

# VOLKSWAGEN BANK

GMBH

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## Half-year Financial Report (HGB)

JANUARY – JUNE 2009

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## **PUBLISHING INFORMATION**

## Volkswagen Bank GmbH at a glance (HGB)

€ million	30.6.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Total assets	34,306	30,868	23,325	21,023	19,084
Receivables from					
Retail financing	12,948	11,110	11,334	10,943	9,792
Leasing business	969	923	290	253	232
Dealer financing	6,865	7,586	7,411	5,827	5,583
Customer deposits	19,068	12,829	9,620	8,827	8,735
Equity	3,320	2,979	2,979	2,679	2,649
%	30.6.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Equity ratio	9.6	9.7	12.8	12.8	13.9
%	31.3.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Core capital ratio <sup>1</sup>	12.7	12.8	14.2	13.4	14.2
Overall ratio <sup>1</sup>	18.6	18.8	20.8	20.1	20.4
€ million	1st half-year 2009	1st half-year 2008	1st half-year 2007	1st half-year 2006	1st half-year 2005
Result from ordinary business activities	72	164	186	222	183
Net income	41	115	117	154	123
Number	30.6.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Employees	651	669	585	3,855	3,820

Rating as at 30.6.2009 <sup>2</sup>	Standard & Poor's			Moody's Investors Service		
	short-term	long-term	outlook	short-term	long-term	outlook
Volkswagen Bank GmbH	A-1	A	negative	Prime-1	A2	stable
Volkswagen Financial Services AG	A-2	A-	stable	Prime-2	A3	stable

<sup>1</sup> The regulatory core capital ratio/overall ratio of Volkswagen Bank GmbH as at 31.12.2007 and 2008 as well as at 31 March 2009 is calculated in accordance with the standardised approach to credit and operational risks based on the Solvency Regulations that took effect on 1 January 2007. The figures for 2005 and 2006 were calculated in accordance with the old Principle I.

<sup>2</sup> Ratings currently under review for possible downgrade pending final details around a combination with Porsche

# Interim management report

## ECONOMIC ENVIRONMENT

### Global economy

The global economic recession continued in the first six months of 2009. Very few countries managed to grow, indeed, both the major industrialised countries and most emerging countries recorded substantial declines in their gross domestic product (GDP). Inflation rates in most countries continued to fall during the reporting period – despite the fact that monetary policies remained expansive and oil prices began to rise again.

The recessionary development continued in Western Europe in the first six months of 2009. In May, the unemployment rate in the euro zone reached its highest level for the past ten years. Conditions in both Central and Eastern Europe also deteriorated further.

In Germany, the downturn in overall economic output intensified during the reporting period. Current leading indicators point to a continued decline in production and an increase in unemployment figures.

### Financial markets

The distortions in the international financial markets continued in the year's first six months. At the same time, the recessionary development of the global economy has deepened, especially in those industrialised countries that are dependent on exports.

The international money and capital markets have been driven by the attempts in the leading economies to prevent the banking system from collapsing. These efforts entail measures by individual governments to help the banks deal with toxic assets as well as by central banks to help ease the credit crunch in the banking system.

The massive state interventions have slightly eased conditions in the financing sector since mid-March 2009. In turn, this has relieved some of the downward pressure on bank securities on the global stock and bond markets. The mood in the international stock markets improved by the end of the second quarter against the backdrop that the economy is expected to bottom out.

The liquidity policies of the European Central Bank (ECB) in the first six months of 2009 also helped to improve matters for European automobile banks in regards to refinancing. Given their direct banking approach, automobile banks engaged in the deposit business are among the banks that can potentially offer higher interest rates than commercial

banks that operate branches while providing comparable levels of deposit security. In an environment of declining interest rates, both aspects have proved favourable to the deposit business, boosting the automobile banks' liquidity as a result.

In Germany, the scrapping bonus that has been paid for old passenger cars since the German government enacted its second stimulus package has led to new contracts in the first six months of 2009, particularly for financing small- and medium-size vehicles. The current depth of the recession is not yet fully reflected in the automobile banks' economic development due to the extraordinary economic boost provided by this measure and given the attendant financing terms, which usually run for four years.

### Automobile markets

Worldwide registrations of new cars were substantially lower year on year in the reporting period. With the exception of the Region Asia Pacific, all sales regions posted declines. Particularly North America and both Central and Eastern Europe have seen demand collapse. While sales of passenger cars were lower year on year in Western Europe too, the decline was not as extreme overall given the positive effects of governmental actions aimed at supporting the economy. The Region Asia Pacific recorded slight growth due to the substantial increase in the number of newly registered cars in China in the second quarter of 2009.

In Western Europe as a whole, the number of newly registered cars in the first six months of 2009 was substantially lower year on year. However, the downturn slowed noticeably in the second quarter. By now, Spain, the United Kingdom, the Netherlands, Austria and Greece have followed the example of Germany, France, Italy and Portugal in enacting stimulus packages aimed at spurring growth in the automobile markets through buyer incentives. Yet only the German and the French markets succeeded in surpassing the level of new registrations year on year during the reporting period.

Demand for passenger cars has plummeted in Central and Eastern Europe. Especially the Russian market is suffering from difficult macroeconomic conditions and high interest rates on new car loans.

In Germany, the positive demand levels that were triggered by the scrapping bonus sparked very strong growth in passenger car sales in the year's first six months.

## TASKS AND ORGANISATION OF VOLKSWAGEN BANK GMBH

Klaus-Dieter Schürmann resigned effective 30 June 2009 in connection with changes on the Board of Management of Volkswagen Bank GmbH. Effective 1 July 2009, Torsten Zibell joined the Board of Management of Volkswagen Bank GmbH where he is responsible for direct banking and Treasury.

No other substantial changes occurred in the first half of 2009 relative to the description in the 2008 annual report.

## ANALYSIS OF THE COMPANY'S BUSINESS PERFORMANCE AND POSITION

Volkswagen Bank GmbH succeeded in fortifying its market position in the first half of 2009 and further increasing the volume of both its receivables and contracts.

In the retail financing segment, the bank continued its close collaboration with the brands of the Volkswagen Group. The close cooperation with Volkswagen Group dealers helped to lift the number of current contracts above the level recorded in the previous year. The retail financing volume rose by 14.2 % to € 12.9 billion compared to 31 December 2008 while receivables from dealer financing fell by 10.5 % to € 6.9 billion compared to the close of the previous financial year.

The refinancing expense of Volkswagen Bank GmbH was managed in line with the capital markets in the first half of 2009 through the ongoing expansion of the deposit business and the continued rating differentiation relative to both Volkswagen AG and Volkswagen Financial Services AG. The deposit volume, which had been built up continually in previous years, once again rose considerably despite intensified competition in the direct banking business and lower interest rates.

### Results of operations

The notes on the results of operations concern changes relative to the same period the previous year: (1.1.2008 – 30.6.2008).

The ramifications of the financial market crisis for the money and capital markets are also affecting both Volkswagen Bank GmbH and its affiliates. Especially the deterioration in the economic situation as a result of the financial crisis has had a substantial impact on the allocation of risk provisions. Rising spreads have also triggered an increase in funding costs compared to the period before the crisis. In contrast, the increase in financing volumes triggered by the scrapping bonus had a positive effect.

Income from ordinary business activities in the first half of 2009 was € 72.1 million, down from € 164.2 million in the same period of the previous year. Foreign branches contributed € 34.8 million (previous year: € 38.6 million) to earnings. The change in earnings is substantially affected by

higher depreciation, amortisation and write-downs and by allowances for doubtful receivables as a result of the development of risk in dealer financing and by lower income from equity investments.

The net interest income earned by Volkswagen Bank GmbH including the net income from leasing transactions was € 295.4 million compared to € 318.3 million in the same period the previous year, against a backdrop of increased pressure on margins from both the competition and the capital markets. The substantial decline in net interest income from retail and dealer financing was offset by interest income from debentures (€ 63.2 million) that were acquired from VCL 2008-1 GmbH, VCL 2009-1 GmbH and VCL 2009-2 GmbH. These debentures serve to securitise receivables of Volkswagen Leasing GmbH.

Interest income from lending and money market transactions including finance leasing in the amount of € 730.2 million (previous year: € 762.8 million) continues to stem primarily from consumer financing, as well as from vehicle and investment financing for the dealers of the Volkswagen Group. This decline in interest income is partially offset by a decrease in interest expense by € 12.7 million. Operating leases contributed € 14.1 million (previous year: € 17.1 million) to net interest income.

Income from equity investments in the prior-year period essentially resulted from the investments in Global Mobility Holding B.V., Amsterdam, and VOLKSWAGEN BANK POLSKA S.A., Warsaw. In contrast, solely the pro rata earnings of VOLKSWAGEN BANK POLSKA S.A. were recognised in the first six months of 2009.

The net commission income rose year on year, from € 26.7 million to € 43.7 million. This change primarily stems from the management of receivables sold in connection with the ABS transactions, which continues to be operated by Volkswagen Bank GmbH. The additional revenue, especially from the ABS transactions that were issued in the second half of 2008, substantially surpassed the decline in commissions income from insurance agency services.

The allowances and provisions made for the lending business were measured by taking into consideration all discernible risks. Receivables from vehicle financing at the retail level that fulfil a default criterion under Basel II were subject to individual value adjustments. All other receivables related to vehicle financing at the retail level were broken down according to risk classes and written down in accordance with the respective risk class using portfolio-based value adjustments. Deferred risks were covered by generalised value adjustments in dealer financing and other retail financing. Continual risk analysis plus the balanced management of receivables and collection are designed to minimise the default rate to the extent possible. The sale of receivables

effected through the ABS transactions ensured that Volkswagen Bank GmbH would no longer bear the attendant default risks. Nevertheless, the risk provision required for write-downs and bad debt allowances is significantly higher than in the previous year.

#### *Summary*

In the wake of the financial crisis, the result from ordinary business activities in the first half of 2009 decreased substantially compared to the same period the previous year. Volkswagen Bank GmbH addressed this development by deploying a balanced refinancing and hedging strategy as well as targeted measures designed to secure the company's liquidity. The company responded to additional impacts from fiercer competition in particular by launching sales campaigns and financing promotions jointly with the manufacturers and dealers, and by expanding its commission and direct banking businesses.

#### **Assets and financial position**

The notes on the assets and financial position concern changes relative to the balance sheet date 31 December 2008.

#### *Lending business*

The lending business of Volkswagen Bank GmbH focuses on the provision of loans to private and commercial customers. The receivables shown in the balance sheet total € 24.7 billion (previous year: € 23.7 billion). The share of foreign branches in the retail lending volume fell from € 6.6 billion to € 6.1 billion. Furthermore, the company manages receivables sold through ABS transactions in the amount of € 4.0 billion (previous year: € 4.9 billion). The receivables managed by Volkswagen Bank GmbH thus increased by 1.0 % from € 28.5 billion to a total of € 28.8 billion.

#### *Retail financing*

As at 30 June 2009, the company had 1,732,000 retail financing contracts under management. This translates into a year-on-year increase of 5.7 %.

Receivables under management rose by 6.3 %, from € 16.0 billion to € 17.0 billion in the first six months of 2009. At € 2.4 billion, receivables attributable to the branches remained virtually unchanged.

The company recognised receivables totalling € 12.9 billion as at 30.6.2009, compared to € 11.1 billion as at 31.12.2008.

#### *Dealer financing*

While the dealer financing volume in Germany declined by 5.4 % compared to the high level as at 31 December 2008, particularly due to the positive effects of the scrapping bonus for the dealers of the Volkswagen Group, the dealer financing volume in foreign markets dropped by 18.8 %.

Receivables as at the end of the half-year totalled € 6.9 billion compared to € 7.6 billion as at 31.12.2008.

Value adjustments increased by 13.7 % year on year due to the effects of worsening economic conditions on dealer financing in the wake of the financial crisis, among other factors.

#### *Leasing*

Volkswagen Bank GmbH offers finance leasing and operating leasing through its foreign branches. The French branch of Volkswagen Bank GmbH engages in both finance and operating leasing; the Italian branch, on the other hand, continues to offer only finance leasing. Receivables as at the end of the first six months of 2009 totalled € 1.0 billion (previous year: € 0.9 billion), largely due to receivables from finance leasing.

#### *Bonds and debentures:*

Given the steadily deteriorating conditions in the financial markets, it became very difficult to raise funds on the money and capital markets especially in the year's second half. Three ABS transactions with an aggregate volume of € 3.4 billion in securitised receivables were executed toward the end of the year in order to ensure the supply of liquidity. Volkswagen Bank GmbH purchased all senior ABS debentures related to these transactions. They serve as collateral for participating in Deutsche Bundesbank's open market operations. Economically, the receivables will continue to be attributed to Volkswagen Bank GmbH and recognised in its assets. This enabled Volkswagen Bank GmbH to generate liquidity at attractive terms in a difficult market environment. Furthermore, senior ABS debentures of VCL 2008-1 GmbH, VCL 2009-1 GmbH and VCL 2009-2 GmbH were acquired for an aggregate value of € 1.3 billion for investment purposes. These debentures, which securitise receivables of Volkswagen Leasing GmbH, also serve as collateral for participating in Deutsche Bundesbank's open market operations.

#### *Equity investments*

In the reporting period, Volkswagen Bank GmbH continued to hold its shares in Global Mobility Holding B.V., Amsterdam, and VOLKSWAGEN BANK POLSKA S.A., Warsaw.

### Deposit business and borrowings

Besides equity, the main items under equity and liabilities are € 23.5 billion in liabilities to customers including the direct banking business (previous year: € 17.7 billion) and € 4.4 billion in securitised liabilities (previous year: € 5.3 billion).

### Direct banking business

The deposit-taking business of Volkswagen Bank GmbH showed a positive development. At mid-year, the customer deposit volume reached € 19.0 billion, up 6.2 % compared to 31 December 2008 (€ 12.8 billion). Volkswagen Bank *direct* thus makes a significant contribution to strengthening customer loyalty to the Volkswagen Group. The share of direct banking in the refinancing mix of Volkswagen Bank GmbH was 55.6 % (previous year: 41.6 %). The number of customers rose by 15.3 %.

### Equity

The subscribed capital of Volkswagen Bank GmbH remained unchanged at € 358.3 million compared to 31 December 2008. This includes an affiliate's silent partner contribution in the amount of € 40.0 million. Equity increased by € 300.0 million in the first half of the year through a payment into capital reserves made by Volkswagen Financial Services AG.

In its capacity as the primary credit institution as defined by the German Banking Act, Volkswagen Bank GmbH is responsible for ensuring the capital adequacy of the financial holding group, Volkswagen Financial Services AG.

The determination of the regulatory equity ratios has been made in accordance with the standardised approach to credit and operational risks.

### Financial key performance indicators

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

%	30.6.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Equity ratio <sup>1</sup>	9.6	9.7	12.8	12.8	13.9
%	31.3.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Core capital ratio <sup>2</sup>	12.7	12.8	14.2	13.4	14.2
Overall ratio (regulatory) <sup>3</sup>	18.6	18.8	20.8	20.1	20.4

Disclosures as at 30 June 2009 do not include net retained profits.

1 Equity ratio: ratio between equity and total capital

2 Core capital ratio = Core capital / (Capital requirement for (credit risks + operational risks + market risks) \* 12.5) \* 100

3 Overall ratio (regulatory) = Own funds / (Capital requirement for (credit risks + operational risks + market risks) \* 12.5) \* 100

The figures as at 31.12.2006 and 31.12.2005 were computed in accordance with the old Principle I.

For non-financial key performance indicators, please see the 2008 personnel report.

## RISK REPORT

There have been no significant changes relative to the disclosures in the “Risk report” of the 2008 annual report, which described all potential risks as well as the risk management methods employed.

### Risks at the refinancing level

The ability of Volkswagen Bank GmbH to refinance itself via the international money and capital markets continues to be limited due to the financial market crisis.

In contrast, the importance of the company’s deposit-taking business has increased significantly.

Given the short-term nature of direct banking deposits, any withdrawal of customer deposits or a further deterioration of the situation on the money and capital markets would undermine the company’s ability to refinance itself.

Yet this potential loss of liquidity could be counteracted if Volkswagen Bank GmbH is given permission to avail itself of the framework guarantee of up to € 2.0 billion for the purpose of refinancing automobile loans that was granted to Volkswagen Bank GmbH by the statutory financial market stabilisation fund in February 2009, and by the liquidity infusions that the European Central Bank is providing to banks.

As an additional means to secure its liquidity, Volkswagen Bank GmbH has deposited the Group’s own ABS securities with the European Central Bank for refinancing purposes.

## OPPORTUNITIES

Relative to the chapter entitled “Opportunities for Volkswagen Bank GmbH” in the 2008 annual report, no major changes are expected for the second half of 2009 in terms of opportunities.

## PERSONNEL REPORT

Given the structure of the German legal entities of the Volkswagen Financial Services AG Group, the employees of Volkswagen Financial Services AG work in the respective subsidiaries, among others.

As a result of this structure, 811 employees of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH’s business units at 30 June 2009.

Volkswagen Bank GmbH continues to employ certain staff directly due to regulatory requirements. At 30 June 2009, this staff numbered 651 (31.12.2008: 669), 135 of which are employed in Germany.

## REPORT ON THE BRANCHES AND BRANCH OFFICES

No changes occurred in the first half of 2009 relative to the description in the 2008 annual report. The branches of Volkswagen Bank GmbH had 516 employees as at 30 June 2009 (31.12.2008: 523).

## EVENTS AFTER THE BALANCE SHEET DATE

Aside from the events described above, no events of substantial significance occurred after completion of the half-year financial report as at 30 June 2009.

## ANTICIPATED DEVELOPMENTS

### Global economy

The economic climate remains difficult worldwide, given the ongoing financial and economic crisis. Further deterioration of the situation still cannot be ruled out. Global economic growth in 2009 will be negative. China and India are likely to be the only major economies that will post positive growth in 2009. Although slight indications of recovery can be expected in many industrialised countries in the second half of the year, unemployment figures will continue to rise considerably. The ongoing uncertainty among market participants will have a negative impact, especially on consumer demand and capital spending.

### Financial markets

The gradual easing of conditions in the international financial markets that began to make itself felt in the first six months of 2009 will likely continue in the year’s second half provided that the intended state measures aimed at establishing “bad banks”, which serve to settle the banks’ toxic assets, will be implemented elsewhere as in Germany. In Germany, the “Act to Support the Continued Stabilization of the Financial Markets”, which was passed in July 2009, created tools that enable banks to escape from the spiral of write-downs on their assets and preserve their equity base. According to the Association of German Banks, the reorganisation expected to result from this will go hand in hand with measures aimed at restructuring, redimensioning, merging and liquidating individual banks. Automobile banks however are not affected by said spiral of write-downs because their business models focus mainly on selling cars.



The establishment of a European banking regulatory authority is being discussed in this context because the national regulatory authorities do not possess an overview of banks' multinational ties, and this shortcoming is considered one of the factors that led to the crisis in the financial markets. In the final analysis, intense consolidation pressures in the banking system will likely intensify competition.

#### **Automobile markets**

Since automobile markets worldwide are being impacted heavily by the ongoing financial and economic crisis, they will develop along a substantially negative trajectory compared to the previous year. We expect the markets in North America, South America and Europe to register strong declines, with demand in Central and Eastern European countries weakening to a much greater extent than in Western Europe.

#### **Development of Volkswagen Bank GmbH**

The forecasts in the 2008 annual report regarding our expectations as to car sales, refinancing options as well as macro-economic conditions with the relevant effects on risk premiums have basically remained unchanged.

We are consistently pursuing our close cooperation with the Group brands in view of exploiting sales potentials.

Securing our liquidity against the backdrop of the ongoing financial market crisis will remain a high priority in the second half of the year as well.

The Board of Management of Volkswagen Bank GmbH expects positive earnings for the full 2009 financial year.

**BALANCE SHEET OF VOLKSWAGEN BANK GMBH, BRUNSWICK, AS AT 30 JUNE 2009**

€ 000		30.6.2009	31.12.2008
<b>Assets</b>			
1. Cash reserve			
a) Cash in hand	672		384
b) Deposits with central banks	562,246		693,174
of which:			
at the Deutsche Bundesbank € 553,937,000			(686,320)
c) Deposits with postal giro offices	149		23
		563,067	693,581
2. Receivables from financial institutions			
a) Payable on demand	97,672		814,220
b) Other receivables	3,141,222		497,663
		3,238,894	1,311,883
3. Receivables from customers		24,738,002	23,680,277
4. Debentures and other fixed-income securities			
a) Bonds and debentures			
aa) By public sector issuers	0		0
of which:			
eligible as collateral at the Deutsche Bundesbank € 0			(0)
ab) By other issuers	4,111,809		3,401,375
of which:			
eligible as collateral at the Deutsche Bundesbank € 4,111,809,000			(3,401,375)
		4,111,809	3,401,375
5. Leased assets		371,529	405,070
6. Shares and other non-fixed-income securities		8,177	7,153
7. Equity investments		1,080,080	1,079,991
of which:			
in financial institutions € 16,106,000			(16,106)
8. Intangible assets		5,877	6,906
9. Tangible fixed assets		13,069	14,382
10. Other assets		159,240	251,371
11. Prepaid expenses		15,839	15,561
<b>Total assets</b>		<b>34,305,583</b>	<b>30,867,550</b>

€ 000		30.6.2009	31.12.2008
<b>Equity and liabilities</b>			
1. Liabilities to financial institutions			
a) Payable on demand	40,393		12,336
b) With agreed repayment period or period of notice	546,653		2,689,508
		587,046	2,701,844
2. Liabilities to customers			
a) Other liabilities			
aa) Payable on demand	13,145,116		8,140,165
ab) With agreed repayment period or period of notice	10,386,942		9,512,431
		23,532,058	17,652,596
3. Securitised liabilities			
a) Debentures issued		4,391,631	5,260,343
4. Other liabilities		357,909	294,898
5. Deferred income		542,451	390,626
6. Provisions			
a) Provisions for pensions and similar obligations	43,237		42,129
b) Tax provisions	9,565		17,373
c) Other provisions	83,351		90,818
		136,153	150,320
7. Special tax-allowable reserve		2,196	2,233
8. Subordinated liabilities		1,320,000	1,320,000
9. Participation right liabilities		90,000	90,000
10. Fund for general banking risks		25,565	25,565
11. Equity			
a) Subscribed capital	358,279		358,279
b) Capital reserves	2,895,800		2,595,800
c) Revenue reserves			
ca) Other revenue reserves	25,046		25,046
d) Net retained profits	41,449		0
		3,320,574	2,979,125
<b>Total equity and liabilities</b>		<b>34,305,583</b>	<b>30,867,550</b>
1. Contingent liabilities			
a) Liabilities from surety and warranty agreements		72,483	64,865
2. Other obligations			
a) Irrevocable credit commitments		926,945	777,024

PROFIT AND LOSS ACCOUNT OF VOLKSWAGEN BANK GMBH, BRUNSWICK, FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2009

€ 000			2009	2008
1.1 Interest income from				
a) Lending and money market transactions	667,011			762,819
b) Fixed-income securities and book-entry securities	63,182			0
		730,193		762,819
1.2 Interest expense		448,872		461,581
			281,321	301,238
1.3 Net income from leasing transactions				
Income from leasing transactions		145,367		137,435
Expenses from leasing transactions		131,216		120,340
			14,151	17,095
			295,472	318,333
2. Current income from				
a) Shares and other non-fixed-income securities		0		327
b) Equity investments		2,429		29,919
			2,429	30,246
3. Commission income		123,955		110,940
4. Commission expenses		80,219		84,271
			43,736	26,669
5. Other operating income			67,465	53,835
6. Income from the reversal of the special tax-allowable reserve			36	36
7. General administration expenses				
a) Staff costs				
aa) Wages and salaries	24,045			25,181
ab) Social security costs and expenses for pensions and support	7,865			7,786
		31,910		32,967
of which: for pension schemes € 3,268,000				(3,343)
b) Other administration expenses		175,296		169,723
			207,206	202,690
8. Depreciation, amortisation and value adjustments to intangible and tangible fixed assets			3,350	12,267
9. Other operating expenses			5,541	5,427
10. Amortisation and value adjustments to receivables and certain securities, as well as transfers to provisions for lending business			121,301	44,167
11. Income from write-ups to equity investments, shares in affiliated companies and securities treated as fixed assets			356	0
12. Amortisation and value adjustments to equity investments, shares in affiliated companies and securities treated as fixed assets			0	400
13. Income from ordinary business activities			72,096	164,168
14. Taxes on income and earnings			29,599	48,223
15. Other taxes, unless shown under item 9			1,048	1,012
16. Net income			41,449	114,933
17. Net retained profits			41,449	114,933

## **NOTES TO THE FINANCIAL STATEMENTS OF VOLKSWAGEN BANK GMBH, BRUNSWICK, AS AT 30 JUNE 2009**

### **I. General comments about the half-year financial statements**

The half-year financial statements were drawn up according to the stipulations of the German Commercial Code (HGB) and the Ordinance on Accounting for Banks (RechKredV).

A profit transfer agreement concluded with Volkswagen Financial Services AG came into effect on 1.1.2002.

These half-year financial statements were reviewed by an auditor.

### **II. Accounting policies**

The same accounting policies that were used in the annual financial statements for 2008 were applied to the preparation of the half-year financial statements and the determination of the corresponding amounts for the previous year. A detailed description of these methods is contained in the notes to the annual financial statements of the 2008 annual report.

### **III. Notes to the balance sheet**

The notes to the balance sheet concern changes relative to the balance sheet date 31 December 2008.

#### *Receivables from financial institutions*

Receivables from financial institutions include receivables from affiliated companies amounting to € 532,831,000 (previous year: € 511,101,000) and receivables from joint ventures amounting to € 4,448,000 (previous year: € 4,248,000).

Of the receivables from financial institutions, maturity breaks down as follows:

- Payable on demand € 97,672,000 (previous year: € 814,220,000)
- Up to one month € 1,345,926,000 (previous year: € 261,190,000)
- Up to three months € 1,748,159,000 (previous year: € 123,430,000)
- Up to one year € 47,137,000 (previous year: € 113,043,000)
- More than one year and up to five years € 0 (previous year: € 0).

The receivables from financial institutions do not contain any subordinated loans (previous year: € 0).

#### *Receivables from customers*

This item includes unsecuritised receivables from affiliated companies amounting to € 3,302,881,000 (previous year: € 3,120,668,000) and receivables from joint ventures amounting to € 677,782,000 (previous year: € 992,616,000).

The maturity of the total amount of receivables from customers breaks down as follows:

- Up to three months € 12,355,230,000 (previous year: € 7,038,997,000)
- More than three months to one year € 1,360,380,000 (previous year: € 2,862,258,000)
- More than one year and up to five years € 2,781,514,000 (previous year: € 8,238,128,000)
- More than five years € 3,733,921,000 (previous year: € 793,742,000).

The item "Receivables from customers" contains receivables with an indefinite maturity (under § 9 Para. 3 No.1 Ordinance on Accounting for Banks) amounting to € 4,506,957,000 (previous year: € 4,747,152,000).

The balance sheet item "Receivables from customers" includes subordinated receivables of € 4,000,000 (previous year: € 4,000,000).

Receivables from the leasing business total € 969,317,000 (previous year: € 923,428,000), of which € 527,097,000 (previous year: € 526,885,000) are attributable to the French bank branch and € 442,220,000 (previous year: € 396,543,000) are attributable to the Italian bank branch.

#### *Receivables from shareholders*

Receivables from our sole shareholder, Volkswagen Financial Services AG, Brunswick, as at the balance sheet date amounted to € 1,004,105,000 (previous year: € 640,698,000).

#### *Debentures and other fixed-income securities*

To ensure the supply of liquidity, Volkswagen Bank GmbH and Volkswagen Leasing GmbH executed ABS transactions in 2008 and in the first half of 2009. Class A securities having an aggregate volume of € 3,691,400,000 that were issued by the acquiring special purpose entities up to the balance sheet date 30 June 2009 were not sold to investors. Instead, they were purchased by Volkswagen Bank GmbH and pledged as collateral for its participation in the open market operations of Deutsche Bundesbank. Including accrued interest, the company thus recognises securities that are marketable but not listed in the amount of € 3,691,400,000 (previous year: € 3,302,269,000).

The acquired ABS securities worth € 2,403,307,000, which securitise the company's own receivables, are not measured because the risk of counterparty default is already taken into account in the receivables' measurement. The debentures are recognised at cost during the term of the transactions.

Furthermore, the bank acquired listed securities in the amount of € 9,776,000, which are also available as collateral for participating in the open market operations of Deutsche Bundesbank.

Of the securities acquired from Private VCL S.A. in connection with the ABS transactions of Volkswagen Leasing GmbH, € 243,455,000 are allocated to assets and € 1,043,834,000 are allocated to the liquidity reserves. The securities allocated to assets are measured according to the modified lower-of-cost-or-market principle; the securities allocated to the liquidity reserves are measured according to the strict lower-of-cost-or-market principle.

In addition, the item contains € 410,633,000 in marketable and listed debentures (previous year: € 99,107,000), all of which were borrowed by financial institutions and affiliated companies. They are measured based on the securities' fair value at the transaction date. The issuer is entitled to income from these debentures.

#### *Shares and other non-fixed-income securities*

These concern a total of € 7,539,000 (previous year: € 6,694,000) in non-marketable securities-based investment funds that are treated as fixed assets and recognised in accordance with the modified lower-of-cost-or-market principle.

A write-up of € 177,000 (previous year: € 0) was recognised on the "employee overtime deferred compensation fund" in the first half of 2009 because the reasons for recognising an impairment loss no longer apply.

Additionally, € 638,000 in marketable and listed shares in VISA Inc., USA (previous year: € 459,000) were recognised at the market price as at 30.06.2009.

Since a lock-up period until March 2011 applies for the sale of the shares, they are measured at the respective stock market price less a discount.

We were able to recognise a write-up as a result of the positive development of the stock market price and due to the reduced discount applicable on account of the time lapsed until the expiry of the lock-up period.

#### *Leased assets*

This item of € 371,529,000 (previous year: € 405,070,000) comprises leased vehicles as part of the operating leasing business of Volkswagen Bank GmbH's French branch.

#### *Liabilities to financial institutions*

The maturity breaks down as follows:

- Payable on demand € 40,393,000 (previous year: € 12,336,000)
- Up to three months € 109,959,000 (previous year: € 2,034,815,000)
- More than three months and up to one year € 206,937,000 (previous year: € 332,406,000)
- More than one year and up to five years € 157,190,000 (previous year: € 249,925,000)
- More than five years € 72,567,000 (previous year: € 72,362,000).

#### *Liabilities to customers*

The item includes unsecuritised liabilities to affiliated companies amounting to € 1,677,441,000 (previous year: € 1,670,907,000).

Deposits from the direct banking business amount to € 19,068,050,000 (previous year: € 12,829,011,000).

In addition to this, there are liabilities still to be settled vis-à-vis dealers, customers and other creditors.

The maturity of sub-item "ab) with agreed repayment period or period of notice", is as follows:

- Up to three months € 2,262,636,000 (previous year: € 2,268,354,000)
- More than three months and up to one year € 3,781,111,000 (previous year: € 2,983,578,000)
- More than one year and up to five years € 4,168,665,000 (previous year: € 4,091,627,000)
- More than five years € 174,530,000 (previous year: € 168,872,000).

#### *Liabilities to shareholders*

Liabilities to our sole shareholder, Volkswagen Financial Services AG, Brunswick, as at the balance sheet date amounted to € 24,363,000 (previous year: € 157,900,000).

#### *Securitised liabilities*

The securitised liabilities comprise commercial paper and debentures. The total value is shown in full in the sub-item "a) Debentures issued".

**Commercial Paper:** € 113,322,000 (previous year: € 256,836,000)

Remaining maturity

- Up to three months € 90,536,000 (previous year: € 234,050,000)
- More than three months and up to one year € 22,786,000 (previous year: € 22,786,000)

**Debentures:** € 4,278,309,000 (previous year: € 5,003,507,000)

Remaining maturity

- Up to three months € 428,309,000 (previous year: € 558,507,000)
- More than three months and up to one year € 2,000,000,000 (previous year: € 895,000,000)
- More than one year and up to five years € 1,850,000,000 (previous year: € 3,550,000,000)

#### *Subordinated liabilities*

The total volume did not change compared to the end of the previous year.

There are no early repayment obligations for the subordinated liabilities.

A conversion into capital or other form of debt has not been agreed, nor is it planned.

Derivative transactions were undertaken in order to hedge interest rate risks. The expenses in connection with the raising of subordinated loans and bonds amounted to € 22,183,000 (previous year: € 26,016,000).

The expenses in connection with the raising of subordinated borrower's note loans amounted to € 3,442,000 (previous year: € 3,471,000).

#### *Subordinated bonds*

There were no changes compared to the end of the previous year.

#### *Participation right liabilities*

The participation right liabilities in the full amount are, under the stipulations of the German Banking Act (§ 10 Para. 5), a component of the liable capital. Of the obligations totalling € 90,000,000, € 825,000 are attributable to affiliated companies. Derivative transactions were undertaken in order to hedge interest rate risks. The expenses in connection with the raising of funds amounted to € 3,198,000 (previous year: € 3,212,000).

Notwithstanding § 11 Ordinance on Accounting for Banks, the deferred interest for participation right liabilities is shown in the balance sheet items "Liabilities to customers" and "Other liabilities", since interest is not offset in the regulatory liable capital.

#### *Equity*

The Bank's equity contains a silent partner contribution of Volkswagen-Versicherungsdienst GmbH amounting to € 40,000,000.

This contribution meets the requirements of § 10 Para. 4 German Banking Act. The depositor receives a remuneration on the book value of the contribution based on the 12-month Euribor plus 150 basis points.

In the first half of 2009, Volkswagen Financial Services AG paid € 300,000,000 into the capital reserve of Volkswagen Bank GmbH. This lifted the capital reserve of Volkswagen Bank GmbH to € 2.9 billion as at 30 June 2009 (previous year: € 2.6 billion).



**DEVELOPMENT OF THE FIXED ASSETS OF VOLKSWAGEN BANK GMBH, BRUNSWICK,  
 FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2009**

€ 000	Gross book values				Value adjustments				Net book values		
	Brought forward 1.1.09	Additions	Disposals	Balance 30.6.09	Brought forward 1.1.09	Additions	Disposals	Write-up	Balance 30.6.09	Balance 30.6.09	Balance 31.12.08
<b>Description</b>											
Debentures and other fixed-income securities	2,810,398	0	379,603	2,430,795	0	0	0	0	0	2,430,795	2,810,398
Leased assets	529,669	91,051	115,412	505,308	124,599	49,479	40,299	0	133,779	371,529	405,070
Shares and other non-fixed-income securities	7,270	791	123	7,938	576	0	0	177	399	7,539	6,694
Equity investments	1,079,991	89	0	1,080,080	0	0	0	0	0	1,080,080	1,079,991
Intangible assets	158,144	932	1	159,075	151,752	2,164	1	0	153,915	5,160	6,392
Advance payments on intangible assets	514	203	0	717	0	0	0	0	0	717	514
Land, similar rights and buildings on land owned by others	23,417	3	0	23,420	13,996	459	0	0	14,455	8,965	9,421
Other equipment, operating and office equipment	13,538	393	773	13,158	8,577	728	251	0	9,054	4,104	4,961
<b>Total fixed assets</b>	<b>4,622,941</b>	<b>93,462</b>	<b>495,912</b>	<b>4,220,491</b>	<b>299,500</b>	<b>52,830</b>	<b>40,551</b>	<b>177</b>	<b>311,602</b>	<b>3,908,889</b>	<b>4,323,441</b>

The goodwill of € 4,881,000 that was recognised under intangible assets as a result of the merger with VOLKSWAGEN FINANCE S.A. in 2008 is amortised over two years using the straight-line method.

Other land, similar rights and buildings including buildings on land owned by others as well as operating and office equipment are used exclusively in the Bank's own business activities.

**IV. Notes to the profit and loss account**

The notes to the profit and loss account refer to changes relative to the same period the previous year (1.1.2008 – 30.6.2008).

*Interest income from lending and money market transactions*

The previous year's values were adjusted according to the figures reported as at 31.12.2008.

The proportion of interest income generated at the foreign branches is 27.7 % (previous year: 29.4 %). The branches in Italy and the United Kingdom account for the largest share of this amount.

The interest income from lending and money market transactions contains € 37,970,000 in income from finance leasing (previous year: € 28,217,000).

*Net income from leasing transactions*

The net income from leasing transactions comprises earnings from operating leasing that are generated by the bank's branch in France. The previous year's values were adjusted according to the figures reported as at 31.12.2008.

While leasing income was € 145,367,000 (previous year: € 137,435,000), expenses were € 83,818,000 (previous year: € 80,886,000) and depreciation, amortisation and write-downs totalled € 47,398,000 (previous year: € 39,454,000).

#### *Commission income*

Commission income essentially results from selling residual debt and unemployment insurance, from selling insurance through the Italian branch, from the administration and collection of receivables sold through the ABS transactions, and from other fees earned in the private customer business.

Commission income includes an income of € 204,000 (previous year: 11,908,000) which is not related to the accounting period and which essentially results from the participation in profits of residual debt and unemployment insurance.

The previous year's values were adjusted according to the figures reported as at 31.12.2008.

#### *General administration expenses*

The general administration expenses totalled € 207,206,000 (previous year: € 202,690,000), with staff costs making up a substantial portion at € 31,910,000 (previous year: € 32,967,000).

### **V. Other notes**

#### *Information on corporate bodies*

*The Board of Management of Volkswagen Bank GmbH*

#### *Rainer Blank*

Spokesman of the Board of Management  
Business Line Individual Customers & Corporate Customers  
Sales Individual Customers & Corporate Customers  
International

#### *Dr. Michael Reinhart*

Finance (including Company Management, Controlling), Risk Management, IT  
Market Support, Dealer Restructuring  
Human Resources, Organisation

#### *Klaus-Dieter Schürmann (until 30.6.2009)*

Direct bank  
Treasury

#### *Torsten Zibell (from 1.7.2009)*

Direct bank  
Treasury

#### *The Supervisory Board of Volkswagen Bank GmbH*

The following information is disclosed in addition to that provided in the 2008 annual report:

#### *Sabine Ferken (until 20.3.2009)*

General Secretary of the Joint Works Council of Volkswagen Financial Services AG,  
Volkswagen Bank GmbH and Volkswagen Business Services GmbH

#### *Simone Mahler (from 9.6.2009)*

General Secretary of the Joint Works Council of Volkswagen Financial Services AG,  
Volkswagen Bank GmbH and Volkswagen Business Services GmbH (from 23.4.2009)

*Seats on supervisory bodies – information disclosed in accordance with § 340a (4) HGB*

The following information is disclosed in addition to that provided in the 2008 annual report:

*Dr. Vincenzo Condorelli*

- VOLKSWAGEN HOLDING FINANCIERE S.A., Villers-Cotterêts, France  
Chairman of the Conseil de Surveillance until 2.3.2009
- VOLKSWAGEN FINANCE, S.A. – ESTABLECIMIENTO FINANCIERO DE CRÉDITO,  
Madrid, Spain
- ServiLease S.A., Madrid, Spain  
Chairman of the Consejo de Administración of each until 22.2.2009

*Bernd Bode*

- VOLKSWAGEN DOĞUŞ TÜKETİCİ FİNANSMANI A.Ş., Istanbul, Turkey
- VDF Servis Holding A.Ş., Istanbul, Turkey  
Member of the Board of Directors of each until 25.5.2009

*Bryan Marcus*

- Volkswagen Finans Sverige AB, Södertälje, Sweden  
Chairman of the Board of Directors until 26.5.2009
- Volkswagen Pon Financial Services B.V., Amersfoort, The Netherlands  
Member of the Supervisory Board until 9.4.2009
- VVS VERZEKERINGS-SERVICE N.V., Diemen, The Netherlands  
Member of the Raad van Commissarissen until 9.4.2009

*Dirk Pans*

- Volkswagen Finans Sverige AB, Södertälje, Sweden  
Chairman of the Board of Directors from 26.5.2009
- Volkswagen Pon Financial Services B.V., Amersfoort, The Netherlands  
Member of the Supervisory Board from 9.4.2009
- VVS VERZEKERINGS-SERVICE N.V., Diemen, The Netherlands  
Member of the Raad van Commissarissen from 9.4.2009

*Günther Müller*

- VOLKSWAGEN Finančné služby Slovensko s.r.o., Bratislava, Slovakia
- VOLKSWAGEN BANK POLSKA S.A., Warsaw, Poland
- Volkswagen Leasing Polska Sp. z o.o., Warsaw, Poland  
Member of the Supervisory Board of each until 30.6.2009
- VOLKSWAGEN FINANCE, S.A. – ESTABLECIMIENTO FINANCIERO DE CRÉDITO,  
Madrid, Spain
- ServiLease S.A., Madrid, Spain  
Member of the Consejo de Administración of each until 22.2.2009

*Dr. Christian Dahlheim*

- VOLKSWAGEN FINANCE, S.A. – ESTABLECIMIENTO FINANCIERO DE CRÉDITO,  
Madrid, Spain
- ServiLease S.A., Madrid, Spain  
Member of the Consejo de Administración of each from 23.2.2009

*Gabriele de Neidels*

- LeasePlan Corporation N.V., Amsterdam, The Netherlands  
Member of the Supervisory Board until 5.1.2009

**Responsibility statement of the Board of Management**

To the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen Bank GmbH, and the interim management report includes a fair review of the development and performance of the business and the position of Volkswagen Bank GmbH, together with a description of the principal opportunities and risks associated with the expected development of Volkswagen Bank GmbH.

Brunswick, 11 July 2009  
The Board of Management



Rainer Blank



Dr. Michael Reinhart



Torsten Zibell

### **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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CAT Consultants, Hamburg

You will find the half-year financial report 2009 at [www.vwfs.com/hy09](http://www.vwfs.com/hy09)

The half-year financial report is also published in German.