

VOLKSWAGEN BANK

G M B H



January – June 2008

Consolidated Interim Report 2008

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THE VOLKSWAGEN BANK GMBH GROUP AT A GLANCE

in € million	30.6.2008	31.12.2007
Total assets	29,627	26,539
Receivables from customers arising from		
Retail financing	14,980	14,078
Dealer financing	7,906	7,465
Leasing business	989	292
Customer deposits	11,620	9,620
Equity	3,541	3,379

in € million	1st half-year 2008	1st half-year 2007
Pre-tax result	216	224
Net income for the half-year	166	159

in %	30.6.2008	31.12.2007
Equity ratio	12.0	12.7

in %	31.3.2008	31.12.2007
Core capital ratio ¹	13.3	14.2
Overall ratio ¹	19.6	20.8

Number	30.6.2008	31.12.2007
Employees	689	585

Rating as at 30.6.2008	Standard & Poor's			Moody's Investors Service		
	short-term	long-term	outlook	short-term	long-term	outlook
Volkswagen Bank GmbH	A-1	A	stable	Prime-1	A2	stable
Volkswagen Financial Services AG	A-2	A-	stable	Prime-2	A3	positive

¹ The regulatory core capital ratio/overall ratio is calculated in accordance with the standardised approach to credit and operational risks.

Key facts

- The total assets of the Volkswagen Bank GmbH Group in the reporting period from January to June 2008 increased by 11.6 % to € 29.6 billion compared to 31 December 2007.
- The result before taxes of the Volkswagen Bank GmbH Group in the reporting period was € 216 million, compared to € 224 million for the same period in the previous year.
- Market penetration in terms of new vehicle financing in Germany, the Group's largest market, remained at the previous year's high level.
- As at 30 June 2008, the company had 1,619,000 retail financing contracts under management. This translates into an increase of 5.4 % compared to 31 December 2007.
- Customer deposits rose 20.8 % or € 2.0 billion while receivables from customers climbed 12.0 % to € 25.8 billion.
- More than three out of four Volkswagen customers decided to purchase the product bundles comprising financing, automobile insurance and other vehicle-related services.
- For the second year in a row, the German auto magazine "auto, motor und sport" elected Volkswagen Bank GmbH the "Best Brand 2008" among automobile banks.
- AutoEuropa Bank, a branch of Volkswagen Bank GmbH, continued along its growth trajectory, increasing its new business in the first six months of 2008 by 32 % over the comparable previous year period.
- The Irish branch of Volkswagen Bank GmbH launched its operations in the retail financing market in April 2008.
- VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, was merged into the bank's French branch during the reporting period, effective 1 January 2008.

Group interim management report

Economic environment

Global economy

Global economic growth weakened substantially in the second quarter of 2008, due in particular to continuously rising oil prices and the fallout from the financial crisis. The worldwide increase in inflationary pressures has caused many countries to adopt more restrictive monetary policies. Yet the economies of emerging countries in Asia, South America as well as Central and Eastern Europe continued to grow unabated.

In Western Europe, growth slowed significantly in the second quarter of 2008. With the exception of Hungary, the economic expansion in Central and Eastern European countries remained relatively strong. However, ongoing inflationary pressures, currency appreciation and diminishing prospects for exporters dampened economic expectations.

Germany has seen a sharp decline in the economic factors driving growth. Continually rising prices for foodstuffs and energy are increasingly undermining consumption and investment. And the strength of the euro as well as declining growth worldwide are burdening the export sector.

Financial and automobile markets

In addition to the uncertainty that has gripped global financial markets since the middle of 2007 in the wake of the US subprime crisis, the ramifications of the sharp increase in commodity prices, especially for crude oil, have also had a major impact. The resulting inflationary pressures have triggered the first signs of an economic downturn in the industrial nations, especially in the United States. Despite central banks' countermeasures, this pressure made itself felt in the financial markets in the first six months of 2008 through sharp interest rate increases, which in turn resulted in considerable increases in refinancing expense. All of this was intensified in the area of refinancing by the dramatic decline in the volume of new issues on the securitised receivables market.

The deposit business in Germany clearly reflected the refinancing bottleneck. In the first six months of 2008, the direct access to the market provided by the Internet further intensified competition in regards to terms offered, particularly due to the activities of both domestic and international competitors on the Web.

The automobile financing business registered a slight upturn at the start of the current year as a result of the upward trend in newly registered cars, which benefited the captives. But fierce competition continued to limit opportunities for improving margins.

In the period under review, registrations of new passenger cars worldwide surpassed the previous year's level (+ 1.0 %). Especially the regions Asia Pacific, Central and Eastern Europe as well as South America posted above-average growth rates in this area while demand for passenger cars in Japan, Western Europe and particularly North America continued to decline.

In Western Europe, the number of newly registered cars was slightly lower year on year in the first six months of 2008. While the French passenger car market posted a slight gain, demand weakened substantially in both Italy and Spain and slightly in the United Kingdom. Growth rates remained high in Central and Eastern Europe during the reporting period, with Russia and the Ukraine being by far the region's most important growth markets.

In Germany, high fuel prices and the uncertainty regarding the details of a future CO₂ based car tax prevented the auto industry from continuing its recovery. The country's passenger car market rose but slightly in the first half of 2008 compared to the same period the previous year.

The Volkswagen Bank GmbH Group

Volkswagen Bank GmbH is a wholly-owned subsidiary of Volkswagen Financial Services AG, Brunswick, which in turn is a wholly-owned subsidiary of Volkswagen AG, Wolfsburg.

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).

Volkswagen Bank GmbH has an indirect stake in LeasePlan Corporation N.V., Amsterdam – Europe's largest provider of multi-brand fleet management – via its 50 % interest in Global Mobility Holding B.V., Amsterdam. The bank also holds 60 % of the shares of VOLKSWAGEN BANK POLSKA S.A.,

Warsaw. VOLKSWAGEN BANK POLSKA S.A. provides automotive financial services in Poland. Both companies are included at equity in the consolidated financial statements of Volkswagen Bank GmbH. The result from this shareholding as at 30 June 2008 was € 55 million (previous year: € 60 million).

The ABS transactions of Volkswagen Bank GmbH are handled by special purpose entities that are fully consolidated in the interim consolidated financial statements of Volkswagen Bank GmbH. These entities are: Driver One GmbH, Driver Two GmbH, Driver Three GmbH, Driver Four GmbH, Driver Five GmbH as well as Private Driver 2007 GmbH and Private Driver 2008-1 GmbH (all with registered offices in Frankfurt/Main).

In the reporting period, Volkswagen Bank GmbH acquired VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, from Volkswagen HOLDING FINANCIÈRE S.A., Villers-Cotterêts, France, and merged the acquired company into the bank's French branch effective 1 January 2008. As a result, Volkswagen Bank GmbH has been conducting both the finance leasing business and the operating leasing business through its French branch since 1 January 2008.

No other substantial changes occurred in the first half of 2008 relative to the description in the 2007 annual report.

Analysis of the business performance and position of the Volkswagen Bank GmbH Group

The Volkswagen Bank Group was able to further strengthen its market position and increase its receivables and contract volume in 2008.

In the retail financing segment, the bank continued its close collaboration with the brands of the Volkswagen Group. This cooperation with Volkswagen Group dealers helped to lift both the number of new contracts and current contracts above the level recorded for the same period in the previous year.

We dispensed with the purchase price allocation pursuant to IFRS 3 because the merger with VOLKSWAGEN FINANCE S.A. constitutes a business combination within the Volkswagen Financial Services AG Group, thus satisfying the criterion that both companies are under common control.

The assets and liabilities that were taken over from VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, were thus recognised at the carrying amounts from the point of view of Volkswagen Financial Services AG, which is the next-higher company in the hierarchy.

The negative goodwill resulting from the merger was charged directly to the bank's equity.

The deposit volume, which had been built up continually in previous years, rose despite intensified competition in the direct banking business.

Compared to the close of the previous financial year, receivables in dealer financing rose from € 7.5 billion by 5.9 % to € 7.9 billion.

The refinancing expense of the Volkswagen Bank Group was managed in line with the capital markets in the first half year of 2008 through the securitisation of receivables by way of additional ABS transactions, the ongoing expansion of the deposit business and the continued rating differentiation relative to both Volkswagen AG and Volkswagen Financial Services AG.

In the first six months of 2008, Driver Five GmbH issued asset-backed notes from securitised German credit receivables with a volume of around € 1.5 billion. Additional receivables totaling € 0.3 billion were securitised through Private Driver 2008-1 GmbH. They were refinanced by way of a private placement.

Results of operations

The notes on the results of operations concern changes relative to the same period the previous year (1.1.2007 – 30.6.2007).

The result before taxes in the first half of 2008 was € 216 million, compared to € 224 million the same period the previous year. Foreign branches contributed € 52 million (previous year: € 40 million) to consolidated earnings.

Given the volume increases, the net income from lending and leasing transactions before risk provisions of the Volkswagen Bank GmbH Group rose from € 329 million the previous year to € 369 million the current year despite the increasing pressures from both the competition and the capital markets.

Interest income from lending transactions before risk provisions in the amount of € 842 million (previous year: € 703 million) stems primarily from consumer financing, as well as from vehicle and investment financing for the dealers of the Volkswagen Group.

Net income from leasing transactions before risk provisions climbed by € 33 million to € 41 million, particularly after VOLKSWAGEN FINANCE S.A. was merged into the bank's French branch.

Both volume growth and rising interest rates contributed to the higher interest income.

Yet the interest expense of the Volkswagen Bank Group rose to a total of € 514 million (previous year: € 382 million) in connection with both the volume growth and the current development on 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. Continual risk analysis plus the balanced management of receivables and collection are designed to minimise the default rate to the extent possible. Nevertheless, the risk provision required for write-downs and bad debt allowances was significantly higher than in the previous year.

The net commission income rose year on year, from € 38 million by 7.9 % to € 41 million. Commission income resulting in particular from the insurance brokerage business rose substantially.

Volkswagen Bank GmbH was responsible for all primary costs within the Volkswagen Financial Services AG Group until 30 June 2007. All the staff and non-staff costs of the domestic affiliates were incurred by Volkswagen Bank GmbH and were debited to the other companies on the basis of internal cost allocations. In this respect, administration expenses reported are directly related to other operating income. Since 1 July 2007, the primary costs have essentially been recognised by the originating companies. Shifting substantial portions of Volkswagen Bank GmbH's staff to Volkswagen Financial Services AG has resulted in a significant reduction in staff costs. Administration expenses however, have climbed because Volkswagen Financial Services AG bills them to Volkswagen Bank GmbH on a pro rata basis. Other administration expenses are primarily attributable to measures aimed at ensuring customer loyalty and gaining new customers, product development, regulatory compliance, and the ongoing optimisation of the quality of customer service.

The sale of assets within the Volkswagen Financial Services AG Group was recognised under the "Other operating expenses/ other operating income" item until 30 June 2007. The amount shown in other operating expenses was essentially compensated for in the corresponding item. Effective 2 July 2007, fixed assets valued at € 8.4 million were transferred to Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Brunswick.

Summary

The pre-tax result for the first half of 2008 decreased compared to the same period the previous year. The Volkswagen Bank Group sought to counteract the developments in the capital market by means of a balanced refinancing and hedging strategy. 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 2007.

Lending business

The lending business of the Volkswagen Bank Group focuses on the provision of loans to private and commercial customers. The receivables shown in the balance sheet total € 25.8 billion (previous year: € 23.0 billion). The retail lending volume of the foreign branches increased from € 5.8 billion to € 7.1 billion, essentially as a result of the expansion of the French branch.

Retail financing

As at 30 June 2008, the company had 1,619,000 retail financing contracts under management. This translates into a year-on-year increase of 5.4 %.

Receivables rose by 6.4 % to € 15.0 billion during the same period. Additions from branches (+ € 0.4 billion) were due almost exclusively to the merger of VOLKSWAGEN FINANCE S.A. with the French branch.

Market penetration in Germany, the Group's largest market, remained at the previous year's high level.

Dealer financing

Last year's restructuring of our sales organisations now enables us to offer corporate customers an integrated approach. Corporate customers are both sellers of retail products and users of products aimed at corporate customers, and increased attention to these dual role will be paid in the future.

The dealer financing volume in Germany rose yet again over the high level as at 31 December 2007. The foreign markets succeeded in enhancing their dealer financing volume overall.

Receivables from the leasing business

Volkswagen Bank GmbH offers finance leasing and operating leasing through its foreign branches. Following the merger with VOLKSWAGEN FINANCE S.A., the French branch now 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 2008 totalled € 1.0 billion (previous year: € 0.3 billion), largely due to 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.

Deposit business and borrowings

Besides equity, the main liability items are € 13.2 billion in liabilities to customers including the direct banking business (previous year: € 11.3 billion), 9.6 billion in securitised liabilities (previous year: € 9.0 billion).

Direct banking business

The deposit-taking business of Volkswagen Bank showed a positive development. At mid-year, the customer deposit volume reached € 11.6 billion, up 20.8 % compared to 31 December 2007 (€ 9.6 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 39.2 % (previous year: 36.2 %). As a result of several sales partnerships, the number of customers also increased by 14 %.

Equity

The subscribed capital of Volkswagen Bank GmbH remained unchanged at € 0.3 billion in the first half of 2008.

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 %	30.6.2008	31.12.2007	31.12.2006
Equity ratio	12.0	12.7	12.7
in %	31.3.2008	31.12.2007	31.12.2006
Core capital ratio ¹	13.3	14.2	13.4
Overall ratio ¹	19.6	20.8	20.1

¹ Core capital and overall ratio (regulatory)

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

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

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

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

Risk report

There have been no significant changes relative to the disclosures in the "Risk report" of the 2007 annual report, which described all potential risks as well as the risk management methods employed.

Risks in the dealer financing segment are expected to increase slightly in the second six months of 2008 – especially in Germany – given the continued weakness of earnings of vehicle dealers.

There are no indications, either direct or indirect, that the US subprime crisis and its consequences for the international financial markets will affect Volkswagen Bank GmbH's exposure to risk. Volkswagen Bank GmbH is not active on the American market and this risk segment is not part of its business strategy.

Opportunities

Relative to the chapter entitled "Opportunities for Volkswagen Bank GmbH" in the 2007 annual report, no major changes are expected for the second half of 2008 in terms of opportunities.

Personnel report

The restructuring of the German legal entities of the Volkswagen Financial Services AG Group was brought to a successful conclusion in 2007. The employees of Volkswagen Financial Services AG now work for the relevant subsidiaries under staff leasing agreements.

As a result, 773 employees of Volkswagen Financial Services AG were working in Volkswagen Bank GmbH's business units at 30 June 2008. Given the finalisation of the restructuring, the number of leased employees was 41.3 % lower than at the close of 2007 (1,316 leased employees).

However, Volkswagen Bank GmbH continues to employ certain staff directly due to regulatory requirements. At 30 June 2008, this staff numbered 689 (31.12.2007: 585), 161 of which are employed in Germany.

Report on the branches and branch offices

One change occurred in the first half of 2008 relative to the description in the 2007 annual report. The branches of Volkswagen Bank GmbH had 528 employees as at 30 June 2008 (31.12.2007: 370). The increase by 158 staff is due to the fact that the employees of VOLKSWAGEN FINANCE S.A. France now have employment contracts with the French branch of Volkswagen Bank GmbH.

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 2008.

Anticipated developments

Global economy

Continually rising prices for commodities and energy coupled with the uncertainty regarding both the duration and the consequences of the financial crisis in the United States will continue to affect the global economy in the second half of 2008.

Automobile and financial markets

We thus expect a year-on-year downturn in growth on the world's automobile markets in 2008. South America, Russia, India and China will continue to be the world's growth drivers even though the pace will slow down somewhat in South America. The number of new car registrations is expected to decrease in Western Europe and the United States.

The mood in the international financial markets will probably remain quite anxious in the second half of 2008. Two contrasting factors are at work here: for one, the negative impact of the American subprime crisis as well as the inflationary ramifications of soaring crude oil prices and for another, the unabated dynamic of those countries with high growth rates that continue to stimulate the global economy. Given these uncertain times, the liquidity situation in both the money and interbank markets will remain tight.

An upturn in banks' refinancing of the securitised loan business by issuing tradable securities such as ABS is unlikely in the near future. The market now believes that the securitisation model used to date requires new standards, which must be developed both out of market participants' reactions and expected changes in the regulatory environment.

Development of Volkswagen Bank GmbH

There have been no fundamental changes in the developments forecasted in the 2007 annual report concerning our expectations for automotive sales and the resulting effects on the financial services business, as well as the utilisation of potentials within the automotive value-added chain.

We will continue to pursue our national and international activities, paying particular attention to cost management and process optimisation with the aim of improving our competitive position in the second half of 2008.

The Board of Management of Volkswagen Bank GmbH expects earnings for the full financial year 2008 to be slightly below those of the previous year.

INCOME STATEMENT OF THE VOLKSWAGEN BANK GMBH GROUP

	Notes	1.1. - 30.6.2008 € million	1.1. - 30.6.2007 € million	Change in %
Interest income from lending transactions <u>before</u> provisions for risks		842	703	19.8
Net income from leasing transactions <u>before</u> provisions for risks		41	8	X
Interest expenses		514	382	34.6
Net income from lending and leasing transactions <u>before</u> provisions for risks	(1)	369	329	12.2
Provisions for risks arising from lending and leasing business		93	42	X
Net income from lending and leasing transactions <u>after</u> provisions for risks		276	287	- 3.8
Commission income		90	79	13.9
Commission expenses		49	41	19.5
Net commission income		41	38	7.9
Result from derivative financial instruments		3	- 19	X
Result from joint ventures accounted for at equity		55	60	- 8.3
General administration expenses	(2)	205	301	- 31.9
Other operating result		46	159	- 71.1
Pre-tax result		216	224	- 3.6
Taxes on income and earnings		50	65	- 23.1
Net income for the half-year		166	159	4.4
Net income attributable to Volkswagen Financial Services AG		166	159	4.4

BALANCE SHEET OF THE VOLKSWAGEN BANK GMBH GROUP

Assets	Notes	30.6.2008 € million	31.12.2007 € million	Change in %
Cash reserve		497	435	14.3
Receivables from financial institutions		1,062	1,132	- 6.2
Receivables from customers arising from				
Retail financing		14,980	14,078	6.4
Dealer financing		7,906	7,465	5.9
Leasing business		989	292	X
Other receivables		1,916	1,185	61.7
Receivables from customers in total		25,791	23,020	12.0
Derivative financial instruments		222	149	49.0
Joint ventures accounted for at equity		1,326	1,290	2.8
Intangible assets	(3)	4	4	-
Property, plant and equipment	(3)	14	21	- 33.3
Leased assets	(3)	170	-	X
Investment property		2	-	X
Deferred tax assets		419	423	- 0.9
Income tax assets		41	16	X
Other assets		79	49	61.2
Total		29,627	26,539	11.6

Liabilities	Notes	30.6.2008 € million	31.12.2007 € million	Change in %
Liabilities to financial institutions		1,121	765	46.5
Liabilities to customers		13,160	11,254	16.9
Securitised liabilities	(4)	9,550	8,984	6.3
Derivative financial instruments		169	108	56.5
Provisions		71	75	- 5.3
Deferred tax liabilities		388	363	6.9
Income tax obligations		24	28	- 14.3
Other liabilities		35	40	- 12.5
Subordinated capital		1,568	1,543	1.6
Equity	(5)	3,541	3,379	4.8
Subscribed capital		318	318	-
Capital reserve		2,596	2,596	-
Retained earnings		275	279	- 1.4
Consolidated net retained profits		352	186	89.2
Total		29,627	26,539	11.6

STATEMENT OF RECOGNISED INCOME AND EXPENSE OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	1.1. – 30.6.2008	1.1. – 30.6.2007
Actuarial gains and losses	5	–
Cash flow hedges:		
– Fair value changes recognised in equity	28	21
– Recognised in the income statement	– 6	– 2
Currency translation differences	– 10	0
Deferred taxes on items recognised directly in equity	– 8	– 7
Income and expense of shares measured at equity, recognised directly in equity, after taxes	11	1
Income and expense recognised directly in equity	20	13
Net income for the half-year	166	159
Recognised income and expense	186	172

Equity is shown in note (5).

CASH FLOW STATEMENT OF THE VOLKSWAGEN BANK GMBH GROUP

€ million	1.1. – 30.6.2008	1.1. – 30.6.2007
Net income for the half-year	166	159
Depreciation, value adjustments and write-ups	133	56
Change in provisions	– 8	– 8
Change in other items not affecting payments	– 12	– 42
Result from the sale of financial assets and property, plant and equipment	–	2
Interest result and dividend income	– 392	– 330
Other adjustments	42	69
Change in receivables from financial institutions	78	573
Change in receivables from customers	– 1,899	– 2,308
Change in other assets from operating activities	– 6	– 7
Change in liabilities to financial institutions	– 224	– 174
Change in liabilities to customers	1,695	615
Change in securitised liabilities	565	1,365
Change in other liabilities from operating activities	– 12	– 8
Interest received	876	711
Dividends received	30	5
Interest paid	– 514	– 382
Income tax payments	– 66	– 47
Cash flow from operating activities	452	249
Cash inflows from the sale of leased assets and investment property	20	–
Cash outflows from the purchase of leased assets and investment property	– 42	–
Cash inflows from the sale of subsidiaries and joint ventures	–	–
Cash outflows from the purchase of subsidiaries and joint ventures	– 177	–
Cash inflows from the sale of other assets	11	11
Cash outflows from the purchase of other assets	– 3	– 15
Change in investments in securities	–	–
Cash flow from investing activities	– 191	– 4
Cash inflows from changes in capital	–	–
Profit transfer to Volkswagen Financial Services AG	– 224	– 235
Change in funds resulting from subordinated capital	25	6
Cash flow from financing activities	– 199	– 229
Cash and cash equivalents at the end of the previous period	435	370
Cash flow from operating activities	452	249
Cash flow from investing activities	– 191	– 4
Cash flow from financing activities	– 199	– 229
Effects from exchange rate changes	–	–
Cash and cash equivalents at the end of the period	497	386

Notes to the consolidated financial statements of the Volkswagen Bank GmbH Group as at 30.6.2008

General comments

Volkswagen Bank GmbH (VW Bank GmbH) is a limited liability company under German law. It has its head office in Gifhorner Strasse, Brunswick, and is registered in the Brunswick Register of Companies (under file number HRB 3790).

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

Group accounting principles

The 2007 financial year was the first year for which Volkswagen Bank GmbH prepared its consolidated financial statements 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 2008 was also prepared in accordance with IAS 34.

This interim report has not been subjected to a review.

Accounting policies

The same consolidation principles and accounting policies that were used in the consolidated financial statements for 2007 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 2007 annual report. It may be downloaded from our website at www.vwfs.de.

As a result of the merger with VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, Volkswagen Bank GmbH is now also engaged in operating leasing. In this case, the leased items are shown in the consolidated balance sheet in the separate item, leased assets, measured at cost less regular straight-line depreciation over the term of the lease to the imputed residual value. Impairments identified on the basis of the impairment test in compliance with IAS 36 are recognised through write-downs and adjustments of the depreciation rates. Write-ups are made if the reasons for write-downs in previous years no longer apply. Write-downs and write-ups are contained in the net income from leasing transactions before provisions for risks. Leasing income is recognised on a straight-line basis over the term of the lease and comprises the interest and repayment portions.

Furthermore, the item, investment property, is shown in the balance sheet for the first time. This item concerns land and buildings which serve to obtain rental income. They are recognised at depreciated cost. Depreciation is carried out using the straight-line method over the agreed useful life of ten to 50 years. Impairments identified on the basis of the impairment test in compliance with IAS 36 are recognised through write-downs.

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).

In the reporting period, Volkswagen Bank GmbH acquired VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, from Volkswagen HOLDING FINANCIÈRE S.A., Villers-Cotterêts, France, and merged the acquired company into the bank's French branch effective 1 January 2008.

We dispensed with the purchase price allocation pursuant to IFRS 3 because this merger constitutes a business combination within the Volkswagen Financial Services AG Group, thus satisfying the criterion that both companies are under common control.

The assets and liabilities that were taken over from VOLKSWAGEN FINANCE S.A., Villers-Cotterêts, France, were thus recognised at the carrying amounts from the point of view of Volkswagen Financial Services AG, which is the next-higher company in the hierarchy.

The negative goodwill resulting from the merger was charged directly to the bank's equity.

Notes to the consolidated financial statements**(1) Net income from lending and leasing transactions before provisions for risks**

€ million	1.1. – 30.6.2008	1.1. – 30.6.2007
Interest income from lending and money market transactions	842	703
Income from leasing transactions	95	8
Expenses from leasing business	31	0
Depreciation on leased assets and investment property	23	–
Interest expense	514	382
Total	369	329

(2) General administration expenses

€ million	1.1. – 30.6.2008	1.1. – 30.6.2007
Staff costs	34	149
Non-staff costs	158	134
Costs of advertising, PR work and sales promotion	10	12
Depreciation of property, plant and equipment and amortisation of intangible assets	2	5
Other taxes	1	1
Total	205	301

(3) Development of selected assets

€ million	Net carrying amount as at 1.1.2008	Changes in the basis of consolidation	Additions	Disposals / other changes	Depreciation / amortisation	Net carrying amount as at 30.6.2008
Intangible assets	4	1	1	- 1	1	4
Property, plant and equipment	21	3	2	- 10	2	14
Leased assets	-	171	42	- 20	23	170

(4) Securitised liabilities

In the reporting period, securitised liabilities totalling € 1,508 million were issued and securitised liabilities totalling € 1,876 million were repaid.

(5) Statement of changes in equity

€ million	Subscribed capital	Capital reserve	Retained earnings including consolidated net retained profits				Shares measured at equity	Total equity
			Accumulated profits	Currency translation reserve	Reserve for cash flow hedges	Reserve for actuarial gains and losses		
Balance as at 1.1.2007	318	2,296	356	-	14	- 22	25	2,987
Payment into the capital reserve	-	300	-	-	-	-	-	300
Dividends paid/profit transferred to Volkswagen Financial Services AG	-	-	- 223	-	-	-	-	- 223
Actuarial gains and losses	-	-	-	-	-	26	-	26
Cash flow hedges:								
Fair value changes recognised in equity	-	-	-	-	12	-	- 5	7
Recognised in the income statement	-	-	-	-	- 4	-	-	- 4
Currency translation differences	-	-	-	- 17	-	-	- 10	- 27
Deferred taxes on items recognised directly in equity	-	-	-	-	- 1	- 11	1	- 11
Result after taxes	-	-	323	-	-	-	-	323
Other changes	-	-	-	-	-	-	1	1
Balance as at 31.12.2007/1.1.2008	318	2,596	456	- 17	21	- 7	12	3,379
Payment into the capital reserve	-	-	-	-	-	-	-	-
Dividends paid/profit transferred to Volkswagen Financial Services AG	-	-	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	5	-	5
Cash flow hedges:								
Fair value changes recognised in equity	-	-	-	-	28	-	8	36
Recognised in the income statement	-	-	-	-	- 6	-	-	- 6
Currency translation differences	-	-	-	- 10	-	0	4	- 6
Deferred taxes on items recognised directly in equity	-	-	-	-	- 7	- 1	- 1	- 9
Net income for the half-year	-	-	166	-	-	-	-	166
Other changes	-	-	- 24	-	-	-	-	- 24
Balance as at 30.6.2008	318	2,596	598	- 27	36	- 3	23	3,541

Segment reporting

(6) Division by geographical markets:

€ million	1.1. – 30.6.2008						Total
	Germany	Italy	France	United Kingdom	Other branches	Consolidation	
Interest income from lending transactions with third parties	635	70	35	52	50	–	842
Interest income from intersegment lending transactions	132	0	–	–	–	– 132	–
Segment interest income from lending transactions	767	70	35	52	50	– 132	842
Net income from leasing transactions	–	10	31	–	–	–	41
Interest expenses	497	48	35	35	31	– 132	514
Net income from lending and leasing transactions <u>before</u> provisions for risks	270	32	31	17	19	–	369
Provisions for risks arising from lending and leasing business	82	3	3	0	5	–	93
Net income from lending and leasing transactions <u>after</u> provisions for risks	188	29	28	17	14	–	276
Net commission income	30	11	– 1	–	1	–	41
Result from derivative financial instruments	3	–	–	–	–	–	3
Result from joint ventures accounted for at equity	55	–	–	–	–	–	55
General administration expenses	157	18	14	4	12	0	205
Other operating result	45	– 1	1	1	0	0	46
Pre-tax result	164	21	14	14	3	–	216
Taxes on income and earnings	35	8	1	4	2	–	50
Net income for the half-year	129	13	13	10	1	–	166

The presentation for the previous year is as follows:

€ million	1.1. – 30.6.2007					
	Germany	Italy	United Kingdom	Other branches	Consolidation	Total
Interest income from lending transactions with third parties	531	65	54	53	–	703
Interest income from intersegment lending transactions	97	–	–	–	– 97	–
Segment interest income from lending transactions	628	65	54	53	– 97	703
Net income from leasing transactions	–	8	–	–	–	8
Interest expenses	373	40	33	33	– 97	382
Net income from lending and leasing transactions before provisions for risks	255	33	21	20	–	329
Provisions for risks arising from lending and leasing business	31	0	7	4	–	42
Net income from lending and leasing transactions after provisions for risks	224	33	14	16	–	287
Net commission income	28	10	0	0	–	38
Result from derivative financial instruments	– 19	–	–	–	–	– 19
Result from joint ventures accounted for at equity	60	–	–	–	–	60
General administration expenses	267	18	4	12	0	301
Other operating result	158	0	1	0	0	159
Pre-tax result	184	25	11	4	–	224
Taxes on income and earnings	48	11	6	0	–	65
Net income for the half-year	136	14	5	4	–	159

Other notes

(7) 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 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.

(8) Off-balance sheet obligations

€ million	30.6.2008	31.12.2007
Contingent liabilities		
Liabilities from surety and warranty agreements	107	11
Other obligations		
Irrevocable credit commitments	907	1,051

(9) Corporate bodies of Volkswagen Bank GmbH

Mr. Giuseppe Savoini left the Supervisory Board of Volkswagen Bank GmbH effective 31 March 2008.

Effective 1 April 2008, Dr. Horst Neumann became the new Deputy Chairman of the Supervisory Board of Volkswagen Bank GmbH.

Dr. Jörg Boche has been a member of the Supervisory Board of Volkswagen Bank GmbH since 1 April 2008.

(10) Events after the balance sheet date

There were no significant events up to 16 July 2008.

(11) 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 principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Brunswick, 16 July 2008
The Board of Management



Klaus-Dieter Schürmann



Dr. Michael Reinhart



Rainer Blank

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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This consolidated interim report is also available in German.