expense abroad | –5 | –15 |
| **Deferred tax income/expense** | **21** | **63** |
| **Total** | **–127** | **–125** |

The actual tax expense in 2012 amounting to € 127 million (previous year: € 125 million) was € 38 million lower than the expected tax expense of € 165 million (previous year: € 146 million), which would have resulted if a tax rate of 29.5 % (previous year: 29.5 %) had been applied on the Group's pre-tax result.

The following reconciliation shows the connection between taxes on income and earnings and the pre-tax result in the financial year:

| € million | 2012 | 2011 |
|---|---|---|
| **Pre-tax result** | **558** | **493** |
| multiplied by the German income tax rate of 29.5 % (previous year: 29.5 %) | | |
| **= Arithmetical income tax expense in the financial year at the German income tax rate** | **–165** | **–146** |
| + Effects from German/foreign tax rate | 4 | 10 |
| + Effects from tax rate changes | – | –2 |
| + Effects from permanent accounting differences | 8 | –3 |
| + Effects on account of tax-free income from equity investments | 38 | 32 |
| + Effects from losses carried forward | –5 | 1 |
| + Effects from non-deductible operating expenses | –1 | –18 |
| + Taxes not attributable to the reporting period | 1 | 2 |
| + Other differences | –7 | –1 |
| **= Current taxes on income and earnings** | **–127** | **–125** |

The domestic income tax rate chosen as the basis for the reconciliation is made up of the corporation tax rate of 15 % applicable in Germany (previous year: 15 %), plus solidarity surcharge of 5.5 % (previous year: 5.5 %) and an average rate for trade tax of 13.73 % (previous year: 13.69 %). Taking into account the non-deductibility of trade tax as a business expense from the 2008 financial year, the German income tax rate amounts to 29.5 % (previous year: 29.5 %). Income from equity investments and profit from the sale of equity investments in joint stock companies have not generally been subject to taxation on earnings since 1 January 2002.

The effects resulting from different rates of income tax in other countries arise due to the income tax rates of the individual countries where the bank branches have their registered office. These rates, which differ from the German income tax rate, are between 12.5 % and 35.8 % (previous year: between 12.5 % and 35.0 %).

As at 31 December 2012, the company's tax losses carried forward not yet used to date were € 5 million (previous year: € 10 million), for which deferred tax assets of € 1 million (previous year: € 3 million) were recognised. Of these unused tax losses carried forward, € 5 million (previous year: € 4 million) can be utilised indefinitely.

In the 2011 financial year, the deferred tax liabilities were reduced by € 2 million as a result of tax losses and tax credits from a previous period which had not yet been taken into account. The amount of deferred tax expense did not decrease in 2012. In the 2012 financial year, there was no deferred tax expense resulting from the write-down of deferred tax assets (previous year: € 2 million). In the financial year just ended, a reduction in effective tax expenses of € 1 million resulted from the use of previously not capitalised tax losses carried forward.

No deferred tax assets were recognised on € 38 million in unusable tax losses carried forward (previous year: € 17 million).

Of the deferred taxes recognised in the balance sheet, a total of € 11 million (previous year: € 3 million) relate to business transactions that are recognised directly in equity. A partial amount of € 10 million (previous year: € 5 million) concerns actuarial gains/losses (IAS 19), a partial amount of € –5 million (previous year: € –4 million) concerns derivative financial instruments, and a further € 6 million (previous year: € 2 million) concern the market valuation of securities.

## 27 | Further notes to the income statement

There was no income from commission in the 2011 and 2012 financial years that was not taken into account using the effective interest method.

# Notes to the balance sheet

## 28 | Cash reserve

The cash reserve essentially contains balances at Deutsche Bundesbank in the amount of € 655 million (previous year: € 637 million).

## 29 | Receivables from customers

Receivables from customers include unsecuritised receivables from affiliated companies amounting to € 1,941 million (previous year: € 1,930 million). There are receivables from the sole shareholder, Volkswagen Financial Services AG, amounting to € 10 million (previous year: € 0 million).

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

The terms of the contracts are usually between six and 72 months. As a rule, credit lines are granted indefinitely. The interest rates, which essentially are fixed, are between 0.01 % and 24.88 % (previous year: 0.01 % and 28.48 %).

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 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Receivables from customers** | **32,917** | **30,548** |
| of which market value adjustment from portfolio fair value hedging | 28 | 24 |
| Receivables from customers less market value adjustment from portfolio fair value hedging | 32,889 | 30,524 |

Customer receivables in the amount of € 239 million were pledged for own liabilities as security to Deutsche Bundesbank for open market transactions. These receivables were sold to special purpose entities under ABS transactions. The securities issued by these special purpose entities were acquired by Volkswagen Bank GmbH but – due to the consolidation of these special purpose entities – they are not disclosed in the consolidated financial statements of Volkswagen Bank GmbH.

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

The receivables from finance leases are made up as follows:

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Gross receivables from finance leases** | **1,639** | **1,508** |
| by residual term | | |
| up to one year | 599 | 560 |
| more than one year and up to five years | 1,040 | 948 |
| more than five years | 0 | 0 |
| **Interest not yet earned from finance leases** | **100** | **97** |
| **Net receivables from finance leases** | **1,539** | **1,411** |
| by residual term | | |
| up to one year | 554 | 515 |
| more than one year and up to five years | 985 | 896 |
| more than five years | 0 | 0 |

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

Unguaranteed residual values for the benefit of Volkswagen Bank GmbH amount to € 200 million (previous year: € 195 million).

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

## 30 | Provisions for risks arising from lending and leasing business

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

Reconciliation based on classed in accordance with IFRS 7 is as follows:

CLASS: "ASSETS MEASURED AT AMORTISED COST“

| | INDIVIDUAL VALUE ADJUSTMENTS | | PORTFOLIO-BASED VALUE ADJUSTMENTS | | TOTAL | |
|---|---|---|---|---|---|---|
| € million | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **As at 1.1.** | **516** | **649** | **345** | **204** | **861** | **853** |
| Additions | 215 | 154 | 146 | 207 | 361 | 361 |
| Disposals | 221 | 260 | 93 | 58 | 314 | 318 |
| of which uses | 56 | 65 | – | – | 56 | 65 |
| of which reversals | 165 | 195 | 93 | 58 | 258 | 253 |
| Transfers | 2 | –14 | –9 | –8 | –7 | –22 |
| Changes in the basis of consolidation | 12 | 0 | 4 | – | 16 | 0 |
| Interest income from impaired receivables | 14 | 13 | – | – | 14 | 13 |
| Currency translation | 2 | 0 | 0 | 0 | 2 | 0 |
| **Provisions for risks arising from lending and leasing business on 31.12.** | **512** | **516** | **393** | **345** | **905** | **861** |
| of which risk provision for assets held for sale (IFRS 5) | – | 7 | – | – | – | 7 |

CLASS: "HEDGE ACCOUNTING“

| € million | INDIVIDUAL VALUE ADJUSTMENTS 2012 | INDIVIDUAL VALUE ADJUSTMENTS 2011 | PORTFOLIO-BASED VALUE ADJUSTMENTS 2012 | PORTFOLIO-BASED VALUE ADJUSTMENTS 2011 | TOTAL 2012 | TOTAL 2011 |
|---|---|---|---|---|---|---|
| **As at 1.1.** | **44** | **31** | **67** | **18** | **111** | **49** |
| Additions | 5 | 22 | 10 | 45 | 15 | 67 |
| Disposals | 19 | 22 | 12 | 4 | 31 | 26 |
| of which uses | 6 | 8 | – | – | 6 | 8 |
| of which reversals | 13 | 14 | 12 | 4 | 25 | 18 |
| Transfers | –2 | 14 | 9 | 8 | 7 | 22 |
| Changes in the basis of consolidation | – | – | – | – | – | – |
| Interest income from impaired receivables | 1 | 1 | – | – | 1 | 1 |
| Currency translation | – | – | – | – | – | – |
| **Provisions for risks arising from lending and leasing business on 31.12.** | **27** | **44** | **74** | **67** | **101** | **111** |

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

## 31 | Derivative financial instruments

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

| € million | 31.12.2012 | | 31.12.2011 | |
|---|---|---|---|---|
| Assets from hedging transactions | | 99 | | 112 |
| Fair value hedges on assets (currency risk) | – | | – | |
| Fair value hedges on liabilities (currency risk) | – | | – | |
| Fair value hedges (interest rate risk) | 55 | | 46 | |
| Portfolio fair value hedges on assets (currency risk) | 40 | | 56 | |
| Cash flow hedges on interest payments (currency risk) | 4 | | 10 | |
| Cash flow hedges (interest rate risk) | – | | – | |
| Assets from derivatives that are not hedges | | 49 | | 69 |
| **Total** | | **148** | | **181** |

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

## 32 | Securities

Securities essentially comprise € 1,586 million (previous year: € 795 million) in government bonds acquired and € 496 million (previous year: € 481 million) in asset-backed securities issued by special purpose entities of Volkswagen Leasing GmbH.

These securities in the amount of € 1,961 million (previous year: € 1,222 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 of acquisition** | | | |
| **As at 1.1.2011** | **1,502** | **1** | **1,503** |
| Exchange rate changes/effects recognised in equity | −6 | – | −6 |
| Changes in the basis of consolidation | – | −1 | −1 |
| Additions | 104 | 1 | 105 |
| Transfers | – | – | – |
| Disposals | 5 | – | 5 |
| **As at 31.12.2011** | **1,595** | **1** | **1,596** |
| **Depreciation** | | | |
| **As at 1.1.2011** | **–** | **–** | **–** |
| Exchange rate changes | – | – | – |
| Changes in the basis of consolidation | – | – | – |
| Additions | – | – | – |
| Transfers | – | – | – |
| Disposals | – | – | – |
| Write-ups | – | – | – |
| Write-downs | – | – | – |
| **As at 31.12.2011** | **–** | **–** | **–** |
| **Carrying amount 31.12.2011** | **1,595** | **1** | **1,596** |
| **Carrying amount 1.1.2011** | **1,502** | **1** | **1,503** |

| € million | Companies accounted for using the equity method | Other financial assets | Total |
|---|---|---|---|
| **Cost of acquisition** | | | |
| **As at 1.1.2012** | **1,595** | **1** | **1,596** |
| Exchange rate changes/effects recognised in equity | 2 | 0 | 2 |
| Changes in the basis of consolidation | −35 | 0 | −35 |
| Additions | 108 | 1 | 109 |
| Transfers | – | – | – |
| Disposals | 2 | 0 | 2 |
| **As at 31.12.2012** | **1,668** | **2** | **1,670** |
| **Depreciation** | | | |
| **As at 1.1.2012** | **–** | **–** | **–** |
| Exchange rate changes | – | – | – |
| Changes in the basis of consolidation | – | – | – |
| Additions | – | – | – |
| Transfers | – | – | – |
| Disposals | – | – | – |
| Write-ups | – | – | – |
| Write-downs | – | – | – |
| **As at 31.12.2012** | **–** | **–** | **–** |
| **Carrying amount 31.12.2012** | **1,668** | **2** | **1,670** |
| **Carrying amount 1.1.2012** | **1,595** | **1** | **1,596** |

## 34 | Intangible assets

| € million | Internally generated intangible assets | Goodwill, brand name, customer base | Other intangible assets | Total |
|---|---|---|---|---|
| **Cost of acquisition** | | | | |
| **As at 1.1.2011** | **4** | **–** | **21** | **25** |
| Exchange rate changes | 0 | – | – | 0 |
| Changes in the basis of consolidation | – | 3 | 0 | 3 |
| Additions | – | – | 4 | 4 |
| Transfers | – | – | – | – |
| Disposals | – | – | – | – |
| **As at 31.12.2011** | **4** | **3** | **25** | **32** |
| **Depreciation** | | | | |
| **As at 1.1.2011** | **2** | **–** | **16** | **18** |
| Exchange rate changes | 0 | – | – | 0 |
| Changes in the basis of consolidation | – | 1 | 0 | 1 |
| Additions | 1 | 0 | 3 | 4 |
| Transfers | – | – | – | – |
| Disposals | – | – | – | – |
| Write-ups | – | – | – | – |
| Write-downs | – | – | – | – |
| **As at 31.12.2011** | **3** | **1** | **19** | **23** |
| **Carrying amount 31.12.2011** | **1** | **2** | **6** | **9** |
| **Carrying amount 1.1.2011** | **2** | **0** | **5** | **7** |

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

Significant components of intangible assets are goodwill, the customer base from the acquisition of the remaining interests in VOLKSWAGEN BANK POLSKA S.A. and the brand name associated with VOLKSWAGEN BANK POLSKA S.A. There were intangible assets with an indefinite useful life amounting € 7 million at the balance sheet date.

## 35 | Property, plant and equipment

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

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

Assets under construction included in land and buildings were non-material (previous year: none).

## 36 | Leased assets and investment property

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

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

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

We expect payments of € 116 million in 2013 and € 19 million between 2014 and 2017 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 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Deferred taxation | 1,316 | 961 |
| of which non-current | 28 | 83 |
| Capitalised benefits from unused tax losses carried forward | 1 | 3 |
| of which non-current | 1 | 3 |
| Netting (with deferred tax liabilities) | – 613 | – 327 |
| **Total** | **704** | **637** |

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

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Property, plant and equipment/intangible assets | 17 | 16 |
| Leased assets | 0 | 17 |
| Other financial assets | – | 0 |
| Receivables and other assets | 52 | 46 |
| Cash and cash equivalents, and securities | 1,235 | 876 |
| Liabilities and provisions | 12 | 6 |
| **Total** | **1,316** | **961** |

## 38 | Other assets

Other assets concern the following items:

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Receivables from other taxes | 33 | 50 |
| Prepaid expenses | 33 | 37 |
| Vehicles taken back for resale | 9 | 6 |
| Other | 42 | 47 |
| **Total** | **117** | **140** |

## 39 | Assets held for sale (IFRS 5)

By agreement dated 22 January 2013, Volkswagen Bank GmbH, Braunschweig, sold its interest in Global Mobility Holding B.V., Amsterdam, to Volkswagen AG, Wolfsburg, in the course of intragroup restructuring. The purchase price was paid on the same day. In return, the interests of Volkswagen Bank GmbH in Global Mobility Holding B.V. were transferred to Volkswagen AG on 22 January 2013. The sale of the company will only be recognised in income for the 2013 financial year. In the segment reporting of the 2012 consolidated financial statements of Volkswagen Bank GmbH, Global Mobility Holding B.V. is allocated to Germany segment.

Volkswagen Financial Services AG and D'Ieteren SA, Belgium, established a joint venture named Volkswagen D'Ieteren Finance SA effective 9 November 2011. Among other things, this entity was founded for the purpose of taking over the customer and dealer financing from 1 January 2012. Select assets and liabilities of Volkswagen Bank GmbH, which had been allocated to the Belgium branch within the "Other" segment, were transferred to Volkswagen D'Ieteren Finance SA in the 2012 financial year. No material income was generated therefrom in 2012.

## 40 | Non-current assets

| € million | 31.12.2012 | of which non-current | 31.12.2011 | of which non-current |
|---|---|---|---|---|
| Cash reserve | 670 | – | 644 | – |
| Receivables from financial institutions | 548 | – | 2,149 | – |
| Receivables from customers | 32,917 | 16,563 | 30,548 | 15,102 |
| Derivative financial instruments | 148 | 118 | 181 | 159 |
| Securities | 2,087 | 421 | 1,286 | 207 |
| Joint ventures accounted for using the equity method | 1,668 | 1,668 | 1,595 | 1,595 |
| Other financial assets | 2 | 2 | 1 | 1 |
| Intangible assets | 50 | 50 | 9 | 9 |
| Property, plant and equipment | 15 | 15 | 9 | 9 |
| Leased assets | 256 | 256 | 202 | 202 |
| Investment property | 2 | 2 | 2 | 2 |
| Deferred tax assets | 704 | 704 | 637 | 637 |
| Income tax assets | 36 | – | 27 | – |
| Other assets | 117 | 9 | 140 | 7 |
| Assets held for sale (IFRS 5) | 0 | 0 | 436 | 192 |
| **Total** | **39,220** | **19,808** | **37,866** | **18,122** |

## 41 | Liabilities to financial institutions and customers

The liabilities to financial institutions and customers are not securitised. The non-current portion of the liabilities to financial institutions amounts to € 2,224 million (previous year: € 308 million).

The securitised liabilities are shown separately.

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 € 2,741 million (previous year: € 3,019 million) in liabilities to affiliated companies – of which € 511 million (previous year: € 639 million) is attributable to the sole shareholder, Volkswagen Financial Services AG, including the profit transfer.

The liabilities to customers essentially comprise customer deposits. They consist of overnight and fixed-term deposits as well as various savings certificates and plans. Relative to the term, the "Direkt" savings plan and the "Plus Sparbrief" have the longest investment horizon. The maximum term is ten years.

Portions of the liabilities to customers were hedged in a portfolio fair value hedge against fluctuations of the risk-free base rate.

The non-current portion of the liabilities to customers amounts to € 2,196 million (previous year: € 3,112 million).

The reconciliation from the balance sheet figures is as follows:

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Liabilities to customers** | **25,398** | **24,682** |
| of which market value adjustment from portfolio fair value hedging | 3 | 6 |
| Liabilities to customers less market value adjustment from portfolio fair value hedging | 25,395 | 24,676 |

## 42 | Securitised liabilities

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

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Debentures issued | 3,805 | 5,570 |
| Money market papers issued | 253 | 265 |
| **Total** | **4,058** | **5,835** |

In addition to the refinancing sources mentioned above, the Volkswagen Bank GmbH Group also uses ABS transactions.At the balance sheet date, the associated liabilities recognised under debentures issued amounted to € 1,182 million (previous year: € 2,160 million), those under liabilities to financial institutions amounted to € 213 million (previous year: € 309 million) and those under subordinated liabilities amounted to € 195 million (previous year: € 265 million). Receivables in the amount of € 1,416 million (previous year: € 2,453 million) arising from retail financing serve as security. This entails selling the anticipated payments to single purpose entities and transferring the vehicles financed as collateral. Given the IFRS requirement that special purpose entities must be consolidated, the assets and corresponding liabilities continue to be recognised at Volkswagen Bank GmbH.

The ABS transactions of Volkswagen Bank GmbH may be subject to early repayment (so-called clean-up call) if less than 9 % of the original transaction volume (or 10 % in the case of the Private Driver 2012-3 transaction) is outstanding.

The non-current portion of the securitised liabilities amounts to € 1,484 million (previous year: € 4,037 million).

## 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 | 31.12.2012 | | 31.12.2011 | |
|---|---|---|---|---|
| Obligations from hedging transactions | | 133 | | 101 |
| Fair value hedges on assets (currency risk) | – | | – | |
| Fair value hedges on liabilities (currency risk) | – | | – | |
| Fair value hedges (interest rate risk) | 37 | | 26 | |
| Portfolio fair value hedges on assets (currency risk) | 61 | | 44 | |
| Cash flow hedges on interest payments (currency risk) | 35 | | 30 | |
| Cash flow hedges (interest rate risk) | 0 | | 1 | |
| Obligations from derivatives that are not hedges | | 34 | | 42 |
| **Total** | | **167** | | **143** |

The non-current portion of derivative financial instruments amounts to € 115 million (previous year: € 60 million).

## 44 | Provisions

The provisions break down as follows:

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Provisions for pensions and similar obligations | 76 | 61 |
| Other provisions | 288 | 247 |
| **Total** | **364** | **308** |

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

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

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

| € million | 31.12.2012 | 31.12.2011 | 31.12.2010 | 31.12.2009 | 31.12.2008 |
|---|---|---|---|---|---|
| Present value of funded obligations | 16 | 16 | 14 | 13 | 10 |
| Fair value of plan assets | 16 | 16 | 14 | 12 | 11 |
| **Surplus/deficit** | **0** | **0** | **0** | **1** | **–1** |
| Present value of unfunded obligations | 75 | 61 | 55 | 48 | 47 |
| Amount not recognised as an asset due to the ceiling of IAS 19 | 0 | – | – | – | – |
| **Net liability recognised in the balance sheet** | **75** | **61** | **55** | **49** | **46** |

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

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Pension provisions | 76 | 61 |
| Other assets | – | – |
| **Net liability recognised in the balance sheet** | **76** | **61** |

The pension provisions essentially concern pension commitments of German companies.

The present value of the commitments developed as follows:

| € million | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Present value of obligations as at 1.1.** | **77** | **69** | **61** | **56** | **62** |
| Current service cost | −2 | −2 | −2 | −1 | −2 |
| Interest on obligation | −3 | −3 | −3 | −3 | −3 |
| Actuarial gains and losses (recognised in equity) | 16 | 3 | 6 | 2 | −4 |
| Employee contributions to the fund | 0 | 0 | 0 | 0 | 0 |
| Pension payments out of company assets | 2 | 2 | 2 | 2 | 2 |
| Pension payments out of the fund | 1 | 1 | 0 | 0 | 1 |
| Changes in the basis of consolidation | −2 | - | - | - | - |
| Other changes | −2 | 3 | −1 | 1 | −3 |
| Currency differences from foreign plans | 0 | 0 | 0 | 0 | −1 |
| **Present value of obligations as at 31.12.** | **91** | **77** | **69** | **61** | **56** |

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

| € million | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Fair value of plan assets as at 1.1.** | **16** | **14** | **12** | **11** | **11** |
| Expected return on plan assets | 1 | 1 | 1 | 0 | 1 |
| Actuarial gains and losses (recognised in equity) | 0 | 0 | 0 | 0 | −1 |
| Employer contributions to the fund | 1 | 1 | 1 | 1 | −1 |
| Employee contributions to the fund | 0 | 0 | 0 | 0 | 0 |
| Pension payments out of the fund | 0 | 0 | 0 | 0 | 1 |
| Changes in the basis of consolidation | −2 | - | - | - | - |
| Other changes | 0 | 0 | 0 | 0 | 0 |
| Currency differences from foreign plans | 0 | 0 | 0 | 0 | 0 |
| **Fair value of the plan assets as at 31.12.** | **16** | **16** | **14** | **12** | **11** |

In connection with the ongoing development of the company's structure, a significant percentage of the employees of Volkswagen Bank GmbH was transferred to Volkswagen Financial Services AG effective 1 July 2007. The pension provisions and the pension funds created for these employees were transferred to Volkswagen Financial Services AG. This effect is contained in the item "Other changes" in the two tables presented above.

As in the previous year, the actual return on plan assets amounted to less than € 0.5 million.

The interest rate for the expected long-term returns of the fund assets is based on the portfolio's actual income generated over the long term, on historical total market returns and on forecasts regarding the likely returns of the classes of securities the portfolios contain (shares and fixed-interest securities). These forecasts are based on expected returns for comparable pension funds during the respective employee's remaining years of service as an investment horizon, as well as on the experience of major portfolio managers and investment experts. In the next financial year, the company expects a return from plan assets of € 1 million (previous year: € 1 million), employer contributions to the fund of € 2 million (previous year: € 1 million) and service cost of € 1 million (previous year: € 1 million).

The fund assets comprise the following components:

| % | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Shares | 22 | 20 | 21 | 21 | 17 |
| Fixed-income securities | 61 | 60 | 57 | 58 | 62 |
| Cash | 7 | 2 | 4 | 3 | 8 |
| Property | 1 | 2 | 2 | 2 | 1 |
| Other | 9 | 16 | 16 | 16 | 12 |

The following amounts were recognised in the income statement:

| € million | 2012 | 2011 |
|---|---|---|
| Current service cost | –2 | –2 |
| Interest on obligation | –3 | –3 |
| Expected return on plan assets | 0 | 1 |
| Past service cost | – | – |
| **Total amount shown under staff costs** | **–5** | **–4** |

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

| € million | 2012 | 2011 |
|---|---|---|
| **Net liability at 1.1.** | **61** | **55** |
| Net expense in the income statement | –5 | –4 |
| Pension benefits and fund allocations paid | 4 | 4 |
| Actuarial gains and losses (recognised in equity) | 16 | 3 |
| Other changes | –2 | 3 |
| Currency differences from foreign plans | 0 | 0 |
| **Net liability at 31.12.** | **76** | **61** |

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

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Differences between expected and actual development | | | | | |
| in % of the present value of obligations | –0.53 | –0.13 | 3.03 | 1.92 | 2.95 |
| in % of the fair value of plan assets | 0.58 | 1.55 | 0.91 | 2.18 | –5.72 |

Other provisions developed as follows:

| | OTHER PROVISIONS | |
|---|---|---|
| € million | Human resources | Other |
| **As at 1.1.2012** | **26** | **221** |
| Use | 24 | 7 |
| Reversal | 1 | 107 |
| Addition | 31 | 144 |
| Changes in the basis of consolidation | 2 | 2 |
| Other changes | 0 | 0 |
| **As at 31.12.2012** | **34** | **253** |

The provisions in human resources include one-off annual payments, payments on account of staff anniversaries of company service and other costs of the workforce. The other provisions essentially contain the costs of litigation risks and the costs of maintenance contracts. The other provisions also contain € 21 million (previous year: € 45 million) in provisions for indirect residual value risks. Risks from changed court rulings were fully accounted for by recognising provisions of € 195 million in the 2012 financial year (previous year: € 154 million).

The terms of the other provisions are as follows:

| € million | 31.12.2012 Residual term more than one year | 31.12.2012 Total | 31.12.2011 Residual term more than one year | 31.12.2011 Total |
|---|---|---|---|---|
| Human resources | 2 | 34 | 2 | 26 |
| Other | 16 | 254 | 4 | 221 |
| **Total** | **18** | **288** | **6** | **247** |

The expected outflow of payments of other provisions is as follows: 93 % in the following year, 6 % in the years 2014 to 2017 and 1 % thereafter.

## 45 | Deferred tax liabilities

The deferred tax liabilities break down as follows:

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Deferred income tax obligations | 1,174 | 851 |
| of which non-current | 533 | 557 |
| Netting (with deferred tax assets) | – 613 | – 327 |
| **Total** | **561** | **524** |

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

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

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Receivables and other assets | 386 | 722 |
| Property, plant and equipment/intangible assets | 6 | 1 |
| Leased assets | 4 | 2 |
| Cash and cash equivalents, and securities | 54 | 70 |
| Liabilities, grants and provisions | 724 | 56 |
| **Total** | **1,174** | **851** |

## 46 | Other liabilities

Other liabilities concern the following items:

| € million | 31.12.2012 | 31.12.2011 |
| --- | --- | --- |
| Liabilities from other taxes | 42 | 51 |
| Liabilities within the framework of social security and the wage and salary settlement | 10 | 8 |
| Deferred income | 34 | 25 |
| Other | 19 | 10 |
| **Total** | **105** | **94** |

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

## 47 | Subordinated capital

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

| € million | 31.12.2012 | 31.12.2011 |
| --- | --- | --- |
| Subordinated liabilities | 783 | 844 |
| of which: due within two years | 198 | 209 |
| Participation right liabilities | – | 91 |
| of which: due within two years | – | 91 |
| **Total** | **783** | **935** |

The subordinated liabilities to affiliated companies amount to € 498 million (previous year: € 560 million). A conversion into capital or other form of debt has not been agreed, nor is it planned.

The profit participation certificates issued had matured and were repaid in the 2012 financial year. In the previous year, the profit participation certificates amounted to a nominal € 1 million in relation to the sole shareholder, Volkswagen AG, and a nominal € 89 million in relation to non-Group third parties.

The non-current portion of subordinated capital amounts to € 556 million (previous year: € 777 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 € 3,596 million in the 2012 financial year (previous year: € 3,596 million).

Retained earnings include undistributed profits from prior years and comprise earnings retained for statutory and other reasons.

The profit of € 290 million based on the HGB single-entity statements (previous year: € 229 million) was transferred to Volkswagen Financial Services AG, the company's sole shareholder, under its existing control and profit transfer agreement.

The accumulated deferred taxes recognised in equity amounted to € 17 million (previous year: € 4 million). Of this amount, € 6 million (previous year: € 1 million) are attributable to income and expense from shares measured using the equity method, which is recognised directly in equity.

## 49 | Capital management

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

Liable capital under regulatory requirements is distinguished from equity under IFRS (cf. the statement of changes in equity for its components).

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

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

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

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

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Aggregate risk position (€ million) | 29,168 | 27,461 |
| of which weighted position according to the standardised approach to credit risks | 27,214 | 25,781 |
| of which market risk positions * 12.5 | 128 | 121 |
| of which operational risks * 12.5 | 1,826 | 1,559 |
| Liable capital[1](€ million) | 4,355 | 4,464 |
| of which core capital[2] | 3,948 | 3,951 |
| of which supplementary capital[2] | 407 | 513 |
| Own funds (€ million) | 4,355 | 4,464 |
| Core capital ratio [3] (%) | 13.5 | 14.4 |
| Overall ratio[4] (%) | 14.9 | 16.3 |

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

Besides quantifying risk positions as required under the regulatory regime (pursuant to the Solvency Regulations) and representing the existent equity components, Volkswagen Bank GmbH has also established a system for determining its risk-bearing capacity that matches the economic risk to the hedging potential. A credit institution's risk-bearing capacity is given if, at a minimum, all of its material risks are continuously hedged through its risk taking potential.

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

Risk quantification is executed by means of different approaches pursuant to the methodological recommendations of the Basel Capital Accord based on statistical models and supported by expert estimates.

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

Volkswagen Bank GmbH's risk-bearing capacity was certain throughout the year 2012.

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

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

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

# 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 they are not allocated to any other category. Securities and other assets are included in this category at the Volkswagen Bank GmbH Group.

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

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

| | LOANS AND RECEIVABLES | | AVAILABLE-FOR-SALE FINANCIAL ASSETS | | FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | | FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | |
|---|---|---|---|---|---|---|---|---|
| € million | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 |
| **Assets** | | | | | | | | |
| Cash reserve | 670 | 644 | – | – | – | – | – | – |
| Receivables from financial institutions | 548 | 2,149 | – | – | – | – | – | – |
| Receivables from customers | 31,377 | 29,136 | – | – | – | – | – | – |
| Derivative financial instruments | – | – | – | – | – | – | 49 | 69 |
| Securities | – | – | 2,087 | 1,286 | – | – | – | – |
| Other financial assets | – | – | 2 | 1 | – | – | – | – |
| Other assets | 41 | 47 | – | – | – | – | – | – |
| Assets held for sale (IFRS 5) | – | 436 | – | – | – | – | – | – |
| **Total** | **32,636** | **32,412** | **2,089** | **1,287** | **–** | **–** | **49** | **69** |
| **Liabilities** | | | | | | | | |
| Liabilities to financial institutions | – | – | – | – | 2,730 | 435 | – | – |
| Liabilities to customers | – | – | – | – | 25,398 | 24,682 | – | – |
| Securitised liabilities | – | – | – | – | 4,058 | 5,835 | – | – |
| Derivative financial instruments | – | – | – | – | – | – | 34 | 42 |
| Other liabilities | – | – | – | – | 19 | 10 | – | – |
| Subordinated capital | – | – | – | – | 783 | 935 | – | – |
| Liabilities in connection with the assets held for sale (IFRS 5) | – | – | – | – | – | 2 | – | – |
| **Total** | **–** | **–** | **–** | **–** | **32,988** | **31,899** | **34** | **42** |

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

The net results of these categories were as follows:

| € million | 2012 | 2011 |
|---|---|---|
| Loans and receivables | 1,436 | 1,409 |
| Available-for-sale financial assets | 46 | 32 |
| Financial liabilities measured at amortised cost | – 620 | – 721 |
| Assets or financial liabilities measured at fair value through profit or loss | 16 | 90 |

The results are determined as follows:

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

## 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

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

| € million | BALANCE SHEET ITEM/ CREDIT COMMITMENTS | | MEASURED AT FAIR VALUE | | MEASURED AT AMORTISED COST | | HEDGE ACCOUNTING | | OTHER FINANCIAL ASSETS | | NOT SUBJECT TO IFRS 7 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 |
| **Assets** | | | | | | | | | | | | |
| Cash reserve | 670 | 644 | – | – | 670 | 644 | – | – | – | – | – | – |
| Receivables from financial institutions | 548 | 2,149 | – | – | 548 | 2,149 | – | – | – | – | – | – |
| Receivables from customers | 32,917 | 30,548 | – | – | 28,126 | 26,023 | 4,791 | 4,525 | – | – | – | – |
| Derivative financial instruments | 148 | 181 | 49 | 69 | – | – | 99 | 112 | – | – | – | – |
| Securities | 2,087 | 1,286 | 2,087 | 1,286 | – | – | – | – | – | – | – | – |
| Joint ventures accounted for using the equity method | 1,668 | 1,595 | – | – | – | – | – | – | – | – | 1,668 | 1,595 |
| Other financial assets | 2 | 1 | – | – | – | – | – | – | 2 | 1 | – | – |
| Other assets | 117 | 140 | – | – | 41 | 47 | – | – | – | – | 76 | 93 |
| Assets held for sale (IFRS 5) | – | 436 | – | – | – | 436 | – | – | – | – | – | 0 |
| **Total** | **38,157** | **36,980** | **2,136** | **1,355** | **29,385** | **29,299** | **4,890** | **4,637** | **2** | **1** | **1,744** | **1,688** |
| | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| Liabilities to financial institutions | 2,730 | 435 | – | – | 2,730 | 435 | – | – | – | – | – | – |
| Liabilities to customers | 25,398 | 24,682 | – | – | 23,460 | 22,489 | 1,938 | 2,193 | – | – | – | – |
| Securitised liabilities | 4,058 | 5,835 | – | – | 4,058 | 5,835 | – | – | – | – | – | – |
| Derivative financial instruments | 167 | 143 | 34 | 42 | – | – | 133 | 101 | – | – | – | – |
| Other liabilities | 105 | 94 | – | – | 19 | 10 | – | – | – | – | 86 | 84 |
| Subordinated capital | 783 | 935 | – | – | 783 | 935 | – | – | – | – | – | – |
| Liabilities in connection with the assets held for sale (IFRS 5) | – | 3 | – | – | – | 2 | – | – | – | – | – | 1 |
| **Total** | **33,241** | **32,127** | **34** | **42** | **31,050** | **29,706** | **2,071** | **2,294** | **–** | **–** | **86** | **85** |

The credit commitments class includes liabilities arising from irrevocable credit commitments amounting to € 1,173 million (previous year: € 1,259 million).

## 52 | Measurement levels of the financial instruments measured at fair value

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

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

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

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

There was no need for reclassifications between the levels in the reporting year.

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

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

| | LEVEL 1 | | LEVEL 2 | | LEVEL 3 | |
|---|---|---|---|---|---|---|
| € million | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| **Assets** | | | | | | |
| Measured at fair value | | | | | | |
| Derivative financial instruments | – | – | 49 | 69 | – | – |
| Securities | 1,587 | 797 | 500 | 489 | – | – |
| Hedge accounting | | | | | | |
| Derivative financial instruments | – | – | 99 | 112 | – | – |
| **Total** | **1,587** | **797** | **648** | **670** | **–** | **–** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Measured at fair value | | | | | | |
| Derivative financial instruments | – | – | 34 | 42 | – | – |
| Hedge accounting | | | | | | |
| Derivative financial instruments | – | – | 133 | 101 | – | – |
| **Total** | **–** | **–** | **167** | **143** | **–** | **–** |

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

Likewise, no fair value is determined for the miscellaneous financial assets because there is no active market for the companies contained therein and because it is impossible to reliably determine the relevant fair value at a reasonable cost. There were no plans at the balance sheet date to dispose of these financial assets.
The fair value of the irrevocable credit commitments is zero due to their short-term nature and the variable interest rate that is tied to the market interest rate.

| | FAIR VALUE | | CARRYING AMOUNT | | DIFFERENCE | |
|---|---|---|---|---|---|---|
| € million | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| **Assets** | | | | | | |
| Measured at fair value | | | | | | |
| Derivative financial instruments | 49 | 69 | 49 | 69 | – | – |
| Securities | 2,087 | 1,286 | 2,087 | 1,286 | – | – |
| Measured at amortised cost | | | | | | |
| Cash reserve | 670 | 644 | 670 | 644 | – | – |
| Receivables from financial institutions | 548 | 2,149 | 548 | 2,149 | – | – |
| Receivables from customers | 27,762 | 26,716 | 28,126 | 26,023 | –364 | 693 |
| Other assets | 41 | 47 | 41 | 47 | – | – |
| Hedge accounting | | | | | | |
| Receivables from customers | 4,791 | 4,525 | 4,791 | 4,525 | – | – |
| Derivative financial instruments | 99 | 112 | 99 | 112 | – | – |
| Other financial assets | 2 | 1 | 2 | 1 | – | – |
| | | | | | | |
| **Liabilities** | | | | | | |
| Measured at fair value | | | | | | |
| Derivative financial instruments | 34 | 42 | 34 | 42 | – | – |
| Measured at amortised cost | | | | | | |
| Liabilities to financial institutions | 2,712 | 435 | 2,730 | 435 | –18 | 0 |
| Liabilities to customers | 23,503 | 22,501 | 23,460 | 22,489 | 43 | 12 |
| Securitised liabilities | 4,066 | 5,876 | 4,058 | 5,835 | 8 | 41 |
| Other liabilities | 19 | 10 | 19 | 10 | – | – |
| Subordinated capital | 820 | 978 | 783 | 935 | 37 | 43 |
| Hedge accounting | | | | | | |
| Liabilities to customers | 1,938 | 2,193 | 1,938 | 2,193 | – | – |
| Derivative financial instruments | 133 | 101 | 133 | 101 | – | – |

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 | 0.320 | 0.667 | 4.080 |
| Interest for one year | 0.542 | 1.014 | 3.980 |
| Interest for five years | 0.765 | 1.018 | 3.360 |
| Interest for ten years | 1.565 | 1.863 | 3.565 |

## 54 | Risk of counterparty default

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

The credit and default risk from financial assets consists of the risk of a contracting party defaulting and thus no more than the amount of the claims against the respective counterparty based on recognised carrying amounts as well as the irrevocable credit commitments. The maximum credit and default risk is reduced through the collateral held and other credit enhancements in the amount of € 22,342 million (previous year: € 22,614 million). This concerns collateral held for receivables from customers classified as assets measured at amortised cost and hedge accounting. Vehicles and security assignments as well as surety agreements and charges on property are used as collateral.

The following table shows the quality of the financial assets:

| | GROSS CARRYING AMOUNT | | NEITHER PAST DUE NOR IMPAIRED | | PAST DUE AND NOT IMPAIRED | | IMPAIRED | |
|---|---|---|---|---|---|---|---|---|
| € million | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 |
| Measured at fair value | 2,136 | 1,355 | 2,136 | 1,355 | – | – | – | – |
| Measured at amortised cost | | | | | | | | |
| Cash reserve | 670 | 644 | 670 | 644 | – | – | – | – |
| Receivables from financial institutions | 548 | 2,149 | 548 | 2,149 | – | – | – | – |
| Receivables from customers | 29,031 | 26,879 | 27,254 | 25,354 | 301 | 264 | 1,476 | 1,261 |
| Other assets | 41 | 47 | 41 | 47 | – | – | – | – |
| Hedge accounting | | | | | | | | |
| Receivables from customers | 4,892 | 4,634 | 4,734 | 4,445 | 59 | 89 | 99 | 100 |
| Derivative financial instruments | 99 | 112 | 99 | 112 | – | – | – | – |
| Other financial assets | 2 | 1 | 2 | 1 | – | – | – | – |
| **Total** | **37,419** | **35,821** | **35,484** | **34,107** | **360** | **353** | **1,575** | **1,361** |

In the 2012 financial year, there were additions to risk provisions of € 361 million (previous year: € 361 million) in the class, "Assets measured at amortised cost", and € 15 million (previous year: € 67 million) in the class, "Hedge-accounting".

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

| € million | NEITHER PAST DUE NOR IMPAIRED 31.12.2012 | 31.12.2011 | RISK CLASS 1 31.12.2012 | 31.12.2011 | RISK CLASS 2 31.12.2012 | 31.12.2011 |
|---|---|---|---|---|---|---|
| Measured at fair value | 2,136 | 1,355 | 2,136 | 1,355 | – | – |
| Measured at amortised cost | | | | | | |
| Cash reserve | 670 | 644 | 670 | 644 | – | – |
| Receivables from financial institutions | 548 | 2,149 | 548 | 2,149 | – | – |
| Receivables from customers | 27,254 | 25,354 | 23,543 | 21,889 | 3,711 | 3,465 |
| Other assets | 41 | 47 | 41 | 47 | – | – |
| Hedge accounting | | | | | | |
| Receivables from customers | 4,734 | 4,445 | 3,760 | 3,642 | 974 | 803 |
| Derivative financial instruments | 99 | 112 | 99 | 112 | – | – |
| Other financial assets | 2 | 1 | 2 | 1 | – | – |
| **Total** | **35,484** | **34,107** | **30,799** | **29,839** | **4,685** | **4,268** |

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

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

| € million | PAST DUE AND NOT IMPAIRED 31.12.2012 | 31.12.2011 | PAST DUE WITHIN THE FOLLOWING PERIODS: up to 1 month 31.12.2012 | 31.12.2011 | 1 to 3 months 31.12.2012 | 31.12.2011 | more than 3 months 31.12.2012 | 31.12.2011 |
|---|---|---|---|---|---|---|---|---|
| Measured at fair value | – | – | – | – | – | – | – | – |
| Measured at amortised cost | | | | | | | | |
| Cash reserve | – | – | – | – | – | – | – | – |
| Receivables from financial institutions | – | – | – | – | – | – | – | – |
| Receivables from customers | 301 | 264 | 229 | 183 | 72 | 81 | – | – |
| Other assets | – | – | – | – | – | – | – | – |
| Hedge accounting | | | | | | | | |
| Receivables from customers | 59 | 89 | 36 | 62 | 23 | 27 | – | – |
| Derivative financial instruments | – | – | – | – | – | – | – | – |
| Other financial assets | – | – | – | – | – | – | – | – |
| **Total** | **360** | **353** | **265** | **245** | **95** | **108** | **–** | **–** |

Gross carrying amounts of impaired receivables:

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Measured at fair value | – | – |
| Measured at amortised cost | | |
| Cash reserve | – | – |
| Receivables from financial institutions | – | – |
| Receivables from customers | 1,476 | 1,261 |
| Other assets | – | – |
| Hedge accounting | | |
| Receivables from customers | 99 | 100 |
| Derivative financial instruments | – | – |
| Other financial assets | – | – |
| **Total** | **1,575** | **1,361** |

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 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Vehicles | 36 | 29 |
| Property | – | – |
| Other movables | – | – |
| Financial assets | – | – |
| **Total** | **36** | **29** |

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

## 55 | Liquidity risk

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

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

| € million | ASSETS | | PAYABLE ON DEMAND | | UP TO 3 MONTHS | | 3 MONTHS TO 1 YEAR | | 1 TO 5 YEARS | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| Cash reserve | 670 | 644 | 670 | 644 | – | – | – | – | – | – |
| Receivables from financial institutions | 548 | 2,149 | 209 | 604 | 339 | 1,545 | – | – | – | – |
| Securities | 1,586 | 795 | – | – | 135 | – | 154 | 76 | 1,297 | 719 |
| **Total** | **2,804** | **3,588** | **879** | **1,248** | **339** | **1,545** | **–** | **–** | **–** | **–** |

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

| | CASH OUTFLOWS | | REMAINING CONTRACTUAL MATURITY | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | up to 3 months | | 3 months to 1 year | | 1 to 5 years | | more than 5 years | |
| € million | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 | 31.12. 2012 | 31.12. 2011 |
| Liabilities to financial institutions | 2,784 | 449 | 388 | 53 | 126 | 80 | 2,239 | 272 | 31 | 44 |
| Liabilities to customers | 25,846 | 25,185 | 21,806 | 18,891 | 1,634 | 2,741 | 1,874 | 3,022 | 532 | 531 |
| Securitised liabilities | 4,089 | 6,007 | 425 | 537 | 2,201 | 1,881 | 1,463 | 3,589 | – | – |
| Derivative financial instruments | 2,180 | 2,092 | 1,534 | 1,556 | 295 | 300 | 351 | 235 | 0 | 1 |
| Subordinated capital | 824 | 1,019 | 39 | 21 | 208 | 169 | 537 | 790 | 40 | 39 |
| Irrevocable credit commitments | 1,173 | 1,259 | 123 | 72 | 1,049 | 1,187 | 1 | – | 0 | – |
| Total | 36,896 | 36,011 | 24,315 | 21,130 | 5,513 | 6,358 | 6,465 | 7,908 | 603 | 615 |

## 56 | Market risk

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

The value-at-risk (VaR) method based on historical simulation is used for quantitative measurements of the interest and currency translation risks. The VaR indicates the scope of a possible loss in the overall portfolio with a 99% probability of occurring 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 | 2012 | 2011 |
|---|---|---|
| Interest rate risk | 26 | 41 |
| Currency translation risk | 0 | 0 |
| **Total market price risk** | **26** | **41** |

## 57 | Foreign currency items

In the Volkswagen Bank GmbH Group the following assets and liabilities are contained in the currencies shown as at 31 December 2012:

| € million | CZK | GBP | NOK | PLN | RUB | TRY | Other |
|---|---|---|---|---|---|---|---|
| Cash reserve | – | 1 | – | 10 | – | – | – |
| Receivables from financial institutions | 0 | 1 | 0 | 37 | 15 | 0 | 0 |
| Receivables from customers | 95 | 1,715 | 174 | 398 | – | 177 | 2 |
| Securities | – | 63 | – | 61 | – | – | – |
| Intangible assets | – | – | – | 42 | – | – | – |
| Property, plant and equipment | – | – | – | 3 | – | – | – |
| Income tax assets | – | 2 | – | 7 | – | – | – |
| **Assets** | **95** | **1,782** | **174** | **558** | **15** | **177** | **2** |
| Liabilities to financial institutions | – | 50 | – | 64 | – | – | – |
| Liabilities to customers | – | 50 | – | 368 | – | – | – |
| Securitised liabilities | – | – | – | 10 | – | – | – |
| Provisions | – | 2 | – | 4 | – | – | – |
| Income tax obligations | – | 4 | – | 6 | – | – | – |
| Subordinated capital | – | – | – | 7 | – | – | – |
| **Liabilities** | **–** | **106** | **–** | **459** | **–** | **–** | **–** |

## 58 | Notes to the hedging policy

### HEDGING POLICY AND FINANCIAL DERIVATIVES

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

### MARKET PRICE RISK

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

### INTEREST RATE RISK

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

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

#### CURRENCY RISK

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

#### LIQUIDITY RISK/REFINANCING RISK

The Volkswagen Bank GmbH Group makes provisions for securing against potential liquidity squeezes by maintaining confirmed credit lines at various commercial banks and by using multi-currency-capable continuous issuing programmes. In addition, securities deposited in Volkswagen Bank GmbH's operational safe custody account with Deutsche Bundesbank serve to secure the company's liquidity.

#### NON-PAYMENT RISK

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

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

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

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

| | REMAINING CONTRACTUAL MATURITY | | | | | |
|---|---|---|---|---|---|---|
| | up to 1 year | | 1 to 5 years | | more than 5 years | |
| € million | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| Cash flow hedges | | | | | | |
| Interest rate swaps | 10 | – | – | 10 | – | – |
| Cross-currency interest rate swaps | – | – | – | – | – | – |
| Currency futures contracts | 1,658 | 1,530 | 0 | 182 | – | – |
| Currency swaps | 70 | 9 | 262 | 265 | – | – |
| Other | | | | | | |
| Interest rate swaps | 3,265 | 6,450 | 6,934 | 9,701 | 32 | 156 |
| Cross-currency interest rate swaps | – | 77 | – | – | – | – |
| Currency futures contracts | 0 | – | – | – | – | – |
| Currency swaps | – | 29 | – | – | – | – |
| **Total** | **5,003** | **8,095** | **7,196** | **10,158** | **32** | **156** |

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

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

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

# Segment reporting

## 59 | Division by legal entities

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

The information made available to management for controlling purposes is based on the same accounting policies that are used in external accounting.

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

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

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

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

| € million | 2012 FINANCIAL YEAR<br>Germany | Italy | France | Other | Consoli-dation | Total |
|---|---|---|---|---|---|---|
| Revenue from lending transactions with third parties | 1,208 | 120 | 81 | 177 | – | 1,586 |
| Revenue from intersegment lending transactions | 107 | 0 | 0 | 0 | – 107 | – |
| Segment revenue from lending transactions | 1,315 | 120 | 81 | 177 | – 107 | 1,586 |
| Revenue from leasing transactions | – | 51 | 199 | – | – | 250 |
| Commission income | 148 | 34 | 46 | 11 | – | 239 |
| **Revenue** | **1,463** | **205** | **326** | **188** | **– 107** | **2,075** |
| Cost of sales from lending and leasing transactions | – | – 21 | – 62 | 0 | – | – 83 |
| Write-ups on leased assets and investment property | – | – | – | – | – | – |
| Depreciation and impairment losses on leased assets and investment property | – | – | – 59 | – | – | – 59 |
| of which impairment losses pursuant to IAS 36 | – | – | – | – | – | – |
| Interest expense (part of the operating result) | – 560 | – 36 | – 44 | – 54 | 107 | – 587 |
| Provisions for risks arising from lending and leasing business | – 41 | – 25 | – 22 | – 24 | – | – 112 |
| Commission expenses | – 107 | – 23 | – 51 | – 3 | – | – 184 |
| Result from derivative financial instruments (part of the operating result) | – 9 | – | – | – | – | – 9 |
| General administration expenses (part of the operating result) | – 478 | – 53 | – 70 | – 81 | 1 | – 681 |
| Other operating result (part of the operating result) | 76 | 2 | 6 | 5 | – 1 | 88 |
| **Segment result (Operating result)** | **344** | **49** | **24** | **31** | **–** | **448** |
| Interest income not classified as revenue | 20 | – | – | – | – | 20 |
| Interest expense (not part of the operating result) | 0 | – | – | – | – | 0 |
| Result from derivative financial instruments (not part of the operating result) | – 28 | – | – | – | – | – 28 |
| Result from available-for-sale assets | – | – | – | – 1 | – | – 1 |
| Result from joint ventures accounted for using the equity method | 118 | – | – | – | – | 118 |
| Result from other financial assets | 0 | – | – | 4 | – | 4 |
| General administration expenses (not part of the operating result) | – 3 | 0 | – | 0 | – | – 3 |
| Other operating result (not part of the operating result) | 0 | 0 | – | – | – | 0 |
| **Pre-tax result** | **451** | **49** | **24** | **34** | **–** | **558** |
| Taxes on income and earnings | – 88 | – 17 | – 10 | – 12 | – | – 127 |
| **Net income** | **363** | **32** | **14** | **22** | **–** | **431** |
| Net income attributable to Volkswagen Financial Services AG | 363 | 32 | 14 | 22 | – | 431 |
| **Segment assets** | **19,577** | **2,916** | **3,364** | **3,402** | **–** | **29,259** |
| **of which non-current assets** | **11,211** | **1,416** | **1,631** | **641** | **–** | **14,899** |
| **Segment liabilities** | **31,153** | **2,951** | **2,904** | **3,213** | **– 8,009** | **32,212** |

The presentation for the previous year is as follows:

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

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

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Interest income from lending transactions | 1,606 | 1,632 |
| ./. Interest income not classified as revenue | 20 | 23 |
| Net income from leasing transactions before provisions for risks | 108 | 111 |
| ./. Expenses from leasing business | – 83 | – 69 |
| ./. Depreciation and impairment losses on leased assets and investment property | – 59 | – 51 |
| ./. Write-ups on leased assets and investment property | – | – |
| Commission income | 239 | 217 |
| **Consolidated revenue** | **2,075** | **2,057** |
| | | |
| Net income from leasing transactions before provisions for risks | 108 | 111 |
| ./. Income from leasing transactions | 250 | 231 |
| ./. Depreciation and impairment losses on leased assets and investment property | – 59 | – 51 |
| **Cost of sales from lending and leasing transactions** | **– 83** | **– 69** |
| | | |
| Receivables from customers arising from | | |
| Retail financing | 19,557 | 17,939 |
| Dealer financing | 7,738 | 7,435 |
| Leasing business | 1,540 | 1,412 |
| Other receivables | 4,082 | 3,762 |
| of which not included in segment assets | – 3,914 | – 3,182 |
| Leased assets | 256 | 202 |
| **Consolidated assets acc. to segment reporting** | **29,259** | **27,568** |
| | | |
| Liabilities to financial institutions | 2,730 | 435 |
| of which not included in borrowings | 0 | 0 |
| Liabilities to customers | 25,398 | 24,682 |
| of which not included in borrowings | – 755 | – 680 |
| Securitised liabilities | 4,058 | 5,835 |
| of which not included in borrowings | – 2 | – 9 |
| Subordinated capital | 783 | 935 |
| **Consolidated liabilities acc. to segment reporting** | **32,212** | **31,198** |

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

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

Shares in joint ventures are attributed to the Germany segment. Information regarding the most important products is contained in the income statement.

The additions to property, plant and equipment, intangible assets, leased assets and investment property amount to € 4 million (previous year: € 4 million) in the Italy segment, € 158 million (previous year: € 113 million) in the France segment and € 6 million (previous year: € 1 million) in the other legal entities. As in the previous year, there were no additions to these assets in the Germany segment. Depreciation, amortisation and impairment losses totalled € 1 million (previous year: € 1 million) in the Germany segment, € 3 million (previous year: € 3 million) in the Italy segment, € 60 million (previous year: € 52 million) in the France segment, and € 5 million (previous year: € 2 million) in the other legal entities.

# Other notes

## 60 | Cash flow statement

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

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

The changes to the balance sheet items applied for the development of the cash flow statement cannot be derived directly from the balance sheet, as effects from changes in the scope of consolidation are non-cash effects and are separated out.

## 61 | Off-balance sheet obligations

| € million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Contingent liabilities** | | |
| Liabilities from surety and warranty agreements | 199 | 97 |
| **Other obligations** | | |
| Irrevocable credit commitments | 1,173 | 1,259 |

The obligations under non-cancellable rental and leasing contracts in the Volkswagen Bank GmbH Group will trigger expenses of € 2 million (previous year: € 1 million) in the 2013 financial year and € 5 million (previous year: € 1 million) in the 2014 to 2017 financial years.

## 62 | Trust activities

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

## 63 | Average number of employees during the financial year

| | 2012 | 2011 |
|---|---|---|
| Salaried employees | 1,139 | 720 |
| of which senior management | 60 | 56 |
| of which part time staff | 44 | 52 |
| Trainees | 7 | 7 |

## 64 | Related parties

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

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

The following must be said relative to Porsche:

With an equity stake of 50.73 %, Porsche Automobil Holding SE, Stuttgart, owned the majority of the voting shares in Volkswagen AG as at the balance sheet date.

The extraordinary Annual General Meeting of Volkswagen AG on 3 December 2009 resolved to give the German state of Lower Saxony the right to appoint board members. Hence Porsche SE can no longer appoint the majority of the members of Volkswagen AG's Supervisory Board as long as the state of Lower Saxony is holding at least 15 % of the ordinary shares. However, Porsche SE has the opportunity to participate in the Volkswagen Group's corporate decision making.

On 1 August 2012, Porsche SE integrated its holding company operations into Volkswagen AG by way of a transfer of individual rights.

With regard to the remaining 50.1 % of the shares in Porsche Holding, Stuttgart, still held by Porsche SE up until the integration of its holding company operations into Volkswagen AG, Porsche SE and Volkswagen AG granted each other mutual put and call options within the framework of their general agreement. The strike price for the two options was € 3,883 million and was subject to specific adjustments. In the course of the integration, the legal position of Porsche SE from the put and call options was transferred to Volkswagen AG, as a result of which the options expired in the confusion of the rights.

According to the notification dated 9 January 2013, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00 % of the voting rights of Volkswagen AG on 31 December 2012. In addition – as described above – the Annual General Meeting of Volkswagen AG resolved on 3 December 2009 that the State of Lower Saxony is entitled to appoint two members of the Supervisory Board.

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

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

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

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

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

2012 FINANCIAL YEAR

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

2011 FINANCIAL YEAR

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

Since the integration of the holding company operations into Volkswagen AG on 1 August 2012, the "Porsche entities" column only shows the business relationships with Porsche SE, Stuttgart. The obligations mainly result from term deposits of Porsche SE held with Volkswagen Bank GmbH.

In accordance with the definition provided in IAS 24.9, the column "Other related parties within the Group" includes, in addition to fellow subsidiaries, joint ventures and associated companies that are Group entities and as such are related parties of Volkswagen AG.

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.

Three members of the Board of Management were paid by Volkswagen Bank GmbH. Their total compensation was € 2 million; the remainder of the total compensation paid to the members of the Board of Management was borne by Volkswagen Financial Services AG. The pro rata provisions recognised for this group of people in connection with current pensions and entitlements amount to € 1 million (previous year: € 3 million).

A total of € 5 million (previous year: € 2 million) was recognised as provisions for pensions and similar obligations to former members of the Board of Management or their surviving dependants. The payments to former members of the Board of Management and their surviving dependants amounted to less € 0.5 million.

The employee representatives in the Supervisory Board who are employed at Volkswagen Bank GmbH continue to receive a regular salary under the terms of their employment contract. This is based on the regulations set out in the German Works Constitution Act (Betriebsverfassungsgesetz) and constitutes appropriate remuneration for their corresponding function or activity in the Company. The same applies to the management representative in the Supervisory Board.

## 65 | Corporate bodies of the Volkswagen Bank GmbH Group

The Board of Management is comprised as follows:

**RAINER BLANK (UNTIL 31.03.2012)**
Spokesman of the Board of Management
Strategy & Marketing
Sales Individual Customers & Corporate Customers
Customer Service & Process Management Individual Customers International

**ANTHONY BANDMANN (FROM 01.02.2012)**
Spokesman of the Board of Management
Strategy & Marketing
Sales Individual Customers & Corporate Customers
Customer Service & Process Management Individual Customers International

**DR. MICHAEL REINHART (UNTIL 31.12.2012)**
Finance, Risk Management
Market Support, Dealer Restructuring
Human Resources, Organisation

**TORSTEN ZIBELL**
Direct bank
Treasury

**DR. HEIDRUN ZIRFAS (FROM 01.01.2013)**
Finance, Risk Management
Market Support, Dealer Restructuring
Human Resources, Organisation

The shareholders' meeting resolved to amend the shareholder agreement and dissolve the Supervisory Board of Volkswagen Bank GmbH effective 15 May 2012.

Until that date, the Supervisory Board was comprised as follows:

**HANS DIETER PÖTSCH**
Chairman
Member of the Board of Management of Volkswagen AG
Finance and Controlling

**PROF. DR. HORST NEUMANN**
Deputy Chairman
Member of the Board of Management of Volkswagen AG
Human Resources and Organisation

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

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

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

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

**DETLEF KUNKEL**
General Secretary/Principal Representative of IG Metall Braunschweig

**SIMONE MAHLER**
Deputy Chairman of the Joint Works Council of Volkswagen Financial Services AG
and Volkswagen Bank GmbH

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

**PETRA REINHEIMER**
General Secretary of the Joint Works Council of Volkswagen Financial Services AG and
Volkswagen Bank GmbH

**MICHAEL RIFFEL**
General Secretary of the General Works Council of Volkswagen AG

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

On 15 May 2012, the shareholders' meeting resolved to establish an Audit Committee in accordance with § 324 HGB for Volkswagen Bank GmbH in its capacity as a corporation as defined by § 264d HGB. The Audit Committee has the following members:

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

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

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

**JÖRG THIELEMANN (FROM 01.08.2012)**
Head of Customer Service Retail North/East of Volkswagen Bank GmbH

**GABOR POLONYI (UNTIL 31.07.2012)**
Head of Sales Germany Private and Corporate Customers of Volkswagen Bank GmbH

## 66 | Shareholdings

| Name and domicile of company | Percentage of capital and voting rights held |
|---|---|
| **I. Subsidiaries** | |
| VOLKSWAGEN BANK POLSKA S.A., Warsaw, Poland | 100.0 |
| VOLKSWAGEN SERWIS UBEZPIECZENIOWY SP. Z.O.O., Warsaw, Poland | 100.0 |
| **II. Joint ventures** | |
| Global Mobility Holding B.V., Amsterdam, the Netherlands | 50.0 |
| LeasePlan Corporation N.V., Amsterdam, the Netherlands | 50.0 |
| **III. Equity investments** | |
| Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, Germany | 0.02 |
| Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium | 0.01 |
| Visa Europe Limited, London, United Kingdom | 0.03 |
| **IV. Investments in affiliated companies** | |
| OOO Volkswagen Bank RUS, Moscow, Russian Federation | 1.0 |

As at 31 December 2011, the equity of VOLKSWAGEN BANK POLSKA S.A. totalled € 58.9 million (PLN € 240 million); the result of VOLKSWAGEN BANK POLSKA S.A. amounted to € 6.3 million (PLN € 25.6 million) in 2011. All information refers to the company's IFRS financial statements.

As at 31 December 2011, the equity of Global Mobility Holding B.V. totalled € 2,090 million and that of LeasePlan Corporation N.V. totalled € 2,154 million. In the 2011 financial year, the result posted by Global Mobility Holding B.V. was € 5 million and that of LeasePlan Corporation N.V. was € 225 million. The information was taken from the IFRS financial statements.

The special purpose entities included in the consolidated financial statements pursuant to SIC 12 – Driver Two GmbH i.L., Driver Three GmbH, Driver Four GmbH i.L., Driver Five GmbH i.L., Driver Six GmbH i.L., Driver Seven GmbH, Driver Eight GmbH, Driver Nine GmbH, Private Driver 2007 GmbH i.L., Private Driver 2008-1 GmbH i.L., Private Driver 2008-2 GmbH i.L., Private Driver 2008-3 GmbH i.L., Private Driver 2008-4 GmbH i.L., Private Driver 2010-1 fixed GmbH, Private Driver 2011-1 GmbH, Private Driver 2011-2 GmbH, Private Driver 2011-3 GmbH, Private Driver 2012-1 GmbH, Private Driver 2012-2 GmbH, Private Driver 2012-3 GmbH and Private Driver Ten GmbH – all domiciled in Frankfurt am Main, each have subscribed capital of € 25,050. The special purpose entities that were operational in 2011 each posted earnings of under € 0.1 million.

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

## 67 | Events after the balance sheet date

The 50 % equity investment by Volkswagen Bank GmbH in Global Mobility Holding B.V., which holds 100 % of LeasePlan Corporation N.V., was sold to Volkswagen AG effective 22 January 2013 as part of internal restructuring of the Group.

Volkswagen Financial Services AG paid € 200 million into the capital reserve in January 2013.

## 68 | Responsibility statement

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

Braunschweig, 15 February 2013
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, consisting of balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, as well as the Group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a Para. 1 German Commercial Code (HGB) is the responsibility of the company's Managing Directors. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and on the Group management report.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations with a material impact on the presentation of net assets, financial position and results of operations conveyed by the consolidated financial statements with due regard to the applicable accounting principles, and by the Group management report are identified. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible errors are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of the companies included in consolidation, the definition of the scope of consolidation, the accounting and consolidation principles applied and significant estimates made by the Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of the audit, the consolidated financial statements are in compliance with IFRS as applicable in the EU and with the supplementary provisions applicable under § 315a Para. 1 HGB, and in accordance with these provisions give a true and fair view of the net assets, financial position and results of the operations of the Group. The Group management report is consistent with the consolidated financial statements, provides a suitable understanding of the Group's situation and suitably presents the opportunities and risks of future development.

Hanover, 20 February 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Burkhard Eckes | ppa. Georg Lange |
| Auditor | Auditor |

# Report of the Audit Committee

## of Volkswagen Bank GmbH

Since 15 May 2012, Volkswagen Bank GmbH has no longer had an optional Supervisory Board. Implementing § 324 HGB, the company established an Audit Committee whose principal tasks are described in § 107 Para. 3 Sentence 2 German Stock Corporation Act (AktG).

The Audit Committee comprises four members. The personnel changes described in the notes to the consolidated financial statements of Volkswagen Bank GmbH took effect on 15 May 2012.

The Audit Committee convened two regular meetings in the reporting period. 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 the meetings.

The Audit Committee convened its first meeting on 6 July 2012, at which it was briefed on important transactions. It also dealt with assessing the effectiveness of the internal control system (ICS), the risk management system and compliance issues. The Audit Committee asked the head of Group Risk Management & Methods, the head of Internal Audit and the Chief Compliance Officer to explain, among other things, core elements of and methods used in the ICS, the risk management system and compliance and to report on key components of the work performed on these topics during the financial year.

At its second meeting on 2 November 2012, the Audit Committee focused on assessing the effectiveness of Internal Audit as a component of the internal control system. In addition, the Audit Committee asked the head of Internal Audit to report on the audit planning, the processing status of the audit programme plus the key findings and the results of the work performed by Internal Audit. The Audit Committee also concerned itself with the audit of the financial statements. In this context, the Audit Committee requested the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, to explain the audit planning and the areas of emphasis in the audit of the annual financial statements as at 31 December 2012. The auditors also reported on significant transactions in the reporting period as well as on important financial reporting and regulatory issues.

At its meeting on 27 February 2013, the Audit Committee examined the annual financial statements and the management report, the consolidated financial statements and the Group management report of Volkswagen Bank GmbH for the 2012 financial year as well as the proposal on the appropriation of profit. At the same time, the reports on the audit of the annual financial statements and the management report, the consolidated financial statements and the Group management report of Volkswagen Bank GmbH as well as important matters and issues concerning the accounting were discussed with the auditors. The Audit Committee reported on the audit to the sole shareholder.

Furthermore, the Committee requested explanations of the extent to which relationships of a professional, financial or other nature exist between the auditor of the financial statements and the company or its corporate bodies in order to assess the independence of the auditor. In this context, the Audit Committee obtained information about the services performed for the company by the auditor in addition to auditing activities and about grounds for exclusion or indications of bias. After extensive review of the auditor's independence, the Audit Committee of the sole shareholder issued a recommendation on appointment of the auditor and prepared the resolution of the shareholders' meeting on issuing the audit engagement.

Braunschweig, 27 February 2013

Dr. Arno Antlitz

Waldemar Drosdziok

Dr. Jörg Boche

Jörg Thielemann

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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