

**VOLKSWAGEN FINANCIAL SERVICES  
AKTIENGESELLSCHAFT**

Braunschweig, Federal Republic of Germany  
– Issuer and/or Guarantor –

**VOLKSWAGEN LEASING GMBH**

Braunschweig, Federal Republic of Germany  
– Issuer –

**VOLKSWAGEN FINANCIAL SERVICES N.V.**

Amsterdam, The Netherlands  
– Issuer –

**VOLKSWAGEN FINANCIAL SERVICES JAPAN LTD.**

Tokyo, Japan  
– Issuer –

**VOLKSWAGEN FINANCIAL SERVICES AUSTRALIA PTY LIMITED**

(ABN 20 097 071 460)  
Sydney, Australia  
– Issuer –

**EUR 25,000,000,000**

**Debt Issuance Programme  
(the "Programme")**

This second supplement (the "**Second Supplement**") to the base prospectus dated 28 June 2017, as supplemented on 22 September 2017 (the "**Prospectus**") constitutes a supplement for the purposes of Article 13.1 of the **Loi relative aux prospectus pour valeurs mobilières** which implements Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended by Directive 2010/73/EU of the European Parliament and the Council of 24 November 2010 into Luxembourg Law (the "**Luxembourg Law**") and is prepared in connection with the EUR 25,000,000,000 Debt Issuance Programme of Volkswagen Financial Services Aktiengesellschaft ("**VWFSAG**" or the "**Guarantor**"), Volkswagen Leasing GmbH ("**VWLGMBH**"), Volkswagen Financial Services N.V. ("**VWFSNV**"), Volkswagen Financial Services Japan Ltd. ("**VWFSJ**") and Volkswagen Financial Services Australia Pty Limited ("**VWFSAL**") (each an "**Issuer**" and together the "**Issuers**"). Terms defined in the Prospectus shall have the same meaning when used in the Second Supplement.

The Second Supplement is supplemental to, and should be read in conjunction with, the Prospectus.

The Second Supplement serves in particular to update certain information in connection with the diesel issue and certain issues ensuing from the completion of the reorganisation of VWFSAG Group's corporate structures.

VWFSAG, VWLGMBH, VWFSNV, VWFSJ and VWFSAL hereby declare, that having taken all reasonable care to ensure that such is the case, the information contained in this Second Supplement for which they are responsible, is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

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**III. SUPPLEMENTAL INFORMATION  
RELATING TO THE SECTION "RISK FACTORS REGARDING VOLKSWAGEN FINANCIAL  
SERVICES AKTIENGESELLSCHAFT"**

3. *On page 56 et seq. of the Prospectus the risk factor "Volkswagen Group is facing investigations and potential impacts out of discrepancies related to the diesel issue that have had and may continue to have a material adverse effect on the business, financial condition and operations of VWFSAG Group." shall be deleted and replaced by the following risk factor:*

**"Volkswagen Group is facing investigations and potential impacts out of discrepancies related to the diesel issue that have had and may continue to have a material adverse effect on the business, financial condition and operations of VWFSAG Group.**

**Introduction to the diesel issue**

On 18 September 2015, the U.S. Environmental Protection Agency (the "EPA") publicly announced in a "Notice of Violation" of the U.S. Clean Air Act that irregularities in the level of nitrogen oxide ("NOx") emissions had been discovered in emissions tests of certain vehicles with Volkswagen Group 2.0 liter TDI diesel engines. The EPA alleged that Volkswagen had installed undisclosed engine management software in certain four-cylinder diesel engines used in certain model year 2009 to 2015 vehicles to circumvent NOx emissions testing regulations in the United States in order to comply with certification requirements. The environmental regulatory authority of California, the California Air Resources Board ("CARB"), announced its own enforcement investigation related to this issue as well. Following these announcements by the EPA and CARB, authorities in various jurisdictions worldwide commenced their own investigations.

On 22 September 2015, Volkswagen announced that discrepancies in the level of NOx emissions figures achieved in testing and in actual road use had been identified in around 11 million Volkswagen Group vehicles worldwide with certain types of 1.2 liter, 1.6 liter and 2.0 liter TDI diesel engines, the latter also including those vehicles with 2.0 liter TDI diesel engines sold in the United States. This predominantly concerns type EA 189 engines and includes vehicles from the VW Passenger Cars, VW Commercial Vehicles, SEAT, ŠKODA and Audi brands. The software being used in these engines enabled a test bench situation to be recognized by the vehicle and enabled the engine control system to optimize NOx emission levels during the test cycle.

On 2 November 2015, the EPA issued an additional "Notice of Violation" of the U.S. Clean Air Act announcing that it had determined that engine management software installed in certain vehicles with Volkswagen Group's six-cylinder 3.0 liter TDI diesel engines contained "auxiliary emission control devices" ("AECs") that had not been disclosed adequately in the U.S. approval process. Also on 2 November 2015, and additionally on 25 November 2015, CARB published allegations that legal requirements for NOx emissions were circumvented through the use of engine management software under test conditions. Approximately 113,000 3.0 liter TDI diesel engines in vehicles from model years 2009 to 2016 of the Audi, VW Passenger Cars and Porsche brands are affected in the United States and Canada. Audi has confirmed that at least three AECs were inadequately disclosed in the course of the U.S. approval process.

On 4 January 2016, the U.S. Department of Justice (the "DoJ"), on behalf of the EPA, initiated a civil lawsuit in connection with the diesel issue related to the 2.0 liter and 3.0 liter TDI vehicles against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies, seeking statutory penalties under the U.S. Clean Air Act, as well as certain equitable relief.

On 12 January 2016, CARB announced that it intended to seek civil fines for alleged violations by Volkswagen of the California Health and Safety Code and various CARB regulations. The State of California, by and through CARB and the California Attorney General, ultimately filed a lawsuit on 27 June 2016.

Following the publication of the EPA's "Notices of Violation" of the U.S. Clean Air Act, Volkswagen AG and other Volkswagen Group companies have been the subject of intense public and governmental scrutiny, ongoing investigations (civil, regulatory and criminal) and civil litigation worldwide, including from consumers, dealers and investors.

In the United States and Canada, Volkswagen AG and other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and

are responding to such investigations and inquiries. The DoJ also opened a criminal investigation into whether various U.S. federal criminal offenses were committed. These investigations resulted and may further result in additional assessments of monetary penalties and other consequences. The timing of the release of new information on the investigations and the maximum amount of penalties that may be imposed cannot be reliably determined at present. New information on these topics may arise at any time.

In the United States, Volkswagen AG, AUDI AG, Volkswagen Group of America, Inc. and certain affiliates reached settlement agreements with (i) the DoJ on behalf of the EPA, CARB and the California Attorney General, (ii) the U.S. Federal Trade Commission ("**FTC**"), and (iii) private plaintiffs represented by a Plaintiffs' Steering Committee (the "**PSC**") in a multi-district litigation in California. The settlement agreements resolve certain civil claims in relation to affected diesel vehicles in the United States: approximately 475,000 vehicles with four-cylinder 2.0 liter TDI diesel engines from the Volkswagen Passenger Cars and Audi brands and around 83,000 vehicles with six-cylinder 3.0 liter TDI diesel engines from the Volkswagen Passenger Cars, Audi and Porsche brands.

The settlement agreements with respect to the four-cylinder 2.0 liter TDI diesel engine vehicles and the six-cylinder 3.0 liter TDI diesel engine vehicles provide affected customers with , *inter alia*, a trade-in, a free emissions modification of the vehicles (if the modification is approved by the EPA and CARB) or – for leased vehicles – early lease termination. Pursuant to the settlement agreements, Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees. On 29 September 2017, in an ad hoc release, Volkswagen announced an increase in provisions in relation to the diesel issue. The main reason for this increase is that the buyback/retrofit programs for 2.0 l TDI vehicles in North America, which have to be implemented under the settlement deal, are more complex. Continuous monitoring of the program has shown that the scheme is more comprehensive and technically more challenging than expected; this also entails an extension to the program period.

In addition, under the settlement agreements, Volkswagen will pay U.S.\$2.925 billion over three years to support environmental programs and offset excess NOx emissions and will also invest in total U.S.\$2.0 billion over ten years in zero emissions vehicle infrastructure in the United States. Volkswagen will make additional payments to support the availability of zero emissions vehicles in California.

In January 2017, Volkswagen AG agreed with the United States government to resolve federal criminal liability relating to the diesel issue. The Volkswagen Group also agreed with the United States government to resolve civil penalties and injunctive relief under the Clean Air Act and other civil claims relating to the diesel issue. The coordinated resolutions involve four settlements, including a plea agreement between Volkswagen AG and the DoJ. The plea agreement is accompanied by a published Statement of Facts that lays out relevant facts and has been acknowledged by Volkswagen AG. As part of its plea agreement, Volkswagen AG pleaded guilty on 10 March 2017 to three felony counts under United States law: conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the United States. The court accepted Volkswagen AG's guilty plea to all three charges and sentenced the company to three years' probation on 21 April 2017. The plea agreement provides, *inter alia*, for payment of a criminal fine of U.S.\$2.8 billion following sentencing and the appointment of an independent monitor for a period of three years. The independent monitor, who was appointed in April 2017, will assess and oversee the compliance with the terms of the resolutions. This includes overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program.

Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty of U.S.\$1.45 billion to resolve U.S. federal environmental and customs-related claims in the United States. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a separate civil penalty of U.S.\$50 million to the Civil Division of the DoJ to settle potential claims asserted under the Financial Institutions Reform, Recovery and Enforcement Act ("**FIRREA**"). By their terms, the aforementioned settlement agreements resolve only certain liability issues under United States law and are not intended to address any liability issues, where such exist, under the laws or regulations of any jurisdiction outside the United States. DoJ investigations into the conduct of various individuals who may be responsible for criminal violations relating to the NOx issue remain ongoing. Volkswagen is required to cooperate with these investigations. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution.

Volkswagen also reached separate settlement agreements with the attorneys general of most U.S. states to resolve their existing or potential consumer protection and unfair trade practices claims. Investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

On 30 September 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen-branded franchise dealers in the United States relating to the affected vehicles and other matters asserted concerning the value of the franchise. The settlement agreement includes a cash payment of up to U.S.\$1.208 billion and additional benefits to resolve alleged past, current, and future claims of losses in franchise value.

In Canada, the NOx emissions limits for vehicles are the same as in the United States. Civil consumer claims and regulatory investigations have been initiated for vehicles with 2.0 liter and 3.0 liter diesel engines. In December 2016, Volkswagen AG and other Canadian and U.S. Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter diesel vehicles. The settlement provides for cash payments of up to CAD 564 million to eligible owners and lessees, and many of these affected customers will also have the option of a free emissions modification of their vehicle if approved by regulators, or a buyback or trade-in or – for leased vehicles – early lease termination. The class settlement was approved by the courts on 21 April 2017. Concurrently with the announcement of the class settlement in December 2016, Volkswagen Group Canada agreed with the Commissioner of Competition in Canada to a civil resolution of its regulatory inquiry into consumer protection issues as to 2.0 liter diesel vehicles. This resolution was reached on the basis of the class settlement and payment of a CAD 15 million civil administrative monetary penalty. Civil consumer claims and the Commissioner of Competition's investigation with respect to 3.0 liter diesel vehicles remain pending. Also, criminal enforcement related investigations by the federal environmental regulator and quasi-criminal enforcement related investigations by a provincial environmental regulator are ongoing in Canada in relation to 2.0 liter and 3.0 liter diesel vehicles.

In addition to ongoing extensive investigations by governmental authorities in various jurisdictions worldwide (the most significant being in Europe, the United States and South Korea), further investigations could be launched in the future and existing investigations could be expanded. Ongoing and future investigations may result in further legal actions being taken against Volkswagen Group or some of its employees. The diesel issue has also led to the commencement of significant third-party litigation against Volkswagen Group worldwide. This includes lawsuits by affected customers, investors and dealers seeking substantial damages. Further regulatory proceedings, product-related and investor claims could be raised in the future in various jurisdictions worldwide.

### **Risks resulting from the diesel issue**

The results of the ongoing and any future investigations and claims may have a material adverse effect on Volkswagen Group's and VWFSAG Group's business, financial position, results of operations and reputation, the price of VWFSAG Group's securities and its ability to make payments under its securities. If Volkswagen Group's and VWFSAG Group's efforts to address, manage and remediate the issues described above are not successful, their business could suffer irreparable harm. Additionally, the diesel issue could impact or exacerbate other risks related to VWFSAG Group described in this Prospectus.

Various repercussions could result for VWFSAG Group from the diesel issue. The uncertainty resulting from this issue such as how end customers and dealers will behave in the future or how regulatory authorities and courts will ultimately rule, make certain scenarios conceivable that could negatively impact the asset, financial and operations situation of VWFSAG Group.

It is generally the case that VWFSAG Group as sales promoter and provider of purchasing finance for Volkswagen Group, is directly affected by decreased vehicle sales. Fewer deliveries to customers mean fewer opportunities to market a financial product from VWFSAG Group during the sale. Consequently, reduced business levels achieved by Volkswagen Group are likely to lead to less new business at VWFSAG Group, which could be negatively reflected in the results of operations.

The diesel issue could result in negative effects on the reputation of the trademark VW and thus VWFSAG Group. Reputational damage (public opinion) and possible loss of customer confidence might limit VWFSAG Group's current and future business opportunities and activities in financing, leasing, deposit or insurance business and could lead to indirect or direct financial losses.



The diesel issue could have various effects on new business. The financing and leasing business for diesel vehicles could face a general market downturn due to purchasing restraint on the part of the end customer. Such a market downturn could manifest itself, inter alia, in declining sales and falling prices for both new and used vehicles. Decreasing sales or prices would ultimately be reflected in lower income potential for VWFSAG Group.

Falling new and used car prices would affect VWFSAG Group at various stages. So as to be able to successfully place leasing products and products with balloon rate and return option in the market, this could, on the one hand, mean pressure on margins. On the other hand, the residual value risk from returned vehicles could increase since the residual values calculated may not correspond with the current residual value assumptions for the end of the contract. The risk of this residual value difference is partly borne by VWFSAG Group itself (direct residual value risks) and partly by the dealers, who in turn are financed by VWFSAG Group (indirect residual value risks). As a result, VWFSAG Group would have to maintain higher value adjustments or record direct partial write-offs against income on its portfolio.

Another possible outcome could be that dealers run into financial difficulties. Owing to lower sales of new and used vehicles, or sales carried out with low or (in extreme cases) no margin, due to a buying restraint of customers caused by the uncertainties surrounding the diesel issues, dealers may not be able to generate sufficient cash flows to meet their financial liabilities. The off-the-road time and the portfolio of vehicles in stock could increase and the dealers would therefore no longer be able to buy new models to resell to consumers, which would generate further pressure on the financial position of the dealers. As a result, dealer loyalty could decline and they may utilize on financial products from other financial service providers or, at worst, completely refrain from doing business with VWFSAG Group. Any deterioration in the creditworthiness of dealers and any loss of sales partners would have a negative impact on the profitability and financial position of VWFSAG Group.

The enforcement of intensified or time-consuming control procedures for the launch of new vehicles could also have a negative impact on VWFSAG Group. A tightening of control procedures could, for example, require the subsequent installation of additional diesel features in Volkswagen Group vehicles. Both the cost of installation of additional components and delayed regulatory approval for the market launch of any particular vehicle would have a negative impact on sales figures, and therefore on revenues.

Changes in the legislation (inter alia any elimination or reduction of tax relief in the diesel sector) could result in a decline in the volume and market share of the fleet business of VWFSAG Group, which is dominated by diesel vehicles. In addition, there is a risk that, due to the diesel issue, VWFSAG Group might be listed as an untrustworthy supplier and may no longer be able to participate in tenders or could be explicitly excluded from them. Both of these cases would have an impact on business volume and could bring about a significant and lasting loss of reputation in this segment.

The Volkswagen Group may also have to implement austerity programs as a result of the diesel issue, for example by reducing or canceling its sales support for, or promotion of, financial services products. Therefore, VWFSAG Group might be required to implement interest rate and concomitant price increases or, alternatively, may have to bear the costs of the sales incentives. New business and/or profitability may decline as a result.

Refinancing costs also have a significant impact on the business of VWFSAG Group. The risk is that refinancing costs will rise as a result of the diesel issue – for example due to downgrades by the rating agencies, investor caution as a result of Volkswagen Group uncertainty, or through limited access to the money and capital market if funding sources are not available to the full extent. The deposit business of the direct bank could also be negatively impacted by increased cash outflows or lower cash inflows on the part of customers due to the diesel issue. Higher refinancing costs would reduce margins and/or increase prices for customers, which in turn could reduce the turnover of financial service products. Moreover, the diesel issue could lead to an early redemption of asset-backed securities with respect to which Volkswagen Group vehicles with diesel engines serve as collateral.

VWFSAG Group is positioned internationally and active in many different markets. Were Volkswagen Group sales to decline sharply in some markets as a result of the diesel issue, VWFSAG Group might have to position itself more narrowly in these markets over the long term and, where necessary, reduce future investments. If Volkswagen Group brands withdraw from certain markets, VWFSAG Group, as a captive subsidiary, would possibly follow. This would reduce the earnings potential of VWFSAG Group and ultimately reduce the advantage of the risk-minimizing diversification through the spreading of risk by a presence in multiple markets. Any reputational loss as a result of the diesel issue could induce joint venture partners and/or sales or commission-based business partners in some markets to

terminate their cooperation with the Volkswagen Group. This could also lead to fewer financial services products being sold by VWFSAG Group.

VWFSAG Group could become involved in legal or regulatory proceedings specifically in relation to the diesel issue either directly through its provision of financial services in relation to the sale of affected vehicles, or indirectly in connection with potential claims against Volkswagen AG, other subsidiaries of the Volkswagen Group or dealers. Governmental authorities in various jurisdictions have also commenced investigations involving certain of VWFSAG's subsidiaries, the outcome of which is not yet certain. It cannot be excluded that governmental authorities start investigations against VWFSAG and/or other VWFSAG's subsidiaries.

Finally, the regulatory authorities could increase regulatory pressure on VWFSAG Group as a direct consequence of the diesel issue. Such regulations (e.g. higher equity requirements, increased processing and documentation costs, or additional personnel) may result in higher costs for VWFSAG Group."

4. *On page 73 et seq. of the Prospectus the risk factor "In the course of the implemented reorganisation project, a separation of the credit and deposit taking business from the Non-credit business within the European Economic Area has been carried out. Arising from this separation, VWFSAG could be affected by various risks such as operational risks, legal risks or regulatory risks" shall be deleted and replaced by the following risk factor:*

***"In the course of the implemented reorganisation project, a separation of the credit and deposit taking business from the Non-credit business within the European Economic Area has been carried out. Arising from this separation, VWFSAG could be affected by various risks such as operational risks, legal risks or regulatory risks.***

The VWFSAG Group has implemented a material reorganisation project. Its main purpose was to reduce organisational and regulatory complexity by separating the credit and deposit taking business within the European Economic Area (EEA) from the Non-credit business. This was done by transferring almost all credit and deposit taking business performed in the EEA to Volkswagen Bank GmbH or its subsidiaries and spinning off Volkswagen Bank Group to VW AG. In this context, several entities and portfolios of VWFSAG including the risks inherent have to be transferred to Volkswagen Bank Group. Therefore Volkswagen Bank Group operations are reorganised accordingly.

Reorganisation is accompanied by 'planning risks'. Thus, it is unknown whether the expectations and objectives that are associated with the reorganisation can actually be achieved. Various risks such as the following could arise.

For the reorganisation, new job profiles have been developed, new responsibilities have been clarified, areas of responsibility have been handed over and employees have to be trained. In this process, dysnergies could arise from the distribution of personnel, since employees' know-how cannot be transferred quickly and in full. Also, reorganisation could entail a high burden on the affected employees, as they have to adapt to the new organisation and possibly new processes under time pressure. The conducted transfers of employees to other entities could also lead to employee insecurity and might affect work quality. In sum, these developments may have a negative impact on net assets, financial positions and results of operations of VWFSAG Group.

Furthermore, reorganisation may entail major challenges for IT. New authorisation concepts must have been developed and implemented. In doing so, a strict roll separation of access options were transposed and new persons responsible for approvals and roll construction have been named. An increased test effort, which binds employee capacities and a weaker performance of the systems to be revised, could be the consequence with negative impact on the work ability of VWFSAG Group.

A further risk could be caused by a change in customer behavior arising from the reorganisation. Investors and customers are possibly considering the new company structure critically and might not be willing to maintain the current level of business with VWFSAG Group. There is a risk that the reorganisation might disturb normal business activities at short notice caused by potential difficulties with the operational implementation of new processes during the acclimatisation phase. It cannot be ruled out, that the transition will not work without any issues towards customers. This could have a material adverse effect on VWFSAG Group's business results.

In the course of its reorganisation or operating activities afterwards, VWFSAG Group could become subject to legal disputes, governmental investigations or other official proceedings in Germany as well

as abroad. Such proceedings may be initiated in particular, but not limited to, by relevant authorities, suppliers, employees, or investors and could relate to, inter alia, legal and regulatory requirements and information security policies. Furthermore, the project related transactions of companies may fail or cause financial damages due to but not limited to rejection by regulators or claims from tax authorities.

After the reorganisation, VWFSAG Group's operations also face the risk that the relevant supervisory body may find it has failed to comply with applicable regulations and any such regulatory proceedings could result in adverse publicity for, or negative perceptions regarding, such supervised entity, which could reflect on VWFSAG Group. In addition, any significant regulatory action against a member of VWFSAG Group could have a material adverse effect on its business results.

Furthermore, ensuing from the reorganisation measures, there is a risk of VWFSAG having to meet its liability obligations in relation to those obligations of Volkswagen Bank established or incurred prior to the spin-off of Volkswagen Bank having been registered in the commercial register, i.e. 1 September 2017 (the "**Effective Date**"). On the basis of German statutory provisions, including in particular the German Transformation Act (*Umwandlungsgesetz*), as well as the applicable profit and loss agreement entered into between VWFSAG and Volkswagen Bank prior to the Effective Date, VWFSAG is liable – jointly and severally with VW AG - for any liabilities established or incurred by Volkswagen Bank prior to the Effective Date, which have generally been finally determined (*rechtskräftig festgestellt*), for a period of five (5) years beginning on the date of the Effective Date (together referred to as "**Former Liabilities**") (the "**Liability Period**").

As a consequence, if risks relating to Volkswagen Bank, such as litigation risks relating to Volkswagen Bank concerning Former Liabilities (i.e. obligations incurred or contracts entered into prior to the Effective Date), materialise and lead to losses being incurred by Volkswagen Bank, this could result in VWFSAG having to meet its payment obligations as regards Former Liabilities (for the duration of the Liability Period). This could have a material adverse effect on VWFSAG Group's business, net assets, financial condition and results of operations.

In this regard, Volkswagen Bank, as a former subsidiary of VWFSAG, is facing litigation in the area of consumer credit law. A number of customers have revoked their lending contracts and have engaged in pre-trial as well as court proceedings, most of which are currently pending. They claim that Volkswagen Bank has not complied with all aspects of German consumer credit law in its German consumer lending contracts leading to the customers' right to revoke (*widerrufen*) their contracts. In particular, Volkswagen Bank is being accused of having provided insufficient consumer information. Under German law, the requirements for revocation of consumer contracts and the legal consequences are controversial and legally disputed. If German courts were to issue borrower-friendly final rulings and a large number of customers would revoke their contracts, this could materially affect Volkswagen Bank's financial position or profitability. To the extent such litigation results in Volkswagen Bank incurring losses, VWFSAG would have to meet the above mentioned payment obligations as regards Former Liabilities (during the Liability Period)."

**IV. SUPPLEMENTAL INFORMATION**  
**RELATING TO THE SECTION "VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT**  
**AS ISSUER AND GUARANTOR"**

5. *On page 129 et seq. of the Prospectus the information in the section "The Diesel Issue" shall be deleted and replaced by the following information:*

*"Information relating to the diesel issue described herein with regards to Volkswagen Group is based on public information and is subject to change. The Issuer has not independently verified any such information.*

On 18 September 2015, the EPA publicly announced in a "Notice of Violation" of the U.S. Clean Air Act that irregularities in the level of NOx emissions had been discovered in emissions tests of certain vehicles with Volkswagen Group 2.0 liter TDI diesel engines. The EPA alleged that Volkswagen had installed undisclosed engine management software in certain four-cylinder diesel engines used in certain model year 2009 to 2015 vehicles to circumvent NOx emissions testing regulations in the United States in order to comply with certification requirements. The environmental authority of California, CARB, announced its own enforcement investigation related to this issue as well. Following these announcements by the EPA and CARB, authorities in various jurisdictions worldwide commenced their own investigations.

On 22 September 2015, Volkswagen announced that discrepancies in the level of NOx emissions figures achieved in testing and in actual road use had been identified in around 11 million Volkswagen Group vehicles worldwide with certain types of 1.2-liter, 1.6-liter and 2.0 liter TDI diesel engines, the latter also including those vehicles with 2.0 liter TDI diesel engines sold in the United States. This predominantly concerns type EA 189 engines and includes vehicles from the VW Passenger Cars, VW Commercial Vehicles, SEAT, ŠKODA and Audi brands. The software being used in these engines enabled a test bench situation to be recognized by the vehicle and enabled the engine control system to optimize NOx emission levels during the test cycle.

On 2 November 2015, the EPA issued an additional "Notice of Violation" of the U.S. Clean Air Act announcing that it had determined that engine management software installed in certain vehicles with Volkswagen Group's six-cylinder 3.0 liter TDI diesel engines contained AECs that had not been disclosed adequately in the U.S. approval process. Also on 2 November 2015, and additionally on 25 November 2015, CARB published allegations that legal requirements for NOx emissions were circumvented through the use of engine management software under test conditions. Approximately 113,000 3.0 liter TDI diesel engines in vehicles from model years 2009 to 2016 of the Audi, VW Passenger Cars and Porsche brands are affected in the United States and Canada. Audi has confirmed that at least three AECs were inadequately disclosed in the course of the U.S. approval process.

On 4 January 2016, the DoJ, on behalf of the EPA, initiated a civil lawsuit in connection with the diesel issue related to the 2.0 liter and 3.0 liter TDI vehicles against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies, seeking statutory penalties under the U.S. Clean Air Act, as well as certain other equitable relief.

On 12 January 2016, CARB announced that it intended to seek civil fines for alleged violations by Volkswagen of the California Health and Safety Code and various CARB regulations. The State of California, by and through CARB and the California Attorney General, ultimately filed a lawsuit on 27 June 2016.

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In the United States and Canada, Volkswagen AG and other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and are responding to such investigations and inquiries. The DoJ also opened a criminal investigation into whether various U.S. federal criminal offenses were committed. These investigations resulted and may further result in additional assessments of monetary penalties and other consequences. The timing of the release of new information on the investigation and the maximum amount of penalties that may be imposed cannot be reliably determined at present. New information on these topics may arise at any time.

In the United States, Volkswagen AG, AUDI AG, Volkswagen Group of America, Inc. and certain affiliates reached settlement agreements with (i) the DoJ on behalf of the EPA, CARB and the California Attorney General, (ii) the FTC, and (iii) the PSC in a multi-district litigation in California. The settlement agreements resolve certain civil claims in relation to affected diesel vehicles in the United States: approximately 475,000 vehicles with four-cylinder 2.0 liter TDI diesel engines from the Volkswagen Passenger Cars and Audi brands and around 83,000 vehicles with six-cylinder 3.0 liter TDI diesel engines from the Volkswagen Passenger Cars, Audi and Porsche brands.

The settlement agreements with respect to the four-cylinder 2.0 litre TDI diesel engine vehicles and the six-cylinder 3.0 liter TDI diesel engine vehicles provide affected customers with, *inter alia*, a trade-in, a free emissions modification of the vehicles (if the modification is approved by the EPA and CARB) or – for leased vehicles – early lease termination. Pursuant to the settlement agreements, Volkswagen will also make additional cash payments to affected current owners or lessees as well as certain former owners or lessees. On 29 September 2017, in an ad hoc release, Volkswagen announced an increase in provisions in relation to the NOx issue. The main reason for this increase is that the buyback/retrofit programs for 2.0 l TDI vehicles in North America, which have to be implemented under the settlement deal, are more complex. Continuous monitoring of the program has shown that the scheme is more comprehensive and technically more challenging than expected; this also entails an extension to the program period.

In addition, under the settlement agreements, Volkswagen will pay U.S.\$2.925 billion over three years to support environmental programs and offset excess NOx emissions and will also invest in total U.S.\$2.0 billion over ten years in zero emissions vehicle infrastructure in the United States. Volkswagen will make additional payments to support the availability of zero emissions vehicles in California.

In January 2017, Volkswagen AG agreed with the United States government to resolve federal criminal liability relating to the diesel issue. The Volkswagen Group also agreed with the United States government to resolve civil penalties and injunctive relief under the Clean Air Act and other civil claims relating to the diesel issue. The coordinated resolutions involve four settlements, including a plea agreement between Volkswagen AG and the DoJ. The plea agreement is accompanied by a published Statement of Facts that lays out relevant facts and has been acknowledged by Volkswagen AG. As part of its plea agreement, Volkswagen AG pleaded guilty on 10 March 2017 to three felony counts under United States law: conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the United States. The court accepted Volkswagen AG's guilty plea to all three charges and sentenced the company to three years' probation on 21 April 2017. The plea agreement provides, *inter alia*, for payment of a criminal fine of U.S.\$2.8 billion following sentencing and the appointment of an independent monitor for a period of three years. The independent monitor, who was appointed in April 2017, will assess and oversee the compliance with the terms of the resolutions. This includes overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program.

Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty of U.S.\$1.45 billion to resolve U.S. federal environmental and customs-related claims in the United States. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a separate civil penalty of U.S.\$50 million to the Civil Division of the DoJ to settle potential claims asserted under FIRREA. By their terms, the aforementioned settlements resolve only certain liability issues under United States law and are not intended to address any liability issues, where such exist, under the laws or regulations of any jurisdiction outside the United States. DoJ investigations into the conduct of various individuals who may be responsible for criminal violations relating to the NOx issue remain ongoing. Volkswagen is required to cooperate with these investigations. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution.

Volkswagen also reached separate settlement agreements with the attorneys general of most U.S. states to resolve their existing or potential consumer protection and unfair trade practices claims. Investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

On 30 September 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen-branded franchise dealers in the United States relating to the affected vehicles and other matters asserted concerning the value of the franchise. The settlement agreement includes a cash payment of up to U.S.\$1.208 billion and additional benefits to resolve alleged past, current, and future claims of losses in franchise value.

In Canada, the NOx emissions limits for vehicles are the same as in the United States. Civil consumer claims and regulatory investigations have been initiated for vehicles with 2.0 liter and 3.0 liter TDI diesel engines. In December 2016, Volkswagen AG and other Canadian and U.S. Volkswagen Group companies reached a class action settlement in Canada with consumers relating to 2.0 liter TDI diesel vehicles. The settlement provides for cash payments of up to CAD 564 million to eligible owners and lessees, and many of these affected customers will also have the option of a free emissions modification of their vehicle if approved by regulators, or a buyback or trade-in or – for leased vehicles – early lease termination. The class settlement was approved by the courts on 21 April 2017. Concurrently with the announcement of the class settlement in December 2016, Volkswagen Group Canada agreed with the Commissioner of Competition in Canada to a civil resolution of its regulatory inquiry into consumer protection issues as to 2.0 liter TDI diesel vehicles. This resolution was reached on the basis of the class settlement and payment of a CAD 15 million civil administrative monetary penalty. Civil consumer claims and the Commissioner of Competition's investigation with respect to 3.0 liter TDI diesel vehicles remain pending. Also, criminal enforcement related investigations by the federal environmental regulator and quasi-criminal enforcement related investigations by a provincial environmental regulator are ongoing in Canada in relation to 2.0 liter and 3.0 liter TDI diesel vehicles.

Volkswagen is cooperating with all responsible authorities to try to resolve the outstanding legal and regulatory matters completely and transparently. Furthermore, Volkswagen is working intensively to eliminate the emissions level deviations through technical improvements and is cooperating with the relevant agencies. In addition to ongoing extensive investigations by governmental authorities in various jurisdictions worldwide (the most significant being in Europe, the United States and South Korea), further investigations could be launched in the future and existing investigations could be expanded. Ongoing and future investigations may result in further legal actions being taken against Volkswagen or some of its employees.

#### *Effects on VWFSAG Group*

As a result of the diesel issue, the Board of Management set up a task force in 2015. This task force continued its activities in 2016, i.e. reporting regularly to the Board of Management, interfacing with the Volkswagen Group and its brands, and maintaining close contact with the international subsidiaries, regulatory authorities and investors. Concerns focused on funding, the credit quality of the dealer network and residual value risk. The impact from the diesel issue on these concerns is currently receding. The work of the task force was brought to an end in December 2016 because the effects from the diesel issue on the VWFSAG subgroup are now dissipating and can be handled within normal management processes. The Volkswagen Group provided support in dealing with the effects."

6. *On page 135 et seq. of the Prospectus the information in the subsection "Supervisory Board" shall be deleted and replaced by the following information:*

#### *"Supervisory Board*

As at the date of this Second Supplement, members of the Supervisory Board are:

Frank Witter, Chairman  
Member of the Board of Management of VW  
AG Finance and Controlling

Dr. Karlheinz Blessing  
Deputy Chairman  
Member of the Board of Management Volkswagen AG  
Human Resources and Organization

Stephan Wolf, Deputy Chairman  
Deputy Chairman of the General and Group Works Council VW AG

Dr. Arno Antlitz  
Member of the Board of Management Volkswagen Brand  
Controlling and Accounting

Joachim Drees  
Chairman of the Board of Management MAN SE

Fred Kappler

Head of Group Sales  
Volkswagen AG

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

Simone Mahler  
Deputy Chairman of the Joint Works Council of VWFSAG, Volkswagen Bank and Euromobil Autovermietung GmbH

Dr. Peter Mertens  
Member of the Board of Management for Technical Development at Audi AG

Gabor Polonyi  
Head of Business Line Fleet Customer Management VWLGMBH

Petra Reinheimer  
General Secretary of the Joint Works Council of VWFSAG, Volkswagen Bank and Euromobil Autovermietung GmbH

Eva Stassek  
First authorized representative  
IG Metall Braunschweig

Axel Strotbek  
Member of the Board of Management of AUDI AG Finance, IT and Integrity

The business address of the members of the Board of Management and of the Supervisory Board of VWFSAG is Gifhorner Straße 57, 38112 Braunschweig, Federal Republic of Germany."

7. *On page 137 of the Prospectus the information in the section "Legal and Arbitration Proceedings" shall be deleted and replaced by the following information:*

"VWFSAG Group is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which VWFSAG Group is aware), during a period covering at least the previous 12 months, which may have or have had in the recent past, significant effects on VWFSAG Group's financial position or profitability. For further information regarding the risks of potential litigation see the risk factor "*VWFSAG Group is exposed to litigation risks that may result from legal disputes, governmental investigations or other official proceedings with various stakeholders.*" and the risk factor "*In the course of the implemented reorganisation project, a separation of the credit and deposit taking business from the Non-credit business within the European Economic Area has been carried out. Arising from this separation, VWFSAG could be affected by various risks such as operational risks, legal risks or regulatory risks.*"

**V. SUPPLEMENTAL INFORMATION  
RELATING TO THE SECTION "GENERAL INFORMATION"**

8. On page 354 of the Prospectus the first three paragraphs of the subsection "7. Ratings" shall be deleted and replaced as follows:

"VWFSAG is rated by Standard & Poor's ("**S&P**") and Moody's Investors Service ("**Moody's**"). No ratings have been assigned to VWLGMBH, VWFSNV, VWFSJ or VWFSAL.

As of the date of this Second Supplement the ratings of VWFSAG are as follows:

S&P:               short-term senior unsecured: A-2  
                      long-term senior unsecured: BBB+

Moody's:          short-term senior unsecured: Prime-2  
                      long-term senior unsecured: A3

The ratings have the following meanings:

Standard & Poor's:    A-2: An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.  
                          BBB (+)\*: An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.  
                          \* Note: Plus (+) or minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Moody's:               P-2: Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.  
                          A3\*: Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.  
                          \*Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category."



To the extent that there is any inconsistency between any statement in the Second Supplement and any other statement in or incorporated in the Prospectus, the statements in the Second Supplement will prevail.

The Second Supplement is available for viewing in electronic form at the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and at the website of VWFSAG ([www.vwfs.com](http://www.vwfs.com)) (available under "Investor Relations", Volkswagen Financial Services AG", "Refinancing", "Debt Issuance and Commercial Paper Programmes") and copies may be obtained free of charge from Volkswagen Financial Services Aktiengesellschaft, Gifhorner Straße 57, 38112 Braunschweig, Federal Republic of Germany.

Save as disclosed in the Second Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

**In accordance with Article 13 paragraph 2 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for Notes to be issued under the Programme before the Second Supplement is published have the right, exercisable within two working days after the publication of the Second Supplement, to withdraw their acceptances. The final date of the right of withdrawal will be 30 January 2018.**