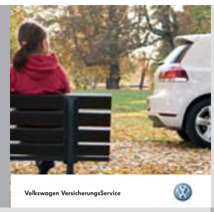
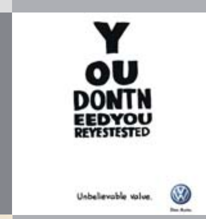
VOLKSWAGEN BANK

GMBH



Getting things done

The key to mobility.



Pioneering

Customer-focused

CONSOLIDATED INTERIM REPORT JANUARY – JUNE 2011 (IFRS)

The Volkswagen Bank GmbH Group at a glance

in € million	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Total assets	34,767	32,826	34,193	33,497	26,539
Receivables arising from					
Retail financing	17,981	17,696	17,421	15,481	14,078
Dealer financing	6,877	6,261	6,427	7,653	7,465
Leasing business	1,340	1,232	1,156	1,136	292
Customer deposits[1]	20,039	20,078	19,489	12,829	9,620
Equity	4,886	4,690	4,095	3,318	3,379
in € million	**1st half-year 2011**	**1st half-year 2010**	**1st half-year 2009**	**1st half-year 2008**	**1st half-year 2007**
Pre-tax result	243	188	144	216	224
Net income	197	144	119	166	159
in %	**30.06.2011**	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2007**
Equity ratio	14.1	14.3	12.0	9.9	12.7
in %	**30.06.2011**	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2007**
Core capital ratio	15.4	15.6	14.9	12.8	14.2
Overall ratio	17.9	18.6	18.0	18.8	20.8
Number	**30.06.2011**	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2007**
Employees	721	631	644	669	585

RATING 2011	STANDARD & POOR´S			MOODY´S INVESTORS SERVICE		
	short-term	long-term	outlook	short-term	long-term	outlook
Volkswagen Bank GmbH	A–2	A–	stable	Prime-1	A2	stable
Volkswagen Financial Services AG	A–2	A–	negative	Prime-2	A3	stable

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

Development of business

GLOBAL ECONOMY

The global economy continued to grow in the reporting period, however at a slower pace in the second quarter. The ramifications of the sovereign debt crisis in parts of Europe, the ongoing tensions in North Africa and the fallout from the natural disasters in Japan dampened economic growth. Whilst the growth momentum in emerging market countries remained strong, the expansion in industrialised countries was moderate.

The development in Western Europe in the first half year of 2011 was restrained. The debt crisis and the debate on its potential consequences for the European monetary system continued to darken the economic horizon. Growth in the Central and Eastern European countries stabilised in the first six months of the year.

The German economy expanded strongly in the reporting period, and the unemployment rate continued to drop. Besides exports, private consumption and demand for capital goods are increasingly becoming the main growth drivers.

FINANCIAL MARKETS

The international financial markets managed in the first six months of the current financial year to avoid a number of disruptive and in part powerful factors. Doubts about the stability of the euro which were triggered by the debt crisis in Ireland, Portugal and Greece – EU member states all – did not have any appreciable effects at first given the continuously improving economic outlook and solid corporate profits. By mid-year however, the fragility of the global stock markets exposed the underlying uncertainty surrounding the solidity of leading industrialised countries' sovereign debt, and the lack of clarity as to the situation in Greece had a negative impact on the mood in the financial markets. Growing fears of inflation also contributed to the prevailing uncertainty, given the highly liquid financial system.

The banking business in the industrialised countries stabilised in the first half of 2011 thanks to the economic recovery that continues on the whole. The funding situation has eased, and demand for credit is slowly starting to rise again. Credit risk provisions also returned to normal, in line with developments as regards credit risks. In Germany, the banks' gross interest margin during the year's first half remained stable overall.

In addition to the general development of the banking sector, mobility packages were a growth driver for German automobile banks in the first half of 2011. The potential to leverage the entire automotive value chain through mobility packages in particular made a significant contribution to stabilising the business of automobile banks.

AUTOMOBILE MARKETS

In the first six months of 2011, new passenger car registrations were higher year on year worldwide even though the growth momentum weakened slightly in the second quarter. All regions with the exception of Western Europe showed a positive development. The highest increases compared to the previous year were registered in the United States, China and Russia.

In Western Europe the number of newly registered passenger cars was lower year on year in the first six months of 2011. The decline in the passenger car business, which had been expected for some countries, stems mainly from the termination of governmental economic stimulus packages.

The passenger car volume in the Region Central and Eastern Europe grew above average in the first half of 2011, especially due to the continued recovery of the Russian market, which benefits from both the positive macroeconomic environment and the Russian government’s stimulus measures.

In Germany, the number of passenger car registrations between January and June 2011 substantially surpassed the previous year’s very low level. This growth was largely fuelled by commercial customers.

OVERALL APPRAISAL OF THE DEVELOPMENT OF BUSINESS

In the view of the Board of Management of Volkswagen Bank GmbH, business has shown a satisfactory development so far in 2011.

New business throughout Europe has developed positively in the year’s first half. Net interest income rose significantly whilst risk costs continued to decrease.

In the first half of 2011, Volkswagen Bank GmbH again boosted its business volume year on year.

The financial supervisory authority published a concept for modernising the reporting system in spring 2011. The company therefore immediately began implementing the planned adjustments concerning current financial data, taking into account European guidelines in connection with the German central credit register, as well as solvency reporting in the first half of 2011. Furthermore, sound preparations were made based on the future requirements under Basel III.

The company is also focusing on its national and international activities, paying particular attention to its collaboration with the Group brands, the optimisation of its refinancing strategy and strict risk management in the second half of 2011.

Analysis of the Group's business development and position

THE VOLKSWAGEN BANK GMBH GROUP

There were no changes compared to 31 December 2010 as regards the legal status of Volkswagen Bank GmbH under corporate law and the inclusion of the Volkswagen Bank GmbH Group into the consolidated financial statements of Volkswagen Financial Services AG and Volkswagen AG.

In addition to the companies listed as at the most recent balance sheet date, the consolidated financial statements of Volkswagen Bank GmbH also include the fully consolidated special purpose entities, Driver Eight GmbH und Driver Nine GmbH, both domiciled in Frankfurt/Main, which were established for the execution of ABS transactions.

No other substantial changes occurred in the first half of 2011 relative to the description in the 2010 annual report.

RESULTS OF OPERATIONS

The notes on the results of operations concern changes relative to the same period the previous year.

The first half of 2011 was positive for the Volkswagen Bank GmbH Group.

The net income from lending and leasing transactions before risk provisions rose by more than 6.5% to € 559 million. Interest income from lending transactions before risk provisions in the amount of € 807 million (previous year: € 815 million) stems primarily from consumer financing, as well as from vehicle and investment financing for the dealers of the Volkswagen Group. The decline in the interest income from retail financing before risk provisions in the amount of € 26 million was only partially offset by the increase in interest income from dealer financing before risk provisions in the amount of € 11 million.

Finance and operating leases contributed € 52 million before risk provisions (previous year: € 50 million) to net interest income.

The Volkswagen Bank GmbH Group succeeded in lowering its interest expense by 11.8% to € 300 million thanks to the continued execution of its diversified refinancing strategy, the flexible utilisation of its instruments and the developments in the capital market.

The allowances and provisions recognised in connection with the lending business take into account all impairments existing as at the balance sheet date. The bank has taken its additional default risks from the crisis in Greece into account. Whilst the method for determining provisions for indirect residual value risks was further refined during the reporting period, all other methods and procedures for recognising and assessing risks remained unchanged from the previous year's financial statements.

At € 70 million, the risk provision required for write-downs and bad debt allowances was lower year on year because the special risks related to dealer financing were fully accounted for the previous year. The Volkswagen Bank GmbH Group raised its net income after provisions for risks by 51.9% to € 489 million thanks to the substantial improvement in net interest income and the reduced need for provisions.

This net income in turn helped to lift the pre-tax result by € 55 million or 29.3% even after comprehensive provisions for risks from legislative changes.

ASSETS AND FINANCIAL POSITION

The notes on the assets and financial position concern changes relative to the balance sheet date 31 December 2010.

The Volkswagen Bank GmbH Group again maintained its strong market position in the first half of 2011, supported by an attractive product range and the loyalty of customers and dealers alike. Thanks to the close cooperation with the brands and the intensive collaboration with the dealers of the Volkswagen Group, customer receivables rose over the level at 31 December 2010 and net income for the first six months increased yet again compared to 30 June 2010.

LENDING BUSINESS

The lending business of the Volkswagen Bank GmbH Group focuses on the provision of loans to private and commercial customers. The receivables shown in the balance sheet total € 29.9 billion (previous year: € 28.3 billion). The retail lending volume of the foreign branches increased from € 7.5 billion to € 8.3 billion.

Retail financing

As at 30 June 2011, the company had 1,825,000 retail financing contracts under management. Retail financing receivables were € 18.0 billion (previous year: € 17.7 billion). Foreign branches accounted for € 3.2 billion of this amount (previous year: € 2.8 billion).

Dealer financing

Compared to the close of the previous year, receivables in the dealer financing segment rose by 9.9% to € 6.9 million, with foreign markets recording an increase of 6.6%.

Leasing business

Volkswagen Bank GmbH offers finance leasing and operating leasing through its foreign branches. While the French branch of Volkswagen Bank GmbH engages in both finance and operating leasing, the Italian branch continues to offer only finance leasing. At € 1.3 billion, receivables as at the end of the first six months of 2011 remained almost unchanged. They largely comprise receivables from finance leasing.

Companies included at equity

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. The result from this equity investment as at 30 June 2011 was € 55 million (same period the previous year: € 40 million).

DEPOSIT BUSINESS AND BORROWINGS

Besides equity, the main items under equity and liabilities are € 21.8 billion in liabilities to customers including the direct banking business (previous year: € 21.3 billion) and € 6.0 billion in securitised liabilities (previous year: € 4.9 billion).

Volkswagen Bank used the Driver Eight and Driver Nine securitisation transactions to place receivables having a nominal value of € 1.6 billion in the market.

Direct banking business

In its deposit business, Volkswagen Bank GmbH further maintained the previous year's high level. Customer deposits as at the middle of the year were € 20.0 billion and thus largely unchanged from the status as at 31 December 2010. Volkswagen Bank GmbH remains the market leader among the automobile direct banks thanks to this deposit volume. The deposit business is contributing substantially to customer loyalty to the Volkswagen Group. Its share in the refinancing mix of the Volkswagen Bank GmbH Group is 57.7% (previous year: 61.3%). Aside from offering statutory deposit insurance, Volkswagen Bank GmbH also continues to be a member of the Deposit Insurance Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.).

Equity

The subscribed capital of Volkswagen Bank GmbH remained unchanged at € 0.3 billion in the first half of 2011.

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 the Volkswagen Bank Group are as follows:

in %	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Equity ratio[1]	14.1	14.3	12.0	9.9	12.7

in %	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Core capital ratio[2]	15.4	15.6	14.9	12.8	14.2
Overall ratio (regulatory)[3]	17.9	18.6	18.0	18.8	20.8

1 Equity ratio = Ratio of equity / 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

For non-financial key performance indicators, please see the 2010 personnel report.

Opportunity and risk report

MACROECONOMIC OPPORTUNITIES

The management of Volkswagen Bank GmbH assumes that both the automobile market on the whole and the market share of the Volkswagen Group will continue to grow in the second half of 2011. Volkswagen Bank GmbH supports this positive trend through financial services products designed to boost sales.

STRATEGIC OPPORTUNITIES

In addition to entering new markets, Volkswagen Bank GmbH sees further opportunities in the development of innovative products that are aligned with customers' changed mobility requirements. The Group's targeted rates of return as well as the sales promotion potential are relevant for making decisions in this connection.

RISK-BEARING CAPACITY

The analysis of risk-bearing capacity follows the going-concern approach. The findings of the so-called "range of practice", which were published by BaFin in November 2010, provides the basis for detailing the approach in house.

Volkswagen Bank GmbH has been determining financial risk for a confidence level of 90% (previously 99%) based on a one-year horizon since 2011. A fully positive correlation between individual risk types (i.e. assuming a correlation of 1) is used to that end. This ensures a sufficiently conservative approach for quantifying the financial risk of Volkswagen Bank GmbH.

The quantified risks are contrasted by the risk cover. This entails reducing the risk cover by deducting the capital adequacy requirements under the German Solvency Regulation.

EARNINGS RISKS

Since 2011, Volkswagen Bank GmbH has been quantifying its earnings risks based on a parametric earnings-at-risk (EaR) model, taking into account the confidence level determined in connection with the calculation of its risk-bearing capacity as well as a one-year forecasting horizon. The relevant income statement items provide the basis for these calculations. The earnings risks are then estimated based on the observed relative deviations from targets for one and by determining the volatilities and interdependency of the individual items for another. Both components are included in the EaR quantification. In addition stress tests specific to risk types are conducted quarterly using historical and hypothetical scenarios.

There were no material changes regarding the other risk types and our risk management methods in the past few months. Insofar, see the disclosures in the "Opportunity and risk report" chapter of the 2010 annual report.

EVENTS AFTER THE BALANCE SHEET DATE

Aside from the events described above, no events of substantial significance occurred after completion of the consolidated interim report as at 30 June 2011.

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, 1,833 employees of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH's business units at 30 June 2011.

Volkswagen Bank GmbH continues to employ certain staff directly due to regulatory requirements. At 30 June 2011, this staff numbered 721 (31.12.2010: 631), 167 of which are employed in Germany.

REPORT ON THE BRANCHES AND BRANCH OFFICES

No changes occurred in the first half of 2011 relative to the description in the 2010 annual report. The branches of Volkswagen Bank GmbH had 554 employees as at 30 June 2011 (31.12.2010: 512).

Anticipated developments

GLOBAL ECONOMY

The global economy continued to grow in the first six months of 2011. We expect this trend to persist in the second half of the year as well, even though the momentum is likely to weaken. In our view, the emerging market countries in Asia and Latin America will continue to offer the greatest potential whilst the industrialised countries will continue to grow at a moderate pace. However, the sovereign debt crisis in many countries, the ongoing debate on the stability of the European monetary system and rising inflation are clouding the economic outlook. There has been an improvement in our ability to assess the natural disasters in Japan and their potential consequences. We thus expect the fallout to be limited even though individual effects cannot be precluded.

FINANCIAL MARKETS

As before, the financial markets are governed by factors disclosed in the Group's report on anticipated developments for 2011 and 2012, such as the substantial tightening of requirements that will be imposed on banks worldwide in connection with the reforms of the international banking regulatory framework starting in 2013. Aside from these important regulatory measures, which will trigger organisational costs and entail financial consequences, the European automobile financial services segment is expected to continue to recover overall in 2011 and 2012.

A "normal" level of business is expected for German automobile banks in 2011, with proven evaluation procedures resulting in a further stabilisation of residual values and the business of automobile banks.

AUTOMOBILE MARKETS

The trends in the global automobile markets in the year's first three months continued in the second quarter of 2011. On the whole the volume was higher year on year, although individual markets generated different results. Whilst Germany and France were the only major Western European markets to surpass the respective previous year's level, Poland and Romania were the only Eastern European countries to fall short of the previous year's volume.

We expect developments in the world's automotive markets to remain uneven in the second half of 2011 as well. The debt crisis in some euro zone states and the expiry of the economic stimulus packages will have a negative impact on demand for new vehicles in many Western European countries. In Central and Eastern European countries however, vehicle sales are expected to rise. On the whole global demand for passenger cars in 2011 is likely to exceed the 2010 level.

DEVELOPMENT OF VOLKSWAGEN BANK GMBH

The positive trends in the global economy that had made themselves felt in the 2010 financial year continued at the start of 2011. The Volkswagen Group brands benefited disproportionally from the increase in automobile sales. For this reason and due to increasing penetration rates we expect the transaction volume in our financial services business to exceed the previous year's level.

We are pushing the expansion of our national and international activities in keeping with the WIR 2018 strategy. Besides expanding internationally, in the second half of 2011 our focus will be on intensifying our sales activities jointly with the Volkswagen Group brands, launching new products in existing markets, developing new products as part of the New Mobility strategy and ensuring consistent risk management.

The Board of Management of Volkswagen Bank GmbH expects earnings for the full 2011 year and the 2012 financial year to surpass the level of 2010.

Income statement
of the Volkswagen Bank GmbH Group

in € million	Note	1.1. – 30.06.2011	1.1. – 30.06.2010	Change in %
Interest income from lending transactions before provisions for risks		807	815	– 1.0
Net income from leasing transactions before provisions for risks		52	50	4.0
Interest expense		– 300	– 340	– 11.8
Net income from lending and leasing transactions before provisions for risks	1	559	525	6.5
Provisions for risks arising from lending and leasing business		– 70	– 203	– 65.5
Net income from lending and leasing transactions after provisions for risks		489	322	51.9
Commission income		96	94	2.1
Commission expenses		– 70	– 70	0.0
Net commission income		26	24	8.3
Result from derivative financial instruments		11	33	– 66.7
Result from joint ventures accounted for using the equity method		55	40	37.5
Result from other financial assets		0	0	0.0
General administration expenses	2	– 275	– 229	20.1
Other operating result		– 63	– 2	X
Pre-tax result		**243**	**188**	**29.3**
Taxes on income and earnings		– 46	– 44	4.5
Net income		**197**	**144**	**36.8**
Net income attributable to Volkswagen Financial Services AG		197	144	36.8

Statement of comprehensive income
of the Volkswagen Bank GmbH Group

in € million	1.1. – 30.06.2011	1.1. – 30.06.2010
Net income	**197**	**144**
Actuarial gains and losses	3	–6
deferred taxes thereon	–1	2
Available-for-sale financial assets (securities):		
Fair value changes recognised in equity	–15	1
Recognised in the income statement	–	–
deferred taxes thereon	5	0
Cash flow hedges:		
Fair value changes recognised in equity	2	–9
Recognised in the income statement	2	1
deferred taxes thereon	–1	–3
Currency translation differences	–4	7
Income and expense of shares measured at equity, recognised directly in equity, after taxes	8	26
Income and expense recognised directly in equity	**–1**	**19**
Comprehensive income	**196**	**163**
Comprehensive income attributable to Volkswagen Financial Services AG	196	163

Balance sheet
of the Volkswagen Bank GmbH Group

in € million	Note	30.06.2011	31.12.2010	Change in %
Assets				
Cash reserve		772	470	64.3
Receivables from financial institutions		669	861	−22.3
Receivables from customers arising from				
Retail financing		17,981	17,696	1.6
Dealer financing		6,877	6,261	9.8
Leasing business		1,340	1,232	8.8
Other receivables		3,749	3,095	21.1
Receivables from customers in total		29,947	28,284	5.9
Derivative financial instruments		130	165	−21.2
Securities		1,145	1,081	5.9
Joint ventures accounted for using the equity method		1,564	1,502	4.1
Other financial assets		1	1	–
Intangible assets	3	6	7	−14.3
Property, plant and equipment	3	9	9	0.0
Leased assets	3	191	181	5.5
Investment property		2	2	0.0
Deferred tax assets		168	104	61.5
Income tax assets		47	56	−16.1
Other assets		116	103	12.6
Total		**34,767**	**32,826**	**5.9**

in € million	Note	30.06.2011	31.12.2010	Change in %
Equity and liabilities				
Liabilities to financial institutions		653	418	56.2
Liabilities to customers		21,786	21,299	2.3
Securitised liabilities		6,026	4,851	24.2
Derivative financial instruments		72	131	−45.0
Provisions		303	178	70.2
Deferred tax liabilities		54	53	1.9
Income tax obligations		37	27	37.0
Other liabilities		53	85	−37.6
Subordinated capital		897	1,094	−18.0
Equity		4,886	4,690	4.2
Subscribed capital		318	318	–
Capital reserve		3,546	3,546	–
Retained earnings		1,022	826	23.7
Total		**34,767**	**32,826**	**5.9**

Statement of changes in equity
of the Volkswagen Bank GmbH Group

in € million	Subscribed capital	Capital reserve	RETAINED EARNINGS: Accumulated profits	RETAINED EARNINGS: Currency translation	RETAINED EARNINGS: Cash flow hedges	RETAINED EARNINGS: Actuarial gains and losses	RETAINED EARNINGS: Market valuation securities	RETAINED EARNINGS: Shares measured using the equity method	Total equity
Balance as at 1.1.2010	**318**	**3,196**	**713**	**–43**	**–16**	**–6**	**3**	**–70**	**4,095**
Net income	–	–	349	–	–	–	–	–	349
Income and expense recognised directly in equity	–	–	–	3	14	–4	–1	64	76
Comprehensive income	–	–	349	3	14	–4	–1	64	425
Payments into the capital reserve	–	350	–	–	–	–	–	–	350
Distributions/profit transfer to Volkswagen Financial Services AG	–	–	–180	–	–	–	–	–	–180
Balance as at 31.12.2010 / 1.1.2011	**318**	**3,546**	**882**	**–40**	**–2**	**–10**	**2**	**–6**	**4,690**
Net income	–	–	197	–	–	–	–	–	197
Income and expense recognised directly in equity	–	–	–	–4	3	2	–10	8	–1
Comprehensive income	–	–	197	–4	3	2	–10	8	196
Payments into the capital reserve	–	–	–	–	–	–	–	–	–
Distributions/profit transfer to Volkswagen Financial Services AG	–	–	–	–	–	–	–	–	–
Balance as at 30.06.2011	**318**	**3,546**	**1,079**	**–44**	**1**	**–8**	**–8**	**2**	**4,886**

Cash flow statement
of the Volkswagen Bank GmbH Group

in € million	1.1. – 30.06.2011	1.1. – 30.06.2010
Net income	**197**	**144**
Depreciation, value adjustments and write-ups	107	249
Change in provisions	125	25
Change in other non-cash items	31	–110
Result from the sale of financial assets and property, plant and equipment	0	0
Interest result and dividend income	–548	–520
Other adjustments	0	0
Change in receivables from financial institutions	190	–90
Change in receivables from customers	–1,807	407
Change in leased assets	–35	–28
Change in other assets from operating activities	–12	–17
Change in liabilities to financial institutions	235	–275
Change in liabilities to customers	672	933
Change in securitised liabilities	1,175	–940
Change in other liabilities from operating activities	–31	–15
Interest received	848	857
Dividends received	0	3
Interest paid	–300	–340
Income tax payments	–87	–69
Cash flow from operating activities	**760**	**214**
Cash inflows from the sale of investment property	–	–
Cash outflows from the purchase of investment property	–	–
Cash inflows from the sale of subsidiaries and joint ventures	–	–
Cash outflows from the purchase of subsidiaries and joint ventures	–	–
Cash inflows from the sale of other assets	0	0
Cash outflows from the purchase of other assets	–2	–3
Change in investments in securities	–79	22
Cash flow from investing activities	**–81**	**19**
Cash inflows from changes in capital	–	–
Profit transfer to Volkswagen Financial Services AG	–180	–126
Change in funds resulting from subordinated capital	–197	45
Cash flow from financing activities	**–377**	**–81**
Cash and cash equivalents at the end of the previous period	**470**	**614**
Cash flow from operating activities	760	214
Cash flow from investing activities	–81	19
Cash flow from financing activities	–377	–81
Effects from exchange rate changes	0	–
Cash and cash equivalents at the end of the period	**772**	**766**

Notes

to the consolidated financial statements of the Volkswagen Bank GmbH Group as at 30.06.2011

General comments

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

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

Group accounting principles

Volkswagen Bank GmbH prepared its consolidated financial statements for the 2010 financial year in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union, and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as well as supplementary provisions that are applicable under § 315a Para. 1 German Commercial Code (HGB). Therefore, this consolidated interim report as at 30 June 2011 was also prepared in accordance with IAS 34. This interim report has not been reviewed by an auditor.

Accounting policies

Volkswagen Bank GmbH has implemented all accounting standards that were adopted by the EU and had to be applied from 1 January 2011. In particular, this concerns IAS 24, Related Party Disclosures, and IAS 34, Interim Financial Reporting.

Under the revised IAS 24, entities may choose to simplify their reporting with regard to public institutions and their subsidiaries. The Volkswagen Bank Group is not using this option. In addition the definitions of related companies and persons as well as reportable transactions were clarified. None of this has any effect on the interim consolidated financial statements.

Under the revised IAS 34, material reclassifications between the various stages of the fair value hierarchy, which are used to determine the fair value of financial instruments, as well as material changes in the classification of financial assets, must be disclosed in the interim financial statements.

All other accounting standards to be applied for the first time in the 2011 financial year do not have a significant impact on the assets, financial position and results of operations of the Volkswagen Bank Group. A detailed listing of these accounting standards is contained in the notes to the consolidated financial statements of the 2010 annual report.

A discounting rate of 5.3% (31 December 2010: 4.9%) was applied to domestic provisions for pensions in the current interim financial statements. The increase in the interest rate triggered a decrease in the actuarial losses related to pension provisions recognised directly in equity.

The income tax expense for the interim reporting period is determined in accordance with IAS 34, Interim Financial Reporting, using the average tax rate expected for the financial year on the whole.

Other than that, the same consolidation principles and accounting policies that were used in the consolidated financial statements for 2010 were applied to the preparation of the interim consolidated 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 consolidated financial statements of the 2010 annual report. These financial statements may be downloaded from our website at www.vwfs.com.

Basis of consolidation

As a general principle, all companies and branches are fully consolidated in which Volkswagen Bank GmbH has the possibility, directly or indirectly, to determine the financial and business policy in such a way that the Volkswagen Bank GmbH Group benefits from the activities of these companies (subsidiaries).

Notes to the consolidated financial statements

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

in € million	1.1. – 30.06.2011	1.1. – 30.06.2010
Interest income from lending and money market transactions	807	815
Income from leasing transactions	113	109
Expenses from leasing business	– 36	– 34
Depreciation on leased assets and investment property	– 25	– 25
Interest expense	– 300	– 340
Total	**559**	**525**

2 | General administration expenses

in € million	1.1. – 30.06.2011	1.1. – 30.06.2010
Staff costs	– 41	– 33
Non-staff costs	– 218	– 185
Costs of advertising, PR work and sales promotion	– 12	– 7
Depreciation of property, plant and equipment and amortisation of intangible assets	– 3	– 3
Other taxes	– 1	– 1
Total	**– 275**	**– 229**

3 | Development of selected assets

in € million	Net carrying amount 1.1.2011	Additions	Disposals/other changes	Depreciation / amortisation	Net carrying amount 30.06.2011
Intangible assets	7	1	0	2	6
Property, plant and equipment	9	1	0	1	9
Leased assets	181	53	– 18	25	191

4 | Notes to the fair value hierarchy

There were no shifts between the different levels of the financial instruments measured at fair value in the first half of 2011.

Segment reporting

5 | Division by geographical markets

	Germany	Italy	France	Other branches	Consolidation	Total
in € million (1.1. – 30.06.2011)						
Revenue from lending transactions with third parties	640	52	34	68	–	794
Revenue from intersegment lending transactions	64	0	0	0	– 64	–
Segment revenue from lending transactions	704	52	34	68	– 64	794
Revenue from leasing transactions	–	21	92	–	–	113
Commission income	61	14	18	3	–	96
Revenue	**765**	**87**	**144**	**71**	**– 64**	**1,003**
Cost of sales from lending and leasing transactions	–	– 6	– 30	–	–	– 36
Write-ups on leased assets and investment property	–	–	–	–	–	–
Depreciation and impairment losses on leased assets and investment property	–	–	– 25	–	–	– 25
of which impairment losses pursuant to IAS 36	–	–	–	–	–	–
Interest expense	– 295	– 23	– 24	– 22	64	– 300
Provisions for risks arising from lending and leasing business	16	– 1	– 4	– 81	–	– 70
Commission expenses	– 42	– 11	– 15	– 2	–	– 70
Interest income not classified as revenue	13	–	–	–	–	13
Result from derivative financial instruments	11	–	–	–	–	11
Result from joint ventures accounted for using the equity method	55	–	–	–	–	55
Result from other financial assets	0	–	–	–	–	0
General administration expenses	– 209	– 24	– 22	– 21	1	– 275
Other operating result	– 61	0	– 1	0	– 1	– 63
Pre-tax result	**253**	**22**	**23**	**– 55**	**–**	**243**
Taxes on income and earnings	– 44	– 9	– 5	12	–	– 46
Net income	**209**	**13**	**18**	**– 43**	**–**	**197**
Net income attributable to Volkswagen Financial Services AG	209	13	18	– 43	–	197
in € million (30.06.2011)						
Segment assets	**18,420**	**2,383**	**2,774**	**2,961**	**–**	**26,538**
of which non-current assets	**10,048**	**1,201**	**1,280**	**601**	**–**	**13,130**
Segment liabilities	**28,372**	**2,536**	**2,299**	**2,829**	**– 7,166**	**28,870**

The presentation for the previous year is as follows:

	Germany	Italy	France	Other branches	Consolidation	Total
in € million (1.1. – 30.06.2010)						
Revenue from lending transactions with third parties	687	46	24	58	–	815
Revenue from intersegment lending transactions	60	0	0	0	– 60	–
Segment revenue from lending transactions	747	46	24	58	– 60	815
Revenue from leasing transactions	–	20	89	–	–	109
Commission income	65	15	11	3	–	94
Revenue	**812**	**81**	**124**	**61**	**– 60**	**1,018**
Cost of sales from lending and leasing transactions	–	– 4	– 30	–	–	– 34
Write-ups on leased assets and investment property	–	–	–	–	–	–
Depreciation and impairment losses on leased assets and investment property	–	–	– 25	–	–	– 25
of which impairment losses pursuant to IAS 36	–	–	–	–	–	–
Interest expense	– 335	– 25	– 21	– 19	60	– 340
Provisions for risks arising from lending and leasing business	– 156	– 13	– 16	– 18	–	– 203
Commission expenses	– 54	– 5	– 9	– 2	–	– 70
Interest income not classified as revenue	0	–	–	–	–	0
Result from derivative financial instruments	33	–	–	–	–	33
Result from joint ventures accounted for using the equity method	40	–	–	–	–	40
Result from other financial assets	0	–	–	–	–	0
General administration expenses	– 177	– 18	– 19	– 15	0	– 229
Other operating result	– 2	0	0	0	0	– 2
Pre-tax result	**161**	**16**	**4**	**7**	**–**	**188**
Taxes on income and earnings	– 36	– 5	– 1	– 2	–	– 44
Net income	**125**	**11**	**3**	**5**	**–**	**144**
Net income attributable to Volkswagen Financial Services AG	125	11	3	5	–	144
in € million (30.06.2010)						
Segment assets	**18,058**	**2,068**	**2,235**	**2,615**	**9,003**	**33,979**
of which non-current assets	**10,287**	**972**	**988**	**543**	**–**	**12,790**
Segment liabilities	**27,714**	**2,166**	**1,874**	**2,376**	**– 4,409**	**29,721**

Other notes

6 | Cash flow statement

The cash flow statement of the Volkswagen Bank GmbH Group documents the change in funds available due to the cash flows resulting from current operating activities, investing activities and financing activities. Cash and cash equivalents, narrowly defined, comprises only the cash reserve, which is made up of the cash in hand and deposits at central banks.

7 | Off-balance sheet obligations

in € million	30.06.2011	31.12.2010
Contingent liabilities		
Liabilities from surety and warranty agreements	98	100
Other obligations		
Irrevocable credit commitments	1,373	1,352

8 | Corporate bodies of Volkswagen Bank GmbH

Mr. Alfred Rodewald resigned from the Supervisory Board effective 2 April 2011.

Ms. Petra Reinheimer was appointed to the Supervisory Board of Volkswagen Bank GmbH effective 1 June 2011.

9 | Events after the balance sheet date

There were no significant events up to 13 July 2011.

10 | Responsibility statement of the Board of Management

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 financial year.

Braunschweig, 13 July 2011
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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You will also find the consolidated interim report 2011 at www.vwfsag.com/hy11

This consolidated interim report is also available in German.

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

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