VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

VOLKSWAGEN BANK GMBH

HALF-YEARLY FINANCIAL REPORT

JANUARY – JUNE

2019

Key Figures

€ million	June 30, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Total assets	73,625	83,042	78,747	56,334	49,206
Loans to and receivables from customers attributable to					
Retail financing	34,289	29,882	28,032	24,259	23,312
Dealer financing	13,050	12,162	12,430	10,538	10,302
Leasing Business	2,670	18,829	18,858	3,695	2,502
Customer deposits	33,838	32,389	33,583	35,666	27,877
Equity	10,363	11,639	11,301	7,156	5,030

€ million	H1 2019	H1 2018	H1 2017	H1 2016	H1 2015
Operating result	339	335	401	293	293
Profit before tax	353	343	412	316	308
Profit after tax	300	407	291	224	223

in %	June 30, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Equity ratio	14.1	14.0	14.4	12.7	10.2

in %	Mar. 31, 2019[2]	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Common Equity Tier 1 capital ratio[1]	16.2	15.5	15.6	14.3	11.1
Tier 1 capital ratio[1]	16.2	15.5	15.6	14.3	11.1
Total capital ratio[1]	16.2	15.5	15.7	14.4	11.2

Number	June 30, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Employees[3]	2,128	3,454	3,549	1,293	1,185

1 Regulatory ratios in accordance with Article 92(1) of the CRR.
2 Since January 1, 2014 Volkswagen Bank GmbH has applied the amended requirements in accordance with the CRR. The regulatory capital ratios as of March 31, 2019 are presented here. The capital ratios as of June 30, 2019 will be calculated within the required time frame stipulated by the banking regulator by no later than August 12, 2019.
3 The changes in the number of employees arose from the restructuring activities in the Volkswagen Bank GmbH Group.

Rating (as of June 30)	STANDARD & POOR'S			MOODY'S INVESTORS SERVICE		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Volkswagen Bank GmbH	A–2	A–	negative	P–1	A1	stable

All figures shown in the report are rounded, so minor discrepancies may arise when amounts are added together. The comparative figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.

Report on Economic Position

OVERALL ASSESSMENT OF BUSINESS PERFORMANCE

The Management of Volkswagen Bank GmbH considers the course of business in the year 2019 to date to have been satisfactory. Profit before tax for the first half of the year amounted to €353 million, which is slightly higher than the figure for the corresponding prior-year period (€343 million).

Both, the new business involving the provision of financing for end consumers and the vehicle and capital investment finance business for Volkswagen Group dealers grew as expected during the first half of the year. The volume of contracts declined because of the derecognition of entities in Italy, the Czech Republic and the United Kingdom. The portfolio transfer to the Bank's branch in Spain had a positive impact on the volume of business.

The penetration rate, i.e. vehicle finance deals entered into as a proportion of the sales of new vehicles produced by the Volkswagen Group, and total new contracts were below the level of the prior-year period because of the structural changes in the financial services business and the associated transfers of individual portfolios and/or entities to Volkswagen Financial Services AG.

In the first quarter of 2019, the reorganization involved the transfer of the finance lease business from Volkswagen Bank Italy to the new company Volkswagen Financial Services S.p.A., which in turn was transferred to Volkswagen Financial Services AG by way of asset transfer. The transfer led to a significant contraction in the volume of loans and receivables subject to credit risk at Volkswagen Bank Italy, which is now no longer offering any products that give rise to direct residual value risk. The Czech company ŠkoFIN s.r.o. was also transferred from the Volkswagen Bank GmbH Group to Volkswagen Financial Services AG in the first quarter of 2019. Likewise, Volkswagen Financial Services UK was transferred to Volkswagen Financial Services AG. These transactions were the main factors behind the significant changes in credit risk and in direct residual value risk within the Volkswagen Bank GmbH Group. Furthermore, in the second quarter of 2019, Volkswagen Finance S.A. was transferred from Volkswagen AG to the Volkswagen Bank Spain branch and thereby integrated into the Volkswagen Bank GmbH Group. This business combination led to a substantial rise in the volume of loans and receivables subject to credit risk (particularly in the retail portfolio) at Volkswagen Bank Spain; moreover, products with direct residual value risk are now offered. Overall, the reorganization described above has resulted in a substantial fall in the volume of loans and receivables in the Volkswagen Bank GmbH Group compared with the position as of December 2018.

In the first six months of 2019, the credit risk arising in connection with the remaining entities in the Volkswagen Bank GmbH Group has remained steady. The existing sales promotion programs with the brands and continuous expansion of the fleet business have led to further growth in the volume of loans and receivables, especially in Germany and France. Measures previously put in place, such as intensifying the remarketing processes, will be sustained in fiscal year 2019. The experience gained in connection with the WLTP issue in 2018 will be taken into account when applying the second act of the WLTP. So far, the picture painted for fiscal year 2019 is mixed as a result of the second act and there may be temporary effects in the volume of loans and receivables in the dealer portfolio.

In the first six months of 2019, there has been a significant fall in contracts in the residual value portfolio with direct residual value risk at Volkswagen Bank GmbH. This has been caused by the reorganization of the United Kingdom market described above. Leaving aside these non-recurring effects, there has been steady growth in the volume of contracts in the residual value portfolio with direct residual value risk. The main drivers behind this expansion are the implemented growth programs, continued economic recovery in the markets and further expansion in the fleet business.

GENERAL ECONOMIC DEVELOPMENT

The global economy continued its robust growth in the first six months of 2019 albeit at a slower pace. The average expansion rate of gross domestic product (GDP) in this period was down year-on-year in both the advanced and the emerging market economies. Prices for energy and other commodities decreased on average compared with the prior-year period amid a still comparatively low – albeit slightly higher – interest rate level. In connection with the upheaval in trade policy and economic uncertainty, international trade of goods waned in the first half of 2019.

As a whole, the economies of Western Europe recorded slight growth from January to June 2019, with a decline in momentum. This trend was recorded in nearly all countries in Northern and Southern Europe. The unknown outcome of the Brexit negotiations between the United Kingdom and the EU remained the primary source of uncertainty.

Amid a strong labor market, the growth trend in Germany continued at a markedly weaker pace in the period under review, with both business and consumer sentiment deteriorating further.

In the economies of Central Europe, growth rates remained relatively high in the first two quarters of 2019, while also declining in most cases. GDP growth in Eastern Europe declined. This was due in particular to the economic situation in Russia, as the region's largest economy.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Automotive financial services were in high demand in the first half of 2019. This was attributable to a number of factors, notably the persistently low key interest rates in the main currency areas.

Overall, the European market saw a slight contraction in the demand for vehicles in the period from January to June 2019. As a consequence, the recognition of new leases and financing agreements also declined marginally. Used vehicle sales in Europe went up slightly, although new leases and financing agreements for used vehicles contracted a little. After-sales products such as inspection, maintenance and spare parts agreements were also in high demand in the first six months of 2019; demand for automotive-related insurance grew slightly.

In Germany, the share of loan-financed or leased new vehicles remained stable at a high level in the reporting period. There was greater demand for after-sales products, and the call for integrated mobility solutions in the business customer segment also continued to rise.

The demand for financial services in the Commercial Vehicles Business Area varied from region to region.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In the first half of 2019, global demand for passenger cars was weaker than in the prior-year period (–5.0%). While new registrations in the Central and Eastern Europe region narrowly exceeded the prior-year figure, the overall markets in Western Europe, Middle East, North America, South America and Asia-Pacific recorded dips.

Global demand for light commercial vehicles between January and June 2019 was up slightly on the previous year.

In Western Europe, passenger car demand in the reporting period fell short of the prior-year level due to the WLTP, among other factors. New vehicle registrations declined by varying degrees in the largest single markets. Passenger car sales in France fell slightly. In the United Kingdom, the passenger car market volume was moderately down on the prior-year figure. There, the uncertain outcome of the Brexit negotiations with the EU continued to weigh on demand. The passenger car markets in Italy and Spain also contracted in the reporting period. The share of new registrations for diesel vehicles in the overall passenger car market in Western Europe slipped to 33.3 (38.0)% in the period from January to June 2019.

Despite the uncertain outcome of the Brexit negotiations between the EU and UK, new light commercial vehicle registrations in Western Europe were moderately higher than the prior-year level.

In Germany, the number of passenger cars sold in the first six months of 2019 was on the high level seen in the prior-year period. In addition to the economic situation, sales incentives from dealers, particularly in the form of an environmental bonus, underpinned the stable trend.

Demand for light commercial vehicles in Germany in the reporting period was considerably higher than in the same period in 2018.

In the Central and Eastern Europe region, demand for passenger cars in the reporting period was just higher than in the previous year. Developments in the individual markets of Central Europe were mixed. Following a solid start in spite of the value-added tax increase as of January 1, 2019, the Russian passenger car market continued to weaken and was slightly below the prior-year figure at the end of the first half of 2019.

Registration volumes of light commercial vehicles in Central and Eastern Europe were on a level with the previous year, while the number of vehicles sold in Russia between January and June 2019 was much lower than in the prior-year period.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was significantly higher between January and June 2019 than in the prior-year period.

In the first half of the year, demand in Western Europe climbed sharply compared with 2018. There was a sizeable increase in new registrations in Germany, Western Europe's largest market, in the first six months of 2019 com-pared with the prior-year period. While demand in Italy remained at the previous year's level, it rose in Spain, in France and in the United Kingdom.

The first half of 2019 saw a slight year-on-year recovery in registration volumes in the Central and Eastern Europe region. Demand in Russia decreased moderately.

CHANGES IN EQUITY INVESTMENTS

Volkswagen Financial Services S.p.A., Milan, Italy, commenced operations on March 4, 2019.

On March 29, 2019, Volkswagen Bank GmbH transferred its equity investments in the following entities to Volkswagen Financial Services AG:

- Volkswagen Financial Services S.p.A., Milan, Italy
- Volkswagen Financial Services (UK) Ltd., Milton Keynes, United Kingdom, incl. its subsidiaries MAN Financial Services Ltd. and Volkswagen Insurance Service (Great Britain) Ltd.
- Volkswagen Financial Ltd., Milton Keynes, United Kingdom
- ŠkoFIN s.r.o., Prague, Czech Republic
- Volkswagen Serwis Ubezpieczeniowy Sp. z o.o., Warsaw, Poland.

In addition, Volkswagen Finance S.A. E.F.C, Alcobendas (Madrid), Spain, was merged into Volkswagen Bank GmbH as of May 31, 2019.

FINANCIAL PERFORMANCE

The following disclosures on financial performance relate to the changes compared with the corresponding period in 2018. The profit and loss components relating to entities that no longer formed part of the Volkswagen Bank GmbH Group as of June 30, 2019 have been reported under profit/loss from discontinued operations. The prior-year figures have been adjusted accordingly.

The companies in the Volkswagen Bank GmbH Group performed satisfactorily in the first half of 2019. At €353 million, profit before tax was slightly higher than the figure achieved in the corresponding period of the previous year (previous year: €343 million).

Interest income came to €710 million (previous year: €702 million), a slight increase on the prior-year figure. Interest expenses increased slightly to €80 million (previous year: €71 million). Net income from leasing transactions amounted to €144 million compared with €120 million in the first six months of the previous year. The provision for credit risks amounted to a net addition of €46 million (previous year: net addition of €57 million), which equated to a slight year-on-year change.

Net fee and commission income was in negative territory, with a net expense of €9 million (previous year: net income of €21 million), which was mainly attributable to the effects from the transition to a modified sales structure.

General and administrative expenses rose from €402 million to €410 million.

Including the profit from discontinued operations of €44 million, the net other operating income of €63 million, the net gain on measurement at fair value of €5 million, the net expense from service contracts of €14 million, the net loss on hedges of €22 million and the other components of profit or loss, the Volkswagen Bank GmbH Group generated a profit after tax of €300 million (previous year: €407 million).

NET ASSETS AND FINANCIAL POSITION

The following disclosures on net assets and financial position relate to the changes compared with the balance sheet date of December 31, 2018.

Lending business

Loans to and receivables from customers relating to the financing of purchases and sales, and also arising from leasing and the direct bank business, represent the core business of the Volkswagen Bank GmbH Group. These assets amounted to a total of €53.9 billion (previous year: €65.1 billion) and accounted for approximately 73% of the Group's total assets. The fall in the volume of loans and receivables was the consequence of the reorganization of the entities in the Volkswagen Bank GmbH Group.

In the first half of 2019, the volume of retail financing rose from €29.9 billion to €34.3 billion. In the retail financing business, some 537 thousand new contracts were entered into during the first six months of 2019; as of the reporting date, the portfolio consisted of 3.0 million current contracts. Germany continued to be responsible for the greatest proportion of the retail financing portfolio in the Volkswagen Bank GmbH Group, accounting for 50.8% of new contracts and 59.2% of current contracts.

The lending volume in dealer financing – which comprises loans to and receivables from dealers in connection with financing for inventory vehicles, as well as working capital and investment loans – went up from €12.2 billion to €13.1 billion.

Receivables from leasing transactions declined from €18.8 billion to €2.7 billion and lease assets decreased from €5.5 billion to €1.5 billion, in both cases largely because of the derecognition of the subsidiaries in the United Kingdom.

Some 217 thousand new leases were signed in the reporting period, bringing the total number of current contracts as of the reporting date to 460 thousand.

As of June 30, 2019, the total assets of the Volkswagen Bank GmbH Group had declined to €73.6 billion compared with €83.0 billion as of December 31, 2018.

KEY FIGURES BY SEGMENT AS OF JUNE 30, 2019

thousand [1,2]	VW Bank Group	of which: Germany	of which: Italy	of which: France	of which: United Kingdom	of which: other branches/ subsidiaries
Current contracts[3]	4,738	1,777	552	760	18	1,631
Automotive retail financing	2,862	1,658	368	130	18	687
Consumer retail financing	97	93	–	–	–	4
Leasing business	460	–	–	229	–	232
Service/insurance	1,320	26	184	401	–	709
New contracts[3,4]	1,132	274	115	181	244	318
Automotive retail financing	523	260	77	36	25	125
Consumer retail financing	14	13	–	–	–	1
Leasing business	217	–	3	49	107	58
Service/insurance	378	1	35	97	112	134
€ million						
Loans to and receivables from customers attributable to						
Retail financing	34,289	24,382	3,701	883	–	5,324
Dealer financing	13,050	6,178	931	1,712	2,387	1,842
Leasing business	2,670	–	–	2,527	–	143
Assets leased out	1,464	1	–	1,463	–	–
in %						
Penetration rates[5]	27.4	12.8	38.5	42.1	32.4	41.2

1 All figures shown are rounded; minor discrepancies may arise from addition of these amounts.
2 A new counting method for determining contract numbers was introduced on January 1, 2018.
3 Current contracts and new contracts in each case in relation to the markets shown for the Volkswagen Bank GmbH Group.
4 New contracts including additions between January and March 2019 from Volkswagen Financial Services (UK) Ltd. and ŠkoFIN s.r.o.
5 Ratio of new contracts for new Group vehicles to deliveries of Group vehicles in each case in relation to the markets shown for the Volkswagen Bank GmbH Group.

Deposit business and borrowings

Significant liability items were liabilities to customers of €41.2 billion (previous year: €39.6 billion), securitized liabilities of €9.8 billion (previous year: €16.9 billion) and liabilities to banks of €6.7 billion (previous year: €8.9 billion).

The customer deposits reported within liabilities to customers amounted to €33.8 billion as of June 30, 2019 (previous year: €32.4 billion).

In addition to the security provided by statutory deposit guarantees, Volkswagen Bank GmbH is also covered by its ongoing membership of the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.).

Equity

Volkswagen Bank GmbH's subscribed capital remained unchanged at €318 million; capital reserves amounted to €8.8 billion (previous year: €8.5 billion).

Equity in accordance with IFRSS as of June 30, 2019 was €10.4 billion (previous year: €11.6 billion). This resulted in an equity ratio of 14.1% based on total assets of €73.6 billion.

The regulatory capital ratios were determined in accordance with the Credit Risk Standardized Approach (CRSA) and the standardized approach for operational risk.

Report on Opportunities and Risks

REPORT ON OPPORTUNITIES

Macroeconomic opportunities

In the event of further but slightly slower economic growth in the majority of markets, the Management of Volkswagen Bank GmbH expects the deliveries to customers of the Volkswagen Group to remain at a high level. Volkswagen Bank GmbH supports this positive trend by providing financial services products designed to promote sales. The probability of a global recession is considered to be low overall. However, diminished rates of global economic growth or a period of below-average growth rates cannot be ruled out. The macroeconomic environment could also give rise to opportunities for the Volkswagen Bank GmbH Group if actual trends turn out to be better than forecast.

Strategic opportunities

The Volkswagen Bank GmbH Group is continuing to pursue a strategy that focuses on the digitalization and optimization of its product portfolio. It is increasingly leveraging the opportunities for growth in the areas of mobility-related consumer credit and used vehicle finance in all the markets in which the Group has a presence. A second area of focus is the continuous, dynamic streamlining of all processes and systems in order to improve productivity. First and foremost, the priority is to achieve efficiency by concentrating on the needs of the customers. This will continue to lay the foundations for Volkswagen Bank GmbH to impress its customers over the coming years with innovative, country-specific financial products, thereby helping to nurture long-term customer loyalty.

RISK REPORT

Since January 1, 2019, risk-bearing capacity has been calculated in accordance with the principles of the “ECB Guide to the internal capital adequacy assessment process (ICAAP)” published in November 2018. In this regard, the Bank differentiates between a normative and an economic perspective. The normative perspective relates to the internal process aimed at ensuring ongoing compliance with all statutory and regulatory requirements related to capital (measured for the most part by the total capital ratio and the Common Equity Tier 1 (CET1) capital ratio). The economic perspective relates to the internal process aimed at ensuring capital adequacy using internal, economic risk assessment models (measured by the internal risk-bearing capacity ratio). The objective of both perspectives is to ensure that the business continues as a going concern on a permanent basis. When determining risk-bearing capacity in the economic perspective, the Volkswagen Bank Group uses a uniform confidence level of 99.9%.

Under the principles set out in the “ECB Guide to the internal liquidity adequacy assessment process (ILAAP)”, which was also published in November 2018, the Volkswagen Bank GmbH Group is required to maintain a sound and effective ILAAP architecture in order to ensure it has adequate liquidity.

To this end, the Volkswagen Bank GmbH Group has a comprehensive range of instruments at its disposal to help it measure, monitor and control its liquidity risk (in all its relevant forms) from both normative and economic perspectives. In this context, a prospective approach was set up at the beginning of the year to complement the reference-date approach to analyzing illiquidity risk and the liquidity coverage ratio (LCR). This additional approach was incorporated into the regular reporting system as of March 31, 2019.

The system of risk categories was revised following a risk inventory check carried out in the first quarter of 2019.

Within the general category of market risk, the Volkswagen Bank GmbH Group now makes a distinction in both risk measurement and risk management between interest rate risk in the banking book (IRRBB) and other market risk (mainly currency risk and fund price risk).

The overarching risk category of business risk has also been introduced. This category encompasses the following types of risk: earnings risk, strategic risk, reputational risk and business model risk. When taking business risk into account in the calculation of economic risk-bearing capacity, the forecast profit for the next twelve months is included as a risk-reducing factor.

Since January 1, 2019, the risk value for operational risk has been simulated quarterly using a loss distribution approach (LDA).

The results from the annual risk self-assessment and actual losses incurred by the Volkswagen Bank GmbH Group are factored into the calculation of the distribution. The simulation outputs the risk value as a value-at-risk at the relevant confidence level. This risk value is then distributed to the individual branches and subsidiaries using an allocation key.

There were no other material changes in the reporting period to the details set out in the report on opportunities and risks in the 2018 Annual Report.

Human Resources Report

Volkswagen Bank GmbH employed 1,125 people as of June 30, 2019 (December 31, 2018: 1,144).

A total of 783 people (December 31, 2018: 832) were employed at the branches of Volkswagen Bank GmbH. In addition to the Bank's branches, Volkswagen Finans Sverige AB, Sweden, which had 220 employees as of June 30, 2019 (December 31, 2018: 213), also forms part of the Volkswagen Bank GmbH Group.

The changes in the number of employees arose from restructuring activities in the Volkswagen Bank GmbH Group. Following the restructuring described above, ŠkoFIN s.r.o., Czech Republic, and Volkswagen Financial Services (UK) Ltd., United Kingdom, no longer belong to the Volkswagen Bank GmbH Group.

Report on Expected Developments

The Management of Volkswagen Bank GmbH expects growth in the global economy to slow somewhat in 2019. We still believe risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively affected by continuing geopolitical tensions and conflicts. It is therefore anticipated that there will be weaker momentum than in 2018 in both the advanced economies and the emerging markets. We expect the strongest rates of expansion in Asia's emerging economies.

We expect trends in the passenger car markets in the individual regions to be mixed in 2019. Overall, global demand for new vehicles will probably be slightly below the prior-year level. We anticipate that the volume of new registrations for passenger cars in Western Europe will also fall slightly short of the figure seen in the previous year. After a positive performance overall in recent years, we also estimate that demand in the German passenger car market will fall slightly year-on-year. Sales of passenger cars in 2019 are expected to slightly exceed the prior-year figures in markets in Central and Eastern Europe.

Trends in the markets for light commercial vehicles in the individual regions will be mixed again in 2019; on the whole, we anticipate a slight dip in demand.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group and in the relevant markets for buses, new registrations in 2019 are expected to slightly exceed the prior-year level.

Volkswagen Financial Services AG believes that automotive financial services will continue to be very important for vehicle sales worldwide in 2019.

New contracts, current contracts and the penetration rate are likely to be lower in 2019 than in fiscal year 2018 because of the asset transfers carried out as part of the restructuring of the Group. The volume of business will reflect these changes. The volume of deposits is projected to remain stable in 2019. Because of the transfers of portfolios, we expect both the operating result and return on equity for fiscal year 2019 to fall below the prior-year levels. We forecast that the cost/income ratio in 2019 will be slightly higher than the level of the previous year.

This report contains forward-looking statements on the business development of Volkswagen Bank GmbH. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions in terms of the global economy and of the financial and automotive markets, which Volkswagen Bank GmbH has made on the basis of the available information and which the Bank currently considers to be realistic. The estimates given entail a degree of risk, and the actual developments may differ from those forecast. Any unexpected fall in demand or economic stagnation in the key sales markets of the Volkswagen Group will have a corresponding impact on the development of the Bank's business. The same applies in the event of material changes in exchange rates against the euro. In addition, expected business development may vary if the assessments of the key performance indicators and of risks and opportunities presented in the 2018 Annual Report develop differently to current expectations, or additional risks and opportunities or other factors emerge that affect the development of the Bank's business.

Interim Consolidated Financial Statements (Condensed)

Income Statement of the Volkswagen Bank GmbH Group

€ million	Note	Jan. 1 – June 30, 2019	Jan. 1 – June 30, 2018 adjusted[1]	Change in %
Interest income from lending transactions and marketable securities		710	702	1,1
Income from leasing transactions		541	570	−5,1
Depreciation, impairment losses and other expenses from leasing transactions		−397	−449	−11,6
Net income from leasing transactions		144	120	20,0
Interest expense		−80	−71	12,7
Income from service contracts		36	42	−14,3
Expenses from service contracts		−51	−38	34,2
Net income from service contracts		−14	4	X
Provision for credit risks		−46	−57	−19,3
Fee and commission income		103	104	−1,0
Fee and commission expenses		−112	−83	34,9
Net fee and commission income		−9	21	X
Net gain or loss on hedges		−22	−2	X
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income		5	21	−76,2
General and administrative expenses	1	−410	−402	2,0
Other operating income		97	53	83,0
Other operating expenses		−35	−54	−35,2
Net other operating income/expenses		63	0	X
Operating result		**339**	**335**	**1,2**
Share of profits and losses of equityaccounted joint ventures		14	4	X
Net gain or loss on miscellaneous financial assets		0	7	X
Other financial gains or losses		0	−3	X
Profit before tax		**353**	**343**	**2,9**
Income tax expense		−96	−126	−23,8
Profit from continuing operations, net of tax		**257**	**217**	**18,4**
Profit/loss from discontinued operations, net of tax		44	190	−76,8
Profit after tax		**300**	**407**	**−26,3**
Profit after tax attributable to the sole shareholder		300	407	−26,3
German GAAP profit attributable to the sole shareholder in the event of profit transfer		132	124	6,5

1 Prior year adjusted as described in the disclosures relating to the discontinued operations in the section “Adjustment of Prior-Year Figures”.

Statement of Comprehensive Income of the Volkswagen Bank GmbH Group

€ million	Jan. 1 – June 30, 2019	Jan. 1 – June 30, 2018
Profit after tax	**300**	**407**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	−32	−4
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	9	1
Pension plan remeasurements recognized in other comprehensive income, net of tax	−22	−3
Fair value valuation of other participations and securities (equity instruments) that will not be reclassified to profit or loss, net of tax	2	1
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	–	–
Items that will not be reclassified to profit or loss	**−20**	**−2**
Exchange differences on translating foreign operations		–
Gains/losses on currency translation recognized in other comprehensive income	69	−35
Transferred to profit or loss	46	–
Exchange differences on translating foreign operations, before tax	115	−35
Deferred taxes relating to exchange differences on translating foreign operations	–	–
Exchange differences on translating foreign operations, net of tax	115	−35
Hedging transactions		
Fair value changes recognized in other comprehensive income (OCI I)	2	1
Transferred to profit or loss (OCI I)	−5	0
Cash flow hedges (OCI I), before tax	−3	1
Deferred taxes relating to cash flow hedges (OCI I)	1	0
Cash flow hedges (OCI I), net of tax	−2	1
Fair value changes recognized in other comprehensive income (OCI II)	0	–
Transferred to profit or loss (OCI II)	0	–
Cash flow hedges (OCI II), before tax	–	–
Deferred taxes relating to cash flow hedges (OCI II)	–	–
Cash flow hedges (OCI II), net of tax	–	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	46	0
Transferred to profit or loss	0	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, before tax	46	0
Deferred taxes relating to fair value valuation of securities and receivables (debt instruments) recognized in other comprehensive income	−14	0
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, net of tax	32	−1
Share of other comprehensive income of equity–accounted investments that may be reclassified subsequently to profit or loss, net of tax	–	–
Items that may be reclassified to profit or loss	**145**	**−35**
Other comprehensive income, before tax	128	−38
Deferred taxes relating to other comprehensive income	−3	1
Other comprehensive income, net of tax	**125**	**−37**
Total comprehensive income	**426**	**371**
Total comprehensive income attributable to the sole shareholder	426	371

€ million	Jan. 1 – June 30, 2019	Jan. 1 – June 30, 2018
Breakdown of total comprehensive income attributable to Volkswagen AG	426	371
Continuing operations	247	202
Discontinued operations	178	168

Balance Sheet
of the Volkswagen Bank GmbH Group

€ million	Note	June 30, 2019	Dec. 31, 2018	Change in %
Assets				
Cash reserve		5.251	1.858	X
Loans to and receivables from banks		1.008	661	52,5
Loans to and receivables from customers attributable to				
Retail financing		34.289	29.882	14,7
Dealer financing		13.050	12.162	7,3
Leasing business		2.670	18.829	−85,8
Other loans and receivables		3.889	4.270	−8,9
Total loans to and receivables from customers		53.897	65.143	−17,3
Derivative financial instruments		171	257	−33,5
Marketable securities		3.853	3.359	14,7
Equity-accounted joint ventures		229	216	6,0
Miscellaneous financial assets		2	12	−83,3
Intangible assets	2	39	40	−2,5
Property and equipment	2	27	20	35,0
Lease assets	2	1.464	5.491	−73,3
Investment property		1	1	0,0
Deferred tax assets		1.550	1.642	−5,6
Current tax assets		48	45	6,7
Other assets		801	1.370	−41,5
Assets held for sale (IFRS 5)		5.283	2.928	80,4
Total		**73.625**	**83.042**	**−11,3**

€ million	Note	June 30, 2019	December 31, 2018	Change in %
Equity and liabilities				
Liabilities to banks		6.747	8.898	−24,2
Liabilities to customers		41.223	39.602	4,1
Notes, commercial paper issued		9.792	16.868	−41,9
Derivative financial instruments		12	214	−94,4
Provisions		511	536	−4,7
Deferred tax liabilities		1.625	1.657	−1,9
Current tax liabilities		140	184	−23,9
Other liabilities		465	699	−33,5
Subordinated capital		131	2.103	−93,8
Liabilities related to the assets held for sale (IFRS 5)		2.615	639	X
Equity		10.363	11.639	−11,0
Subscribed capital		318	318	0,0
Capital reserves		8.767	8.531	2,8
Retained earnings		1.345	3.006	−55,3
Other reserves		−67	−216	69,0
Non-controlling interests		–	–	–
Total		**73.625**	**83.042**	**−11,3**

Statement of Changes in Equity of the Volkswagen Bank GmbH Group

				OTHER RESERVES						
					Hedging transactions					
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation	Cash flow hedges (OCI I)	Deferred hedging costs (OCI II)	Equity and debt instruments	Equity-accounted investments	Non-controlling interests	Total equity
Balance before adjustment on Jan. 1, 2018	**318**	**8.531**	**2.622**	**−191**	**0**	**–**	**20**	**0**	**–**	**11.301**
Change in accounting treatment as a result of IFRS 9	–	–	−111	–	–	–	−1	–	–	−113
As of Jan. 1, 2018	318	8.531	2.510	−191	0	–	19	0	–	11.188
Profit after tax	**–**	**–**	**407**	**–**	**–**	**–**	**–**	**–**	**–**	**407**
Other comprehensive income, net of tax	–	–	−3	−35	1	–	1	–	–	−37
Total comprehensive income	**–**	**–**	**404**	**−35**	**1**	**–**	**1**	**–**	**–**	**371**
Capital increases	–	–	–	–	–	–	–	–	–	–
Other changes[2]	–	–	−124	–	–	–	–	–	–	−124
As of June 30, 2018	**318**	**8.531**	**2.791**	**−226**	**1**	**–**	**20**	**0**	**–**	**11.434**
As of Jan. 1, 2019	**318**	**8.531**	**3.006**	**−235**	**1**	**–**	**18**	**0**	**–**	**11.639**
Profit after tax	–	–	300	–	–	–	–	–	–	300
Other comprehensive income, net of tax	–	–	−22	115	−2	–	34	–	–	125
Total comprehensive income	**–**	**–**	**278**	**115**	**−2**	**–**	**34**	**–**	**–**	**426**
Capital increases	–	–	–	–	–	–	–	–	–	–
Distribution of non-cash assets from the disposal of companies[1]	–	−212	−2.009	–	–	–	–	–	–	−2.222
Changes resulting from non-cash contribution by shareholder Volkswagen AG[1]	–	448	203	–	1	–	–	–	–	651
Other changes[2]	–	–	−132	–	–	–	–	–	–	−132
As of June 30, 2019	**318**	**8.767**	**1.345**	**−120**	**0**	**–**	**53**	**0**	**–**	**10.363**

1 The disclosures relating to the changes are presented in the section "Basis of Consolidation".
2 The figures show the share of HGB profit attributable to the sole shareholder.

Cash Flow Statement
of the Volkswagen Bank GmbH Group

€ million	01.01. – 30.06.2019	Jan. 1 – June 30, 2018
Profit after tax	**300**	**407**
Depreciation, amortization, impairment losses and reversals of impairment losses	424	532
Change in provisions	–3	–4
Change in other noncash items	85	90
Gain/loss on disposal of financial assets and items of property and equipment	–63	1
Net interest expense and dividend income	–730	–1.042
Other adjustments	1	–1
Change in loans to and receivables from banks	–657	–12
Change in loans to and receivables from customers	–2.821	–4.030
Change in lease assets	–655	–902
Change in other assets related to operating activities	–6	–344
Change in liabilities to banks	–2.192	–591
Change in liabilities to customers	6.446	2.150
Change in notes, commercial paper issued	1.961	4.117
Change in other liabilities related to operating activities	36	–3
Interest received	810	1.213
Dividends received	0	7
Interest paid	–80	–178
Income taxes paid	–49	–116
Cash flows from operating activities	**2.807**	**1.294**
Proceeds from disposal of investment property	–	–
Acquisition of investment property	–	–
Proceeds from disposal of subsidiaries and joint ventures	–	–
Acquisition of subsidiaries and joint ventures	–	–9
Proceeds from disposal of other assets	474	1
Acquisition of other assets	–7	–5
Change in investments in marketable securities	349	–245
Cash flows from investing activities	**816**	**–258**
Proceeds from changes in capital	–	–
Profit transfer to the sole shareholder	–204	–489
Change in cash funds attributable to subordinated capital	–27	376
Cash flows from financing activities	**–231**	**–113**
Cash and cash equivalents at end of prior period	**1.858**	**1.866**
Cash flows from operating activities	2.807	1.294
Cash flows from investing activities	816	–258
Cash flows from financing activities	–231	–113
Effect of exchange rate changes	1	–1
Cash and cash equivalents at end of period	**5.251**	**2.788**

See note (7) for disclosures on the cash flow statement.

Notes to the Interim Consolidated Financial Statements

of the Volkswagen Bank GmbH Group for the period ended June 30, 2019

General Information

Volkswagen Bank GmbH is a limited liability company (Gesellschaft mit beschränkter Haftung, GmbH) under German law. It has its registered office at Gifhorner Strasse, Braunschweig, Germany, and is registered in the Braunschweig commercial register (HRB 1819).

Volkswagen AG, Wolfsburg, is the sole shareholder of Volkswagen Bank GmbH.

Volkswagen Bank GmbH and Volkswagen AG have entered into a control and profit-and-loss transfer agreement.

Basis of Presentation

Volkswagen Bank GmbH prepared its consolidated financial statements for the year ended December 31, 2018 in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as in accordance with the additional disclosures required by German commercial law under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). These interim consolidated financial statements for the period ended June 30, 2019 have therefore also been prepared in accordance with IAS 34. They represent a condensed version compared with the full consolidated financial statements. No review of these interim consolidated financial statements has been carried out by an independent auditor.

Unless otherwise stated, all amounts are shown in millions of euros (€ million). All amounts shown are rounded, so minor discrepancies may arise when amounts are added together.

Adjustment of Prior-Year Figures

DISCONTINUED OPERATIONS

In the first half of 2019, Volkswagen Financial Services (UK) Ltd., Milton Keynes, UK, was transferred from Volkswagen Bank GmbH to Volkswagen Financial Services AG and the profit or loss from these discontinued operations for the period January 1 to March 29, 2019 and for the prior-year period of January 1 to June 30, 2018 was therefore reclassified to profit/loss from discontinued operations in the income statement.

Within the next year, it is also planned to transfer the equity investment in Volkswagen Finans Sverige AB, Södertälje, Sweden, including its subsidiaries, to Volkswagen Financial Services AG. As Volkswagen Finans Sverige AB including its subsidiaries, is reported in the consolidated financial statements of Volkswagen Bank GmbH as a separate segment, all the related assets and liabilities are classified as discontinued operations. As a consequence, the profit or loss of the Swedish entities for the period January 1 to June 30, 2019 and for the corresponding prior-year period has been reclassified to profit/loss from discontinued operations in the income statement.

The transfer and planned transfer mean that there are discrepancies between the income statement disclosures, which relate only to continuing operations, and the balance sheet disclosures, which, as far as the prior year is concerned, include figures for both operations. Please refer to the details on the basis of consolidation for further disclosures relating to the changes arising from the reorganization of the legal entities.

The income statement for the prior-year period has been restated in relation to the discontinued operations, as follows:

€ million	Jan. 1 – June 30, 2018	Discontinued operations	Jan. 1 – June 30, 2018 adjusted
Interest income from lending transactions and marketable securities	703	– 1	702
Income from leasing transactions	3.561	– 2.991	570
Depreciation, impairment losses and other expenses from leasing transactions	– 2.960	2.511	– 449
Net income from leasing transactions	601	– 481	120
Interest expense	– 178	106	– 71
Income from service contracts	96	– 54	42
Expenses from service contracts	– 76	38	– 38
Net income from service contracts	19	– 15	4
Provision for credit risks	– 95	38	– 57
Fee and commission income	109	– 5	104
Fee and commission expenses	– 124	41	– 83
Net fee and commission income	– 14	36	21
Net gain or loss on hedges	16	– 18	– 2
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	111	– 90	21
General and administrative expenses	– 488	86	– 402
Other operating income	205	– 151	53
Other operating expenses	– 312	258	– 54
Net other operating income/expenses	– 107	107	0
Operating result	567	– 232	335
Share of profits and losses of equity–accounted joint ventures	4	–	4
Net gain or loss on miscellaneous financial assets	7	–	7
Other financial gains or losses	– 3	0	– 3
Profit before tax	575	– 232	343
Income tax expense	– 168	42	– 126
Profit from continuing operations, net of tax	407	– 190	217
Profit/loss from discontinued operations, net of tax	–	190	190
Profit after tax	407	–	407
Profit after tax attributable to the sole shareholder	407	–	407
German GAAP profit attributable to the sole shareholder in the event of profit transfer	124	–	124

Accounting Policies

Volkswagen Bank GmbH has applied all financial reporting standards adopted by the EU and subject to mandatory application from fiscal year 2019.

IFRS 16 LEASES

IFRS 16 amends the provisions governing the accounting treatment of leases and supersedes the previously applicable IAS 17 and the associated interpretations.

The core objective of IFRS 16 is to ensure that all leases are recognized in the balance sheet. Accordingly, the previous requirement for lessees to classify a lease as either a finance lease or operating lease has been eliminated. Instead, for all leases, lessees must generally recognize both a right-of-use asset and a lease liability in their balance sheet.In the Volkswagen Bank GmbH Group, the lease liability is measured at the present value of the outstanding lease payments, whereby the lease payments are discounted using the lessee’s incremental borrowing rate, whereas the right-of-use asset is generally measured at the amount of the lease liability plus any initial direct costs. During the term of the lease, the right-of-use asset must be depreciated and the lease liability measured using the effective interest method, taking into account the lease payments. IFRS 16 provides for exemptions covering short-term leases and leases in which the underlying asset is of low value. The Volkswagen Bank Group has elected to make use of these exemptions and therefore does not recognize any right-of-use asset or lease liability for such leases. The associated lease payments continue to be recognized as an expense in the income statement. On the date of initial application, leases in which the lease term was due to expire before January 1, 2020 were classified as short-term leases regardless of the commencement date of the lease concerned. In addition, existing leases were not reassessed on the date of initial application to establish whether they represented a lease on the basis of the criteria specified in IFRS 16. Instead, contracts that were already classified as a lease under IAS 17 or IFRIC 4 continued to be classified as such. Contracts that had already been deemed not to be a lease under IAS 17 or IFRIC 4 were retained in the same classification.

Lessors are required to account for leases largely in the same way as under the previous rules in accordance with IAS 17. Lessors still have to classify a lease as either a finance lease or an operating lease based on the allocation of opportunities and risks from the asset.

On January 1, 2019, the Volkswagen Bank Group for the first time accounted for leases in accordance with the requirements specified in IFRS 16 using the modified retrospective method. Prior-year periods have not been adjusted. In this method, the lease liability is recognized on the changeover date at the present value of the outstanding lease payments. The present value was calculated using incremental borrowing rates as of January 1, 2019 The weighted average interest rate applied in the Volkswagen Bank GmbH Group was 3.25 %. As a practical expedient, right-of-use assets are measured at the amount of the related lease liability, adjusted for any prepaid or accrued lease payments. The recognized right-of-use assets are reported in the balance sheet items in which the assets underlying the lease would be presented if they were owned by a Volkswagen Bank GmbH Group company. The right-of-use assets are therefore reported as of the reporting date under property and equipment or lease assets.

The following effects arose as of January 1, 2019 as a result of the initial recognition of the right-of-use assets and lease liabilities:

> In the opening balance sheet, right-of-use assets amounting to €53 million were recognized under property and equipment.
> Lease liabilities of €53 million were recognized in the opening balance sheet and reported under liabilities to customers.
> There were no effects on equity from initial application.

In contrast to the previous procedure, in which operating lease expenses were reported in full under general and administrative expenses, only the depreciation charge in respect of the right-of-use assets is posted in general and administrative expenses under IFRS 16. Interest expenses from unwinding the discount on lease liabilities are recognized under interest expenses.
The change to the recognition of operating lease expenses only had a minor impact on the cash flow statement.

As part of the introduction of IFRS 16, the presentation of right-of-use assets in connection with long-term leases with a return agreement was reclassified from other assets to lease assets. This takes account of the procedure described above whereby right-of-use assets are recognized under the same item that would be used for equivalent assets in the ownership of Volkswagen Bank GmbH.

The application of IFRS 16 has also resulted in more extensive disclosures.

OTHER ACCOUNTING POLICIES

The discount rate applied for pension provisions in Germany reported in these interim consolidated financial statements was 1.2 % (December 31, 2018: 2.0 %). The lower discount rate led to an increase in pension provisions and the associated deferred taxes as well as in the actuarial losses on pension provisions reported in equity under retained earnings.

The income tax expense for the interim consolidated financial statements has been calculated in accordance with IAS 34 (Interim Financial Reporting) using the average tax rate anticipated for the entire fiscal year.

Otherwise, the same consolidation methods and accounting policies as those applied in the 2018 consolidated financial statements have generally been used in the preparation of the interim consolidated financial statements and the calculation of the prior-year comparative figures. A detailed description of these methods and policies was published in the notes to the consolidated financial statements in the 2018 Annual Report.

In addition, the effects of new standards were described in detail under “New and revised IFRSs not applied”. The 2018 Consolidated Financial Statements can also be accessed on the Internet at www.vwfsag.com/arbank18.

Basis of Consolidation

In addition to Volkswagen Bank GmbH, the consolidated financial statements comprise all significant German and foreign subsidiaries, including structured entities that are directly or indirectly controlled by Volkswagen Bank GmbH. This is the case if Volkswagen Bank GmbH has power over potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the potential subsidiaries, and has the ability to use its power to influence those returns.

The Volkswagen Bank GmbH Group's basis of consolidation contracted in the first half of 2019 as a consequence of intragroup restructuring projects that continued the work begun in 2016 to reorganize Volkswagen financial services. As part of this restructuring, the European lending and deposits business was pooled in Volkswagen Bank GmbH and systematically separated from the other activities at Volkswagen Financial Services AG.

The Volkswagen Bank GmbH subsidiaries

> Volkswagen Financial Services S.p.A., Milan, Italy
> Volkswagen Financial Services (UK) Ltd., Milton Keynes, United Kingdom, incl. its subsidiaries MAN Financial Services Ltd., Swindon, and Volkswagen Insurance Service (Great Britain) Ltd., Milton Keynes, United Kingdom
> Volkswagen Financial Ltd., Milton Keynes, United Kingdom
> SkoFIN s.r.o., Prague, Czech Republic
> Volkswagen Serwis Ubezpieczeniowy Sp. Z o.o., Warsaw, Poland

were transferred to Volkswagen Financial Services AG with effect from March 29, 2019.

Volkswagen Bank GmbH lost control when the transactions were entered in the commercial register on March 29, 2019. The entities were transferred without the payment of a purchase consideration by Volkswagen Financial Services AG. Instead, the transfer of the entities was reported as a distribution of non-cash assets (within the meaning of IFRIC 17) from the equity of Volkswagen Bank GmbH. The transfer was effected at the amortized net carrying amount because Volkswagen AG, as the ultimate parent, retained control of Volkswagen Financial Services AG.

The following table shows the breakdown of the gain or loss on the derecognition of the discontinued operation Volkswagen Financial Services (UK) Ltd.:

€ million	Jan. 1 – Mar. 31, 2019
Amounts reclassified for exchange differences on translating foreign operations	–65
Amounts reclassified for cash flow hedges	–
Amounts reclassified for available-for-sale financial assets	–
Costs of disposal	0
Profit on disposal before tax	**–65**
Income tax and tax on profit on disposal	–
Profit on disposal after tax	**–65**

In the consolidated income statement for the Volkswagen Bank GmbH Group, the profit or loss generated up to the transfer date by the discontinued operation Volkswagen Financial Services (UK) Ltd. and the profit or loss generated by the discontinued operation Volkswagen Finans Sverige AB, which is held for sale, is recognized separately from the income and expenses from continuing operations and reported separately in an individual line as profit/loss from discontinued operations.

Consolidation effects between entities forming part of continuing operations and the two entities under discontinued operations are included in the income statement for the discontinued operations.

The following table shows the income statement for the discontinued operations:

€ million	Jan. 1 – June 30, 2019	Jan. 1 – June 30, 2018
Interest income from lending transactions and marketable securities	9	1
Income from leasing transactions	2.072	2.991
Depreciation, impairment losses and other expenses from leasing transactions	−1.775	−2.511
Net income from leasing transactions	297	481
Interest expense	−75	−106
Income from service contracts	35	54
Expenses from service contracts	−27	−38
Net income from service contracts	8	15
Provision for credit risks	−12	−38
Fee and commission income	2	5
Fee and commission expenses	−19	−41
Net fee and commission income	−17	−36
Net gain or loss on hedges	4	18
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	25	90
General and administrative expenses	−58	−86
Other operating income	87	151
Other operating expenses	−133	−258
Net other operating income/expenses	−46	−107
Operating result from discontinued operations	**136**	**232**
Share of profits and losses of equity-accounted joint ventures	–	–
Net gain or loss on miscellaneous financial assets	–	–
Other financial gains or losses	–	0
Profit from discontinued operations, net of tax	**136**	**232**
Income tax expense	−27	−42
Profit from discontinued operations, net of tax	**109**	**190**
Profit on the disposal of discontinued operations before tax	−65	–
Income tax and tax on profit on disposal	–	–
Profit on the disposal of discontinued operations	**−65**	**–**
Profit from discontinued operations	**44**	**190**
Profit from discontinued operations attributable to the sole shareholder	44	190

The following table shows the changes in the consolidated balance sheet resulting from the derecognized assets and liabilities relating to the discontinued operations as of the derecognition date of March 29, 2019:

€ million	Mar. 29, 2019
Assets	
Cash reserve	–
Loans to and receivables from banks	−182
Loans to and receivables from customers attributable to	
Retail financing	−210
Dealer financing	−5
Leasing business	−15.194
Other loans and receivables	−327
Total loans to and receivables from customers	−15.735
Derivative financial instruments	−42
Marketable securities	846
Equity-accounted joint ventures	–
Miscellaneous financial assets	−7
Intangible assets	–
Property and equipment	−50
Lease assets	−3.190
Investment property	–
Deferred tax assets	−65
Current tax assets	−1
Other assets	−352
Total	**−18.780**
Equity and liabilities	
Liabilities to banks	0
Liabilities to customers	−5.878
Notes, commercial paper issued	−8.558
Derivative financial instruments	−215
Provisions	−15
Deferred tax liabilities	−2
Current tax liabilities	−38
Other liabilities	−200
Subordinated capital	−2.016
Equity	−1.856
Total	**−18.780**

The consolidated cash flow statement for the Volkswagen Bank GmbH Group presents the cash flows including the discontinued operations. The cash flows for the discontinued operations are shown separately in the following condensed cash flow statement:

€ million	Jan. 1 – June 30, 2019	Jan. 1 – June 30, 2018
Cash flows from operating activities	1.072	547
Cash flows from investing activities	43	–8
Cash flows from financing activities	–3	411

In addition, the Spanish company Volkswagen Finance S.A. E.F.C, Alcobendas, a direct subsidiary of Volkswagen AG, was merged into Volkswagen Bank GmbH as of May 31, 2019. The entity was merged into Volkswagen Bank GmbH without the payment of a consideration and therefore represented a non-cash capital contribution by the shareholder Volkswagen AG. As the transaction was under the common control of Volkswagen AG, the transferred assets and liabilities were measured using the existing group carrying amounts on the date of initial recognition (known as predecessor accounting).

Interim Consolidated Financial Statements Disclosures

1. General and Administrative Expenses

€ million	Jan. 1 – June 30, 2019	Jan. 1 – June 30, 2018 adjusted[1]
Personnel expenses	–106	–107
Non-staff operating expenses	–294	–284
Advertising, public relations and sales promotion expenses	–4	–5
Depreciation of and impairment losses on property and equipment, amortization of and impairment losses on intangible assets	–6	–6
Other taxes	–1	0
Income from the reversal of provisions and accrued liabilities	0	0
Total	**–410**	**–402**

1 Prior year adjusted as described in the disclosures relating to the discontinued operations in the section "Adjustment of Prior-Year Figures".

2. Changes in Selected Assets

€ million	Net carrying amount as of Jan. 1, 2019[1]	Basis of consolidation additions/changes	Held for sale (IFRS 5)	Disposals/other changes	Depr./amort./impairment	Net carrying amount as of June 30, 2019
Intangible assets	40	6	–3	0	–4	39
Property and equipment	73	–43	–1	1	–3	27
Lease assets	5.617	–959	–1.318	–1.476	–401	1.464

1 The opening carrying amount has been adjusted (see IFRS 16 disclosures).

3. Non-Current Assets Classified as Held for Sale and Liabilities Related to Non-Current Assets Classified as Held for Sale

As of June 30, 2019, the assets and liabilities of Volkswagen Finans Sverige AB, including its subsidiaries, were classified as held for sale and reported in a separate line item of the balance sheet in accordance with IFRS 5.

Within the next year, it is also planned to transfer the Ireland branch's dealer financing and lease finance portfolios to Volkswagen Financial Services Ireland Ltd., Dublin. The two portfolios represent a disposal group and are reported in the balance sheet as of June 30, 2019 as non-current assets held for sale.

The assets held for sale have been measured at the lower of carrying amount and fair value. The reported amount comprises the assets of Volkswagen Finans Sverige AB (€4,102 million) and the portfolios of the Ireland branch (€1,181 million). Liabilities related to the assets held for sale consist solely of the liabilities of Volkswagen Finans Sverige AB.

The non-current assets held for sale are shown below:

€ million	June 30, 2019	Dec. 31, 2018
Assets held for sale (IFRS 5)		
Cash reserve	–	0
Loans to and receivables from banks	106	1
Loans to and receivables from customers attributable to		
Retail financing	909	470
Dealer financing	361	742
Leasing business	2.215	1.166
Other loans and receivables	249	97
Total loans to and receivables from customers	3.733	2.474
Derivative financial instruments	26	–
Marketable securities	–	–
Miscellaneous financial assets	0	–
Intangible assets	3	10
Property and equipment	1	3
Lease assets	1.318	369
Investment property	–	–
Deferred tax assets	0	–
Current tax assets	0	–
Other assets	96	71
Total	**5.283**	**2.928**

The breakdown of the liabilities related to the assets held for sale is as follows:

€ million	June 30, 2019	Dec. 31, 2018
Liabilities related to the assets held for sale (IFRS 5)		
Liabilities to banks	0	213
Liabilities to customers	673	333
Notes, commercial paper issued	1.774	44
Derivative financial instruments	1	–
Provisions	2	2
Deferred tax liabilities	53	–
Current tax liabilities	5	25
Other liabilities	42	23
Subordinated capital	66	–
Total	**2.615**	**639**

The restructuring measures will have an impact on the financial performance of the Volkswagen Bank GmbH Group. It is not anticipated that there will be any effect on net liquidity.

4. Classes of Financial Instruments

Financial instruments are divided into the following classes in the Volkswagen Bank GmbH Group:

- Assets and liabilities measured at fair value
- Assets and liabilities measured at amortized cost
- Derivative financial instruments designated as hedges
- Credit commitments and financial guarantees (off-balance-sheet)
- Not allocated to any measurement category

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments.

€ million	BALANCE SHEET ITEM		MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST[1]		DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES		NOT ALLOCATED TO ANY MEASUREMENT CATEGORY	
	June 30 2019	Dec. 31 2018	**June 30 2019**	Dec. 31 2018	**June 30 2019**	Dec. 31 2018	**June 30 2019**	Dec. 31 2018	**June 30 2019**	Dec. 31 2018
Assets										
Cash reserve	5.251	1.858	–	–	5.251	1.858	–	–	–	–
Loans to and receivables from banks	1.008	661	–	–	1.008	661	–	–	0	–
Loans to and receivables from customers	53.897	65.143	–	–	51.228	46.314	–	–	2.670	18.829
Derivative financial instruments	171	257	4	51	–	–	167	206	–	–
Marketable securities	3.853	3.359	3.853	3.359	–	–	–	–	–	–
Equity-accounted joint ventures	229	216	–	–	–	–	–	–	229	216
Miscellaneous financial assets	2	12	0	0	–	–	–	–	2	11
Current tax assets	48	45	–	–	7	4	–	–	41	41
Other assets	801	1.370	–	–	363	671	–	–	438	699
Relevant balance sheets items from assets held for sale (IFRS 5)	3.962	2.547	–	–	1.728	1.316	–	–	2.233	1.231
Total	**69.223**	**75.467**	**3.857**	**3.411**	**59.585**	**50.824**	**167**	**206**	**5.614**	**21.026**
Equity and liabilities										
Liabilities to banks	6.747	8.898	–	–	6.747	8.898	–	–	–	–
Liabilities to customers	41.223	39.602	–	–	41.133	39.348	–	–	89	254
Notes, commercial paper issued	9.792	16.868	–	–	9.792	16.868	–	–	–	–
Derivative financial instruments	12	214	4	197	–	–	8	18	–	–
Current tax liabilities	140	184	–	–	76	142	–	–	64	43
Other liabilities	465	699	–	–	278	289	–	–	187	410
Subordinated capital	131	2.103	–	–	131	2.103	–	–	–	–
Relevant balance sheet items from liabilities related to the assets held for sale (IFRS 5)	2.559	612	–	–	2.534	600	–	–	26	12
Total	**61.070**	**69.181**	**4**	**197**	**60.692**	**68.247**	**8**	**18**	**366**	**719**

1 Some of the loans to and receivables from customers have been designated as hedged items in fair value hedges and are therefore subject to fair value adjustments. The loans to and receivables from customers in the class "Measured at amortized cost" are therefore measured neither entirely at fair value nor entirely at amortized cost.

The "Credit commitments and financial guarantees" class contains obligations under irrevocable credit commitments amounting to €2,386 million (December 31, 2018: €2,313 million).

5. Fair Value Disclosures

The principles and methods of fair value measurement have generally remained unchanged compared with those applied in 2018. Detailed disclosures on the measurement principles and methods can be found in the 2018 Annual Report.

For the purposes of fair value measurement and the associated disclosures, fair values are classified using a three-level measurement hierarchy. Classification to the individual levels is dictated by the extent to which the main inputs used in determining the fair value are observable in the market or not.

Level 1 is used to report the fair value of financial instruments such as marketable securities for which a quoted price is directly observable in an active market.

Level 2 fair values are measured on the basis of inputs observable in the markets, such as exchange rates or yield curves, using market-based valuation techniques. Fair values measured in this way include those for derivatives.

Level 3 fair values are measured using valuation techniques incorporating at least one input that is not directly observable in an active market.

Most of the loans to and receivables from customers are allocated to Level 3 because their fair value is measured using inputs that are not observable in active markets. Securities from ABS transactions of unconsolidated, structured entities and, in fiscal year 2018, derivative financial instruments in connection with the risk of early termination are also reported under Level 3. Inputs for determining the fair value of derivatives in connection with the risk of early termination are forecasts and estimates of used vehicle residual values for the models concerned as well as yield curves. An equity investment measured at fair value through other comprehensive income and using inputs that are not observable in the market is also reported under Level 3 miscellaneous financial assets. The main inputs used to measure this equity investment are strategic planning and cost of equity rates.

The following table shows the allocation of financial instruments measured at fair value and derivative financial instruments designated as hedges to the three-level fair value hierarchy by class:

	LEVEL 1		LEVEL 2		LEVEL 3	
€ million	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	–	–
Derivative financial instruments	–	–	4	51	–	–
Marketable securities	3.113	3.291	–	–	740	68
Miscellaneous financial assets	–	–	–	–	0	0
Assets held for sale (IFRS 5)	–	–	26	–	846	–
Derivative financial instruments designated as hedges	–	–	167	206	–	–
Total	**3.113**	**3.291**	**198**	**257**	**1.586**	**68**
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	–	–	4	29	–	167
Liabilities related to the assets held for sale (IFRS 5)	–	–	1	–	–	–
Derivative financial instruments designated as hedges	–	–	8	18	–	–
Total	**–**	**–**	**13**	**47**	**–**	**–**

The following table shows the changes in the loans to and receivables from customers, marketable securities and miscellaneous financial assets measured at fair value and allocated to Level 3.

€ million	2019	2018
Balance as of Jan. 1	**68**	**1.672**
Foreign exchange differences	–38	–
Changes in basis of consolidation	796	–
Portfolio changes	–90	–238
Measured at fair value through profit or loss	3	11
Measured at fair value through other comprehensive income	–	–
Balance as of June 30	**740**	**1.445**

The remeasurements recognized in profit or loss amounting to €3 million (previous year: €11 million) have been reported under net gain or loss on financial instruments measured at fair value. In the year under review, the remeasurements recognized in profit or loss were attributable entirely to securities from ABS transactions of unconsolidated, structured entities held as of the reporting date; in the prior year, the remeasurements recognized in profit or loss were also attributable to loans to and receivables from customers held as of the reporting date.

The risk variables relevant to the fair value of the loans to and receivables from customers and marketable securities are risk-adjusted interest rates. A sensitivity analysis is used to quantify the impact of changes in risk-adjusted interest rates on profit or loss after tax. If risk-adjusted interest rates as of June 30, 2019 had been 100 basis points higher, profit after tax would have been €2 million higher (previous year: €1 million lower). If risk-adjusted interest rates as of June 30, 2019 had been 100 basis points lower, profit after tax would have been €2 million lower (previous year: €1 million higher).

The risk variables relevant to the fair value of equity investments are the growth rate within strategic planning and the cost of equity rates. If a 10% change were applied to the financial performance (which takes into account the relevant risk variables) of the equity investments measured at fair value through other comprehensive income, there would be no material change to equity.

The following table shows the changes in the derivative financial instruments in connection with the risk of early termination measured at fair value based on Level 3 inputs.

€ million	2019	2018
Balance as of Jan. 1	**167**	**192**
Foreign exchange differences	8	1
Changes in basis of consolidation	–168	–
Measured at fair value through profit or loss	–7	–43
Balance as of June 30	**–**	**150**

The remeasurements recognized in profit or loss amounting to a net gain of €7 million (previous year: €43 million) have been reported under net gain/loss on the measurement of derivative financial instruments. In the previous year, the net gain was attributable entirely to derivative financial instruments held as of the reporting date. The remeasurements recognized in profit or loss in the reporting year relate to the cumulative gains and losses on the derivative financial instruments held up to the measurement date of March 29, 2019 because of the derecognition of the derivative financial instruments in connection with the risk of early termination forming part of the discontinued operation Volkswagen Financial Services (UK) Ltd..

Risks of early termination may arise from country-specific consumer protection legislation that confers a right to return used vehicles under leases that have already been entered into. The impact on earnings arising from market-related fluctuations in residual values and interest rates is borne by the Volkswagen Bank GmbH Group.

The market prices of used vehicles are the main risk variable in the fair value of derivatives in connection with the risk of early termination. A sensitivity analysis is used to quantify the impact from changes in used vehicle prices on profit or loss after tax. If the used vehicle prices of the vehicles included in the derivatives in connection with risk of early termination had been 10% higher in the same period of the previous year, profit after tax would have been €81 million higher. If the used vehicle prices of the vehicles included in the derivatives in connection with risk of early termination had been 10% lower as of June 30, 2018, profit after tax would have been €106 million lower.

The following table presents an overview of the fair values of the financial instruments:

€ million	FAIR VALUE		CARRYING AMOUNT		DIFFERENCE	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Assets						
Measured at fair value						
Loans to and receivables from banks	–	–	–	–	–	–
Loans to and receivables from customers	–	–	–	–	–	–
Derivative financial instruments	4	51	4	51	–	–
Marketable securities	3.853	3.359	3.853	3.359	–	–
Miscellaneous financial assets	0	0	0	0	–	–
Measured at amortized cost						
Cash reserve	5.251	1.858	5.251	1.858	–	–
Loans to and receivables from banks	1.008	661	1.008	661	–	–
Loans to and receivables from customers	51.860	46.432	51.228	46.314	632	118
Current tax assets	7	4	7	4	–	–
Other assets	363	671	363	671	–	–
Assets held for sale (IFRS 5)	1.728	1.339	1.728	1.316	0	23
Derivative financial instruments designated as hedges	167	206	167	206	–	–
Equity and liabilities						
Measured at fair value						
Derivative financial instruments	4	197	4	197	–	–
Measured at amortized cost						
Liabilities to banks	6.723	8.849	6.747	8.898	–24	–50
Liabilities to customers	41.145	39.371	41.139	39.348	6	24
Notes, commercial paper issued	9.818	16.874	9.792	16.868	25	6
Current tax liabilities	76	142	76	142	–	–
Other liabilities	278	289	278	289	0	–
Subordinated capital	139	2.110	131	2.103	8	7
Liabilities related to the assets held for sale (IFRS 5)	2.530	596	2.530	600	–	–4
Derivative financial instruments designated as hedges	8	18	8	18	–	–

Receivables from customers relating to the leasing business classified as assets held for sale (IFRS 5) had a carrying amount of €2,215 million (previous year: €1,166 million) and a fair value of €2,271 million (previous year: €1,168 million). Liabilities to customers in the leasing business related to the assets held for sale had a carrying amount of €1 million, the fair value only marginally differs from this.

All the lease liabilities arose from the first-time application of IFRS 16 in 2019.

The difference between the fair value and carrying amount of irrevocable credit commitments is not material because of the short maturity and the variable interest rate linked to the market interest rate. Nor is the difference between carrying amount and fair value of financial guarantees material.

Segment Reporting

6. Breakdown by Geographical Market

The presentation of the reportable segments in accordance with IFRS 8 is based on the internal control and reporting structure of the Volkswagen Bank GmbH Group and is broken down according to the geographical markets in which the Volkswagen Bank GmbH Group operates.

Accordingly, the reportable segments are as follows: Germany, Italy, France, Sweden and Other; the branches in Ireland, Spain, the Netherlands, Greece, the United Kingdom, Portugal and Poland are assigned to the "Other" segment. In the first half of 2019, Volkswagen Financial Services (UK) Ltd. was transferred to Volkswagen Financial Services AG and this discontinued operation is therefore no longer included in the segment reporting. In line with the internal management and reporting structure, the discontinued operation Volkswagen Finans Sverige AB continues to constitute a separate geographical segment. The reconciliation column includes, in addition to the consolidation effects between the segments, the effects from the discontinued operation Volkswagen Finans Sverige AB because the consolidated income statement for the Volkswagen Bank GmbH Group has been adjusted to account for the discontinued operations (see section "Adjustment of Prior-Year Figures").

The operating result reported as the primary key performance indicator to the chief operating decision-makers. The information made available to management for management purposes is based on the same accounting policies as those used for external financial reporting.

All business transactions between the segments – where such transactions take place – are conducted on an arm's-length basis.

In accordance with IFRS 8, non-current assets are reported exclusive of financial instruments, deferred tax assets, post-employment benefits and rights under insurance contracts.

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2018:

	JAN. 1 – JUNE 30, 2018[1]						
€ million	Germany	Italy	France	Sweden	Other	Recon-ciliation	Group
Interest income from lending transactions and marketable securities in respect of third parties	467	67	24	11	143	−11	702
Intersegment interest income from lending transactions and marketable securities	38	–	–	–	–	−38	–
Income from leasing transactions with third parties	–	44	340	1.883	185	−1.883	570
Depreciation, impairment losses and other expenses from leasing transactions	–	−30	−254	−1.857	−165	1.857	−449
of which impairment losses in accordance with IAS 36	–	–	−10	−5	−1	5	−11
Net income from leasing transactions	–	15	86	27	20	−27	120
Interest expense	−60	−6	−9	−3	−34	41	−71
Income from service contracts with third parties	–	0	22	–	19	–	42
Expenses from service contracts	–	0	−20	–	−18	–	−38
Net income from service contracts	–	0	2	–	1	–	4
Provision for credit risks	−44	−8	6	−3	−10	2	−57
Fee and commission income from third parties	26	48	21	3	10	−3	104
Fee and commission expenses	−15	−27	−24	−1	−16	1	−83
Net fee and commission income	10	20	−3	2	−6	−2	21
Net gain or loss on hedges	−2	–	–	–	–	–	−2
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	13	0	0	58	8	−58	21
General and administrative expenses	−254	−33	−63	−20	−53	22	−402
Other operating income	39	5	6	1	4	−2	53
Other operating expenses	−47	−2	−1	−59	−3	59	−54
Net other operating income/expenses	−8	2	5	−58	1	57	0
Operating result	**160**	**57**	**48**	**14**	**71**	**−15**	**335**
Noncurrent assets	196	38	1.174	896	308	111	2.723
Additions to assets classified as noncurrent assets	107	6	165	147	100	15	541

1 Prior year adjusted as described in the disclosures relating to the discontinued operations in the section “Adjustment of Prior-Year Figures”.

BREAKDOWN BY GEOGRAPHICAL MARKET FOR THE FIRST HALF OF 2019:

	JAN. 1 – JUNE 30, 2019						
€ million	Germany	Italy	France	Sweden	Other	Recon-ciliation	Group
Interest income from lending transactions and marketable securities in respect of third parties	457	97	23	12	133	−12	710
Intersegment interest income from lending transactions and marketable securities	46	0	–	–	–	−46	–
Income from leasing transactions with third parties	–	29	415	1.450	96	−1.450	541
Depreciation, impairment losses and other expenses from leasing transactions	0	−18	−310	−1.412	−69	1.412	−397
of which impairment losses in accordance with IAS 36	–	0	−4	−4	–	4	−4
Net income from leasing transactions	0	11	106	38	28	−38	144
Interest expense	−70	−7	−11	−6	−38	52	−80
Income from service contracts with third parties	–	0	26	–	11	–	36
Expenses from service contracts	–	0	−39	–	−12	–	−51
Net income from service contracts	–	0	−13	–	−1	–	−14
Provision for credit risks	−20	−8	−13	0	−6	0	−46
Fee and commission income from third parties	23	46	19	2	15	−2	103
Fee and commission expenses	−28	−50	−20	−1	−14	1	−112
Net fee and commission income	−6	−4	−1	1	2	−1	−9
Net gain or loss on hedges	−22	–	–	–	0	–	−22
Net gain or loss on financial instruments measured at fair value and on derecognition of financial assets measured at fair value through other comprehensive income	1	0	0	25	4	−25	5
General and administrative expenses	−270	−32	−64	−23	−47	24	−410
Other operating income	49	7	15	3	8	15	97
Other operating expenses	−23	−9	−2	−27	−1	27	−35
Net other operating income/expenses	27	−2	13	−24	7	41	63
Operating result	**143**	**55**	**41**	**23**	**81**	**−4**	**339**
Noncurrent assets	251	7	−81	3	42	142	364
Additions to assets classified as noncurrent assets	43	3	−45	1	−1	16	17

The following table shows the reconciliation to consolidated revenue, consolidated operating result and consolidated profit before tax.

€ million	Jan. 1 – June 30, 2019	Jan. 1 – June 30, 2018
Segment revenue	**2.898**	**3.353**
Other companies	–1.464	–1.897
Consolidation	–46	–38
Group revenue	**1.388**	**1.418**
Segment profit or loss (operating result)	**343**	**350**
Other companies	–23	–14
Consolidation	19	–1
Operating result	**339**	**335**
Share of profits and losses of equity-accounted joint ventures	14	4
Net gain or loss on miscellaneous financial assets	0	7
Other financial gains or losses	0	–3
Profit before tax	**353**	**343**

Other Disclosures

7. Cash Flow Statement

Volkswagen Bank GmbH Group's cash flow statement documents changes in cash and cash equivalents attributable to cash flows from operating, investing and financing activities. The narrow definition of cash and cash equivalents comprises only the cash reserve, which consists of cash-in-hand and central bank balances.

8. Off-Balance-Sheet Liabilities

CONTINGENT LIABILITIES

As of June 30, 2019, there were other contingent liabilities of €2 million (December 31, 2018: none).

OTHER FINANCIAL OBLIGATIONS

€ million	DUE 2019	DUE 2020 – 2023	DUE from 2024	TOTAL Dec. 31, 2018
Purchase commitments in respect of				
Property and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investment property	–	–	–	–
Obligations from				
Irrevocable credit and leasing commitments to customers	2.312	0	0	2.313
Long-term leasing and rental contracts	8	23	34	64
Miscellaneous financial obligations	8	–	–	8

€ million	DUE June 30, 2020	DUE July 1, 2020 – June 30, 2024	DUE on/after July 1, 2024	TOTAL June 30, 2019
Purchase commitments in respect of				
Property and equipment	0	–	–	0
Intangible assets	–	–	–	–
Investment property	–	–	–	–
Obligations from				
Irrevocable credit and leasing commitments to customers	2.304	0	0	2.304
Long-term leasing and rental contracts	1	–	–	1
Miscellaneous financial obligations	10	–	–	10

Drawdowns on irrevocable credit commitments are possible at any time.

9. Related Party Disclosures

Related parties within the meaning of IAS 24 are deemed to be individuals or entities who can be influenced by Volkswagen Bank GmbH, who can exercise an influence over Volkswagen Bank GmbH, or who are under the influence of another related party of Volkswagen Bank GmbH.

Volkswagen AG, Wolfsburg, is the sole shareholder of Volkswagen Bank GmbH.

In addition, Porsche Automobil Holding SE, Stuttgart, controlled 53.1% of the voting rights in Volkswagen AG as of the reporting date and therefore held a majority. The Extraordinary General Meeting of Volkswagen AG held on December 3, 2009 resolved to create rights of appointment for the State of Lower Saxony. As a result, Porsche SE can no longer appoint the majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore deemed to be a related party within the meaning of IAS 24. According to a notification dated January 8, 2019, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights in Volkswagen AG as of December 31, 2018 and therefore indirectly had significant influence over the Volkswagen Bank GmbH Group. In addition, the Extraordinary General Meeting of Volkswagen AG on December 3, 2009 referred to above passed a resolution whereby the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

The sole shareholder, Volkswagen AG, and Volkswagen Bank GmbH have entered into a control and profit-and-loss transfer agreement.

Volkswagen AG and other related parties in the Volkswagen Group provide the entities in the Volkswagen Bank GmbH Group with funding on arm's-length basis. Volkswagen AG and its subsidiaries have also furnished collateral in our favor within the scope of the operating business.

The production and importer companies in the Volkswagen Group provide the entities in the Volkswagen Bank GmbH Group with financial subsidies to support sales promotion campaigns.

All business transactions with unconsolidated subsidiaries and joint ventures and other related parties in Volkswagen AG's group of consolidated entities are processed at arm's length.

The two tables below show the transactions with related parties. In these tables, the exchange rates used are the closing rate for asset and liability items, and the weighted average rates for the year for income statement items.

	INTEREST INCOME H1		INTEREST EXPENSE H1		GOODS AND SERVICES PROVIDED H1		GOODS AND SERVICES RECEIVED H1	
€ million	2019	2018	2019	2018	2019	2018	2019	2018
Supervisory Board	0	0	0	0	–	–	–	–
Board of Management	0	0	0	0	–	–	–	–
Volkswagen AG	0	0	0	0	0	0	–26	–28
Porsche SE	–	–	–	–	–	–	–	–
Other related parties in the consolidated entities	51	49	–1.323	–60	623	881	–201	–2.431
Non-consolidated subsidiaries	–2	0	–	0	6	11	–2	0
Joint ventures	1	0	0	0	7	7	–107	–98

€ million	Loans and receivables		Valuation allowances on impaired loans and receivables		Of which additions in current year		Obligations	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Supervisor Board/Audit Committee	0	0	–	–	–	–	8	6
Management/Board of Management	0	0	–	–	–	–	16	7
Volkswagen AG	0	1	–	–	–	–	2.719	2.727
Porsche SE	–	–	–	–	–	–	–	–
Other related parties in the consolidated entities	2.666	2.539	–	–	–	–	8.094	9.190
Non-consolidated subsidiaries	2	1	–	–	–	–	117	53
Joint ventures	2.130	2.066	–	–	–	–	5	47

The “Other related parties in the group of consolidated entities” line item includes, in addition to sister entities, joint ventures and associates that are related parties in Volkswagen AG’s group of consolidated entities. The relationships with the Supervisory Board/Audit Committee and the Management/Board of Management comprise relationships with the relevant groups of people at Volkswagen Bank GmbH and the Group parent company Volkswagen AG. As in the prior year, relationships with pension plans and the State of Lower Saxony were of lesser significance.

The “Goods and services received” column primarily contains sales revenue from vehicle sales. The “Goods and services provided” line item consists primarily of income from leasing transactions.

Some members of the Management and Supervisory Board/Audit Committee of Volkswagen Bank GmbH are members of supervisory boards of other entities in the Volkswagen Group with which sometimes transactions are conducted in the normal course of business. All transactions with these companies are carried out on an arm’s-length basis.

10. Governing bodies of the Volkswagen Bank GmbH Group

The members of the Management are as follows:

DR. MICHAEL REINHART
Chairman of the Board
Corporate Management VW Bank GmbH

HARALD HEßKE
Finance VW Bank GmbH

CHRISTIAN LÖBKE
Risk Management VW Bank GmbH

DR. VOLKER STADLER
Operations VW Bank GmbH

The members of the Supervisory Board are as follows:

DR. JÖRG BOCHE
Chairman
Executive Vice President of Volkswagen AG
Head of Group Treasury

DR. INGRUN-ULLA BARTÖLKE
Deputy Chairwoman
Head of Group Accounting and External Reporting at Volkswagen AG

WALDEMAR DROSDZIOK (UNTIL MARCH 31, 2019)
Deputy Chairman
Chairman of the Joint Works Council of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Euromobil Autovermietung GmbH

SILVIA STELZNER (SINCE APRIL 1, 2019)
Deputy Chairwoman
Member of the Joint Works Council of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Euromobil Autovermietung GmbH

MARKUS BIEBER
General Secretary of the General Works Council of Volkswagen AG

BIRGIT DIETZE
First authorized representative of IG Metall Berlin
Member of the Supervisory Board of Volkswagen AG

FRANK FIEDLER
Member of the Board of Management of Volkswagen Financial Services AG
Finance and Purchasing

PROF. DR. SUSANNE HOMÖLLE
Chair of Banking and Finance, University of Rostock

THOMAS KÄHMS
Member of the Joint Works Council of Volkswagen Financial Services AG, Volkswagen Bank GmbH and Euromobil Autovermietung GmbH

LUTZ MESCHKE
Deputy Chairman of the Board of Management and member of the Board of Management of
Dr. Ing. h.c. F. Porsche AG
Finance and IT

DR. HANS-JOACHIM NEUMANN
Head of the Back Office of Volkswagen Bank GmbH

JÜRGEN ROSEMANN (SINCE APRIL 1, 2019)
Member of the Joint Works Council of Volkswagen Financial Services AG,
Volkswagen Bank GmbH and Euromobil Autovermietung GmbH

LARS HENNER SANTELMANN
Chairman of the Board of Management of Volkswagen Financial Services AG

As of June 30, 2019, the Supervisory Board of Volkswagen Bank GmbH had the following committees:

MEMBERS OF THE AUDIT COMMITTEE
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Prof. Dr. Susanne Homölle (Deputy Chairwoman)
Frank Fiedler
Dr. Hans-Joachim Neumann

MEMBERS OF THE RISK COMMITTEE
Prof. Dr. Susanne Homölle (Chairwoman)
Dr. Jörg Boche (Deputy Chairman)
Frank Fiedler
Silvia Stelzner

MEMBERS OF THE NOMINATION COMMITTEE
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Waldemar Drosdziok (Deputy Chairman) (until March 31, 2019)
Thomas Kähms (Deputy Chairman) (since April 1, 2019)
Lars Henner Santelmann

MEMBERS OF THE REMUNERATION COMMITTEE
Dr. Jörg Boche (Chairman)
Dr. Ingrun-Ulla Bartölke (Deputy Chairwoman)
Waldemar Drosdziok (until March 31, 2019)
Thomas Kähms (since April 1, 2019)
Lars Henner Santelmann

11. Events After the Balance Sheet Date

There were no significant events in the period between the reporting date for the interim consolidated financial statements and July 19, 2019.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group 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 for the remaining months of the fiscal year.

Braunschweig, July 19, 2019

Volkswagen Bank GmbH
The Management

Dr. Michael Reinhart

Harald Heßke

Christian Löbke

Dr. Volker Stadler

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