VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

ANNUAL FINANCIAL STATEMENTS OF VOLKSWAGEN FINANCIAL SERVICES AG – HOLDING

2016

Balance Sheet

of Volkswagen Financial Services AG, Braunschweig, as of December 31, 2016

€ thousand	Dec. 31, 2016	Dec. 31, 2015
Assets		
A. Fixed assets		
I. Intangible assets	11,960	5,923
II. Property and equipment	44,380	45,962
III. Financial assets	12,399,703	9,740,809
	12,456,043	9,792,694
B. Current assets		
I. Receivables and other assets	6,640,373	7,924,673
II. Cash-in-hand and bank balances	977	275
	6,641,350	7,924,948
C. Prepaid expenses	27,384	14,022
Total assets	**19,124,777**	**17,731,664**
Equity and liabilities		
A. Equity		
I. Subscribed capital	441,280	441,280
II. Capital reserves	10,449,041	9,224,041
III. Retained earnings	99,469	99,469
IV. Net retained profits	1,705	1,705
	10,991,495	9,766,495
B. Provisions	492,452	445,746
C. Liabilities	7,640,830	7,519,423
Total equity and liabilities	**19,124,777**	**17,731,664**

Income Statement

of Volkswagen Financial Services AG, Braunschweig, for the Period January 1 to December 31, 2016

€ thousand	2016	2015
Sales revenues	700,140	-
Cost of sales	693,016	-
Gross profit on sales	7,124	-
General and administrative expenses	248,809	207,308
Other operating income	364,417	859,275
Other operating expenses	243,324	704,826
Net income from long-term equity investments	296,191	346,222
Financial result	–2,532	–30,738
Taxes on income (charged by parent €43,154 thousand; previous year, refund of €157,668 thousand)	**42,830**	**–156,969**
Result after tax	**130,237**	**419,594**
Profits transferred under a profit transfer agreement	130,237	419,594
Net income	**-**	**-**
Profit brought forward	1,705	1,705
Net retained profits	**1,705**	**1,705**

Notes

to the Annual Financial Statements of Volkswagen Financial Services AG, Braunschweig, for the Period January 1 to December 31, 2016

1. General Information

Volkswagen Financial Services AG is classified as a large corporation as defined by section 267(3) sentences 1 and 2 of the Handelsgesetzbuch (HGB – German Commercial Code). The annual financial statements have therefore been prepared in accordance with the financial reporting framework specified for large corporations by the HGB.

The registered office of Volkswagen Financial Services AG is Braunschweig. The Company is registered in the commercial register at the Local Court of Braunschweig (commercial register number HRB 3790).

Volkswagen Financial Services AG provides personnel to the German Group companies in return for a consideration under staff leasing arrangements.

Cross-functional departments are assigned to Volkswagen Financial Services AG. The associated administrative expenses are charged to Group companies through a system of internal cost allocation. Volkswagen Financial Services AG also provides IT services for Group companies. Likewise, the costs of the services are allocated according to usage.

The costs that are allocated in connection with the staff leasing and the provision of IT services, together with the administrative expenses for the cross-functional departments, are recognized under cost of sales. The income derived from the allocation of staff leasing costs is reported under sales revenues.

To improve the clarity of presentation, we have aggregated individual line items in the balance sheet and income statement. These items are presented separately in the notes.

The income statement has been prepared using the cost of sales format (also known as the function of expense format) – the standard format used in the Volkswagen Group – to facilitate better international comparability.

2. Accounting Policies

The first-time application of the provisions of the Bilanzrichtlinie-Umsetzungsgesetzes (BilRUG – Accounting Directive Implementation Act), which entered into force on July 23, 2015, has led to changes to the form of presentation and reporting methods previously applied in the income statement. As required by the BilRUG, the “Result from ordinary business activities” item previously included in the classification of the income statement has been removed. Another change to the classification is the insertion of an intermediate result item, “Result after tax”, between “Taxes on income” and “Profits transferred under a profit and loss transfer agreement”. To reflect these changes, prior-year presentation has been adjusted in accordance with section 75(2) of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Act Introducing the German Commercial Code).

In addition, the initial application of the BilRUG in fiscal year 2016 has led to changes in the way sales are reported because of the new definition of revenues. These relate in particular to sales and other operating income and the corresponding expense items. The corresponding prior-year amounts are therefore not comparable.

Purchased intangible fixed assets are measured at cost and reduced by amortization; property and equipment is measured at cost and reduced by depreciation. The useful lives of intangible fixed assets are three to five years; those for property and equipment lie in a range between three and thirteen years.

Low-value assets are written off in full in the year of acquisition and accounted for as disposals.

Shares in affiliated companies and other long-term equity investments are measured at cost.

Write-downs are recognized if fixed assets measured in accordance with these principles are identified as impaired on the reporting date, i.e. their fair values are found to be lower than their carrying amounts, and this impairment is expected to be permanent.

Receivables and other assets are reported at their nominal amounts.

The Company has various pension commitments, which differ in terms of their structure. Some of the pension commitments are not externally funded and others are funded through Volkswagen Pension Trust e.V. As a result of absorbing the employees of MAN Financial Services GmbH (formerly MAN Finance International GmbH) as of January 1, 2016, Volkswagen Financial Services AG assumed the corresponding pension commitments funded through MAN Pension Trust e. V., and joined MAN Pension Trust e. V. as plan sponsor.

The commitments funded through Volkswagen Pension Trust e.V. and MAN Pension Trust e. V. are measured at the fair value of the securities in the fund in accordance with section 253(1) sentence 3 of the HGB because the amount of the obligation is determined exclusively by this value. The fair value of the securities is offset against the funded provisions in accordance with section 246(2) of the HGB.

Other pension obligations are also linked to securities funds. The securities measured at fair value are offset as plan assets against the corresponding provisions.

The pension provision that is not externally funded is recognized at present value. The 2005 G mortality tables (latest version) published by Dr. Klaus Heubeck are used as the basis for the calculations.

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

Pension obligations are no longer discounted using a discount rate determined on the basis of the average market interest rates of the past seven years published by Deutsche Bundesbank, but using the discount rate adjusted in accordance with section 253(2) of the HGB based on the past ten years.

In the year under review, the difference determined in accordance with section 253(6) of the HGB amounted to €32,129 thousand for the pension provision not funded externally, €13,903 thousand for the commitments funded through Volkswagen Pension Trust e.V. and €100 thousand for the commitments funded through MAN Pension Trust e. V.

The main measurement assumptions and actuarial parameters applied in the calculation of the pension provisions were as follows:

Discount rate:	4.01%
Expected rate of salary increases:	3.60%
Expected rate of pension increases:	1.50%
Employee turnover rate:	0.95%

Adequate provisions in the amount required to settle the estimated obligation are recognized to cover contingent liabilities and existing risks. Other long-term provisions were discounted using a discount rate determined on the basis of the average market interest rates of the past seven years published by Deutsche Bundesbank.

Liabilities are recognized at the settlement amount.

Receivables and liabilities in foreign currency that are due for settlement within one year are translated at the middle spot rate on the reporting date. The hedge rate is used in the case of hedges.

Derivative financial instruments are used exclusively for hedging purposes. Derivative financial instruments (interest rate swaps) are measured in accordance with general HGB measurement requirements and hedge accounting is applied to the extent permissible.

3. Balance Sheet Disclosures

The breakdown of the fixed assets aggregated in the balance sheet and the changes in these assets in the reporting period are shown in the statement of changes in fixed assets. The list of the Company's shareholdings is attached as an annex and can also be accessed at www.vwfsag.com/listofholdings2016.

There are no subordinated loans among the loans to affiliated companies amounting to €236,112 thousand.

Other loans amounting to €779,952 thousand are subordinated.

On the basis of an existing profit and loss transfer agreement, deferred taxes are recognized by Volkswagen AG, Wolfsburg, the controlling entity in the tax group.

The breakdown of receivables and other assets is shown in the following table:

€ thousand	Dec. 31, 2016	Dec. 31, 2015
1. Receivables from affiliated companies (of which from the shareholder €170,504 thousand; previous year €176,638 thousand) (of which due in more than 1 year €494,464 thousand; previous year €940,301 thousand)	4,682,150	5,890,286
2. Receivables from other long-term investees and investors (of which due in more than 1 year €534,000 thousand; previous year €558,000 thousand)	1,954,688	2,030,627
3. Other assets (of which due in more than 1 year €0 thousand; previous year €524 thousand)	3,535	3,760
	6,640,373	**7,924,673**

The receivables from affiliated companies include loan receivables and interest of €907,216 thousand, receivables under existing profit and loss transfer agreements of €590,474 thousand, tax allocations of €100,271 thousand, receivables from cash deposits of €156,939 thousand, together with fixed-term deposits and interest of €2,633,365 thousand.

The receivables from other long-term investees and investors include fixed-term deposits and interest of €911,902 thousand together with loan and interest receivables amounting to €1,041,223 thousand.

Other assets largely comprise receivables from swap interest and from the tax authorities arising from corporation tax refunds due to the Company.

Prepaid expenses include prepayments of guarantee insurance, currency forward swap premiums and maintenance costs of €27,042 thousand relating to the subsequent year. Prepaid expenses also include a difference of €342 thousand determined in accordance with section 250(3) of the HGB.

The parent company paid €1,225,000 thousand into the capital reserves (section 272(2) no. 4 of the HGB) in the reporting period. The capital reserves now stand at €10,449,041 thousand.

The revenue reserves remain unchanged, consisting of legal reserves of €44,128 thousand and other revenue reserves of €55,341 thousand.

The provisions comprise the following items:

€ thousand	Dec. 31, 2016	Dec. 31, 2015
1. Provisions for pensions and similar obligations, unfunded	202,212	201,848
including the offsetting of the unit-linked pension obligation:		
Provisions for pensions, funded	147,816	125,551
Fund assets as plan assets (cost €148,522 thousand)	–147,816	–125,551
2. Other provisions	290,240	243,898
including the offsetting of the employee time asset bond:		
Provision for time asset bond	80,218	68,839
Fund assets as plan assets (cost €82,869 thousand)	–80,218	–68,839
	492,452	**445,746**

The main items recognized within other provisions are provisions for personnel expenses amounting to €178,195 thousand (previous year: €157,901 thousand), provisions for contract risks arising from operating activities amounting to €39,400 thousand (previous year: €36,800 thousand) and provisions for outstanding invoices of €44,957 thousand (previous year: €25,564 thousand).

The breakdown of liabilities is as follows:

€ thousand	Dec. 31, 2016	Dec. 31, 2015
1. Bonds (of which due within 1 year €500,000 thousand; previous year: €0 thousand) (of which due after 1 year €750,000 thousand; previous year: €500,000 thousand)	1,250,000	1,250,000
2. Liabilities to credit institutions (of which due within 1 year €1,236 thousand; previous year: €300,119 thousand) (of which due after 1 year €370,000 thousand; previous year: €70,000 thousand)	371,236	370,119
3. Trade payables (due within 1 year)	7,911	16,502
4. Liabilities to affiliated companies (of which to the shareholder €1,965,804 thousand; previous year €1,701,042 thousand) (of which due within 1 year €3,255,827 thousand; previous year €3,249,836 thousand) (of which due in more than 1 year €2,082,210 thousand; previous year €1,621,210 thousand) (of which due in more than 5 years €1,489,210 thousand; previous year €426,400 thousand)	5,338,037	4,871,046
5. Other liabilities (of which taxes €9,537 thousand; previous year €7,734 thousand) (of which relating to social security and similar obligations €2,361 thousand; previous year €1,891 thousand) (of which due within 1 year €671,823 thousand; previous year €1,008,368 thousand) (of which due in more than 1 year €1,822 thousand; previous year €3,388 thousand)	673,646	1,011,756
	7,640,830	**7,519,423**

The bonds comprise listed bonds issued under Volkswagen Financial Services AG's debt issuance program.

The liabilities to the shareholder relate mainly to loans of €1,000,000 thousand, fixed-term deposits of €610,000 thousand, the profit transfer of €130,237 thousand and the payment of income tax of €111,564 thousand.

Other liabilities include commercial paper liabilities amounting to €653,383 thousand.

Statement of changes in fixed assets of Volkswagen Financial Services AG, Braunschweig, for 2016

€ thousand	GROSS CARRYING AMOUNTS				
	Brought forward January 1, 2016	Additions	Disposals	Transfers	Balance Dec. 31, 2016
I. Intangible assets					
Software	46,301	10,500	–	–	56,801
II. Property and equipment					
Operating and office equipment	122,141	14,556	28,357	–	108,340
III. Financial assets					
Shares in affiliated companies	8,996,917	3,649,461	1,724,053	–	10,922,325
Loans to affiliated companies	267,611	30,000	61,500	–	236,111
Other long-term equity investments	457,620	10,050	–	–	467,670
Loans to other long-term investees and investors	20,000	–	20,000	–	–
Other loans	–	827,949	47,996	–	779,953
Total financial assets	**9,742,148**	**4,517,460**	**1,853,549**	**–**	**12,406,059**
Total fixed assets	**9,910,590**	**4,542,516**	**1,881,906**	**–**	**12,571,200**

WRITE-DOWNS				NET CARRYING AMOUNTS			
Brought forward January 1, 2016	Additions	Disposals	Transfers	Write-ups	Balance Dec. 31, 2016	Balance Dec. 31, 2016	Balance Dec. 31, 2015
40,378	4,463	–	–	–	44,841	11,960	5,923
76,179	15,973	28,192	–	–	63,960	44,380	45,962
1,339	5,017	–	–	–	6,356	10,915,969	8,995,578
–	–	–	–	–	–	236,111	267,611
–	–	–	–	–	–	467,670	457,620
–	–	–	–	–	–	–	20,000
–	–	–	–	–	–	779,953	–
1,339	**5,017**	**–**	**–**	**–**	**6,356**	**12,399,703**	**9,740,809**
117,896	**25,453**	**28,192**	**–**	**–**	**115,157**	**12,456,043**	**9,792,694**

Write-downs of the carrying amounts of investments in affiliated companies were recognized in the reporting period. The associated cost is recognized within the financial result.

4. Income Statement Disclosures

Because of the first-time application of the BilRUG in fiscal year 2016, Volkswagen Financial Services AG for the first time reported sales in accordance with section 277(1) of the HGB that are not comparable with prior-year figures. The income from allocating overhead expenses to affiliated companies (€700,140 thousand), which is now reported under sales in accordance with the BilRUG, had been recorded under operating income (€696,966 thousand) in the previous year. If the BilRUG had been applied in the previous year, this would therefore have resulted in sales of €696,966 thousand.

In the previous year, other operating expenses included overhead expenses of €690,140 thousand allocated to affiliated companies; in 2016 these overhead expenses are reported under cost of sales (€693,016 thousand) pursuant to the provisions on revenues of the BilRUG. For this reason, cost of sales in the period under review is not comparable to the figure reported in the previous year. If the BilRUG had been applied in the previous year, cost of sales would have amounted to €690,140 thousand.

Cost of materials within the meaning of section 275(2) no. 5 of the HGB was incurred for purchased services in an amount of €294,170 thousand (previous year: €310,997 thousand).

The breakdown of personnel expenses is as follows:

€ thousand	2016	2015
Salaries	510,212	479,895
Social security, post-employment and other employee benefit costs	92,979	90,104
of which for post-employment benefits	(20,605)	(24,435)
	603,191	**569,999**

Other operating income includes exceptional income in the form of support payments from VW AG amounting to €348,800 thousand. In addition, currency translation accounts for other operating income of €89 thousand and other operating expenses of €40 thousand. Other operating expenses also include expenses of exceptional incidence relating to expenses from the disposal of financial assets in the amount of €123,831 thousand and from the repayment of compensation payments to VW AG in the amount of €110,590 thousand.

The breakdown of net income from long-term equity investments is as follows:

€ thousand	2016	2015
Expenses from absorption of losses	328,915	97,514
Income under profit transfer agreements (from affiliated companies)	625,106	431,736
Income from other long-term equity investments (from investments in joint ventures)	–	12,000
	296,191	**346,222**

The following table shows the breakdown of the financial result:

€ thousand	2016	2015
Income from other securities and long-term loans (of which from affiliated companies €3,242 thousand; previous year €2,506 thousand)	5,743	3,317
Other interest and similar income (of which from affiliated companies €35,400 thousand; previous year €23,252 thousand) (of which interest income from discounting €679 thousand; previous year €822 thousand)	49,252	31,502
Interest and similar expenses (of which to affiliated companies €19,827 thousand; previous year €29,031 thousand) (of which from unwinding discount on provisions €3,879 thousand; previous year €31,093 thousand)	52,510	74,557
Write-downs of financial assets (from affiliated companies)	5,017	–
Write-ups of financial assets (from affiliated companies)	–	9,000
	–2,532	**–30,738**

Interest expenses for funded pension provisions amounting to €4,739 thousand were offset against income of the same amount arising from the measurement of the associated plan assets. The interest income from the discounting of the provision for time asset bonds in the amount of €2,468 thousand (prior year: €182 thousand) was offset against expenses of the same amount from the measurement of the scheme fund assets.

Net income for the year includes prior-period income of €13,011 thousand (prior year €31,290 thousand) and prior-period expenses of €621 thousand (prior year €692 thousand), which are largely attributable to the allocation of personnel expenses and the reversal of provisions. Prior-period income and expenses are recognized under other operating income, sales, or other operating expenses.

5. Other Disclosures

Volkswagen Financial Services AG has entered into derivative contracts to mitigate interest rate risk and currency risk. These derivatives are used solely for hedging purposes. The fair values are determined using market information as of the reporting date and with the help of suitable IT-based valuation techniques.

The breakdown of nominal values and market values is as follows:

	NOMINAL VALUES		MARKET VALUES			
€ thousand	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016		Dec. 31, 2015	
			positive	negative	positive	negative
Interest rate swaps	1,050,000	1,050,000	14,650	–	4,813	1,850
Cross-currency/currency swaps	227,557	208,257	17,566	3,005	1,283	14,082
Currency forward contracts	814,064	1,574,519	1,670	16,979	39,269	511

The following table shows the amount of hedged items as of December 31, 2016 for which hedge accounting has been applied, together with the level of risk mitigated by this hedge accounting:

€ thousand		Assets	Liabilities	Total	Amount of hedged risks
Interest rate risks	Micro hedge	–	1,050,000	1,050,000	15,091
Currency risks	Micro hedge	1,041,621	–	1,041,621	39,654
Total		**1,041,621**	**1,050,000**	**2,091,621**	**54,745**

The Company has been applying hedge accounting in accordance with the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act) since January 1, 2010. The net hedge presentation method is used for hedge accounting.

The interest rate risk arising from issuing loans to Group companies is mitigated by micro hedges based on receiver swaps, whereby the changes in the value of the hedged item are offset by the changes in the value of the swap. Hedge accounting is generally applied over the entire duration of the hedge. The Company therefore always satisfies the hedge accounting criterion, which requires an intention to maintain hedge accounting until the final maturity date. Prospective effectiveness testing as described in IFRSs is applied to the extent possible in accordance with IFRS criteria for hedge accounting, or the critical term match method is used. Retrospective effectiveness is measured using regression analysis. Currency risk that arises from issuing foreign currency loans to FS companies outside the eurozone is generally hedged with currency forwards, currency swaps, or cross-currency swaps. The critical term match method is used to measure the effectiveness of the hedges in this case.

As of December 31, 2016, a provision for expected losses of €3 thousand (previous year €459 thousand) had been recognized in connection with interest rate and currency risks.

The liabilities under guarantees amount to €12,495,364 thousand, the main components being guarantees to creditors of affiliated companies in the amount of €12,369,909 thousand relating to short- and medium-term bonds (money and capital market) issued by these companies and to other funding programs as well as a guarantee to the creditor of an affiliated company for future rental payments in the amount of €125,455 thousand. The probability of these guarantees being called upon is very low because the companies involved form part of the Group. Liabilities under guarantees to affiliated companies amount to €7,197 thousand. The cash deposits of €147,339 thousand reported under receivables has been pledged as collateral in connection with dealer financing in Russia, Norway, Portugal and the United Kingdom. A credit risk provision of €9,600 thousand has been recognized to cover the associated risks.

Other financial obligations (purchase order obligations) as specified in section 285 no. 3a of the HGB amount to €55,011 thousand.

The share capital of €441,280 thousand is divided into 441,280,000 no-par-value shares. All the shares are held by Volkswagen AG, Wolfsburg.

A control and profit and loss transfer agreement has been in place between Volkswagen AG and Volkswagen Financial Services AG since January 1, 1995.

Volkswagen Financial Services AG also has profit and loss transfer agreements with Volkswagen Bank GmbH and Volkswagen Leasing GmbH as well as control and profit and loss transfer agreements with Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Volkswagen Versicherung AG, Volkswagen-Versicherungsdienst GmbH, Volkswagen Insurance Brokers GmbH, 4Collection GmbH, Rent-X GmbH, Euromobil Autovermietung GmbH, carmobility GmbH, Vehicle Trading International (VTI) GmbH and MAN Finance International GmbH.

The annual financial statements of Volkswagen Financial Services AG are published in the German Federal Gazette.

The annual financial statements of Volkswagen Financial Services AG are included in the consolidated financial statements of Volkswagen Financial Services AG, Braunschweig, which are prepared in accordance with the International Financial Reporting Standards and published in the German Federal Gazette.

The annual financial statements of Volkswagen Financial Services AG are also included in the consolidated financial statements of Volkswagen AG, Wolfsburg, which are published in the German Federal Gazette.

Volkswagen Financial Services AG had 5,866 employees and 113 vocational trainees on average in the reporting period. The 5,866 employees comprised 4,300 full-time and 1,566 part-time employees.

The remuneration of the Board of Management of Volkswagen Financial Services AG amounted to €4,920 thousand in 2016. The bonus for 2016 will be paid out in 2017 to 2022. The total payments include the 2017 payout. Payments of €2,800 thousand are expected for 2018 to 2022, for which provisions have been recognized. The total payments made to former members of the Board of Management and their surviving dependents amounted to €460 thousand. The provisions recognized for this group of individuals to cover current pensions and pension entitlements amount to €11,133 thousand.

The Company paid the members of the Supervisory Board total remuneration of €35 thousand.

6. Report on Post-balance Sheet Date Events

The following significant events, which are not reflected in either the income statement or the balance sheet, occurred after the end of the fiscal year:

Effective January 1, 2017, Volkswagen Financial Services AG acquired 50.98 percent of the shares of LogPay Transport Services GmbH. The acquisition is still subject to approval by the anti-trust authorities.

As of January 16, 2017 Volkswagen AG implemented a capital increase of €1,000,000 thousand for Volkswagen Financial Services AG.

Volkswagen AG and Volkswagen Financial Services AG entered into a subordinated loan agreement for €500,000 thousand effective January 16, 2017.

On January 18, 2017, Volkswagen Financial Services AG transferred an amount of €400,000 thousand to the capital reserves of Volkswagen Bank GmbH.

7. Executive Bodies of Volkswagen Financial Services AG

The composition of the Board of Management is as follows:

LARS HENNER SANTELMANN
Chairman of the Board of Management
Corporate Management
Insurance
China/India/ASEAN, Latin America
Truck & Bus Division (until December 31, 2016)

DR. MARIO DABERKOW
Information Technology and Processes

DR. CHRISTIAN DAHLHEIM
Sales and Marketing
Germany, Europe, International
Truck & Bus Division (from January 1, 2017)

FRANK FIEDLER
Finance and Purchasing

CHRISTIANE HESSE
Human Resources and Organization

DR. MICHAEL REINHART
Risk Management and Credit Analysis

The composition of the Supervisory Board is as follows:

FRANK WITTER
Chairman
Member of the Board of Management of Volkswagen AG
Finance and Controlling

DR. JÖRG BOCHE
Deputy Chairman (from November 1, 2016)
Executive Vice President of Volkswagen AG
Head of Group Treasury

STEPHAN WOLF
Deputy Chairman
Deputy Chairman of the Joint and Group Works Council of Volkswagen AG

DR. ARNO ANTLITZ
Member of the Board of Management Volkswagen Brand
Controlling and Accounting

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

PROF. DR. SUSANNE HOMÖLLE (FROM OCTOBER 6, 2016)
Chair of Banking and Finance
University of Rostock

FRED KAPPLER (FROM OCTOBER 6, 2016)
Head of Group Sales
Volkswagen AG

DETLEF KUNKEL (UNTIL APRIL 30, 2016)
General Secretary/Principal Representative of IG Metall Braunschweig

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

JAMES MORYS MUIR (UNTIL OCTOBER 5, 2016)
Head of Volkswagen Group National Sales Companies (NSC) Steering

GABOR POLONYI
Head of Fleet Customer Management for Volkswagen Leasing GmbH

PETRA REINHEIMER
General Secretary of the Joint Works Council of Volkswagen Financial Services AG,
Volkswagen Bank GmbH and Euromobil Autovermietung GmbH

EVA STASSEK (FROM DECEMBER 8, 2016)
General Secretary/Principal Representative of IG Metall Braunschweig

AXEL STROTBEK
Member of the Board of Management
AUDI AG
Finance and IT

8. 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 Financial Services AG, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of Volkswagen Financial Services AG.

Braunschweig, February 14, 2017

The Board of Management

Lars Henner Santelmann

Dr. Mario Daberkow

Dr. Christian Dahlheim

Frank Fiedler

Christiane Hesse

Dr. Michael Reinhart

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 FINANCIAL SERVICES AKTIENGESELLSCHAFT, Braunschweig, which is combined with the Group management report, for the fiscal year from January 1 to Saturday, December 31, 2016. The bookkeeping system and the preparation of the annual financial statements and combined management report in accordance with the requirements of German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, including the bookkeeping system, and the combined 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 combined 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 combined 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 Board of Management, as well as evaluating the overall presentation of the annual financial statements and the combined 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 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 combined management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hannover, February 14, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Frank Hübner	Burkhard Eckes
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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Produced in-house with firesys

This annual report is also available in German at www.vwfsag.de/gb16.

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