

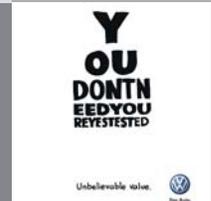
VOLKSWAGEN BANK

GMBH



Getting things done

The key to mobility.



Pioneering



Customer-focused



2	Development of business
4	Analysis of the company's business development and position
7	Opportunity and risk report
8	Personnel report
9	Anticipated developments

10	Balance sheet
12	Profit and loss account
13	Notes

Volkswagen Bank GmbH at a glance (HGB)

in € million	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Total assets	33,545	32,870	32,647	30,868	23,325
Receivables arising from					
Retail financing	15,960	16,308	14,571	11,110	11,334
Leasing business	1,149	1,045	978	923	290
Dealer financing	6,838	6,228	6,373	7,586	7,411
Customer deposits ¹	20,039	20,078	19,489	12,829	9,620
Equity	3,974	3,930	3,579	2,979	2,979
in %	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Equity ratio	11.6	12.0	11.0	9.7	12.8
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
in € million	1st half-year 2011	1st half-year 2010	1st half-year 2009	1st half-year 2008	1st half-year 2007
Result from ordinary business activities	191	219	72	164	186
Net income	84	141	41	115	117
Number	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Employees	721	631	644	669	585

RATING AS AT 30.06.2011	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 remained more or less unchanged. This positive development was contrasted by one-off effects, resulting in a net income for the half year that failed to reach the previous year's level.

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 company's business development and position

Volkswagen Bank GmbH 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 dealerships of the Volkswagen Group, customer receivables rose over the level at 31 December 2010, and net interest income including net income from leasing transactions climbed yet again compared to 30 June 2010.

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 satisfactory for Volkswagen Bank GmbH.

The result from ordinary business activities in the first half of 2011 was €190.9 million, down from €219.3 million in the same period of the previous year. Foreign branches contributed €33.7 million (previous year: €31.4 million) to earnings. The change in earnings is mainly due to substantially higher interest margins while depreciation, amortisation and write-down expenditure and allowances for doubtful receivables remained almost unchanged. However, this development is partially offset by one-off effects in connection with risk provisions.

The net interest income earned by Volkswagen Bank GmbH including the net income from leasing transactions was €658.6 million compared to €575.6 million in the same period the previous year. This increase was essentially due to the higher net interest income from retail financing. Debentures that were acquired from ABS entities resulted in interest income of €41.1 million (previous year: €50.6 million). These debentures serve to securitise receivables of both Volkswagen Leasing GmbH and Volkswagen Bank GmbH.

Interest income from lending and money market transactions including finance leasing in the amount of €836.3 million (previous year: €783.9 million) continues

to stem primarily from consumer financing, as well as from vehicle and investment financing for the dealers of the Volkswagen Group.

Volkswagen Bank GmbH succeeded in lowering its interest expense by 3.9% to €253.9 million year on year thanks to the continued execution of its diversified refinancing strategy, the flexible utilisation of its instruments and the positive developments in the capital market.

Operating leases contributed €76.2 million (previous year: €57.2 million) to net interest income.

Income from equity investments was substantially lower year on year because the respective resolutions on the appropriation of profits of material equity investments had not yet been made as at the reporting date.

The net commission income declined year on year, from €10.2 million to €-7.6 million. The increased competition in the automobile industry triggered a substantial rise in commission expenses aimed at supporting dealer loyalty. The positive net commission income that was again generated in Germany could not fully offset the negative result of the foreign branches. Commission income from the sale of receivables effected through the ABS transactions, which continues to be managed by Volkswagen Bank GmbH, also decreased year on year in the first half of 2011.

The allowances and provisions made for the lending business were measured by taking into consideration all discernible risks. 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.

Risks from legislative changes were fully taken into account in the first half of 2011 such that the result from ordinary business activities fell from €219.3 million to €190.9 million.

ASSETS AND FINANCIAL POSITION

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

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 increased by 3.8% to € 27.7 billion. The share of foreign branches in the retail lending volume rose from € 7.3 billion to € 8.1 billion. Furthermore, the company manages receivables sold through ABS transactions in the amount of € 2.5 billion (previous year: € 1.8 billion). The receivables managed by Volkswagen Bank GmbH thus increased by 5.7% from € 28.5 billion to a total of € 30.1 billion.

Retail financing

At 1,825,000 contracts, the automotive financing portfolio remained stable on the whole. At 30 June 2011, retail financing receivables were € 16.0 billion (previous year: € 16.3 billion). Foreign branches accounted for € 3.2 billion of this amount (previous year: € 2.8 billion).

Dealer financing

Total dealer financing receivables at the close of the reporting period just ended were € 6.8 billion compared to € 6.2 billion at the end of the previous year. The foreign branches accounted for € 3.3 billion of these receivables (previous year: € 3.1 billion).

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. Receivables as at the end of the first half of 2011 amounted to € 1.1 billion (previous year: € 1.0 billion). They largely comprise receivables from finance leasing.

Bonds and debentures

In 2008, the Bank had executed three ABS transactions with an aggregate volume of € 3.4 billion in securitised receivables and purchased all related senior ABS debentures to ensure its liquidity supply. As at 30 June 2011, a total of € 0.8 billion were part of the portfolio and pledged as collateral in connection with the bank's participation in the open market operations of Deutsche Bundesbank.

In 2010, the Bank executed one ABS transaction with an aggregate volume of € 1.1 billion in securitised receivables and purchased the related senior ABS debentures. This transaction resulted in a securities portfolio amounting to € 0.9 billion.

Furthermore, the company had senior ABS debentures of VCL 2008-1 GmbH, VCL 2009-1 GmbH, VCL 2009-2 GmbH, VCL 2009-3 GmbH, VCL 2010-1 GmbH and VCL 2010-2 GmbH with a total volume of € 0.8 billion in its portfolio 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. There were no open market transactions with Deutsche Bundesbank as at the balance sheet date.

Equity investments and shares in affiliated companies

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. Furthermore, Volkswagen Bank GmbH holds all shares in Volkswagen Insurance Brokers GmbH, Braunschweig, and 1% of the shares of Limited Liability Company Volkswagen Bank RUS, Moscow.

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: € 21.4 billion) and € 3.6 billion in securitised liabilities (previous year: € 3.0 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 59.7% (previous year: 61.1%).

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 decreased by € 40 million to € 318.3 million due to the repayment of an affiliate's silent partner contribution.

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.

FINANCIAL KEY PERFORMANCE INDICATORS

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

in %	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Equity ratio ¹	11.6	12.0	11.0	9.7	12.8
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 ^{3 (regulatory)}	17.9	18.6	18.0	18.8	20.8

Disclosures as at 30 June 2011 do not include net retained profits.

¹ Equity ratio = Ratio of 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

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 half-year financial 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. 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.

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. Volkswagen AG benefited disproportionately from increased 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, refining the range of products that were launched in existing markets in recent years 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.

Balance sheet as at 30 June 2011

of Volkswagen Bank GmbH, Braunschweig

in € 000		30.06.2011	31.12.2010
Assets			
1. Cash reserve			
a) Cash in hand	850		628
b) Deposits with central banks	771,551		469,755
of which:			
at the Deutsche Bundesbank € 764,442,000			(460,327)
c) Deposits with post giro offices	89		30
		772,490	470,413
2. Receivables from financial institutions			
a) Payable on demand	176,583		199,941
b) Other receivables	313,418		512,675
		490,001	712,616
3. Receivables from customers		27,672,042	26,671,361
4. Debentures and other fixed-income securities			
a) Bonds and debentures			
ab) By other issuers	2,910,394		3,350,272
of which:			
eligible as collateral at the Deutsche Bundesbank € 2,910,394,000			(3,350,272)
		2,910,394	3,350,272
5. Shares and other non-fixed-income securities		503	503
6. Equity investments		1,080,080	1,080,080
of which:			
in financial institutions € 16,106,000			(16,106)
7. Shares in affiliated companies		1,263	1,263
of which:			
in financial institutions € 447,000			(447)
8. Intangible assets		6,361	7,179
9. Tangible fixed assets		9,678	10,053
10. Leased assets		360,602	347,964
11. Other assets		216,506	195,961
12. Prepaid expenses		25,053	22,688
Total assets		33,544,973	32,870,353

in € 000		30.06.2011	31.12.2010
Equity and liabilities			
1. Liabilities to financial institutions			
a) Payable on demand	34,390		112,706
b) With agreed repayment period or period of notice	559,470		184,542
		593,860	297,248
2. Liabilities to customers			
a) Other liabilities			
aa) Payable on demand	14,753,253		14,620,904
ab) With agreed repayment period or period of notice	7,080,364		6,794,045
		21,833,617	21,414,949
3. Securitised liabilities			
a) Debentures issued	3,374,807		2,894,661
b) Other securitised liabilities	179,650		123,861
of which:			
money market papers € 179,650,000			(123,861)
		3,554,457	3,018,522
4. Other liabilities		1,983,217	2,510,135
5. Deferred income		469,156	508,629
6. Deferred tax liabilities		0	533
7. Provisions			
a) Provisions for pensions and similar obligations	55,366		53,536
b) Tax provisions	12,767		18,452
c) Other provisions	336,277		211,547
		404,410	283,535
8. Special tax-allowable reserve		1,519	1,554
9. Subordinated liabilities		615,000	790,000
10. Participation right liabilities		90,000	90,000
of which:			
due within two years € 90,000,000			(90,000)
11. Fund for general banking risks		25,565	25,565
12. Equity			
a) Subscribed capital	318,279		358,279
b) Capital reserves	3,545,800		3,545,800
c) Revenue reserves			
ca) Other revenue reserves	25,604		25,604
d) Net retained profits	84,489		0
		3,974,172	3,929,683
Total equity and liabilities		33,544,973	32,870,353
1. Contingent liabilities			
a) Liabilities from surety and warranty agreements		98,166	99,881
of which:			
to affiliated companies		59,482	63,133
2. Other obligations			
a) Irrevocable credit commitments		1,372,778	1,356,090
of which:			
to affiliated companies		178,268	122,486

Income statement

of Volkswagen Bank GmbH, Braunschweig, for the period from 1 January to 30 June 2011

in € 000			2011	2010
1. Interest income from				
a) Lending and money market transactions	795,179			733,280
b) fixed-income securities and registered government debt	41,090			50,647
		836,269		783,927
2. Interest expense		253,876		265,458
			582,393	518,469
3. Current income from				
a) Shares and other non-fixed income securities		158		4
b) Equity investments		1		2,494
			159	2,498
4. Income from leasing transactions		139,897		126,316
5. Expenses from leasing transactions		63,700		69,149
			76,197	57,167
6. Commission income		117,137		119,998
7. Commission expenses		124,750		109,830
			-7,613	10,168
8. Net trading income or expense			0	7,589
9. Other operating income			112,810	89,201
10. Income from the reversal of the special tax-allowable reserve			35	36
11. General administration expenses				
a) Staff costs				
aa) Wages and salaries	32,919			25,297
ab) Social security costs and expenses for pensions and support	8,558			7,419
of which:		41,477		32,716
for pension schemes: € 3,259,000				(3,228)
b) Other administrative expenses		233,308		194,614
			274,785	227,330
12. Depreciation, amortisation and value adjustments to intangible and tangible fixed assets and leased assets				
a) Depreciation, amortisation and value adjustments to intangible and tangible fixed assets		2,870		3,392
b) Depreciation on leased assets		53,734		56,415
			56,604	59,807
13. Other operating expenses			161,594	84,613
14. Amortisation and value adjustments to receivables and certain securities, as well as transfers to provisions for lending business			80,069	79,285
15. Income from write-ups to equity investments, shares in affiliated companies and securities treated as fixed assets			0	335
16. Result from ordinary activities			190,929	219,250
17. Extraordinary income		0		647
18. Extraordinary expenses		0		1,111
19. Extraordinary result			0	-464
20. Taxes on income and earnings			105,179	76,376
of which:				
expenditure from the change in deferred taxes € 487,000				(3,273)
21. Other taxes, unless shown under Item 13			1,261	1,100
22. Profits transferred on the basis of a profit and loss transfer agreement			0	0
23. Net income			84,489	141,310
24. Net retained profits			84,489	141,310

Notes

to the financial statements of Volkswagen Bank GmbH, Braunschweig, as at 30 June 2011

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 01 January 2002.

Under § 285 no. 21 German Commercial Code (HGB), Volkswagen Bank GmbH must disclose material transactions with related parties that are not conducted at prevailing market terms. All transactions with related parties were conducted at prevailing market terms.

II. Accounting policies

The same accounting policies that were used in the annual financial statements for 2010 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 the basic accounting principles is contained in the notes to the annual financial statements of the 2010 annual report.

III. Notes to the balance sheet

The notes to the balance sheet concern changes relative to the balance sheet date 31 December 2010.

RECEIVABLES FROM FINANCIAL INSTITUTIONS

Receivables from financial institutions include receivables from affiliated companies amounting to € 335,327,000 (previous year: € 530,516,000), receivables from joint ventures amounting to € 1,726,000 (previous year: € 3,715,000) and receivables from investors and investees amounting to € 2,457,000 (previous year: € 2,787,000).

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

- > Payable on demand € 176,583,000 (previous year: € 199,941,000)
- > Up to three months € 313,418,000 (previous year: € 463,256,000)
- > More than three months and up to one year € 0 (previous year: € 0)
- > More than one year and up to five years € 0 (previous year: € 49,419,000)
- > More than 5 years € 0 (previous year: € 0)

All receivables from financial institutions are unsecured.

RECEIVABLES FROM CUSTOMERS

This item includes receivables from affiliated companies amounting to € 1,671,592,000 (previous year: € 1,867,163,000) and receivables from joint ventures amounting to € 1,280,841,000 (previous year: € 1,208,706,000).

The maturity of the total receivables from customers, all of which are unsecured, breaks down as follows:

- > Up to three months € 6,141,914,000 (previous year: € 5,642,111,000)
- > More than three months and up to one year € 4,696,340,000 (previous year: € 4,662,652,000)
- > More than one year and up to five years € 12,766,392,000 (previous year: € 12,430,632,000)
- > More than five years € 643,768,000 (previous year: € 398,538,000).

The item "Receivables from customers" contains receivables with an indefinite maturity (under § 9 Para. 3 No.1 Ordinance on Accounting for Banks) amounting to € 3,423,628,000 (previous year: € 3,537,428,000).

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 € 1,148,785,000 (previous year: € 1,045,030,000), of which € 614,342,000 (previous year: € 566,672,000) are attributable to the French bank branch and € 534,443,000 (previous year: € 478,358,000) are attributable to the Italian bank branch.

The French bank branch accounts for receivables from retail financing totalling € 853,330,000 (previous year: € 673,498,000).

RECEIVABLES FROM SHAREHOLDERS

Receivables from our sole shareholder, Volkswagen Financial Services AG, Braunschweig, as at the balance sheet date amounted to € 2,389,000 (previous year: € 420,097,000).

DEBENTURES AND OTHER FIXED-INCOME SECURITIES

To ensure the supply of liquidity, Volkswagen Leasing GmbH executed ABS transactions. The securities issued by the acquiring special purpose entities 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. The total portfolio of these securities amounts to € 769,979,000 (previous year: € 1,067,077,000). Of this amount, € 47,150,000 (previous year: € 92,706,000) are allocated to assets and € 722,829,000 (previous year: € 974,371,000) 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. Given the lack of a market, we used our own measurement model to determine the value of these securities, which are marketable but not listed. The cash flows were discounted in that connection using a uniform interest rate swap curve of the Volkswagen Group plus a credit spread. The credit spread was validated by indirect means based on various banks' indicative prices.

This item also contains the securities that Volkswagen Bank GmbH acquired in 2008 and 2010 as part of ABS transactions. These securities worth € 1,664,091,000 (previous year: € 2,100,991,000) securitise the company's own receivables and are not measured because the risk of counterparty default is already taken into account in the receivables' measurement. The debentures are recognised at cost less repayments received during the term of the transactions.

The item also contains € 96,443,000 in debentures borrowed (previous year: € 172,433,000) and other debentures amounting to € 9,776,000 (previous year: € 9,771,000).

Volkswagen Bank GmbH acquired € 368,354,000 in euro zone state government bonds for the first time in the first half of 2011 (previous year: € 0) for the purpose of investing surplus cash. The issuers must possess a minimum rating of AAA in order to minimise any risk of default to the greatest extent possible.

The securities and debentures shown in this balance sheet item concern € 2,445,596,000 (previous year: € 3,177,839,000) in marketable but not listed securities as well as € 464,797,000 (previous year: € 172,433,000) in marketable and listed securities.

All securities in the portfolio were deposited in the safe custody account with Deutsche Bundesbank. They serve as collateral for refinancing transactions. The company did not take out any loans on the open market. The bank drew € 450,000,000 (previous year: € 0) on loans on the open market as at the reporting date.

The debentures and other fixed-income securities do not include any securities concerning affiliated companies.

SHARES AND OTHER NON-FIXED-INCOME SECURITIES

A total of € 502,000 in marketable and listed shares in VISA Inc., USA (previous year: € 502,000) were recognised by applying the strict lower-of-cost-or-market principle.

LEASED ASSETS

This item comprises € 360,602,000 (previous year: € 347,964,000) in leased vehicles related to the operating leasing business of Volkswagen Bank GmbH's French branch.

LIABILITIES TO FINANCIAL INSTITUTIONS

The maturity of the total liabilities to financial institutions, all of which are unsecured, breaks down as follows:

- > Payable on demand € 34,390,000 (previous year: € 112,706,000)
- > Up to three months € 454,138,000 (previous year: € 28,094,000)
- > More than three months and up to one year € 15,431,000 (previous year: € 59,769,000)
- > More than one year and up to five years € 47,502,000 (previous year: € 50,666,000)
- > More than five years € 42,399,000 (previous year: € 46,013,000).

As in the previous year, the liabilities to financial institutions do not contain any liabilities to affiliated companies or investors and investees.

LIABILITIES TO CUSTOMERS

The item includes unsecured liabilities to affiliated companies amounting to € 2,757,421,000 (previous year: € 2,174,033,000).

Currently, they are € 20,039,459,000 (previous year: € 20,078,104,000).

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 € 1,074,324,000 (previous year: € 2,129,391,000)
- > More than three months and up to one year € 2,566,654,000 (previous year: € 1,002,907,000)
- > More than one year and up to five years € 3,384,612,000 (previous year: € 3,601,089,000)
- > More than five years € 54,774,000 (previous year: € 60,658,000).

As in the previous year, the liabilities to customers do not contain any liabilities to investors and investees.

LIABILITIES TO SHAREHOLDERS

Liabilities to our sole shareholder, Volkswagen Financial Services AG, Braunschweig, as at the balance sheet date amounted to € 601,492,000 (previous year: € 211,525,000).

SECURITISED LIABILITIES

The securitised liabilities comprise commercial paper and debentures.

The item, "a) Debentures issued", comprises the following:

Debentures: € 3,374,807,000 (previous year: € 2,894,661,000)

Remaining maturity:

- › Up to three months € 9,807,000 (previous year: € 14,661,000)
- › More than three months and up to one year € 590,000,000 (previous year: € 1,330,000,000)
- › More than one year and up to five years € 2,775,000,000 (previous year: € 1,550,000,000)
- › More than five years € 0 (previous year: € 0)

The item, "b) Securitised liabilities", comprises the following:

Commercial paper: € 179,650,000 (previous year: € 123,861,000)

Remaining maturity:

- › Up to three months € 179,650,000 (previous year: € 123,861,000)
- › More than three months and up to one year € 0 (previous year: € 0).

The securitised liabilities do not contain any liabilities to affiliated companies or investors and investees.

OTHER LIABILITIES

Of the liabilities, € 1,701,081,000 (previous year: € 2,186,033,000) is collateralised. These liabilities stem from ABS transactions where Volkswagen Bank GmbH retains economic ownership of the receivables sold.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

There were no changes in the material actuarial calculations and assumptions of Volkswagen Bank GmbH relative to its annual financial statements for 2010.

Securities-based investment funds totalling a settlement amount of € 11,520,000 were offset against pension obligations and comparable obligations. These securities were purchased at a cost of € 11,885,000, and their fair value as at the balance sheet date was € 11,520,000. The securities were measured at their balance sheet date closing price.

A total of € 70,000 in expenses from the fair value obligation of the securities-based investment fund were offset against € 70,000 in interest income related to provisions in connection with the netting of the fair value obligation and the respective securities-based investment funds.

SUBORDINATED LIABILITIES

The total volume decreased by € 175 million 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 € 9,025,000 (previous year: € 6,260,000).

The expenses in connection with the raising of subordinated borrower's note loans amounted to € 3,443,000 (previous year: € 3,443,000).

The subordinated liabilities to affiliated companies amount to € 295,000,000 (previous year: € 340,000,000). This item includes € 125,000,000 in liabilities to our sole shareholder (previous year: € 170,000,000) and € 170,000,000 in liabilities to other affiliated companies (previous year: € 170,000,000).

SUBORDINATED BONDS

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

PARTICIPATION RIGHT LIABILITIES

Participation right liabilities are no longer included in the liable capital because this past year the residual term fell below the two-year threshold.

Of the obligations totalling € 90,000,000, € 825,000 are attributable to affiliated companies, as in the previous year. Derivative transactions were undertaken in order to hedge interest rate risks. The expenses in connection with the raising of funds amounted to € 3,221,000 (previous year: € 3,219,000).

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".

DEVELOPMENT OF THE FIXED ASSETS OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG, FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011

in € 000	GROSS BOOK VALUES					Balance 30.06.2011
	Brought forward 1.1.2011	Additions	Disposals	Reclassifi- cation	Foreign currency translation	
Debentures and other fixed-income securities	1,194,330	0	442,132	0	0	752,198
Equity investments	1,080,080	0	0	0	0	1,080,080
Shares in affiliated companies	1,263	0	0	0	0	1,263
Intangible assets	167,092	986	0	0	0	168,078
Land, similar rights and buildings on land owned by others	23,320	0	124	0	0	23,196
Other equipment, operating and office equipment	13,507	1,094	652	0	0	13,949
Leased assets	511,666	108,054	97,867	0	0	521,853
Total fixed assets	2,991,258	110,134	540,775	0	0	2,560,617

in € 000	VALUE ADJUSTMENTS					NET BOOK VALUES		
	Brought forward 1.1.2011	Additions	Disposals	Write-ups	Foreign currency translation	Balance 30.06.2011	Balance 30.06.2011	Balance 31.12.2010
Debentures and other fixed-income securities	0	0	0	0	0	0	752,198	1,194,330
Equity investments	0	0	0	0	0	0	1,080,080	1,080,080
Shares in affiliated companies	0	0	0	0	0	0	1,263	1,263
Intangible assets	159,913	1,836	0	0	-32	161,717	6,361	7,179
Land, similar rights and buildings on land owned by others	16,935	394	62	0	0	17,267	5,929	6,385
Other equipment, operating and office equipment	9,839	639	278	0	0	10,200	3,749	3,668
Leased assets	163,702	53,734	56,185	0	0	161,251	360,602	347,964
Total fixed assets	350,389	56,603	56,525	0	-32	350,435	2,210,182	2,640,869

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 (01.01.2010 – 30.06.2010).

INTEREST INCOME FROM LENDING AND MONEY MARKET TRANSACTIONS

The proportion of interest income generated at the foreign branches is 26.2% (previous year: 23.7%). 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 € 41,533,000 in income from finance leasing (previous year: € 41,130,000).

INCOME FROM LEASING TRANSACTIONS

The income from leasing transactions comprises earnings from operating leasing that are generated by the bank's branch in France. The total amount was € 139,897,000 (previous year: € 126,316,000).

EXPENSES FROM LEASING TRANSACTIONS

The expenses from leasing transactions amounting to € 63,700,000 (previous year: € 69,149,000) basically concern the derecognition of residual book values upon expiration of the leasing agreements.

COMMISSION INCOME

Commission income essentially results from selling insurance, especially residual debt insurance, 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 € 602,000 (previous year: 1,452,000) which is not related to the accounting period and which essentially results from special compensation for residual debt and unemployment insurance as well as from brokering securities transactions.

Commission expenses essentially comprise dealer commissions in the consumer lending business and commissions from the leasing business.

GENERAL ADMINISTRATION EXPENSES

The general administration expenses totalled € 274,785,000 (previous year: € 227,330,000). Aside from the personnel expenses of € 41,477,000 (previous year: € 32,716,000), allocated Group company costs of € 108,104,000 (previous year: € 95,396,000) accounted for a substantial portion of these expenses. There essentially concerned personnel leases and IT services.

DEPRECIATION, AMORTISATION AND VALUE ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS AND LEASED ASSETS

Depreciation on leased assets amounting to € 53,734,000 (previous year: 56,415,000) is shown as a separate sub-item of this item.

The depreciation of the leased assets recognises the decline in the value of the leased vehicles belonging to the French branch. The straight-line method is used in that connection.

DEFERRED TAXES

Solely € 38,162,000 (previous year: € 18,781,000) in the branches' deferred tax assets and € 28,841,000 (previous year: € 19,314,000) in their deferred tax liabilities were offset under the deferred taxes.

Offsetting tax assets and tax liabilities yields an excess of € 9,321,000 in tax assets (previous year: € 0), which will not be capitalised, given the option under § 274 German Commercial Code.

The determination was made individually at the tax rates applicable in the given countries. The deferred tax liabilities arise only in the French branch in the amount of € 28,841,000 (previous year: € 19,314,000) and result almost exclusively from the differences in the leased assets' useful lives.

For the most part, deferred tax assets arise in the company's Greek, Italian and Spanish branches, basically due to variations in the recognition of intangible assets as well as to the value adjustments.

V. Other notes

CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

Aside from one individual credit commitment in the amount of € 150 million to a joint venture, all irrevocable credit commitments are related to the regular banking business. They can be utilised at any time. These loans are subject to general credit monitoring rules and regulations if they are used.

The contingent liabilities in the amount of € 98,166,000 solely comprise guarantees.

Of the guarantees, GBP 50 million concern Volkswagen Financial Services (UK.) Ltd, € 25,040,000 concern international customers and € 13,561,000 concern the hedging of risks arising from dealerships' liabilities.

The risk of liability under the guarantees is considered relatively low because a substantial portion of the total guarantee amount serves to hedge liabilities of Volkswagen AG Group companies.

FOREIGN CURRENCIES

The total of assets in foreign currency on the balance sheet date amounted to € 1,970,283,000 (previous year: € 1,715,945,000). Foreign currency liabilities amounted to € 50,358,000 (previous year: € 105,714,000).

The volume of open forward exchange deals in foreign currencies as at the reporting date was € 1,833,744,000 (previous year: € 1,454,126,000). The nominal value of the currency swaps was € 83,817,000 (previous year: € 43,082,000) and that of the interest rate/currency swaps was € 76,702,000 (previous year: € 0).

INFORMATION ON CORPORATE BODIES

THE SUPERVISORY BOARD OF VOLKSWAGEN BANK GMBH

The following information is disclosed in addition to that provided in the 2010 annual report:

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.

SEATS ON SUPERVISORY BODIES – INFORMATION DISCLOSED IN ACCORDANCE WITH § 340A (4) HGB

The following information is disclosed in addition to that provided in the 2010 annual report:

Dirk Pans resigned from his offices.

Christian Löbke has been appointed to an office at the following company:

› Volkswagen Bank S.A. Institución de Banca Múltiple, Puebla, Mexico

Deputy member of the Consejo de Administración

Dr. Michael Reinhart has been appointed to a further office at the following company:

› Volkswagen Participações Ltda., São Paulo, Brazil

Member of the Conselho de Administração

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 material opportunities and risks associated with the expected development of Volkswagen Bank GmbH.

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 find the half-year financial report 2011 at www.vwfs.com/hy11.

This half-year financial 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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Volkswagen Bank

Kollektion mit finanzieller Bewegungsfreiheit:
Die STYLE Sondermodelle im „All-Inclusive-Paket“.



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