

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



ANNUAL FINANCIAL STATEMENTS (HGB)  
OF VOLKSWAGEN BANK GMBH

**2015**

# Balance Sheet

OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG, AS OF DECEMBER 31, 2015

€ thousand		31.12.2015	Dec. 31, 2014
<b>Assets</b>			
1. Cash reserve			
a) Cash-in-hand	1,050		1,658
b) Central bank balances	1,266,537		374,056
of which:			
at Deutsche Bundesbank €1,261,016 thousand			(368,204)
c) Post office bank balances	47		83
		1,267,634	375,797
2. Receivables from credit institutions			
a) Repayable on demand	786,367		674,455
c) Other receivables	518,707		274,746
		1,305,074	949,201
3. Receivables from customers		36,878,055	34,034,026
4. Bonds and other fixed-income securities			
a) Bonds			
aa) From public-sector issuers	2,127,629		1,398,034
of which:			
eligible as collateral at Deutsche Bundesbank €1,833,778 thousand			(1,333,207)
ab) From other issuers	9,564,776		5,336,853
of which:			
eligible as collateral at Deutsche Bundesbank €9,564,776 thousand			(5,336,853)
		11,692,405	6,734,887
5. Equities and other variable-yield securities		0	503
6. Long-term equity investments		200	270
7. Shares in affiliated companies		66,492	53,079
of which:			
in credit institutions €66,492 thousand			(53,079)
8. Intangible fixed assets			
a) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	6,545		7,642
b) Goodwill	500		667
d) Prepayments	0		0
		7,045	8,309
9. Property, plant and equipment		9,029	10,962
10. Lease assets		802,949	666,029
11. Other assets		446,245	228,609
12. Prepaid expenses		7,406	10,129
13. Excess of plan assets over pension liability		0	488
<b>Total assets</b>		<b>52,482,534</b>	<b>43,072,289</b>

**ANNUAL FINANCIAL STATEMENTS**  
*Balance Sheet*

€ thousand		31.12.2015	Dec. 31, 2014
<b>Equity and liabilities</b>			
1. Liabilities to credit institutions			
a) Repayable on demand	148,411		89,758
b) With agreed maturity or notice period	3,821,786		1,666,338
		3,970,197	1,756,096
2. Liabilities to customers			
a) Other liabilities			
aa) Repayable on demand	23,035,576		21,258,087
ab) With agreed maturity or notice period	6,794,057		5,086,047
		29,829,633	26,344,134
3. Securitized liabilities			
a) Bonds issued	3,666,048		4,292,006
a) Other securitized liabilities	0		204,896
of which:			
commercial paper €0 thousand			(204,897)
		3,666,048	4,496,902
4. Other liabilities		9,621,218	4,858,154
5. Deferred income		538,891	506,784
6. Provisions			
a) Provisions for pensions and similar obligations	43,422		41,690
b) Provisions taxes	38,836		34,402
c) Other provisions	427,784		407,579
		510,042	483,671
7. Special tax-allowable reserve		1,257	1,300
8. Subordinated liabilities		30,000	310,000
9. Fund for general banking risks		25,565	25,565
10. Equity			
a) Subscribed capital	318,279		318,279
b) Capital reserves	3,945,800		3,945,800
c) Revenue reserves			
ca) Other revenue reserves	25,604		25,604
		4,289,683	4,289,683
<b>Total equity and liabilities</b>		<b>52,482,534</b>	<b>43,072,289</b>
1. Contingent liabilities			
a) Liabilities under guarantees and indemnity agreements		97,018	68,373
of which:			
to affiliated companies		66,632	30,766
2. Other obligations			
a) Irrevocable credit commitments		1,307,533	1,292,811
of which:			
to affiliated companies		130,773	176,107

# Income Statement

OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG,  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ thousand			2015	2014
1. Interest income from				
a) Lending and money market transactions	1,220,557			1,292,233
b) Fixed-income securities and debt register claims	76,119			82,812
		1,296,676		1,375,045
2. Interest expense		167,633		211,146
3. Interest anomalies				
a) Positive interest from banking business (collateral deposits)		76		0
b) Negative interest from money market transactions		1,338		0
			1,127,781	1,163,899
4. Current income from				
a) Equities and other variable-yield securities		35		24
b) Long-term equity investments		0		1
			35	25
5. Income from leasing transactions		442,748		362,889
6. Expenses from leasing transactions		171,309		128,763
			271,439	234,126
7. Fee and commission income		395,507		353,244
8. Fee and commission expenses		438,903		395,685
			-43,396	-42,441
9. Other operating income			330,669	314,129
10. Income from the reversal of special tax-allowable reserve			43	43
11. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	60,112			60,675
ab) Social security, post-employment and other employee benefit costs	16,234			21,129
of which:		76,346		81,804
in respect of post-employment benefits €4,669 thousand				(9,476)
b) Other administrative expenses		688,675		606,142
			765,021	687,946
12. Amortization and writedowns of intangible fixed assets, and depreciation and writedowns of property, plant and equipment and lease assets				
a) Amortization and writedowns of intangible fixed assets, and depreciation and writedowns of property, plant and equipment		6,195		6,936
b) Depreciation and writedowns of lease assets		264,531		203,513
			270,726	210,449
13. Other operating expenses			135,509	197,257
14. Writedowns of and valuation allowances on receivables and certain securities, and additions to provisions in the lending business			92,106	104,707
15. Income from the reversal of writedowns of and valuation allowances for long-term equity investments, shares in affiliated companies, and securities treated as fixed assets			11	0
16. Result from ordinary activities			423,220	469,422
17. Taxes on income			155,568	165,559
of which:				
Expense from the change in deferred taxes €0 thousand				(0)
18. Other taxes, unless reported under item 13			53	1,158
19. Profits transferred under a profit transfer agreement			267,599	302,705
20. Net income			0	0
21. Net retained profits			0	0

# Notes to the Annual Financial Statements

OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG, FOR THE YEAR ENDED DECEMBER 31, 2015

## I. General Information

The annual financial statements have been prepared in accordance with the requirements of the Handelsgesetzbuch (HGB – German Commercial Code) and the Verordnung über die Rechnungslegung der Kreditinstitute (RechKredV – German Bank Accounting Regulation).

Volkswagen Bank GmbH entered into a profit transfer agreement with Volkswagen Financial Services AG, effective January 1, 2002.

Under section 285 no. 21 of the HGB, Volkswagen Bank GmbH is subject to an obligation to disclose material related party transactions that have not been conducted on an arm's-length basis. All transactions with related parties have been at arm's-length.

## II. Accounting Policies

Assets and liabilities are measured in accordance with the provisions in section 252ff. of the HGB and additionally in accordance with those in section 340ff. of the HGB. Unless otherwise stated, the accounting policies are the same as those applied in the prior year.

Foreign currency transactions in the non-trading portfolio are measured in accordance with section 340h in conjunction with section 256a of the HGB. In compliance with Volkswagen Bank GmbH's risk strategy, the portfolio of assets, liabilities and forward contracts specifically hedged in accordance with section 340h of the HGB includes all material transactions denominated in foreign currency. These items are measured using the middle spot rate at the reporting date. Income and expenses arising from the currency translation of foreign currency exposures specifically hedged in the same currency are recognized in the income statement.

Foreign currency assets and liabilities that are not specifically hedged in the same currency are translated at the middle spot rate at the reporting date in accordance with section 256a sentence 1 of the HGB and in compliance with the historical cost convention and the principle of imparity (whereby unrealized losses are recognized but unrealized gains are not recognized). If the items have a residual maturity of one year or less, the net gains or losses from translation are recognized in full in the income statement in accordance with section 256a sentence 2 of the HGB.

Currency forwards in the non-trading portfolio that are intended to hedge interest-bearing balance sheet items and that have not yet been settled as of the reporting date are measured and recognized by applying a split forward rate method. In this method, the forward rate in the contract is broken down into its two components: the spot rate and the swap rate, the latter being the forward premium or forward discount. The forward premium or discount is allocated and recognized over the term of the forward contract in the same way as interest. The spot rate component is measured by comparing the spot basis in the forward contract with the middle spot rate at the reporting date. Positive and negative spot rate differences within the same currency are offset against each other. The net amount is reported as an adjustment item from foreign exchange transactions under the "Other assets" or "Other liabilities" item.

Interest rate and currency derivative transactions entered into by Volkswagen Bank GmbH are used as part of general economic hedges. The Company does not make use of the option to apply specific hedge accounting arrangements.

Volkswagen Bank GmbH has acquired all of the following asset-backed securities (ABS), which are its own securitization transactions: Private-Driver 2012-3, Private Driver 2013-1, Private Driver 2013-2, Private Driver 2014-1, Private Driver 2014-2, Private Driver 2014-3, Private Driver 2015-1, Driver Master Compartment 2, Driver Master Compartment 3, Driver Master Compartment 4, Driver Master Compartment 5, Driver Master Compartment 6 and Driver Master

Compartment 7. Under the principles specified in IDW ACP HFA 8, significant credit risks thus remain with Volkswagen Bank GmbH. There has been no transfer of the beneficial ownership in the receivables underlying these ABS transactions and these receivables therefore continue to be reported under receivables from customers. A miscellaneous liability is recognized in the amount of the purchase price received. With the forwarding of the payments from the sold receivables, this liability is reduced on a pro rata basis in the amount of the change in the present value of the underlying receivables. The difference compared with the payments received is recognized as an interest expense. No subsequent measurement is carried out for purchased securities derived from the Company's own securitization transactions because these transactions securitize the Company's own receivables and any counterparty default risk is already recognized as part of the measurement of the receivables concerned.

Items of property, plant and equipment with finite useful lives are depreciated, and intangible assets with finite useful lives amortized. Both the depreciation and the amortization is on a straight-line basis using the useful lives specified in the depreciation/amortization tables. The useful lives applicable to goodwill are eight years (VWV Retail) and two years (Volkswagen Finance s.a., France).

Straight-line depreciation is applied to vehicles reported under the "Lease assets" item. If property, plant and equipment, intangible assets or lease assets are identified as impaired and this impairment is likely to be permanent, the carrying amounts of the assets concerned are written down to fair value. When vehicles recognized as lease assets are sold, the proceeds are recognized under income from leasing transactions and the derecognized residual carrying amounts are reported under expenses from leasing transactions.

Long-term equity investments are reported at cost, while receivables are recognized at their principal amounts, net of provisions for risks. In dealer financing, specific valuation allowances are recognized on a contract-by-contract basis. Global valuation allowances are also recognized to cover risks arising in connection with dealer receivables for which no specific valuation allowances have been recognized. In retail financing, the provisions for risks take the form of specific valuation allowances evaluated on a collective basis. The model used to determine valuation allowances has been derived from the regulatory risk quantification method. Liabilities are recognized at the settlement amount. Differences between the amount received and the nominal amount are recognized in prepaid expenses or deferred income and then amortized over the maturity of the liability concerned. Equities and shares in affiliated companies are measured at the lower of cost and fair value. The cash reserve is carried at the nominal amount.

Provisions are measured using the best estimate of the amount required to settle the obligations concerned.

The 2005 mortality tables (latest version) published by Dr. Klaus Heubeck have been used to measure pension obligations. The provisions for pension obligations are discounted using an average discount rate for the last seven years. The calculations include the assumption of a general residual maturity of 15 years for the obligations. The recognized provisions for pensions equate to the pension obligations net of the associated plan assets, which are measured at fair value. If the value of the plan assets is higher than that of the pension provisions, the difference is reported as an excess of plan assets over pension liability.

Other provisions with a residual maturity of more than one year are discounted on the basis of the maturity concerned in accordance with section 253(2) of the HGB. The discount rates used are those published by Deutsche Bundesbank for the maturities concerned; the unwinding of the discount includes the inflation rates expected to apply over the relevant maturity.

The banking book of Volkswagen Bank GmbH was reviewed in accordance with IDW ACP BFA 3 to assess whether there was any need to recognize a provision for expected losses. The discounted cash flow method was used for the evaluation. The discount rate used to discount the cash flows included a component to cover risk costs still expected to be incurred together with a risk costs premium and administrative expenses. The present value determined in this way was then compared against the carrying amounts recognized in the HGB financial statements for the assets in the banking book. There were no indications that the recognition of a provision for expected losses was required.

Securities in the liquidity reserve that are measured using parameters derived from the market are recognized at the lower of cost and market under the strict HGB definition.

All identifiable risks have been adequately provided for in the annual financial statements by the recognition of specific valuation allowances and provisions. Latent risk in the lending business is covered by global valuation allowances.

In the reporting period, the negative interest from financial assets and the positive interest from financial obligations are for the first time reported separately in the income statement as interest anomalies as there were further increases in these amounts year-on-year. This method of presentation makes the composition of net interest income more transparent.

### III. Balance Sheet Disclosures

#### RECEIVABLES FROM CREDIT INSTITUTIONS

Receivables from credit institutions include receivables from affiliated companies amounting to €524,443 thousand (€287,846 thousand).

The maturity analysis of receivables from credit institutions is as follows:

- > Repayable on demand €786,367 thousand (€674,455 thousand)
- > Up to three months €367,592 thousand (€228,435 thousand)
- > More than three months and up to one year €151,115 thousand (€13,824 thousand)
- > More than one year and up to five years €0 thousand (€32,487 thousand)
- > More than five years €0 thousand (€0 thousand).

All the receivables from credit institutions are loans and advances.

#### RECEIVABLES FROM CUSTOMERS

This item includes receivables from affiliated companies amounting to €2,962,609 thousand (€3,284,855 thousand).

The maturity analysis of the total amount of receivables from customers, all of which are loans and advances or lease receivables, is as follows:

- > Up to three months €7,888,707 thousand (€7,124,931 thousand)
- > More than three months and up to one year €6,795,143 thousand (€6,401,741 thousand)
- > More than one year and up to five years €18,358,608 thousand (€17,026,975 thousand)
- > More than five years €566,623 thousand (€577,694 thousand).

Receivables from customers include receivables with an indefinite maturity (in accordance with the disclosure requirements in section 9(3) no. 1 of the RechKredV) amounting to €3,268,974 thousand (€2,902,685 thousand).

Receivables from customers include subordinated receivables of €1,737,259 thousand (€881,322 thousand), of which €463,238 thousand (€229,280 thousand) are attributable to subordinated receivables arising from ABS transactions carried out by Volkswagen Bank GmbH.

The receivables from leasing business included in receivables from customers amount to €2,291,992 thousand (€1,880,876 thousand), of which €1,507,218 thousand (€1,191,031 thousand) is accounted for by the branch of the Bank in France and €608,130 thousand (€586,365 thousand) by the branch in Italy.

Receivables from retail financing amounting to €619,464 thousand (€918,631 thousand) are attributable to the branch of the Bank in France.

#### RECEIVABLES FROM SHAREHOLDERS

As of the reporting date, receivables due from the sole shareholder, Volkswagen Financial Services AG, Braunschweig, amounted to €90,468 thousand (€4,601 thousand).

#### BONDS AND OTHER FIXED-INCOME SECURITIES

To help safeguard the supply of liquidity, Volkswagen Leasing GmbH and Volkswagen Finance S.A., Madrid, have set up ABS structures. However, not all the securities issued by the special purpose entities purchasing the assets concerned have been sold to investors. Instead, some of the securities have been 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 €321,411 thousand (€851,240 thousand). All the securities involved are allocated to the liquidity reserve. They are measured at the lower of cost or market value under the strict HGB approach. Although these securities are marketable and listed, the Company uses its own valuation model to determine their value because the market for the securities is insufficiently liquid. In this model, the cash flows determined for the securities are discounted using a standard swap yield curve for the Volkswagen Group plus a credit spread. The credit spread is validated using an indirect method based on indicative prices from various banks.

The “Bonds and other fixed-income securities” item also includes purchased securities from Volkswagen Bank GmbH’s own ABS transactions. The securities were bought in the years 2012 to 2015. These securities amount to €9,242,228 thousand (€4,485,613 thousand) and are backed by the Bank’s own receivables; no subsequent measurement is applied because the counterparty default risk is already factored into the measurement of the receivables themselves. During the term of the deals, the bonds are recognized at cost, net of any redemptions.

To accumulate collateral for participation in open market operations and to ensure that requirements in accordance with the liquidity coverage ratio are satisfied in the future, the Bank has been making repeated purchases of European government bonds with strong credit ratings. As of the reporting date, these bonds amounted to a total of €2,127,629 thousand (€1,398,034 thousand). The securities are classified as current assets and are measured at the lower of cost or market value under the strict HGB approach.

The securities and bonds reported under this balance sheet item – all of which are marketable, listed securities – total €11,692,405 thousand (€6,734,887 thousand).

As of the reporting date, securities within the portfolio amounting to €7,959,579 thousand (€5,529,090 thousand) had been deposited in the operational safe custody account maintained with Deutsche Bundesbank. These securities serve as collateral for funding transactions. There were open market loans of €3,529,860 thousand (€1,529,860 thousand) as of the reporting date.

Of the bonds and other fixed-income securities, a nominal amount of €2,967,850 thousand (€2,902,322 thousand) was due to mature in the fiscal year following the reporting date.

Bonds and other fixed-income securities include securities issued by affiliated companies amounting to €9,541,578 thousand (€5,601,652 thousand).

#### **EQUITIES AND OTHER VARIABLE-YIELD SECURITIES**

The marketable and listed shares in VISA Inc., USA, with a value of €503 thousand reported in prior years were sold during the reporting period.

#### **LONG-TERM EQUITY INVESTMENTS AND SHARES IN AFFILIATED COMPANIES**

An overview of long-term equity investments and information on shares in affiliated companies can be found in the list of shareholdings reported under other disclosures.

The long-term equity investments and the shares in affiliated companies held by Volkswagen Bank GmbH are neither marketable nor listed.

#### **INTANGIBLE FIXED ASSETS**

Intangible fixed assets had decreased by €1,264 thousand to €7,045 thousand (€8,309 thousand) as of the reporting date.

#### **PROPERTY, PLANT AND EQUIPMENT**

The total value of buildings and land used by the Bank as part of its operating activities amounts to €4,112 thousand (€4,495 thousand). The amount within property, plant and equipment accounted for by other equipment, operating and office equipment is €3,865 thousand (€5,281 thousand).

#### **LEASE ASSETS**

This item comprises vehicles leased out as part of the leasing business operated by Volkswagen Bank GmbH’s branch in France and amounts to €802,949 thousand (€666,029 thousand).

#### **OTHER ASSETS**

This item includes receivables from interest rate hedging transactions amounting to €17,137 thousand (€20,814 thousand), fees and commissions due in connection with insurance broking amounting to €4,015 thousand (€5,074 thousand) and tax receivables of €84,428 thousand (€54,237 thousand), of which €28,753 thousand relates to tax receivables at the Bank’s branch in Italy. A significant component of the remaining other assets comprises receivables of €124,406 thousand (€20,596 thousand) from the ABS special purpose entities relating to the return of pledged collateral (not yet due), service fees, interest and monthly cost allocation payment obligations.

Currency forwards to hedge currency risk gave rise to a currency adjustment item of €89,665 thousand (€18,571 thousand), which has been recognized under other assets.



#### **PREPAID EXPENSES**

This item contains deferred discounts of €4,443 thousand (€5,699 thousand), advance insurance premiums of €34 thousand (€240 thousand) and advance fees and commissions amounting to €947 thousand (€2,412 thousand) paid in connection with a rise in the level of new business at the Bank's branch in Italy.

#### **LIABILITIES TO CREDIT INSTITUTIONS**

The maturity analysis of the liabilities to credit institutions, all of which comprise deposits or other liabilities not evidenced by certificates, is as follows:

- > Repayable on demand €148,410 thousand (€89,758 thousand)
- > Up to three months €135,624 thousand (€52,708 thousand)
- > More than three months and up to one year €50,660 thousand (€11,811 thousand)
- > More than one year and up to five years €3,575,944 thousand (€40,658 thousand)
- > More than five years €59,559 thousand (€1,561,161 thousand).

The liabilities to credit institutions include liabilities to an affiliated company amounting to €438 thousand (€498 thousand).

Liabilities to Deutsche Bundesbank amounting to €3,529,860 thousand (€1,529,860 thousand) have been secured by collateral in the same amount in the form of securities.

#### **LIABILITIES TO CUSTOMERS**

This item includes liabilities to affiliated companies not evidenced by certificates amounting to €3,332,413 thousand (€2,280,042 thousand).

Customer deposits (including direct banking deposits) amount to €27,505,625 thousand (€24,926,403 thousand).

The item also includes accrued liabilities to dealers, customers and other creditors, i.e. incurred liabilities still to be billed.

The maturity breakdown of subitem "ab) With agreed maturity or notice period" is as follows:

- > Up to three months €3,984,545 thousand (€3,204,573 thousand)
- > More than three months and up to one year €1,176,846 thousand (€1,235,014 thousand)
- > More than one year and up to five years €1,523,827 thousand (€473,833 thousand)
- > More than five years €108,839 thousand (€172,627 thousand).

#### **LIABILITIES TO SHAREHOLDERS**

As of the reporting date, liabilities to the sole shareholder, Volkswagen Financial Services AG, Braunschweig, amounted to €391,578 thousand (€508,587 thousand).

#### **SECURITIZED LIABILITIES**

The securitized liabilities comprise commercial paper and bonds.

The following are reported under "a) Bonds issued": bonds amounting to €3,666,048 thousand (€4,292,006 thousand).

Residual maturities:

- > Up to three months €16,048 thousand (€117,006 thousand)
- > More than three months and up to one year €1,850,000 thousand (€525,000 thousand)
- > More than one year and up to five years €1,800,000 thousand (€3,650,000 thousand)

The following is reported under "b) Other securitized liabilities": commercial paper amounting to €0 thousand (€204,896 thousand).

Residual maturities:

- > Up to three months €0 thousand (€126,031 thousand)
- > More than three months and up to one year €0 thousand (€78,865 thousand).

The securitized liabilities do not include any liabilities to an affiliated company or to an investor or investee.

Of the total bonds issued, an amount of €1,850,000 thousand matures in the subsequent year.

#### **OTHER LIABILITIES**

Of the total liabilities, liabilities in an amount of €9,199,056 thousand (€4,504,507 thousand) are backed by collateral. These liabilities have arisen from ABS transactions in which Volkswagen Bank GmbH has retained beneficial ownership of the sold receivables after the sale.

The following are also reported under this item: outstanding debt servicing amounts in connection with ABS transactions amounting to €363,134 thousand (€293,850 thousand), liabilities from interest rate hedging transactions amounting to €12,557 thousand (€18,288 thousand), liabilities to tax authorities of €18,219 thousand (€18,028 thousand) and accrued interest liabilities related to subordinated bonds and profit-sharing rights amounting to €597 thousand (€597 thousand).

#### **DEFERRED INCOME**

This item largely comprises deferred income in connection with manufacturer and partner participation in sales promotion campaigns amounting to €454,720 thousand (€435,096 thousand), which will be recognized in the income statement over the term of the relevant agreements.

#### **PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS**

The pension obligations are determined annually by an independent actuary using the projected unit credit method.

The main measurement assumptions and parameters applied in the actuarial calculations by Volkswagen Bank GmbH for 2015 were as follows:

	Germany	Other countries
Discount rate	3.89%	3.50 – 3.94%
Expected rate of salary increases	3.40%	2.00%
Expected rate of pension increases	1.70%	2.00 – 3.15%
Employee turnover rate	0.75%	0.50 – 1.50%

For Germany, the discount rate applied was the discount rate of 3.94% published by Deutsche Bundesbank for November 2015 in accordance with section 253(2) of the HGB (average market interest rate for the last seven years) less a markdown of 5 basis points reflecting expectations of a further fall in interest rates at the end of the year. The discount rate used was therefore 3.89%.

For reasons of materiality, the actuarial assumptions used for other countries are reported as a range of values.

Securities funds with a value equivalent to a settlement amount of €2,811 thousand were offset against the liabilities for pensions and similar obligations. These securities amounted to €2,810 thousand at cost but their fair values totaled €2,811 thousand as of the reporting date. The securities were measured at closing prices as of the reporting date.

Expenses of €2 thousand from the measurement of the funds at fair value were offset against interest income from provisions of €2 thousand as part of the netting of the obligation (measured at the fair value of the securities) and the corresponding securities funds.

#### **OTHER PROVISIONS**

The other provisions mainly comprise provisions to cover costs associated with litigation and legal risks. The provisions for litigation and legal risks of €245,581 thousand (€233,156 thousand) reflect the risks identified as of the reporting date in relation to utilization and legal expenses arising from the latest decisions by the courts and from ongoing proceedings. Provisions of €32,635 thousand (€24,207 thousand) have also been recognized for indirect residual value risks and for risks in connection with the lending business.

#### **SPECIAL TAX-ALLOWABLE RESERVE**

The special tax-allowable reserve has been recognized in accordance with section 3 of the Zonenrandförderungsgesetz (ZRFG – German Border Regions Development Act). Net income was increased by a reversal in the reporting period of €43 thousand (€43 thousand).

#### SUBORDINATED LIABILITIES

The total portfolio of subordinated liabilities amounts to €30,000 thousand (€310,000 thousand).

Subordinated liabilities amounting to €29,585 thousand (€58,272 thousand) are deemed to be a component of equity under the provisions in article 62(a) of the CAPITAL REQUIREMENTS REGULATION (CRR).

The overall portfolio includes subordinated bonds in the amount of €30,000 thousand (€30,000 thousand), which have been placed on public capital markets.

There are no early repayment obligations for the subordinated liabilities.

The Bank has not entered into any agreement to convert these liabilities into equity or another form of debt, nor is it planning any such conversion. Volkswagen Bank GmbH has entered into derivative contracts to mitigate interest rate risk. The expenses incurred in connection with raising subordinated loans and issuing subordinated bonds amounted to €4,639 thousand (€9,115 thousand).

There are no subordinated liabilities to affiliated companies (€280,000 thousand). The agreements still in force in the prior year with the sole shareholder and other affiliated companies, resulting in subordinated liabilities of €110,000 thousand and €170,000 thousand respectively, expired in the reporting period.

#### SUBORDINATED BONDS

AS OF:	31.12.2015		LISTED ON A STOCK EXCHANGE		
	€ million	Coupon	Valid until	New coupon agreement based on	Maturity date
Dated date					
26.09.2003	20.0	5.40000%	26.09.2023	Fixed interest rate	26.09.2023
07.06.2004	10.0	5.50000%	07.06.2024	Fixed interest rate	07.06.2024

Both of the subordinated bonds exceed 10% of the total amount of the subordinated liabilities. If the issuer is wound up, liquidated or files for insolvency, the liabilities under these bonds will rank behind the claims of all the non-subordinated third-party creditors of the issuer such that no amount will be repayable in connection with these bonds until the claims of all these non-subordinated third-party creditors of the issuer have been satisfied in full. No agreement may be made retroactively to limit the subordination or shorten the maturity of these bonds. The bonds may be redeemed early, but no earlier than five years after the issue date, and the issuer must first call the bond in question before any such redemption can take place. The issuer is only permitted to call the bond concerned if one of the following two requirements is satisfied: an equivalent amount of liable capital within the meaning of the Kreditwesengesetz (KWG – German Banking Act) and the CRR has been paid in to replace the redemption amount; or, the German Federal Financial Supervisory Authority (BaFin) and the European Banking Authority have consented to the early redemption. The bonds may also be called and redeemed early as a result of changes in the tax laws or regulations in the Federal Republic of Germany or as a result of a change in the official interpretation of these laws and regulations.

CHANGES IN FIXED ASSETS OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG,  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ thousand	GROSS CARRYING AMOUNTS					Balance December 31, 2015
	Brought forward January 1, 2015	Additions	Disposals	Reclassifications	Currency translation	
Long-term equity investments	270	0	70	0	0	200
Shares in affiliated companies	53,079	13,413	0	0	0	66,492
Purchased concessions and similar rights	42,759	2,932	0	0	293	45,984
Goodwill	144,482	0	0	0	0	144,482
Land, land rights and buildings on third-party land	23,307	40	0	0	0	23,347
Other equipment, operating and office equipment	16,920	1,376	2,210	0	0	16,086
Prepayments and assets under construction	58	12	0	0	0	70
Lease assets	985,101	516,868	277,516	0	0	1,224,453
<b>Total fixed assets</b>	<b>1,265,976</b>	<b>534,641</b>	<b>279,796</b>	<b>0</b>	<b>293</b>	<b>1,521,114</b>

€ thousand	DEPRECIATION, AMORTIZATION AND WRITEDOWNS					NET CARRYING AMOUNTS		
	Brought forward January 1, 2015	Additions	Disposals	Reversals of writedowns	Currency translation	Balance December 31, 2015	Balance December 31, 2015	Balance December 31, 2014
Long-term equity investments	0	0	0	0	0	0	200	270
Shares in affiliated companies	0	0	0	0	0	0	66,492	53,079
Purchased concessions and similar rights	35,117	4,029	0	0	293	39,439	6,545	7,642
Goodwill	143,815	167	0	0	0	143,982	500	667
Land, land rights and buildings on third-party land	17,684	569	0	0	0	18,253	5,094	5,623
Other equipment, operating and office equipment	11,639	1,430	848	0	0	12,221	3,865	5,281
Prepayments and assets under construction	0	0	0	0	0	0	70	58
Lease assets	319,072	264,531	162,099	0	0	421,504	802,949	666,029
<b>Total fixed assets</b>	<b>527,327</b>	<b>270,726</b>	<b>162,947</b>	<b>0</b>	<b>293</b>	<b>635,399</b>	<b>885,715</b>	<b>738,649</b>

## IV. Income Statement Disclosures

### INTEREST INCOME FROM LENDING AND MONEY MARKET TRANSACTIONS

The proportion of interest income generated in the foreign branches is 43.7% (37.1%). The branches in Italy and France account for the largest share of this foreign income.

Interest income from lending and money market transactions includes income from finance leases amounting to €136,108 thousand (€115,178 thousand).

### INTEREST ANOMALIES

The negative interest from money market transactions results from the Bank's reserve balance at the ECB in excess of the minimum reserve requirement and from short-term deposits with domestic banks. The positive interest from banking transactions arises from collateral pledged by banks on a short-term basis for derivatives.

### LEASING INCOME

Income from leasing transactions comprises net income from operating leases and is generated by the Bank's branch in France. The total amount of this income is €442,748 thousand (€362,889 thousand).

### LEASING EXPENSES

The expenses from leasing transactions amount to €171,309 thousand (€128,763 thousand).

### NET FEE AND COMMISSION INCOME

The proportion of net fee and commission income generated in the foreign branches is 6.0% (3.6%). The greatest proportion of this foreign income is attributable to the branch in Greece.

Fee and commission income is derived largely from insurance broking, especially in connection with credit protection insurance, from the administration and collection of receivables sold as part of ABS transactions and from miscellaneous fees relating to the retail business.

It includes prior-period income of €1,008 thousand (€1,118 thousand) largely generated from special fees for credit protection insurance, Euro-Cash payment system and from the credit card business.

Most of the fee and commission expenses are fees and commissions paid to dealers in connection with consumer credit business.

### OTHER OPERATING INCOME

The proportion of other operating income generated in the foreign branches is 51.4% (24.9%). The branches in France, Italy and the Netherlands account for the largest share of this foreign income.

This item includes prior-period income of €62,393 thousand (€67,735 thousand), of which €4,176 thousand (€0 thousand) is in connection with internal cost allocations within the Volkswagen Financial Services AG subgroup and €52,288 thousand (€55,294 thousand) is income from the reversal of provisions. Other operating income also includes income from currency translation amounting to €27,593 thousand (€19,057 thousand) and effects from the discounting of provisions amounting to €306 thousand (€798 thousand).

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amount to €765,021 thousand (€687,946 thousand). Significant elements are personnel expenses of €76,346 thousand (€81,804 thousand) and cost allocations from Group companies amounting to €321,858 thousand (€292,930 thousand). These cost allocations are mainly attributable to staff leasing arrangements.

### AMORTIZATION AND WRITEDOWNS OF INTANGIBLE FIXED ASSETS, AND DEPRECIATION AND WRITEDOWNS OF PROPERTY, PLANT AND EQUIPMENT AND LEASE ASSETS

Depreciation and writedowns of lease assets amounting to €264,531 thousand (€203,513 thousand) are reported within this line item as a separate subitem.

The "Depreciation and writedowns of lease assets" subitem is used to recognize the depreciation and impairment of lease vehicles at the branch in France. Depreciation is calculated on a straight-line basis.

#### **OTHER OPERATING EXPENSES**

This item is essentially the aggregation of a large number of individual items. These include prior-period expenses of €9,067 thousand (€5,750 thousand), of which €4,013 thousand (€5,274 thousand) relate to the branch in Italy and €1,826 thousand (€475 thousand) to the branch in France. Other operating expenses include expenses from currency translation amounting to €14,414 thousand (€8,297 thousand) and effects from the discounting of provisions amounting to €6,784 thousand (€4,854 thousand).

#### **TAXES ON INCOME**

This item comprises domestic and foreign taxes on income. The domestic income taxes for the reporting period amounting to €104,019 thousand (€128,209 thousand) have been charged on to Volkswagen Bank GmbH within the existing tax group by Volkswagen Financial Services AG, the controlling entity in the tax group.

This item includes no prior-period expenses (€1,403 thousand) but includes tax refunds for prior years amounting to €1,553 thousand (€4,743 thousand).

Under foreign deferred taxes, only deferred tax assets of €158,143 thousand (€143,080 thousand) and deferred tax liabilities of €1,310 thousand (€2,089 thousand) for the foreign branches are offset.

Taxes are calculated on an individual basis at the tax rates applicable in each of the countries. Deferred tax liabilities arise solely at the branch in France and amount to €1,310 thousand (€2,089 thousand). They result primarily from the differences in the useful lives of the lease assets.

The foreign deferred tax assets arise for the most part at the branches in Greece, Italy, Portugal and Spain. They are mainly attributable to differences in the recognition of intangible fixed assets as well as to valuation allowances and writedowns. Domestic deferred tax assets of €161,363 thousand (€138,578 thousand) were recognized. The offsetting of deferred tax assets and deferred tax liabilities has given rise to excess deferred tax assets of €318,197 thousand (€279,569 thousand) but this amount has not been recognized in application of the option available under section 274 of the HGB.

## V. Other disclosures

#### **CONSOLIDATED FINANCIAL REPORTING**

The annual financial statements of Volkswagen Bank GmbH are included in the consolidated financial statements of Volkswagen Bank GmbH, Braunschweig, which are prepared in accordance with the International Financial Reporting Standards. In turn, the consolidated financial statements of Volkswagen Bank GmbH are included in the consolidated financial statements of Volkswagen AG, Wolfsburg. The annual financial statements of Volkswagen Bank GmbH, the consolidated financial statements of Volkswagen Bank GmbH and those of Volkswagen AG are all published in the German Federal Gazette.

#### **SHAREHOLDINGS**

As of December 31, 2015, Volkswagen Bank GmbH held 100% of the shares in Volkswagen Bank Polska S.A., Warsaw. The net income generated by Volkswagen Bank Polska S.A. for fiscal year 2014 amounted to PLN 30,637 thousand compared with PLN 33,854 thousand for 2013. The equity of the company as of December 31, 2014 amounted to PLN 324,060 thousand. These details are taken from the IFRS financial statements. The company holds a Polish banking license.

As of the reporting date, Volkswagen Bank GmbH held 0.01% of the shares in Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL), La Hulpe, Belgium. According to the IFRS consolidated financial statements for the SWIFT Group, the nominal capital of the company as of December 31, 2014 was €13,794 thousand; the equity of the company as of December 31, 2014 amounted to €325,662 thousand. There are no obligations in connection with this long-term equity investment.

Volkswagen Bank GmbH had been a shareholder in Liquiditäts-Konsortialbank GmbH i.L., Frankfurt am Main, with a holding of €40 thousand (0.02%). Volkswagen Bank GmbH's interest was repaid as part of the liquidation of the company on December 28, 2015. According to the final liquidation report, the equity of the company as of November 2, 2015 amounted to €230,536 thousand. The net loss for the short fiscal year in 2015 was €5,996 thousand. Liquiditäts-Konsortialbank GmbH was wound up with effect from July 31, 2014 on the basis of a shareholder resolution dated October 15, 2015. The company's banking license had already expired. The obligation of the shareholders to pay in additional capital thereby also came to an end at the same time.

Volkswagen Bank GmbH holds an interest in VISA Europe Limited, London, equating to €10 out of the total nominal capital of €1,054. Volkswagen Bank GmbH was given this shareholding on July 1, 2004 free of charge. There are no obligations in connection with this long-term equity investment. The equity of VISA Europe Limited amounted to €333,032 thousand as of September 30, 2014. According to its consolidated financial statements, VISA Europe Limited generated profits of €219,784 thousand in its 2013/2014 fiscal year. In a letter dated December 21, 2015 Volkswagen Bank GmbH received a purchase price offer for its stake in VISA Europe Limited. In the letter, VISA Inc. offered to purchase the Bank's stake during the second quarter of 2016.

Volkswagen Bank GmbH also has a 1% shareholding in affiliated company OOO Volkswagen Bank RUS. The registered office of the company is situated in Moscow, Russian Federation. The equity of the company as of December 31, 2014 amounted to RUB 10,669,511 thousand. The profit generated in fiscal year 2014 was RUB 433,186 thousand. In the previous year, the company had posted a loss of RUB 47,950 thousand. These details are taken from the IFRS financial statements. The company holds a Russian banking license.

Volkswagen Bank GmbH holds a long-term equity investment in paydirekt Beteiligungsgesellschaft privater Banken mbH, whose registered office is situated in Berlin. Until November 18, 2015, the name of the company was BV-BGPP Beteiligungsgesellschaft privater Banken für Internet- und mobile Bezahlungen mbH. Volkswagen Bank GmbH's holding in the company has declined from 2.53% to 2.02%. In the short fiscal year ended December 31, 2014, the company generated net income of €25 thousand. The equity of the company as of December 31, 2014 amounted to €8,358 thousand.

Volkswagen Bank GmbH acquired all the shares in MAN Financial Services S.p.A., Dossobuono di Villafranca (VR), Italy, with effect from December 1, 2015. According to the company's IFRS financial statements, the equity amounted to €15,271 thousand as of December 31, 2014. The profit generated in the last fiscal year was €433 thousand. The company is registered as a financial intermediary in accordance with Italian law.

#### **CONTINGENT LIABILITIES AND OTHER OBLIGATIONS**

The irrevocable credit commitments are credit commitments that have arisen as part of the general banking business except for one individual commitment to a subsidiary amounting to €70,668 thousand. The agreed credit amounts can be drawn down at any time. Once drawn down, the loans concerned are subject to the general rules and regulations for credit monitoring.

The contingent liabilities amounting to €97,018 thousand (€68,373 thousand) consist exclusively of guarantees. Of these guarantees, an amount of €79,234 thousand is in respect of foreign creditors (€49,438 thousand) and secured by collateral of the same value (€29,531 thousand) in the form of deposits from Volkswagen Financial Services AG. Volkswagen Bank GmbH is therefore not exposed to any loss risk up to this amount if the guarantees were to be called upon. The other guarantees largely relate to the minimization of risk in connection with domestic dealer financing liabilities. At present, the probability of unsecured guarantees being called in is considered to be low.

#### **OFF-BALANCE-SHEET TRANSACTIONS AND OTHER FINANCIAL OBLIGATIONS**

##### **Derivative Financial Instruments**

Volkswagen Bank GmbH has entered into derivative contracts to mitigate interest rate and currency risks. The derivatives used are interest rate swaps, currency swaps, cross-currency swaps and currency forwards, all of which are used solely for hedging purposes. The fair values of interest rate swaps, currency swaps and currency forwards are determined with the help of suitable IT-based valuation techniques (discounted cash flow method) based on market swap rates; the transactions are not reported in the balance sheet. In the case of interest rate swaps, the interest is allocated and recognized over the maturity of the instrument.

The breakdown of derivative financial instruments in accordance with section 285 no. 19 of the HGB is as follows:

€ million	NOTIONAL VALUE	NOTIONAL VALUE	POSITIVE FAIR VALUES <sup>1</sup>	POSITIVE FAIR VALUES <sup>1</sup>	NEGATIVE FAIR VALUES <sup>1</sup>	NEGATIVE FAIR VALUES <sup>1</sup>
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Interest rate risks						
Interest rate swaps	8,095.9	6,889.9	55.0	59.0	46.0	33.5
Currency risks						
Currency forwards	340.0	269.2	19.4	3.8	0.3	3.2
Currency swaps	2,211.60	2,937.20	54.9	89.6	57.8	9.4
Cross-currency interest rate risks						
Cross-currency interest rate swaps	0.0	9.4	0.0	0.0	0.0	0.0
<b>Total derivatives</b>	<b>10,647.5</b>	<b>10,105.7</b>	<b>129.3</b>	<b>152.4</b>	<b>104.1</b>	<b>46.1</b>

1 Fair value including accrued interest is shown for all contracts.

The maturity analysis for the derivatives is as follows:

€ million	INTEREST RATE RISKS		CURRENCY RISKS		CROSS-CURRENCY INTEREST RATE RISKS	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Residual maturities						
<= 3 months	576.0	588.2	346.1	1,919.6	0.0	0.0
<= 1 year	1,450.0	2,034.2	2,039.0	1,224.4	0.0	9.4
<= 5 years	3,967.2	4,267.5	166.5	62.4	0.0	0.0
> 5 years	2,102.7	0.0	0.0	0.0	0.0	0.0

#### OTHER FINANCIAL OBLIGATIONS

Purchase order commitments amounted to €13,920 thousand as of December 31, 2015.

#### FOREIGN CURRENCIES

As of the reporting date, the total amount of assets denominated in foreign currency (translated into euros) amounted to €3,578,371 thousand (€2,896,193 thousand); liabilities in foreign currency (translated into euros) came to €163,924 thousand (€133,214 thousand).

The volume of the currency forwards not yet settled as of the reporting date was €269,238 thousand (€340,000 thousand). The notional value of the currency swaps was €2,937,228 thousand (€2,211,587 thousand).

#### GOVERNING BODIES DISCLOSURES

No members of the Management received their remuneration from Volkswagen Bank GmbH. All the remuneration for the Management is paid by Volkswagen Financial Services AG.



The members of the Management are as follows:

**ANTHONY BANDMANN**

Spokesman of the Board of Management  
Sales and Marketing  
Customer Service Individual Customers  
International  
Human Resources (from February 1, 2016)

**HARALD HEBKE (FROM FEBRUARY 1, 2016)**

Finance/Company Steering (from February 1, 2016)  
Back Office/Dealer Restructuring/Risk Management (from February 1, 2016)

**TORSTEN ZIBELL**

Direct Bank  
Corporate Development

**DR. HEIDRUN ZIRFAS (UNTIL MARCH 31, 2016)**

Finance/Company Steering (until January 31, 2016)  
Back Office/Dealer Restructuring/Risk Management (until January 31, 2016)  
Human Resources (until January 31, 2016)

The members of the Audit Committee are as follows:

**DR. JÖRG BOCHE**

Chairman  
Executive Vice President of Volkswagen AG  
Head of Group Treasury

**WALDEMAR DROSDZIOK**

Deputy Chairman  
Chairman of the Joint Works Council of Volkswagen Financial Services AG,  
Volkswagen Bank GmbH and Euromobil Autovermietung GmbH

**DR. ARNO ANTLITZ**

Member of the Volkswagen Brand Board of Management  
Controlling and Financial Accounting

**GABOR POLONYI**

Head of Fleet Customer Management, Volkswagen Leasing GmbH

Provisions of €3,731 thousand (€3,825 thousand) have been recognized for pensions and similar obligations in favor of former members of the Management or their surviving dependants. In the reporting period, payments to these individuals amounted to €316 thousand (€327 thousand).

Assets include receivables of €37 thousand (€23 thousand) relating to loans falling within the scope of section 15(1) nos. 1 and 3 of the KWG. Of this amount, receivables in an amount of €35 thousand (€22 thousand) are due from members of the Audit Committee and in an amount of €2 thousand (€1 thousand) from the members of the Management.

Average number of employees during the reporting period:

	2015	2014
Salaried employees	847	851
of which senior managers	25	35
of which part time	55	50
Vocational trainees	14	13

#### BRANCHES

##### Branches, Braunschweig

Audi Bank, Braunschweig

SEAT Bank, Braunschweig

ŠKODA Bank, Braunschweig

AutoEuropa Bank, Braunschweig

ADAC FinanzService, Braunschweig

Ducati Bank, Braunschweig

##### Branches, Germany

Volkswagen Bank, Berlin

Volkswagen Bank, Braunschweig

Volkswagen Bank, Emden

Volkswagen Bank, Hanover

Volkswagen Bank, Kassel

Volkswagen Bank, Salzgitter

Volkswagen Bank, Wolfsburg

Volkswagen Bank, Zwickau

Audi Bank, Ingolstadt

Audi Bank, Neckarsulm

##### International branches

Volkswagen Bank GmbH, St. Denis, Paris, France

Volkswagen Bank GmbH, Glyfada, Athens, Greece

Volkswagen Bank GmbH, Milton Keynes, United Kingdom

Volkswagen Bank GmbH, Dublin, Ireland

Volkswagen Bank GmbH, Milan, Italy

Volkswagen Bank GmbH, Verona, Italy

Volkswagen Bank GmbH, Amersfoort, The Netherlands

Volkswagen Bank GmbH, Lisbon, Portugal

Volkswagen Bank GmbH, Alcobendas, Madrid, Spain

## Appointments to Supervisory Bodies – Disclosures in Accordance with Section 340a(4) of the HGB

### TORSTEN ZIBELL

- > Volkswagen Bank S.A. Institución de Banca Múltiple, Puebla/Pue., Mexico
- > Deputy member of the Consejo de Administración
- > sunhill technologies GmbH, Bubenreuth, Germany
- > Member of the Supervisory Board

### PEDRO CATENA

- > Volkswagen Renting S.A., Madrid, Spain
- > Volkswagen Finance, S.A. – Establecimiento Financiero de Crédito, Madrid, Spain
- > In each case member of the Consejo de Administración

### FERNANDO ORTIZ-CAÑAVATE

- > Volkswagen Renting S.A., Madrid, Spain
- > Volkswagen Finance, S.A. – Establecimiento Financiero de Crédito, Madrid, Spain
- > In each case member of the Consejo de Administración

## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen Bank GmbH, and the 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, February 12, 2016  
The Board of Management



Anthony Bandmann



Harald Heßke



Torsten Zibell



Dr. Heidrun Zirfas

# *Auditor's Report*

We have audited the annual financial statements, comprising the balance sheet, income statement and notes to the annual financial statements, including the bookkeeping system, together with the management report prepared by Volkswagen Bank GmbH, Braunschweig, for the fiscal year from January 1 to December 31, 2015. The bookkeeping system and the preparation of the annual financial statements and management report in accordance with the requirements of German commercial law and the supplementary provisions of the Articles of Association are the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual financial statements, including the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the generally accepted accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with generally accepted accounting principles. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hanover, February 12, 2016

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes  
Wirtschaftsprüfer  
(German Public Auditor)

ppa. Christian Bertram  
Wirtschaftsprüfer  
(German Public Auditor)

# *Report of the Audit Committee*

## OF VOLKSWAGEN BANK GMBH

Volkswagen Bank GmbH is a capital market orientated limited liability company within the meaning of section 264d of the HGB. In accordance with the provisions in section 324 of the HGB, the Bank has established an Audit Committee, which concerns itself in particular with the tasks described in section 107(3) sentence 2 of the Aktiengesetz (AktG – German Stock Corporation Act). The Audit Committee has four members. There were no changes in personnel compared with the prior year.

The Audit Committee held two regular meetings in the reporting period. There were no extraordinary meetings. During the reporting period, there were no urgent transactions that would have required a decision by circulation of written resolution for approval. All members of the Audit Committee were present at all the meetings.

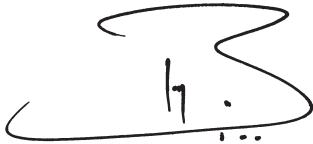
At the meeting held on the February 17, 2015, the Audit Committee reviewed the annual financial statements and the management report, the consolidated financial statements and the group management report of Volkswagen Bank GmbH for the year ended December 31, 2014 together with the proposal for the appropriation of profit. As part of this review, the Audit Committee discussed with the external auditors the reports on the audit of the annual financial statements, the management report, the consolidated financial statements and the group management report of Volkswagen Bank GmbH as well as material transactions and issues related to financial reporting. The Audit Committee reported on its review to the sole shareholder.

The Committee also gathered details to establish the extent to which there were relationships of a professional, financial or other nature between the external auditors and the Company and/or its governing bodies with a view to assessing the independence of the external auditors. In this regard, the Audit Committee obtained information on the services that the external auditors had provided for the Company in addition to the auditing activities and on whether there were any grounds for disqualification or partiality. Following a detailed evaluation of the independence of the external auditors, the Audit Committee submitted a recommendation to the sole shareholder regarding the election of the external auditors and drew up the resolution covering the issue of the audit engagement in preparation for the Annual General Meeting.

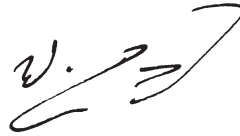
At its meeting on November 17, 2015, the Audit Committee focused in particular on the risk management system and remuneration system. It also received a detailed report from the Compliance Officer. In addition, it held discussions with the external auditors covering audit planning, key points to be covered in audits and the obligations of the external auditors to provide information.

Braunschweig, February 19, 2016

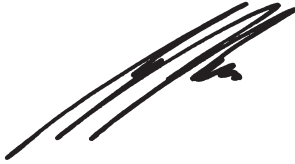
The Audit Committee



Dr. Jörg Boche  
Chairman



Waldemar Drosdziok  
Deputy Chairman



Dr. Arno Antlitz  
Member



Gabor Polonyi  
Member

**PUBLISHED BY**

Volkswagen Bank GmbH  
Gifhorner Strasse 57  
38112 Braunschweig Germany  
Telephone +49 (0) 531 212-0  
info@vwfs.com  
www.vwfs.de

**INVESTOR RELATIONS**

Telephone +49 (0) 531 212-30 71  
ir@vwfs.com

**CONCEPT AND DESIGN**

Kirchhoff Consult AG, Hamburg

**TYPESETTING**

Produced in-house with FIRE.sys

This annual report is also available in German at [www.vwfsag.de/gb15](http://www.vwfsag.de/gb15).



**VOLKSWAGEN BANK GMBH**

Gifhorner Strasse 57 · 38112 Braunschweig · Germany · Phone +49 (0) 531 212-0  
info@vwfs.com · www.vwfs.com · www.facebook.com/vwfsde  
Investor Relations: Phone +49 (0) 531 212-30 71 · ir@vwfs.com

