

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

VOLKSWAGEN BANK GMBH  
ANNUAL FINANCIAL STATEMENTS (HGB)

*2017*

# Balance Sheet

of Volkswagen Bank GmbH, Braunschweig, as of December 31, 2017

€ thousand		Dec. 31, 2017	Dec. 31, 2016
<b>Assets</b>			
1. Cash reserve			
a) Cash-in-hand	909		1,309
b) Central bank balances	1,713,178		1,370,640
of which:			
at Deutsche Bundesbank €1,705,254 thousand			(1,363,000)
c) Post office bank balances	81		77
		1,714,168	1,372,026
2. Loans to and receivables from banks			
a) Repayable on demand	421,626		896,774
b) Other receivables	1,440,748		815,804
		1,862,374	1,712,578
3. Loans to and receivables from customers		47,912,663	43,210,027
4. Bonds and other fixed-income securities			
a) Bonds			
aa) From public-sector issuers	1,974,943		2,071,512
of which:			
eligible as collateral at Deutsche Bundesbank €1,737,569 thousand			(1,819,797)
ab) From other issuers	13,119,268		10,767,740
of which:			
eligible as collateral at Deutsche Bundesbank €11,967,401 thousand			(9,425,673)
		15,094,211	12,839,252
5. Equities and other variable-yield securities		0	0
6. Long-term equity investments		87,989	200
7. Shares in affiliated companies		631,561	77,136
of which:			
in banks €88,854 thousand			(77,136)
8. Intangible fixed assets			
a) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	7,314		6,196
b) Goodwill	167		333
		7,481	6,529
9. Property and equipment		8,545	8,549
10. Lease assets		1,198,281	1,003,716
11. Other assets		488,568	436,139
12. Prepaid expenses		9,761	5,153
<b>Total assets</b>		<b>69,015,602</b>	<b>60,671,305</b>

€ thousand		Dec. 31, 2017	Dec. 31, 2016
<b>Equity and liabilities</b>			
1. Liabilities to banks			
a) Repayable on demand	213,033		184,032
b) With agreed maturity or notice period	6,980,987		4,687,976
		7,194,019	4,872,008
2. Liabilities to customers			
a) Other liabilities			
aa) Repayable on demand	23,885,894		25,932,463
ab) With agreed maturity or notice period	11,547,936		11,484,858
		35,433,829	37,417,321
3. Notes, commercial paper issued			
b) Other notes, commercial paper issued	3,802,822		1,815,048
		3,802,822	1,815,048
4. Notes, commercial paper issued		12,221,980	8,901,039
5. Deferred income		758,833	661,654
6. Provisions			
a) Provisions for pensions and similar obligations	70,612		40,443
b) Provisions for taxes	40,220		21,357
c) Other provisions	561,594		515,973
		672,426	577,773
7. Special tax-allowable reserve		1,171	1,214
8. Subordinated liabilities		30,000	30,000
9. Fund for general banking risks		25,565	25,565
10. Equity			
a) Subscribed capital	318,279		318,279
b) Capital reserves	8,531,074		6,025,800
c) Revenue reserves			
ca) Other revenue reserves	25,604		25,604
d) Net retained profits	0		0
		8,874,958	6,369,683
<b>Total equity and liabilities</b>		<b>69,015,602</b>	<b>60,671,305</b>
1. Contingent liabilities			
a) Liabilities under guarantees and indemnity agreements		135,995	135,339
of which:			
to affiliated companies		108,733	115,422
2. Other obligations			
a) Irrevocable credit commitments		2,350,895	1,435,011
of which:			
to affiliated companies		146,901	142,998

# Income Statement

of Volkswagen Bank GmbH, Braunschweig, for the period January 1 to December 31, 2017

€ thousand			2017	2016
1. Interest income from				
a) Lending and money market transactions	1,386,246			1,269,812
b) Fixed-income securities and debt register claims	71,005			86,392
2. Interest expense		1,457,251		1,356,204
3. Interest anomalies		138,708		179,637
a) Positive interest from banking business (collateral deposits)	751			720
b) Negative interest from money market transactions	13,060			9,816
		-12,309		-9,096
			1,306,234	1,167,471
4. Current income from				
a) Equities and other variable-yield securities		31		7
			31	7
5. Leasing income		715,588		612,136
6. Leasing expenses		321,299		260,903
			394,289	351,233
7. Fee and commission income		388,164		425,054
8. Fee and commission expenses		500,544		528,448
			-112,380	-103,394
9. Other operating income			419,824	475,198
10. Income from the reversal of special tax-allowable reserve			43	43
11. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	97,913			63,807
ab) Social security, post-employment and other employee benefit costs	19,357			14,399
of which:		117,271		78,206
in respect of post-employment benefits €363 thousand				(2,008)
b) Other administrative expenses		698,010		720,226
			815,280	798,432
12. Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of property and equipment and lease assets				
a) Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of property and equipment		5,240		6,055
b) Depreciation and write-downs of lease assets		362,413		324,708
			367,653	330,763
13. Other operating expenses			272,824	156,909
14. Amortization and write-downs of receivables and certain securities, and additions to provisions in the lending business			0	62,465
15. Income from the reversal of write-downs of and valuation allowances on receivables and certain securities and from the reversal of provisions in the lending business			125,675	0
16. Income from the reversal of write-downs of long-term equity investments, shares in affiliated companies, and securities treated as fixed assets			0	11,265
17. Result from ordinary activities			677,959	553,254
18. Extraordinary income		2,969		7,767
19. Extraordinary result			2,969	7,767
20. Income tax expense			191,629	147,253
21. Other taxes, unless reported under item 13			52	28
22. Profits transferred under a profit and loss transfer agreement			489,247	413,740
23. Net income			0	0
<b>24. Net retained profits</b>			<b>0</b>	<b>0</b>

# Notes to the Annual Financial Statements

of Volkswagen Bank GmbH, Braunschweig, for the year ended December 31, 2017  
Registration court: Braunschweig  
Commercial register number: HRB 1819

## 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).

As of December 31, 2017, both a control agreement and a profit and loss transfer agreement were in place with Volkswagen AG.

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 conducted 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. In order to bring the accounting policies used in the previous year in line with standard Group-wide accounting principles, the treatment of service contracts was changed in the reporting period. The provisions recognized for outstanding costs arising under service contracts were reversed and a corresponding item was recognized under liabilities to customers. Revenue recognition now tracks the expenses incurred from the obligation to perform servicing and wear-and-tear repair contracts. An amount of €46.3 million, which was previously recognized as a provision, is now reported under liabilities to customers. In total, this adjustment had no effect on profit or loss. Unless otherwise stated, the other 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 translation of foreign currency exposures specifically hedged in the same currency are recognized in net other operating income/expense.

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). 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 in accordance with section 254 of the HGB.

Volkswagen Bank GmbH has acquired all of the following asset-backed securities (ABS), which are its own securitization transactions: Private Driver 2015-1, Driver Master Compartment 2. 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 loans to and 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 and equipment with finite useful lives are depreciated, and intangible assets with finite useful lives amortized on a straight-line basis on the basis of their useful lives. They are initially recognized at cost. The useful lives applicable to goodwill, which are based on economic useful lives, are eight years (VWV Retail) or two years (Volkswagen Finance s.a., France).

Straight-line depreciation is applied to vehicles reported under the “Lease assets” item in accordance with expected useful lives. They are initially recognized at cost. If property 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 leasing income and the derecognized residual carrying amounts are reported under leasing expenses.

Receivables are recognized at their principal amounts, net of provisions for credit 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, long-term equity investments and shares in affiliated companies are measured at the lower of cost and fair value. The cash reserve is carried at the nominal amount.

Current bonds and other fixed and variable-income securities held in the liquidity reserve and measured using parameters derived from the market are recognized at historical cost, applying the strict lower of cost or market principle and the requirement to reverse write-downs when the reasons for them no longer exist (section 340e(1) sentence 2 in conjunction with section 253(4) sentence 1 of the HGB and section 253(5) sentence 1 of the HGB).

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

Some of the pension commitments are direct pension commitments, while others are funded through Volkswagen Pension Trust e.V. The commitments funded through Volkswagen Pension Trust e.V. are unlinked pension commitments. Their amount is determined on the basis of the fair values of the associated securities in accordance with section 253(1) sentence 3 of the HGB. The fair value of the securities is offset against the funded provisions in accordance with section 246(2) of the HGB.

Other pension obligations (time asset bonds) are also linked to securities funds. Time asset bonds provide the opportunity to save for early retirement by acquiring time asset bond units. 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 published by Prof. Klaus Heubeck are used to measure pension obligations. The provisions for pension obligations are discounted using an average discount rate in accordance with section 253(2) sentence 1 of the HGB. The pension obligation is 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 Deutsche Bundesbank's discount rate of the past ten years, adjusted in accordance with section 253(2) of the HGB. 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.

For reasons of materiality, individual provisions with a maturity of more than one year are not discounted as would be required in accordance with section 253(2) of the HGB. The materiality assessment is continually reviewed.

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 measured 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 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

#### LOANS TO AND RECEIVABLES FROM BANKS

Loans to and receivables from banks include loans to and receivables from affiliated companies amounting to €1,060,655 thousand (previous year: €815,804 thousand). In addition, the item includes loans to and receivables from investees or investors amounting to €77,941 thousand (previous year: €175 thousand).

The maturity analysis of loans to and receivables from banks is as follows:

- › Repayable on demand €421,626 thousand (previous year: €896,774 thousand)
- › Up to three months €607,009 thousand (previous year: €372,571 thousand)
- › More than three months and up to one year €457,348 thousand (previous year: €121,186 thousand)
- › More than one year and up to five years €376,390 thousand (previous year: €322,047 thousand)
- › More than five years €0 thousand (previous year: €0 thousand).

No loans to or receivables from banks are evidenced by certificates.

#### LOANS TO AND RECEIVABLES FROM CUSTOMERS

This item includes loans to and receivables from affiliated companies amounting to €5,817,782 thousand (previous year: €5,602,036 thousand).

The maturity analysis of the total amount of loans to and receivables from customers, none of which are evidenced by certificates, is as follows:

- › Up to three months €11,398,121 thousand (previous year: €9,462,645 thousand)
- › More than three months and up to one year €8,406,715 thousand (previous year: €8,122,341 thousand)

- › More than one year and up to five years €23,911,010 thousand (previous year: €21,476,823 thousand)
- › More than five years €699,657 thousand (previous year: €642,868 thousand).

Loans to and 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 €3,506,160 thousand (previous year: €3,505,350 thousand).

Loans to and receivables from customers include subordinated loans and receivables of €1,798,992 thousand (previous year: €1,577,707 thousand), of which €553,352 thousand (previous year: €430,170 thousand) is attributable to subordinated receivables arising from ABS transactions entered into by Volkswagen Bank GmbH.

The receivables from leasing business included in loans to and receivables from customers amount to €3,331,856 thousand (previous year: €2,920,278 thousand), of which €2,172,745 thousand (previous year: €1,851,159 thousand) is attributable to the Company's branch in France and €1,015,921 thousand (previous year: €861,470 thousand) to the Company's branch in Italy.

Receivables from retail financing amounting to €592,086 thousand (previous year: €816,184 thousand) are attributable to the branch of the Company in France.

#### LOANS TO AND RECEIVABLES FROM SHAREHOLDERS

As of the reporting date, loans to and receivables from the sole shareholder, Volkswagen AG, Wolfsburg, amounted to €822 thousand (previous year: €390 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 €414,840 thousand (previous year: €909,617 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 item also includes purchased securities from Volkswagen Bank GmbH's own ABS transactions. These securities amount to €11,552,219 thousand (previous year: €8,515,649 thousand) and are backed by the Company'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 Company made repeated purchases of European government bonds with strong credit ratings. As of the reporting date, these bonds amounted to a total of €1,974,943 thousand (previous year: €2,071,512 thousand). The securities are allocated to the liquidity reserve and measured at market prices, applying the strict lower of cost or market principle under the HGB.

The securities and bonds reported under this balance sheet item – all of which are marketable, listed securities – total €15,094,211 thousand (previous year: €12,839,252 thousand).

As of the reporting date, securities within the portfolio amounting to €11,255,047 thousand (previous year: €9,518,656 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 €6,767,680 thousand (previous year: €4,500,000 thousand) as of the reporting date.

Of the bonds and other fixed-income securities, a nominal amount of €759,682 thousand (previous year: €1,020,320 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 €11,967,059 thousand (previous year: €9,425,266 thousand).

#### 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.

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 increased by €952 thousand to €7,481 thousand (previous year: €6,529 thousand).

#### PROPERTY AND EQUIPMENT

The total value of buildings and land used by the Company as part of its operating activities amounts to €3,857 thousand (previous year: €3,823 thousand). The amount within property and equipment attributable to other equipment, operating and office equipment is €3,217 thousand (previous year: €3,332 thousand).

#### LEASE ASSETS

This item comprises vehicles leased out as part of the leasing business operated by the branches in France and Italy and amounts to €1,198,281 thousand (previous year: €1,003,716 thousand).

#### OTHER ASSETS

This item includes receivables from interest rate hedging transactions amounting to €18,207 thousand (previous year: €17,474 thousand), fees and commissions due in connection with insurance broking amounting to €1,103 thousand (previous year: €2,318 thousand), tax receivables of €123,906 thousand (previous year: €99,915 thousand), of which €85,559 thousand relates to tax receivables at the Company's branch in Italy and €37,611 thousand to tax receivables at the Company's branch in France. A significant component of the remaining other assets comprises receivables of €84,646 thousand (previous year: €81,197 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.

Derivatives to hedge currency risk gave rise to a currency adjustment item of €168,652 thousand (previous year: €168,697 thousand), which has been recognized under other assets.

#### PREPAID EXPENSES

This item contains deferred discounts of €6,311 thousand (previous year: €2,780 thousand), advance insurance premiums of €1 thousand (previous year: €1 thousand) and advance fees and commissions amounting to €1,372 thousand (previous year: €621 thousand) paid in connection with a rise in the level of new business at the Company's branch in Italy.

#### LIABILITIES TO BANKS

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

- > Repayable on demand €213,033 thousand (previous year: €184,033 thousand)
- > Up to three months €355,194 thousand (previous year: €3,913 thousand)
- > More than three months and up to one year €18,135 thousand (previous year: €22,519 thousand)
- > More than one year and up to five years €6,499,687 thousand (previous year: €4,566,714 thousand)
- > More than five years €107,971 thousand (previous year: €94,829 thousand).

The liabilities to banks include liabilities to an affiliated company amounting to €525 thousand (previous year: €237 thousand).

Liabilities to Deutsche Bundesbank amounting to €6,417,680 thousand (previous year: €4,500,000 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 €4,285,253 thousand (previous year: €4,051,765 thousand).

Customer deposits (including direct banking deposits) amount to €33,223,580 thousand (previous year: €35,260,186 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 €7,023,750 thousand (previous year: €5,036,103 thousand)
- > More than three months and up to one year €2,231,610 thousand (previous year: €3,437,636 thousand)
- > More than one year and up to five years €1,771,909 thousand (previous year: €2,483,571 thousand)
- > More than five years €520,666 thousand (previous year: €527,548 thousand).

**LIABILITIES TO SHAREHOLDERS**

As of the reporting date, liabilities to the sole shareholder, Volkswagen AG, Wolfsburg, amounted to €3,083,561 thousand (previous year: €2,665,073 thousand).

**NOTES, COMMERCIAL PAPER ISSUED**

Notes, commercial paper issued include bonds of €3,265,549 thousand (previous year: €1,815,048 thousand).

Residual maturities:

- > Up to three months €515,549 thousand (previous year: €15,048 thousand)
- > More than three months and up to one year €0 thousand (previous year: €550,000 thousand)
- > More than one year and up to five years €1,500,000 thousand (previous year: €1,250,000 thousand)
- > More than five years €1,250,000 thousand (previous year: €0 thousand).

The item does not include any liabilities to an affiliated company or to an investor or investee of Volkswagen Bank GmbH.

Of the total bonds issued, an amount of €500,000 thousand matures in the subsequent year.

**OTHER LIABILITIES**

Of the total liabilities, liabilities in an amount of €11,716,379 thousand (previous year: €8,481,748 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 €408,176 thousand (previous year: €341,717 thousand), liabilities from interest rate hedging transactions amounting to €16,383 thousand (previous year: €20,557 thousand), liabilities to tax authorities of €35,049 thousand (previous year: €28,177 thousand) and accrued interest liabilities related to subordinated bonds and profit-sharing rights amounting to €597 thousand (previous year: €597 thousand).

**DEFERRED INCOME**

This item largely comprises deferred income in connection with manufacturer and partner participation in sales promotion campaigns amounting to €630,423 thousand (previous year: €565,420 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 2016 were as follows:

	Germany	Other countries
Discount rate	3.68%	3.68–3.71%
Expected rate of salary increases	3.60%	0.00–0.60%
Expected rate of pension increases	1.50%	0.00–2.63%
Employee turnover rate	0.95%	0.00–1.50%

For Germany, the discount rate applied was the discount rate of 3.71% published by Deutsche Bundesbank for November 2017 in accordance with section 253(2) of the HGB (average market interest rate for the past ten years) less a markdown of 3 basis points reflecting expectations of a further fall in interest rates at the end of the year. The discount rate used was therefore 3.68%.

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

Pension funds with a value equivalent to a settlement amount of €28,939 thousand and fair value funds with a corresponding value of €27,385 thousand were offset against the liabilities for pensions and similar obligations. The cost of the pension fund securities amounted to €30,277 thousand and the cost of the fair value fund securities amounted to €26,331 thousand. The fair value of the pension fund totaled €28,939 thousand and that of the fair value fund was €26,331 thousand at the reporting date. The securities were measured at closing prices as of the reporting date.

Expenses of €1,184 thousand from the measurement of the funds at fair value were offset against interest income from provisions of €1,184 thousand as part of the netting of the obligation (measured at the fair value of the securities) and of the securities fund for the fair value securities.

In the year under review, the difference for Germany determined in accordance with section 253(6) of the HGB amounted to €9,828 thousand for the pension provisions not funded externally and €7,927 thousand for the commitments funded through Volkswagen Pension Trust e.V. The difference determined in accordance with section 253(6) of the HGB amounted to €74 thousand for the Company's branch in Italy, €721 thousand for its branch in the Netherlands and €905 thousand for its branch in the UK. Because of an existing profit and loss transfer agreement, the amount is transferred to Volkswagen AG in accordance with the letter published by the German Ministry of Finance (BMF) on December 23, 2016, "Änderung des § 253 HGB durch das Gesetz zur Umsetzung der Wohnimmobilienkreditrichtlinie und zur Änderung handelsrechtlicher Vorschriften; Auswirkung auf die Anerkennung steuerlicher Organschaften" (Amendments to section 253 of the HGB on the basis of the Act Implementing the Mortgage Credit Directive and Amending Provisions of the HGB; impact on the recognition of tax groups).

As part of the reorganization of the legal entities, pension, long-service award and partial retirement obligations were transferred from Volkswagen Financial Services AG to Volkswagen Bank GmbH for those employees who switched from Volkswagen Financial Services AG to the Volkswagen Bank GmbH.

The consideration received for the obligations assumed exceeds the amount required to settle the obligations, determined by sound business judgment, for the obligations not funded through VW Pension Trust e.V. For the amount in excess, a separate deferred income item of €17,117 thousand was recognized as of December 31, 2017. This deferred income item is amortized over a period of ten years in total.

#### OTHER PROVISIONS

Other provisions mainly comprise provisions to cover costs associated with litigation and legal risks. The provisions for litigation and legal risks 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 civil proceedings involving dealers and other customers. They relate primarily to proceedings in relation to design aspects of loan agreements with customers that may obstruct the processing of statutory cancellation periods, provisions for legal disputes in connection with dealer financing agreements as well as customer financing broking claims. In total, provisions for litigation and legal risks amounted to €371,208 thousand (previous year: €278,887 thousand).

#### SPECIAL TAX-ALLOWABLE RESERVE

The special tax-allowable reserve was 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 (previous year: €43 thousand).

**SUBORDINATED LIABILITIES**

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

Subordinated liabilities amounting to €29,422 thousand (previous year: €29,358 thousand) are deemed to be a component of equity under the provisions of article 62(a) of the Capital Requirements Regulation (CRR).

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

There are no early repayment obligations for the subordinated liabilities.

The Company 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 €1,630 thousand (previous year: €1,630 thousand).

There are no subordinated liabilities to affiliated companies (previous year: €0 thousand).

**SUBORDINATED BONDS**

AS OF:	DECEMBER 31, 2017		LISTED ON A STOCK EXCHANGE		
Dated date	€ million	Coupon	Valid until	New coupon agreement based on	Maturity date
September 26, 2003	20.0	5.40000%	September 26, 2023	Fixed interest rate	September 26, 2023
June 7, 2004	10.0	5.50000%	June 7, 2024	Fixed interest rate	June 7, 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 retrospectively 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.

**EQUITY**

In 2017, the sole shareholder of Volkswagen Bank GmbH increased equity by €2.5 billion. Following this increase, the capital reserves of Volkswagen Bank GmbH amounted to €8.5 billion as of December 31, 2017 (previous year: €6.0 billion).

**CHANGES IN FIXED ASSETS OF VOLKSWAGEN BANK GMBH, BRAUNSCHWEIG,  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2017**

€ thousand	Long-term equity investments	Shares in affiliated companies	Purchased concessions and similar rights	Goodwill	Land, land rights and buildings on third-party land	Other equipment, operating and office equipment	Prepayments and assets under construction	Lease assets
<b>Cost as of Dec. 31, 2016</b>	<b>200</b>	<b>77,136</b>	<b>48,674</b>	<b>144,482</b>	<b>22,889</b>	<b>16,032</b>	<b>524</b>	<b>1,515,345</b>
Additions in 2017	87,789	554,425	4,555	0	396	1,270	259	788,587
Disposals in 2017	0	0	279	0	0	3,177	0	492,580
Reclassifications in 2017	0	0	0	0	71	0	-71	0
Currency translation	0	0	-141	0	0	0	0	0
<b>Cost as of Dec. 31, 2017</b>	<b>87,989</b>	<b>631,561</b>	<b>52,809</b>	<b>144,482</b>	<b>23,356</b>	<b>14,125</b>	<b>712</b>	<b>1,811,352</b>
<b>Accumulated depreciation, amortization and write-downs as of Dec. 31, 2016</b>	<b>0</b>	<b>0</b>	<b>42,477</b>	<b>144,149</b>	<b>18,196</b>	<b>12,701</b>	<b>0</b>	<b>511,629</b>
Additions in 2017	0	0	3,437	167	544	1,093	0	366,463
Reversals of write-downs in 2017	0	0	0	0	0	0	0	0
Disposals in 2017	0	0	279	0	0	2,884	0	265,021
Reclassifications in 2017	0	0	0	0	0	0	0	0
Currency translation	0	0	141	0	0	0	0	0
<b>Accumulated depreciation, amortization and write-downs as of Dec. 31, 2017</b>	<b>0</b>	<b>0</b>	<b>45,495</b>	<b>144,316</b>	<b>18,740</b>	<b>10,909</b>	<b>0</b>	<b>613,071</b>
<b>Carrying amount as of Dec. 31, 2017</b>	<b>87,989</b>	<b>631,561</b>	<b>7,314</b>	<b>167</b>	<b>4,616</b>	<b>3,217</b>	<b>712</b>	<b>1,198,281</b>
<b>Carrying amount as of Dec. 31, 2016</b>	<b>200</b>	<b>77,136</b>	<b>6,196</b>	<b>333</b>	<b>4,693</b>	<b>3,332</b>	<b>524</b>	<b>1,003,716</b>

## IV. Income Statement Disclosures

### INTEREST INCOME FROM LENDING AND MONEY MARKET TRANSACTIONS

The proportion of interest income generated in the foreign branches is 48.2% (previous year: 46.3%). 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 €191,630 thousand (previous year: €170,725 thousand).

### INTEREST ANOMALIES

The negative interest from money market transactions results from the Company'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 results from the Bundesbank's Targeted Longer-Term Refinancing Operations II program and the provision of short-term collateral for derivatives by credit institutions.

### LEASING INCOME

Income from leasing transactions comprises net income from operating leases and is generated primarily by the Company's branch in France. The total amount of this income is €715,588 thousand (previous year: €612,136 thousand).

### LEASING EXPENSES

The expenses from leasing transactions amount to €321,299 thousand (previous year: €260,903 thousand).

### NET FEE AND COMMISSION INCOME

The proportion net fee and commission income generated in the foreign branches is 37.1% (previous year: 32.2%). The branches in Italy and France account for the largest share of this foreign income.

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 €1,350 thousand (previous year: €1,340 thousand) largely generated from special fees for credit protection insurance, from the card 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

Other operating income amounted to €419,824 thousand (previous year: €475,198 thousand) and comprises mainly cost reimbursements from Group companies of €153,614 thousand (previous year: €201,654 thousand). The decrease is due to the fact that the options for recharging overheads to affiliated companies has been curtailed as a result of the reorganization of the corporate structure.

The proportion of other operating income generated in the foreign branches is 16.4% (previous year: 16.5%). The branches in France and Italy account for the largest share of this foreign income.

This item includes prior-period income of €114,259 thousand (previous year: €64,307 thousand), of which €2,601 thousand (previous year: €2,175 thousand) is in connection with internal cost allocations within the Volkswagen Financial Services AG subgroup and €106,212 thousand (previous year: €55,245 thousand) is income from the reversal of provisions. Other operating income includes income from currency translation amounting to €3,589 thousand (previous year: €3,776 thousand). The effects from the discounting of provisions amounting to €0 thousand (previous year: €764 thousand) are reported under other interest and similar income.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amount to €815,280 thousand (previous year: €798,432 thousand). Significant elements are personnel expenses of €117,271 thousand (previous year: €78,206 thousand) and cost allocations from Group companies amounting to €324,991 thousand (previous year: €313,837 thousand). These cost allocations were mainly attributable to staff leasing arrangements. For disclosures of the total fee

charged by the external auditors for the fiscal year, please refer to the notes to the consolidated financial statements of Volkswagen Bank GmbH.

#### AMORTIZATION AND WRITE-DOWNS OF INTANGIBLE FIXED ASSETS, AND DEPRECIATION AND WRITE-DOWNS OF PROPERTY AND EQUIPMENT AND LEASE ASSETS

Depreciation and write-downs of lease assets amounting to €362,413 thousand (previous year: €324,708 thousand) are reported within this line item as a separate subitem.

The “Depreciation and write-downs of lease assets” subitem is mainly 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 €29,199 thousand (previous year: €5,343 thousand), of which €2,594 thousand (previous year: €2,370 thousand) relate to the branch in Italy and €25,627 thousand (previous year: €2,865 thousand) to the branch in France. The increase in prior-period expenses is primarily attributable to the change in the presentation of liabilities for outstanding costs arising under service contracts. Other operating expenses include expenses from currency translation amounting to €10,075 thousand (previous year: €39,101 thousand). The effects from the discounting of provisions amounting to €8,875 thousand (previous year: €1,921 thousand) are reported under other interest and similar expenses.

#### EXTRAORDINARY RESULT

The reorganization of the corporate structure resulted in a transfer of employees from Volkswagen Bank GmbH to Volkswagen Leasing GmbH in Italy. The consideration received for the know-how transferred in this context is reported in the extraordinary result.

#### TAXES ON INCOME

This item comprises domestic and foreign taxes on income. The domestic income taxes for the reporting period amounting to €91,613 thousand (previous year: €100,262 thousand) were recharged to Volkswagen Bank GmbH within the existing tax group by Volkswagen AG, the controlling entity in the tax group.

The income taxes item includes prior-period expenses of €49,036 thousand (previous year: €1,209 thousand) and tax refunds for prior years amounting to €855 thousand (previous year: €762 thousand).

The deferred taxes of the independently taxable branches are determined separately in a dedicated statement using the appropriate local tax rates of between 12.5% and 35.7% in accordance with local tax laws. The deferred tax liabilities of the branch in France, most of which are attributable to lease assets, are offset against deferred tax assets of the other branches arising from intangible fixed assets and valuation allowances and write-downs. The option not to recognize the resulting total excess of assets over liabilities of €46,399 thousand (previous year: €163,691 thousand) is exercised in accordance with section 274(1) sentence 2 of the HGB.

In Germany, deferred taxes are determined using a tax rate of 29.9%. Due to the tax group with Volkswagen AG, the resulting net deferred tax assets of €197,198 thousand (previous year: €165,347 thousand) are attributable to Volkswagen AG.

## V. Other Disclosures

#### REPORT ON POST-BALANCE SHEET DATE EVENTS

No significant events had occurred by February 21 that would have required a substantially different presentation of the net assets, financial position and results of operations.

#### CONSOLIDATED FINANCIAL REPORTING

The annual financial statements of Volkswagen Bank GmbH, Braunschweig, are included in the consolidated financial statements of Volkswagen Bank GmbH, Braunschweig, which are prepared in accordance with the International Financial Reporting Standards. The consolidated financial statements of Volkswagen Bank GmbH

are included in the consolidated financial statements of Volkswagen AG, Wolfsburg (smallest and largest consolidated group within the meaning of section 285 no. 14 and no. 14a of the HGB). 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.

#### CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The irrevocable credit commitments are commitments that have arisen as part of the general banking and leasing business except for one individual credit commitment to a subsidiary amounting to €100,000 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 €135,995 thousand (previous year: €135,339 thousand) consist exclusively of guarantees. Of these guarantees, an amount of €120,536 thousand (previous year: €124,973 thousand) is secured by collateral in the form of deposits. Volkswagen Bank GmbH is therefore not exposed to any loss risk up to this amount if the guarantees were to be called upon. 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 levels vary in line with changes in interest or exchange rates. The fair values 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	NOTIONAL	POSITIVE FAIR	POSITIVE FAIR	NEGATIVE FAIR	NEGATIVE FAIR
	VALUE	VALUE	VALUES <sup>1</sup>	VALUES <sup>1</sup>	VALUES <sup>1</sup>	VALUES <sup>1</sup>
	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017
Interest rate risks						
Interest rate swaps	4,293.4	4,400.2	45.7	28.9	17.4	12.2
Currency risks						
Currency forwards	1,344.2	2,297.2	23.9	8.2	0.7	10.5
Currency swaps	3,154.1	3,166.2	105.2	119.9	20.8	21.3
Cross-currency interest rate risks						
Cross-currency interest rate swaps	845.5	747.9	46.2	67.0	3.8	2.9
Total derivatives	9,637.2	10,611.5	221.0	224.0	42.7	46.9

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



The maturity analysis for the derivatives is as follows:

NOTIONAL VALUES	INTEREST RATE RISKS		CURRENCY RISKS		CROSS-CURRENCY INTEREST RATE RISKS	
	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017
	€ million					
Residual maturities						
<= 3 months	314.6	595.0	2,027.0	3,176.4	0.0	168.5
<= 1 year	1,281.7	25.0	1,550.6	1,508.6	260.9	63.4
<= 5 years	2,697.1	1,160.2	920.7	817.5	584.6	516.0
> 5 years	0.0	2,619.9	0.0	0.0	0.0	0.0

#### OTHER FINANCIAL OBLIGATIONS

Other financial obligations amount to €9,404 thousand (previous year: €20,791 thousand).

#### FOREIGN CURRENCIES

As of the reporting date, the total amount of assets denominated in foreign currency (translated into euros) amounted to €3,710,109 thousand (previous year: €2,082,847 thousand); liabilities in foreign currency (translated into euros) came to €173,557 thousand (previous year: €127,822 thousand).

The volume of spot exchange transactions not yet settled as of the reporting date was €39,063 thousand (previous year: €0 thousand), while the volume of currency forwards was €2,297,209 thousand (previous year: €1,344,206 thousand). The notional value of currency swaps was €3,166,235 thousand (previous year: €3,154,112 thousand); that of cross-currency swaps amounted to €747,909 thousand (previous year: €845,505 thousand).

#### GOVERNING BODIES DISCLOSURES

Until August 31, 2017, no members of the Management received their remuneration from Volkswagen Bank GmbH. All the remuneration for the Management was paid by Volkswagen Financial Services AG until then. Since September 1, 2017, the members of the Management have received their remuneration from Volkswagen Bank GmbH. Their total remuneration amounted to €2,910 thousand; the remainder of the Management's total remuneration is borne by Volkswagen Financial Services AG.

In accordance with a resolution passed by the Annual General Meeting, the members of the Supervisory Board who are not employees of the Volkswagen Group are entitled to annual remuneration. This remuneration is independent of the performance of the Company and the Supervisory Board role undertaken by the person concerned. The members of the Supervisory Board who are employees of the Volkswagen Group receive flat-rate remuneration from Volkswagen Bank GmbH. If they are also members of other supervisory boards of Group companies of Volkswagen AG, remuneration received for these functions is deducted from their entitlement. As a result, a total amount of less than €0.03 million was granted to the members of the Supervisory Board in the reporting period.

The employee representatives on the Supervisory Board of Volkswagen Financial Services AG also receive their regular salaries under the terms of their employment contracts. This salary is based on the provisions in the Betriebsverfassungsgesetz (BetrVG – German Works Constitution Act) and is an appropriate remuneration for the relevant function or activity in the Company. The same also applies to the representative of the senior executives on the Supervisory Board.

The members of the Management are as follows:

**DR. MICHAEL REINHART (AS OF SEPTEMBER 1, 2017)**

Chairman of the Board of Management  
Corporate Management Volkswagen Bank GmbH

**ANTHONY BANDMANN (UNTIL AUGUST 31, 2017)**

Chairman of the Board of Management  
Sales and Marketing  
Customer Service Individual Customers  
Personnel

**HARALD HEBKE (UNTIL AUGUST 31, 2017)**

Finance/Corporate Management  
Back Office/Dealer Restructuring/Risk Management

**HARALD HEBKE (AS OF SEPTEMBER 1, 2017)**

Back Office, Volkswagen Bank GmbH

**JENS LEGENBAUER (UNTIL AUGUST 31, 2017)**

Europe (excluding Germany)

**CHRISTIAN LÖBKE (AS OF SEPTEMBER 1, 2017)**

Risk Management, Volkswagen Bank GmbH

**DR. VOLKER STADLER (AS OF SEPTEMBER 1, 2017)**

Operations, Volkswagen Bank GmbH

**TORSTEN ZIBELL (UNTIL AUGUST 31, 2017)**

Direct Bank  
Corporate Development

Until August 30, 2017, the Audit Committee of Volkswagen Bank GmbH had the following members:

**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

A Supervisory Board was constituted as of August 30, 2017; it had the following members as of the reporting date, December 31, 2017:

**DR. JÖRG BOCHE**

Chairman  
Executive Vice President of Volkswagen AG  
Head of Group Treasury

**DR. INGRUN-ULLA BARTÖLKE**

Deputy Chairwoman  
Head of Group Accounting and External Reporting Volkswagen AG

**WALDEMAR DROSDZIOK**

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

**MARKUS BIEBER**

General Secretary of the JointWorks Council Volkswagen AG

**BIRGIT DIETZE**

Member of the Board of IG Metall, Berlin  
Member of the Supervisory Board of Volkswagen AG

**FRANK FIEDLER**

Member of the Board of Management of Volkswagen Financial Services AG  
Finance and Purchasing

**PROF. DR. SUSANNE HOMÖLLE**

Chair of Banking and Finance, University of Rostock

**THOMAS KÄHMS**

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

**LUTZ MESCHKE**

Deputy Chairman and member of the Board of Management of  
Dr. Ing. h.c. F. Porsche AG  
Finance and IT

**DR. HANS-JOACHIM NEUMANN**

Head of Business Back Office Volkswagen Bank GmbH

**LARS HENNER SANTELMANN**

Chairman of the Board of Management of Volkswagen Financial Services AG

**SILVIA STELZNER**

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

The following committees of the Supervisory Board of Volkswagen Bank GmbH were constituted effective September 20, 2017:

#### MEMBERS OF THE AUDIT COMMITTEE

Dr. Ingrun-Ulla Bartölke (Chairwoman)  
Prof. Dr. Susanne Homölle (Deputy Chairwoman)  
Frank Fiedler  
Dr. Hans-Joachim Neumann

#### MEMBERS OF THE RISK COMMITTEE

Prof. Dr. Susanne Homölle (Chairwoman)  
Dr. Jörg Boche (Deputy Chairman)  
Frank Fiedler  
Silvia Stelzner

#### MEMBERS OF THE NOMINATION COMMITTEE

Dr. Ingrun-Ulla Bartölke (Chairwoman)  
Waldemar Drosdziok (Deputy Chairman)  
Lars Henner Santelmann

#### MEMBERS OF THE REMUNERATION COMMITTEE

Dr. Jörg Boche (Chairman)  
Dr. Ingrun-Ulla Bartölke (Deputy Chairwoman)  
Waldemar Drosdziok  
Lars Henner Santelmann

Provisions of €7,368 thousand (previous year: €4,953 thousand) were recognized for pensions and similar obligations in favor of former members of the Management or their surviving dependents. In the reporting period, payments to these individuals amounted to €308 thousand (previous year: €307 thousand).

Assets include receivables of €75 thousand (previous year: €39 thousand) relating to loans falling within the scope of section 15(1) nos. 1 and 3 of the KWG. Of this amount, receivables of €52 thousand are due from members of the Supervisory Board (previous year: €36 thousand due from members of the Audit Committee), and an amount of €23 thousand (previous year: €3 thousand) is due from the members of the Management.

Average number of employees during the reporting period:

	2017	2016
Salaried employees	1,423	896
of which senior managers	35	24
of which part time	235	58
Vocational trainees	16	15

The increase in personnel resources (including part-time employees) is due to the reorganization of Volkswagen Financial Services AG and Volkswagen Bank GmbH, including branches.

**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, 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, Bozen, 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

### DR. MICHAEL REINHART

- > Volkswagen Bank Polska S.A., Warsaw, Poland
- > Volkswagen Finančné služby Slovensko s.r.o., Bratislava, Slovakia
- > Chairman of the Supervisory Board of both companies
- > Volkswagen Financial Services (UK) Ltd., Milton Keynes, United Kingdom
- > Chairman of the Board of Directors
- > DFM Dealers Financierings Maatschappij N.V., Amersfoort, Netherlands
- > Chairman of the Supervisory Board
- > BASKETBALL LÖWEN Braunschweig GmbH, Braunschweig, Germany
- > Member of the Supervisory Board

### HARALD HEBKE

- > Volkswagen Finans Sverige AB, Södertälje, Sweden
- > Volkswagen Service Sverige AB, Södertälje, Sweden
- > Volkswagen Financial Services (UK) Ltd., Milton Keynes, United Kingdom
- > Member of the Board of Directors/Supervisory Board of all three companies

### ROBERT LÖFFLER

- > SkoFIN, s.r.o. Prague, Czech Republic
- > Chairman of the Supervisory Board
- > Volkswagen Finans Sverige AB, Södertälje, Sweden
- > Chairman of the Board of Directors/Chairman of the Supervisory Board
- > Volkswagen Service Sverige AB, Södertälje, Sweden
- > Chairman of the Board of Directors/Chairman of the Supervisory Board

### DR. VOLKER STADLER

- > SkoFIN, s.r.o. Prague, Czech Republic
- > Member of the Supervisory Board

## 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.

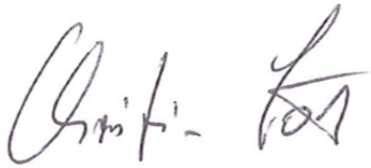
Braunschweig, February 21, 2018  
The Board of Management



Dr. Michael Reinhart



Harald Heßke



Christian Løbke



Dr. Volker Stadler

# INDEPENDENT AUDITOR'S REPORT

To Volkswagen Bank GmbH, Braunschweig

## REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

### Audit Opinions

We have audited the annual financial statements of Volkswagen Bank GmbH, Braunschweig, which comprise the balance sheet as at December 31, 2017, and the statement of profit and loss for the financial year from January 1 to December 31, 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Volkswagen Bank GmbH, which is combined with the group management report, for the financial year from January 1 to December 31, 2017. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] (statements on female quota) in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- › the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2017 and of its financial performance for the financial year from January 1 to December 31, 2017 in compliance with German Legally Required Accounting Principles, and
- › the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the statement referred to above or of the statement on corporate governance.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.



### Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Recoverability of shares in affiliated companies and other long-term equity investments
- ② Provisions for legal risks

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

- ① Recoverability of shares in affiliated companies and other long-term equity investments
  - ① In financial year 2016, Volkswagen Financial Services AG resolved to comprehensively restructure its subgroup under project "Panda". This restructuring project was implemented in 2017 with retroactive effect from January 1, 2017 (spin-off date). Part of the project involved consolidating the European banking business of Volkswagen Bank GmbH. To that end, various wholly owned subsidiaries of Volkswagen Financial Services AG (the transferring legal entity) which conduct European lending business alongside Volkswagen Bank GmbH were spun off to Volkswagen Bank GmbH (the acquiring legal entity).

In addition, as of July 1, 2017 Volkswagen Bank GmbH acquired from Volkswagen Financial Services AG majority interests in two joint ventures and in Volkswagen Financial Services Digital Solutions GmbH, Braunschweig, which was formed by virtue of "economic re-establishment".

As a consequence of this transaction, other long-term equity interests and shares in affiliated companies amounting to EUR 719.6 million were recognized in Volkswagen Bank GmbH's annual financial statements. The recoverability of these long-term equity investments is reviewed for impairment once annually by Volkswagen Bank GmbH. The fair values of the investments in subsidiaries were in each case calculated as the present value of the expected future cash flows using discounted cash flow models on the basis of the budget projections prepared by management. The result of these measurements depends particularly on the executive directors' estimates of future cash inflows and the discount rate used. The measurements are therefore subject to uncertainties. Against this background and due to its significance for Volkswagen Bank GmbH's financial position and financial performance, this matter was of particular importance during our audit.

- ② As part of our audit of the fair values of shares in affiliated companies and investments, we, among other things, verified the measurement methods used and assessed the calculation of the weighted cost of capital with the assistance of valuations specialists. In addition, we assessed whether overall, in connection with the weighted cost of capital used, the future cash inflows underlying the measurements form an appropriate basis for impairment testing on the shares in affiliated companies and investments. We based our assessment of the measurements as of December 31, 2017, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key planning value drivers underlying the expected cash flows. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the goodwill calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, including the weighted average cost of capital, and reperformed the calculations.

Taking into consideration the information available, in our view the measurement parameters used by the executive directors are appropriate overall for the purpose of properly measuring the shares in affiliated companies and investments.

③ The Company's disclosures relating to other long-term equity investments and shares in affiliated companies are contained in section "Long term equity investments and shares in affiliated companies" of the notes to the financial statements and "Report on the subsidiaries and branches", "Overall Assessment of Business Performance" and "Shareholder Risk" of the combined management report.

## ② Provisions for legal risks

① Volkswagen Bank GmbH is exposed to various legal risks; during the financial year, these related in particular to legal disputes in connection with dealer financing agreements, claims in connection with the brokerage of customer financing and proceedings in relation to the structuring of customer lending agreements, which can have a negative impact on statutory rescission periods, impeding certain processes. At the balance sheet date, Volkswagen Bank GmbH had recognized EUR 371.2 million in litigation and legal risk provisions. The determination of whether or not a provision should be recognized to cover the risks to which Volkswagen Bank GmbH is exposed, and if so, in what amount, is subject to a high degree of uncertainty. In light of this background, we consider these matters to be of particular importance for our audit.

② As part of our audit, we assessed risk assessment carried out by the executive directors on the basis of the process established by Volkswagen Bank GmbH to ensure that a legal dispute is recorded and accounted for. In this connection, we also examined the content of the material legal risks and assessed the risk estimates made in that regard. As of the balance sheet date, we also obtained external legal conformations that support management's risk assessments with regard to the provisions specified in the section above. Furthermore, we also held regular meetings with the Company's legal department in order to receive updates on current developments and the reasons for the corresponding assessments. Our assessment took into account the knowledge obtained in the course of these meetings as well as the current development of the material legal disputes. We were able to follow the assumptions applied by the Management, and deem appropriate the assessments arrived at by the Management to serve as a basis for the measurement of these provisions.

③ The Company's disclosures on provisions and obligations are contained in section "Other Provisions" of the notes to the financial statements and "Business Performance 2017" of the combined management report.

## Other Information

The executive directors are responsible for the other information. Other information includes the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] (statements on female quota) obtained by us prior to the date of this auditor's report.

The annual report is expected to be made available to us after the date of this auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- › is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- › otherwise appears to be materially misstated.

## Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting

Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

#### Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- › Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- › Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- › Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- › Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- › Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- › Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- › Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

#### OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were appointed as auditors by the Annual General Meeting on March 6, 2017. We were engaged by the supervisory board on June 9, 2017. We have acted as the auditors of Volkswagen Bank Deutschland GmbH, Braunschweig, without interruption since financial year 1949.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

**GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT**

The German Public Auditor responsible for the engagement is Burkhard Eckes.

Hanover, February 22, 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes  
Wirtschaftsprüfer  
(German Public Auditor)

ppa. Jan Alexander Fischer  
Wirtschaftsprüfer  
(German Public Auditor)

# Report of the Supervisory Board

## of Volkswagen Bank GmbH

On August 30, 2017, a Supervisory Board was constituted for the Company. Up to that date, there was an Audit Committee in accordance with the provisions of section 324 of the HGB, which concerned itself in particular with the tasks described in section 107(3) sentence 2 of the Aktiengesetz (AktG – German Stock Corporation Act).

Since it was constituted, the Supervisory Board has regularly concerned itself closely with the situation and development of the Company. The Management regularly provided the Supervisory Board with timely and comprehensive information, both written and oral, on the key aspects of planning, on the situation of the Company, including the risk position and risk management, and on business development. On the basis of these reports by the Management, the Supervisory Board continually monitored the conduct of the Company's business and was thus able to perform the functions entrusted to it by law and under the articles of association without any restrictions. All decisions of fundamental importance to the Company and other transactions requiring the approval of the Supervisory Board in accordance with the rules of procedure were reviewed and discussed with the Management before a resolution was adopted.

The Supervisory Board has twelve members. It held two regular meetings in the reporting period; there were no extraordinary meetings. The average attendance rate of the members of the Supervisory Board was 96%. One Supervisory Board member attended only one meeting; all other Supervisory Board members attended both meetings. There were no written resolutions in the reporting period.

### COMMITTEE ACTIVITIES

Audit Committee in accordance with section 324 of the HGB

Volkswagen Bank GmbH is a capital market-orientated limited liability company within the meaning of section 264d of the HGB. Until August 30, 2017, the Company had an Audit Committee, established in accordance with the provisions of section 324 of the HGB, which concerned itself in particular with the tasks described in section 107(3) sentence 2 of the Aktiengesetz (AktG – German Stock Corporation Act). The Audit Committee had four members.

The Audit Committee held one regular meeting 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 resolutions for approval. All members of the Audit Committee were present at the meeting.

At the meeting held on the March 1, 2017, 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, 2016 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. It also received reports on risk management, the business and risk strategy and the planned separation of the European lending business from Volkswagen Financial Services AG as well as on internal and external audit procedures and the resulting findings. 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 indications of partiality. Following a detailed evaluation of the independence of the external auditors, the Audit Committee submitted a recommendation to the sole shareholder re-

garding 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.

Committees in accordance with section 25d of the Kreditwesengesetz (KWG – German Banking Act)/Credit Committee

At its meeting held on September 20, 2017, the Supervisory Board set up a Risk Committee, an Audit Committee, a Nomination Committee, a Remuneration Committee and a Credit Committee.

At its meeting held on November 27, 2017, the Risk Committee concerned itself closely with the Company's overall risk appetite, the current risk position and the effects of the separation of Volkswagen Bank GmbH and Volkswagen Financial Services AG. In addition, the Committee received information on the regulatory audits and discussions with the regulatory authorities. The Risk Committee has four members. It held one meeting in the reporting period.

At its meeting held on November 27, 2017, the Audit Committee concerned itself closely with the internal and external audit procedures and the resulting findings. In addition, it received detailed reports from the compliance officers. The committee dealt with the annual review of the guidelines for audit-related services and resolved to amend the guidelines. Moreover, it discussed and resolved the procedure for selecting external auditors. The committee discussed with the external auditors the audit planning, key audit matters and the obligations of the external auditors to provide information. The Audit Committee has four members. It held one meeting in the reporting period.

The Remuneration Committee met on October 25, 2017 and discussed the remuneration at the reorganized Volkswagen Bank GmbH, taking into account the requirements of the Institutsvergütungsverordnung (InstitutsVergV – German Remuneration Regulation for Institutions). The remuneration officer also submitted the remuneration report and reported on the implementation of the InstitutsVergV. The committee has four members. It held one meeting in the reporting period.

The Credit Committee is responsible for approving issues that the Supervisory Board has to deal with by law and under the rules of procedure relating to loan commitments, the assumption of sureties, guarantees and similar liabilities, Company borrowings, the purchasing of receivables and for master agreements governing the assumption of receivables. The Credit Committee has three members of the Supervisory Board and makes its decisions by means of written resolutions.

No other committee meetings were held in the reporting period.

The members of the committees also consulted each other on several occasions and were in constant contact with the Management outside committee meetings. The activities of the committees were reported at the plenary meetings of the Supervisory Board.

#### **MATTERS DISCUSSED BY THE SUPERVISORY BOARD**

At our constituent meeting held on September 20, 2017, we initially dealt with governing body and personnel matters. We elected Dr. Jörg Boche Chairman, Dr. Ingrun-Ulla Bartölke Deputy Chairwoman and Waldemar Drosdziok Second Deputy Chairman of the Supervisory Board. In addition, we adopted new rules of procedure for the Supervisory Board and updated the rules of procedure for the Management. We set up committees in accordance with section 25d of the KWG, issued rules of procedure for each of these committees, and also constituted the Credit Committee. Finally, we resolved the process for issuing powers of attorney ("Prokura") of Volkswagen Bank GmbH and appointed the remuneration officer.

Both at this meeting and at the meeting held on November 27, 2017, the Management provided us with comprehensive reports on the economic and financial position of the Company.

At our meeting held on November 27, 2017, we concerned ourselves with the current situation of the Company against the backdrop of the ongoing reallocation of the European business to the Volkswagen Bank Group and the Volkswagen Financial Services Group. In this context, we approved the reorganization of the financial services companies in Spain and other measures relating to the allocation of portfolios in Portugal, the Netherlands, Italy and France. We also received detailed reports on the control of outsourcing arrangements. The chairpersons of the committees reported on the proceedings of the meetings of the Remuneration Committee, Audit Committee and Risk Committee. We adopted rules of procedure for the Credit Committee.

Moreover, we received a report from the remuneration officer on the implementation of the InstitutsVergV and on remuneration in the reorganized Volkswagen Bank GmbH. In accordance with the provisions of the

InstitutVergV, we followed the recommendations of the Remuneration Committee and defined remuneration parameters.

#### AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, was appointed to audit both the consolidated financial statements of the Volkswagen Bank GmbH Group in accordance with IFRSs and the annual financial statements of Volkswagen Bank GmbH in accordance with the HGB for the year ended December 31, 2017, including the bookkeeping system and management reports.

The consolidated financial statements of the Volkswagen Bank GmbH Group in accordance with IFRSs and the annual financial statements of Volkswagen Bank GmbH in accordance with the HGB for the year ended December 31, 2017, together with the management reports, were submitted to the Supervisory Board. The auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, audited these financial statements, including the bookkeeping system and the management reports, and issued an unqualified auditor's opinion in each case.

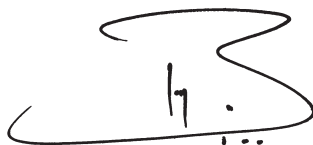
The Supervisory Board agrees with the findings of these audits. The Supervisory Board had no reservations after its review of the consolidated financial statements and the annual financial statements, including the management reports. The independent auditors were present when this agenda item was addressed at the Supervisory Board meeting and they reported on the main findings of their audit.

At its meeting on March 2, 2018, the Supervisory Board approved both the consolidated financial statements and annual financial statements of Volkswagen Bank GmbH prepared by the Management. The consolidated financial statements and annual financial statements have thus been adopted.

In accordance with the existing control and profit-and-loss transfer agreement, the profits reported in the financial statements of Volkswagen Bank GmbH for the year ended December 31, 2017 have been transferred to Volkswagen AG.

The Supervisory Board would like to take this opportunity to express its gratitude and appreciation for the work of the members of the Management, the members of the Works Council, the managerial staff and all employees of Volkswagen Bank GmbH and its affiliated companies. The high level of commitment from all of them has helped to sustain the ongoing growth of Volkswagen Bank GmbH.

Braunschweig, March 2, 2018



Dr. Jörg Boche  
Chairman of the Supervisory Board



**NOTE ON FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements on the future business development of Volkswagen Bank GmbH. These statements are based on assumptions relating to the development of the global economy and of the financial and automotive markets, which Volkswagen Bank GmbH has made on the basis of the information available to it and which it considers to be realistic at the time of going to press. The estimates given entail a degree of risk, and the actual developments may differ from those forecast.

Should actual developments turn out to be different, contrary to expectations and assumptions, or unforeseen events occur that have an impact on the business of Volkswagen Bank GmbH, this will have a corresponding effect on the business development of the Company.

**PUBLISHED BY**

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

**INVESTOR RELATIONS**

Telephone +49 (0) 531 212-3071  
ir@vwfs.com

**TYPESETTING**

Produced in-house with firesys

This annual report is also available in German at [www.vwfsag.de/gbbank17](http://www.vwfsag.de/gbbank17).

## **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