

PUBLIC DISCLOSURE

September 5, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Volkswagen Bank USA
57225**

**5295 South 300 West, Suite #500
Salt Lake City, Utah 84133**

Federal Deposit Insurance Corporation

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Volkswagen Bank USA** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **9/5/2006**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

This institution elected to be evaluated under the strategic plan option. The plan, approved by the agency, sets forth goals for satisfactory (and outstanding, if applicable) performance.

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

While the institution's performance did not meet the goals established under the Strategic Plan for an "Outstanding" rating, performance was sufficient enough to meet the goals established for a "Satisfactory" rating. The plan sets out distinctive goals for community development loans and investments as a percentage of average assets, donation and grant dollar amount goals, and a specified number of qualified community development service hours. These are outlined according to each year of the plan (2005, 2006, and 2007), and for each performance level (outstanding and satisfactory).

CONCLUSIONS:

The performance levels met by the bank exceeded those required for a Satisfactory rating under the strategic plan for the year ending 2005. Levels for 2006 (as of June 30) demonstrate a continued commitment that should enable, at a minimum, continued satisfactory performance.

Pages 10-11 provide individual details pertaining to some of the more prominent CRA activities conducted by the bank in the given assessment areas. More weight is given to community development loans and investments and is applied primarily to the activities in Salt Lake County. Although the bank has designated four assessment areas (Salt Lake County, Tooele County, Weber County, and Utah County), the majority of activities have benefited the Salt Lake County assessment area.

There were no violations of the substantive provisions of the antidiscrimination laws (ECOA, FHA, and HMDA), thereby providing no impact on the overall rating.

SCOPE OF EVALUATION

The evaluation for Volkswagen Bank, USA, was conducted as of September 5, 2006, and covered the period of time from December 1, 2003 (previous CRA evaluation) to June 30, 2006. The bank is under a *Strategic Plan* for purposes of CRA. This plan was approved December 29, 2004, and covers all of 2005, 2006, and 2007. Therefore, this evaluation will evaluate the bank's performance for all of 2005 and also indicate the bank's progress in meeting 2006 goals as of June 30, 2006. The areas covered include all "qualified" activities under community development loans, investments (including grants and donations), and services.

DESCRIPTION OF INSTITUTION

Volkswagen Bank USA is a state chartered industrial loan bank, located in Salt Lake City, Utah. It was chartered in January 2002, and is a wholly owned subsidiary of VW Credit, Incorporated, which, in turn, is a wholly owned subsidiary of Volkswagen Aktiengesellschaft of Germany.

The bank's major product lines include indirect auto finance, home equity lines (and loans), and credit card lending. Although marketed by the bank, credit card receivables are not booked. The following table shows the composition of the bank's loan portfolio as of June 30, 2006:

Loan Type	Dollar Amount (000'S)	Percent of Total Loans (%)
Consumer Loans (Auto)	492,292	75%
1-4 Residential Open End (Primarily HELOC)	165,455	25%
Other Loans	452	Negligible
Total Loans	658,199	100%

Source: FFIEC Consolidated Report of Condition for June 30, 2006

The bank is a non-retail facility and operates out of a single office in a centralized commercial area within Salt Lake City, Utah. The bank's ability to meet the credit needs of the communities it serves is not limited by its financial condition, size, or other legal impediments. However, the bank does have to compete with several very large industrial banks, and this may create some limitations in the bank's ability to find/compete in opportunities for community development in Salt Lake County. Although the bank has four assessment areas that are part of three different MSA's, the bank's plan was approved with qualified CRA activities consolidated into one analysis comparative to the strategic plan goals as a whole. The bank did not set separate and distinct goals for each assessment area. Consequently, the goals and the achievements include consolidated activities representing all assessment areas.

The bank determined that it does not accept retail deposits. The primary funding sources are brokered certificates of deposit and borrowings from the parent. A review of pertinent records, as well as the bank's CRA public file, did not reveal any complaints relating to the institution's CRA performance since the last evaluation.

The bank received a Satisfactory rating for its previous Community Reinvestment Act evaluation dated December 1, 2003. There was no evidence of discriminatory practices or disparate treatment of borrowers identified at this evaluation.

DESCRIPTION OF VOLKSWAGEN BANK USA’S ASSESSMENT AREAS

The Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901), as amended, requires a bank to identify one or more “assessment areas” within which its regulatory agency will evaluate the bank’s performance. An assessment area is an area that includes the geographies in which the bank has its main office, branch offices, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. Assessment areas always consist of one or more whole block numbering areas or census tracts, which are statistical subdivisions of a county. Census tracts are delineated for all metropolitan areas and other densely populated counties. Block numbering areas are used in rural non-metropolitan areas and are typically larger than census tracts.

Volkswagen Bank USA has defined its assessment area as Salt Lake County, Tooele County, Utah County, and Weber County. Salt Lake and Tooele Counties are part of the Salt Lake City, UT MSA; Weber County is part of the Ogden-Clearfield, UT MSA, and Utah County is part of the Orem-Provo, UT MSA.

The following tables provide additional demographic information pertaining to these assessment areas.

TABLE C - DEMOGRAPHIC INFORMATION FOR ASSESSMENT AREA						
Salt Lake County (2006)						
Demographic Characteristics	#	Low % of #	Mod %of #	Mid % of #	Upper % of #	N/A % of #
Geographies (Census Tracts)	193	3	22	47	28	0
Population by Geography	898,387	1	23	49	27	0
Owner-Occupied Housing by Geography	203,690	negligible	17	52	31	0
Family Distribution by Income Level	215,864	17	20	25	38	0
Distribution of Low and Moderate Income Families throughout AA Geographies	79,691	2	36	49	13	0
HUD Adjusted Median Family Income for 2006 Households (HH) Below Poverty Level		61,550 22,754 8%	Median Housing Value Unemployment Rate		165,698 2%	

Source: 2000 US Census; 2006 HUD updated Median Family Income

TABLE C - DEMOGRAPHIC INFORMATION FOR ASSESSMENT AREA Tooele County (2006)						
Demographic Characteristics	#	Low % of #	Mod %of #	Mid % Of #	Upper % Of #	N/A % of #
Geographies (Census Tracts)	7	0	29	71	0	0
Population by Geography	40,735	0	18	82	0	0
Owner-Occupied Housing by Geography	9,924	0	12	88	0	0
Family Distribution by Income Level	10,236	16	25	29	30	0
Distribution of Low and Moderate Income Families throughout AA Geographies	4,199	0	21	79	0	0
HUD Adjusted Median Family Income for 2006 Households (HH) Below Poverty Level		61,550 907 7%		Median Housing Value Unemployment Rate		119,371 3%

Source: 2000 US Census; 2006 HUD updated Median Family Income

TABLE C - DEMOGRAPHIC INFORMATION FOR ASSESSMENT AREA Weber County (2006)						
Demographic Characteristics	#	Low % of #	Mod %of #	Mid % Of #	Upper % Of #	N/A % of #
Geographies (Census Tracts)	42	10	26	52	12	0
Population by Geography	196,533	5	24	57	14	0
Owner-Occupied Housing by Geography	49,194	2	20	63	15	0
Family Distribution by Income Level	49,895	19	22	26	33	0
Distribution of Low and Moderate Income Families throughout AA Geographies	20,650	8	35	49	8	0
HUD Adjusted Median Family Income for 2006 Households (HH) Below Poverty Level		61,400 5,975 9%		Median Housing Value Unemployment Rate		124,908 3%

Source: 2000 US Census; 2006 HUD updated Median Family Income

TABLE C - DEMOGRAPHIC INFORMATION FOR ASSESSMENT AREA Utah County (2006)						
Demographic Characteristics	#	Low % of #	Mod %of #	Mid % Of #	Upper % Of #	N/A % of #
Geographies (Census Tracts)	85	8	14	46	28	4
Population by Geography	368,536	9	15	47	29	negligible
Owner-Occupied Housing by Geography	66,800	2	11	53	34	0
Family Distribution by Income Level	81,675	18	19	24	39	0
Distribution of Low and Moderate Income Families throughout AA Geographies	30,304	14	24	47	15	0
HUD Adjusted Median Family Income for 2006 Households (HH) Below Poverty Level		56,150 10,731 11%		Median Housing Value Unemployment Rate		154,118 2%

Source: 2000 US Census; 2006 HUD updated Median Family Income

Salt Lake City continues to grow by 2.9% year over-year as of September, 2005 equating to 22,056 new jobs. Job growth continues to accelerate, rising from an annual pace of 2.2% during the prior 12 months. The transportation, warehouse, and utilities sector exhibited the strongest growth over the past year, expanding by 6%; growth in this sector was boosted by staff additions at Delta although these jobs could quickly be eliminated given the carrier's financial woes. The professional and business services sector added the most new jobs through September totaling 5,804, and this sector will continue to provide the bulk of new jobs over the next five years. Total employment growth in Salt Lake City is expected to be above average over the forecast, growing at an annual average of 1.9%, and all sectors are expected to outperform the U.S. Average.

The annual change in employment over the last 10 years is more volatile in Salt Lake City compared with the U.S. average and is expected to experience a stronger rebound going forward. Volatility has resulted from an influx of residents and high tech jobs from California during the early and mid-1990s while the state was in a more severe downturn, as well as from a large number of jobs in the high tech sector. The highest concentration of jobs is in the construction sector.

Population growth in Salt Lake City was above average at 1.4% compared to 0.9% nationwide over the last year. Over the forecast, population growth is expected to outpace the national average. Tooele, which tallied 49,688 residents as of the most recent Census survey, was the fastest-growing county, expanding by a 4.2% annualized rate during the period July 2001 to July 2004.

Due to an expanding total job base, this has resulted in below-average unemployment. Median family income maintains a level above the national average. Income (from Salt Lake County) is expected to rise over the next five years, averaging growth of 3% annually, and the pace of growth is expected to be above that of the previous five years. However, income growth in Salt Lake City proper will lag slightly behind the national average of 3.1%.

The bank operates in a highly competitive assessment area with numerous financial institutions that specialize in more traditional array of retail bank loans, deposits, and services than does Volkswagen Bank USA. These retail institutions and the many other industrial loan corporations located in Salt Lake County directly compete with Volkswagen by also fulfilling their qualified CRA activities within the same assessment area. While local community organizations benefit from these funding sources, they are somewhat limited in the amount of funding they can receive as they have to in turn hold, manage, and invest the funds responsibly over time.

Utah County makes up most of the Provo-Orem MSA and covers approximately 1,998 square miles. It is the state's second largest populated county, behind Salt Lake County, and there are 85 census tracts within its geographical boundary.

According to information obtained from Dun and Bradstreet, more than 34,600 businesses are located in Utah County. Approximately 61 percent of these businesses reported revenues of \$1 million or less. Utah County was reported as among the fastest job growth rate areas in the nation in 2004.

Utah County's strengths include the fact that the local universities create a stable employment base; Strong population growth creates demand for residential construction, which is by far the fastest growing industry in the county; and there is a large high-tech industry which is also a progressive industry. Utah County's weaknesses include the low per capita income, currently at \$20,462; high employment volatility; and structurally high bankruptcy rate.

The regional economy in Weber County is growing somewhat faster than the state of Utah average; unemployment is down slightly, although affordable housing still continues to be difficult to find for some. The county's largest employers are the Weber County School District, Internal Revenue Service, and Hill Air Force Base.

Community Contacts

A review of other recently submitted community contacts identified affordable housing, including transitional housing as primary needs. Other needs identified include credit, homebuyer, pre-purchase counseling, and other related financial literacy training targeting adults as well as student-age children; economic development in areas identified by various governments for rehabilitation; healthcare for low- and moderate-income families and individuals; and childcare for low- and moderate- income families during the workday, including after-school programs for "at-risk" youth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN SALT LAKE, TOOELE, WEBER, AND UTAH COUNTIES:

The following tables provide the institution’s goals for “Satisfactory” and “Outstanding” performance under the strategic plan. At a minimum, satisfactory performance was achieved in each category. The institution did not achieve its goals for outstanding performance in the loans, investments, and grants categories, but did meet or exceed those required for outstanding performance in the service category. Some highlights of the bank’s CRA activities are discussed following the tables.

TABLE A STRATEGIC PLAN GOALS AND ACTUAL PERFORMANCE FOR SALT LAKE, TOOELE, WEBER, AND UTAH COUNTIES IN UTAH TO OBTAIN SATISFACTORY RATING		
	Strategic Plan Goal	Actual Performance for year ending 2005 and as of June 30, 2006
12/31/05	Qualified CD Loans & Investments > or = 1.00 % of *Quarterly Average Assets \$ 55,000 in Qualified Grants 150 Hours of Qualified CD Service Activity	\$8,355,885 = 1.20 % of *Quarterly Average Assets for the year ending 2005 \$67,753 in Qualified Grants 291 Qualified Service Hours
12/31/06	Qualified CD Loans & Investments > or = 1.10 % of **Quarterly Average Assets \$ 60,000 in Qualified Grants and Donations 175 Hours of Qualified CD Service Activity	\$8,240,531 = 1.21 % of **Quarterly Average Assets for the year to date (June 30, 2006) \$49,730 in Qualified Grants & Donations (ytd) 98 Hours of Qualified CD Service Activity (ytd)
12/31/07	Qualified CD Loans & Investments > or = 1.20 % of Quarterly Average Assets \$ 65,000 in Qualified Grants 200 Hours of Qualified CD Service Activity	Cannot Evaluate 2007 performance until it has occurred.
*YE 2005 Quarterly Average Assets = \$694,458,000 **2006 (6/30) = \$681,894,000		

<p style="text-align: center;">TABLE B STRATEGIC PLAN GOALS AND ACTUAL PERFORMANCE FOR SALT LAKE, TOOELE, WEBER, AND UTAH COUNTIES IN UTAH TO OBTAIN OUTSTANDING RATING</p>		
	Strategic Plan Goal	Actual Performance
12/31/05	<p>Qualified CD Loans & Investments > or = 1.25 % of *Quarterly Average Assets</p> <p>\$ 68,000 in Qualified Grants</p> <p>175 Hours of Qualified CD Service Activity</p>	<p>\$8,355,885 = 1.20 % of *Quarterly Average Assets for the year ending 2005</p> <p>\$67,753 in Qualified Grants</p> <p>291 Qualified Service Hours</p>
12/31/06	<p>Qualified CD Loans & Investments > or = 1.35 % of **Quarterly Average Assets</p> <p>\$ 81,000 in Qualified Grants</p> <p>200 Hours of Qualified CD Service Activity</p>	<p>\$8,240,531 = 1.21 % of **Quarterly Average Assets for the year to date (June 30, 2006)</p> <p>\$49,730 in Qualified Grants & Donations (ytd)</p> <p>98 Hours of Qualified CD Service Activity (ytd)</p>
12/31/07	<p>Qualified CD Loans & Investments > or = 1.45 % of Quarterly Average Assets</p> <p>\$ 65,000 in Qualified Grants</p> <p>225 Hours of Qualified CD Service Activity</p>	Not able to evaluate
<p>*YE 2005 Quarterly Average Assets = \$694,458,000 **2006 (6/30) = \$681,894,000</p>		

Table A shows that the bank exceeded all three goals for a Satisfactory rating for the year 2005 and is well on the way to surpassing the goals established for 2006 to achieve a Satisfactory rating. Table B shows that the bank did not meet the community development lending and investment goal established for an outstanding rating for 2005. The goal was almost reached for outstanding performance in providing qualified grants and donations. With 291 qualified service hours for 2005, this surpassed the goal of 175 qualified service hours set for an outstanding rating for 2005. Bank performance for 2006 under the goals set for outstanding show similarities to that achieved for 2005. Since more weight is given to community development loans and investments (which also includes grants & donations), the outstanding performance under services does not generate an overall outstanding rating.

The following details some of the community development activities (2005) that provided substantive impact to the communities served:

The bank participates (over \$430,000 funded) in the Utah Community Reinvestment Corporation (UCRC) by helping to fund loans for affordable housing in projects located statewide, including the bank's assessment area. Since 2002, these investments have financed over 1,500 units of affordable housing at over 30 different project locations, many being located in the bank's assessment areas.

The bank has purchased FHLMC (\$1,043,960) and FNMA (\$6,880,392) pools. All of the underlying mortgages were originated to low- and moderate-income borrowers. Through the overall purchase of mortgage-backed securities (\$7,924,352), the bank has helped finance 83 units of single family residence affordable housing. These residences are dispersed throughout the bank's assessment areas.

Bank personnel provided nearly 260 qualified community development service hours to the local communities, surpassing the bank's strategic plan goal for outstanding performance. This included numerous hours of providing financial literacy training (Money Smart) to adults through the county housing authority and to students through the Junior Achievement programs. Some of the adults were first-time home buyers. The students taught were from low- and moderate-income families and attending Title One schools in the bank's assessment areas. Other qualified service included "board representation" with Junior Achievement and a non-profit entity providing transitional housing.

There were nearly \$68,000 in qualified grants and donations provided by the bank, including scholarships and in-kind donations. The donations included a substantive amount to be used for qualified community programs, including those for youth. This also included \$2,500 to aid the Hurricane Katrina victims.

The aforementioned describes the qualified activities as a whole. Within this discussion, some of the individual activities are described below. It is expected that most of the activities described below will show a greater impact upon Salt Lake County, and are appropriately weighted in determining an overall rating.

Salt Lake County

Through the purchase of mortgage-backed securities (\$6,412,352), the bank has helped finance nearly 70 units of single family residence affordable housing.

Nearly \$50,000 was donated in the form of grants, donations, and scholarships for helping to meet the housing, community service, and educational needs of the low- and moderate-income families and individual of Salt Lake County, including Native Americans.

Bank representatives taught the Money Smart (FDIC) program, providing financial literacy training to low- and moderate-income borrowers through a county "first-time" homebuyers

program. Additional financial literacy training was provided to low- and moderate-income students through the Junior Achievement program.

Tooele County

Through the purchase of mortgage-backed securities (\$165,000), the bank has helped finance 2 units of single family residence affordable housing.

Weber County

Through the purchase of mortgage-backed securities (\$555,000), the bank has helped finance 5 units of single family residence affordable housing.

The bank provided a \$7,000 in-kind donation to an entity providing “community services” through its “youth program” to low- and moderate-income youth. Also provided was a \$4,000 grant for educational purposes for a low- or moderate-income student.

Utah County

Through the purchase of mortgage-backed securities (\$414,000), the bank has helped finance 4 units of single family residence affordable housing.

RESPONSE TO COMPLAINTS

No comments or complaints were received by the bank regarding its CRA performance.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No violations of the substantive provisions of the anti-discrimination laws were identified during the examination. Also, no other illegal credit practices inconsistent with helping to meet community credit needs were identified.