

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



Creating Value with Financial Services

Frank Fiedler

CFO Volkswagen Financial Services AG

UniCredit KeplerCheuvreux 17th German Corporate Conference, 16 January 2018

Disclaimer

The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions relating to the development of the economies of individual countries, and in particular of the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations of Volkswagen Group members in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

Volkswagen Financial Services are a business division of the Volkswagen AG group of companies and comprise as at 01.09.2017 Volkswagen Financial Services AG along with its associated companies, Volkswagen Bank GmbH, Porsche Financial Services, and the financial services companies in the USA, Canada, and Spain that belong directly or indirectly to Volkswagen AG – with the exception of the financial services of the Scania brand and Porsche Holding Salzburg.

Under the brand “Volkswagen Financial Services – the key to mobility“ the subsidiaries of Volkswagen Financial Services AG as well as its sister company Volkswagen Bank GmbH render various services under the joint brand "Volkswagen Financial Services". Such services are banking services (through Volkswagen Bank GmbH), leasing services (through Volkswagen Leasing GmbH), insurance services (through Volkswagen Versicherung AG, Volkswagen Autoversicherung AG) as well as mobility services (inter alia through Volkswagen Leasing GmbH). In addition, insurance products of other providers are offered.

Agenda



**Role of Volkswagen
Financial Services within
the Volkswagen Group
and the current
Business Model**



**The digital
Business Model
of Volkswagen
Financial Services**

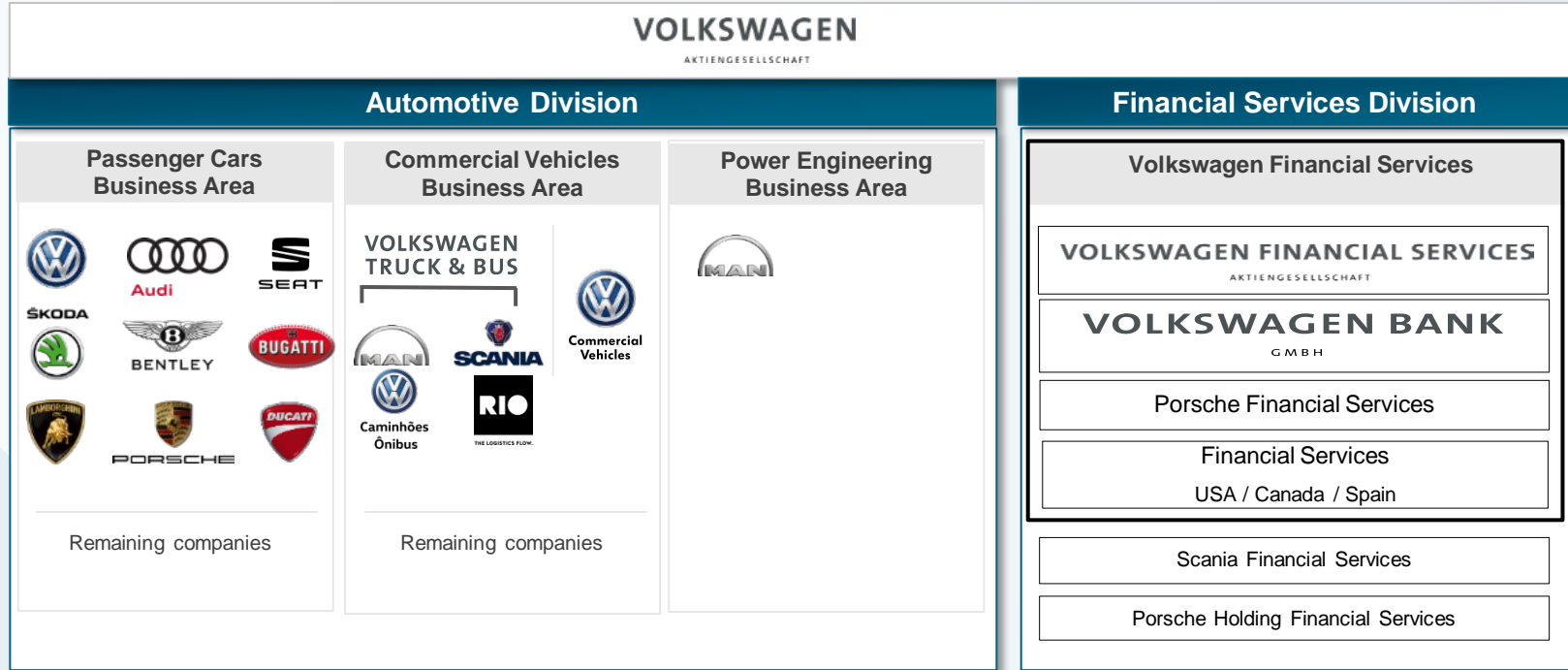


**Vision and Targets of
Route2025**



Role of Volkswagen Financial Services within the Volkswagen Group and the current Business Model

Volkswagen Group – Leveraging the Power of Two Strong Divisions

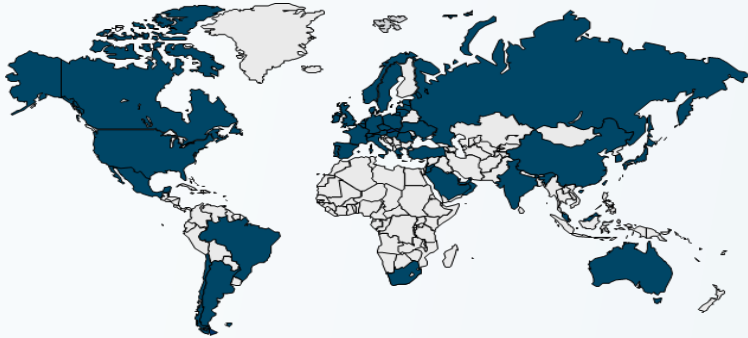


Volkswagen Financial Services: Our business model interfaces customers, automotive brands and dealers



Volkswagen Financial Services at a glance (09/30/2017)

Worldwide Presence

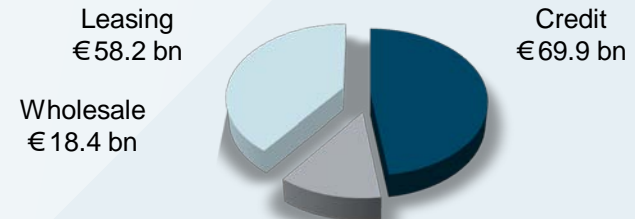


Volkswagen Financial Services conducts business in **51 markets**.

Key Figures

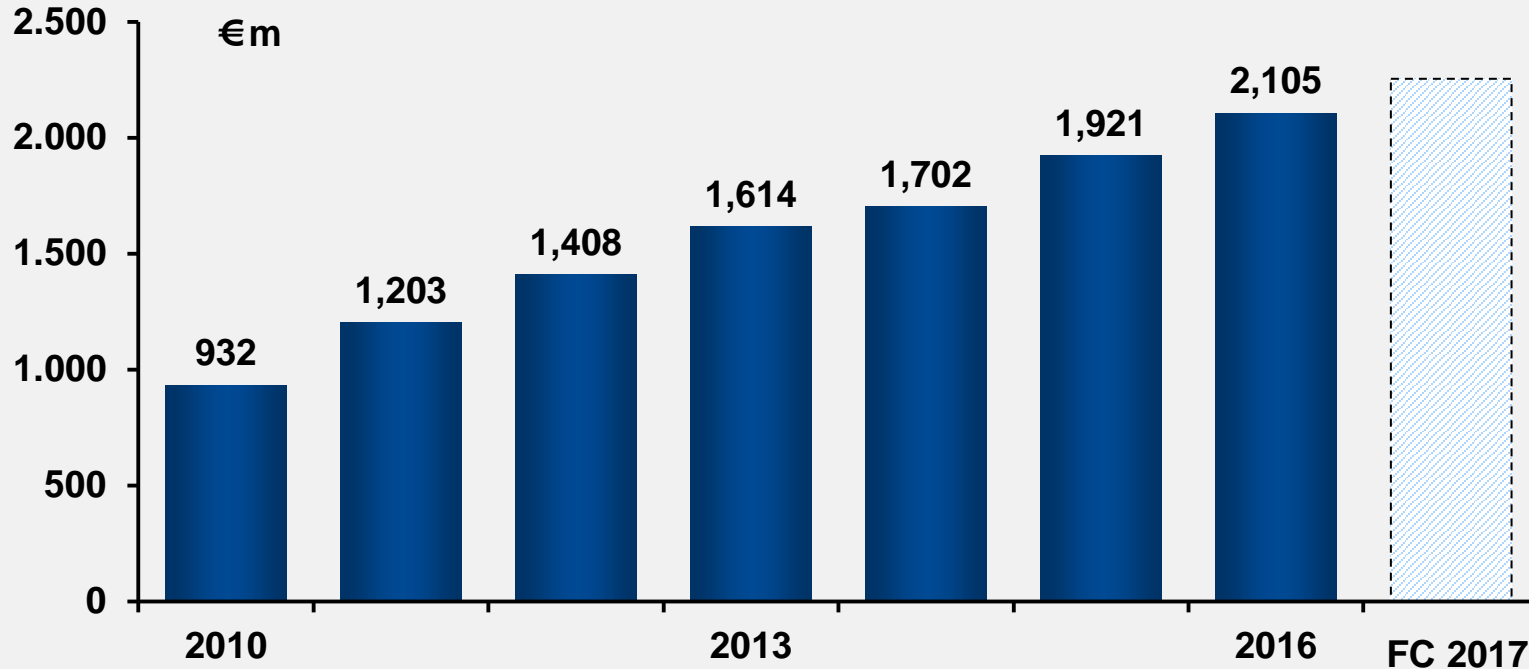
Total Assets	€181.1 bn
Equity	€23.5 bn
Customer Deposits	€33.5 bn
Operating Profit	€1.76 bn
Employees	13,902
Contracts (units)	16.9 m

Business Volume*



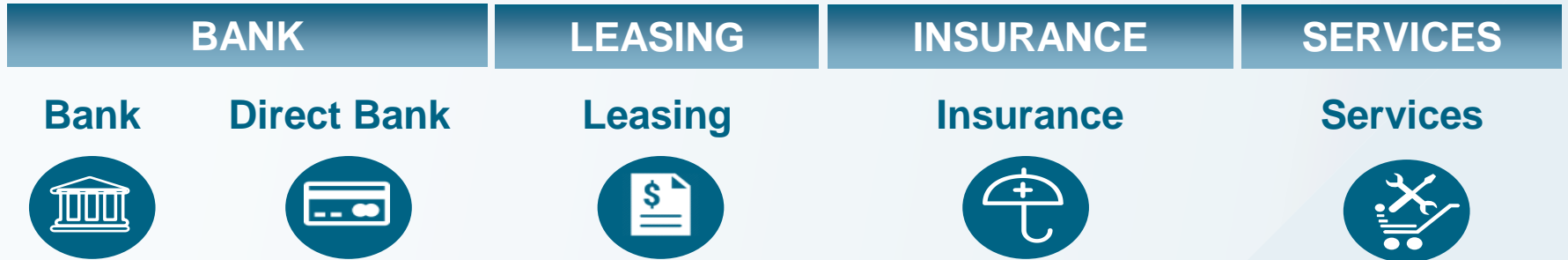
* Receivables + Leased Assets

Operating income Volkswagen Financial Services



It is expected that the operating profit for fiscal year 2017 will be noticeably above the level of the operating profit achieved in fiscal year 2016.

The core business model of Volkswagen Financial Services gives a strong basis



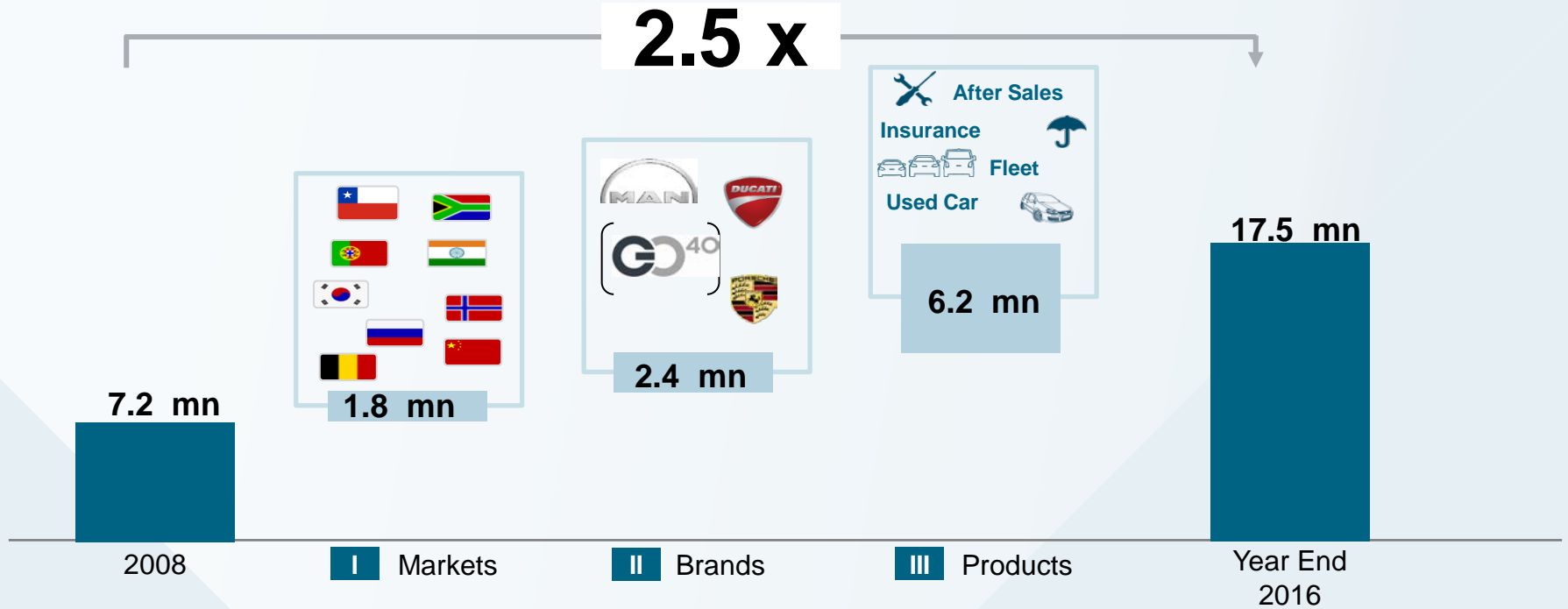
Over the last years we have consequently implemented our growth strategy

I. Products



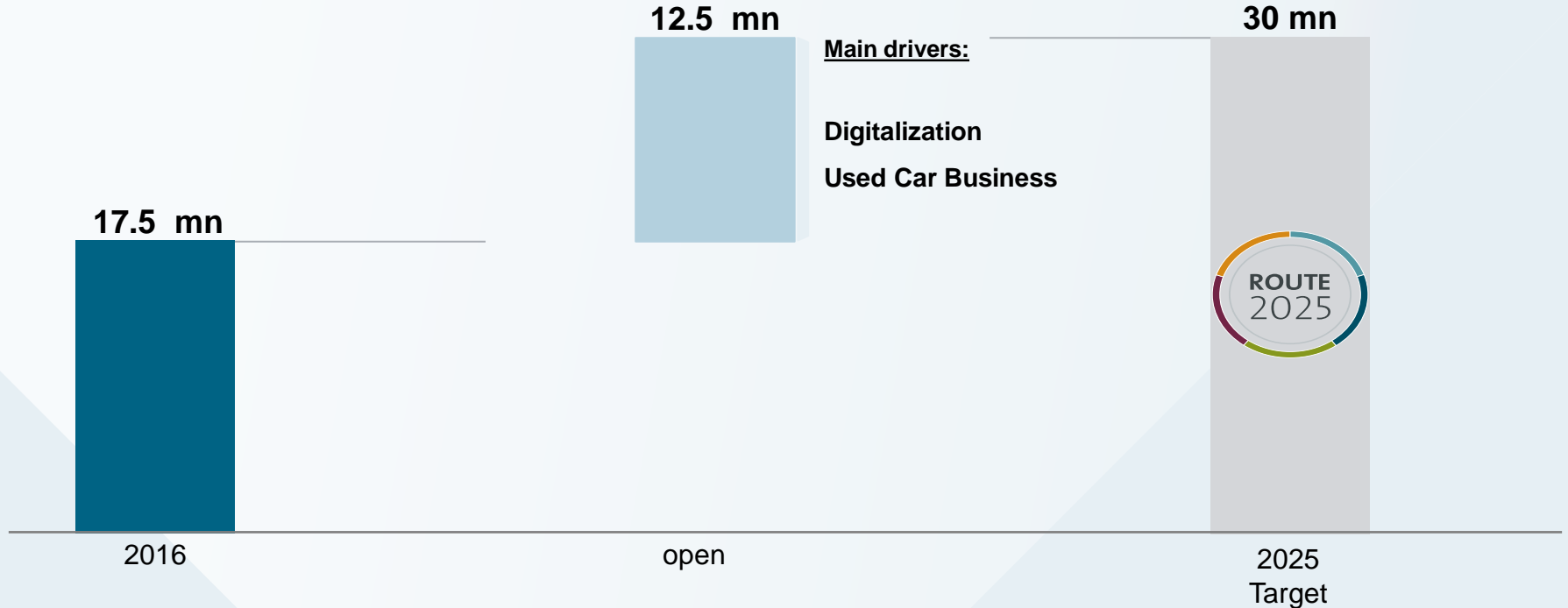
III. Markets

With amazing results: we have more than doubled our contract portfolio* since 2008!



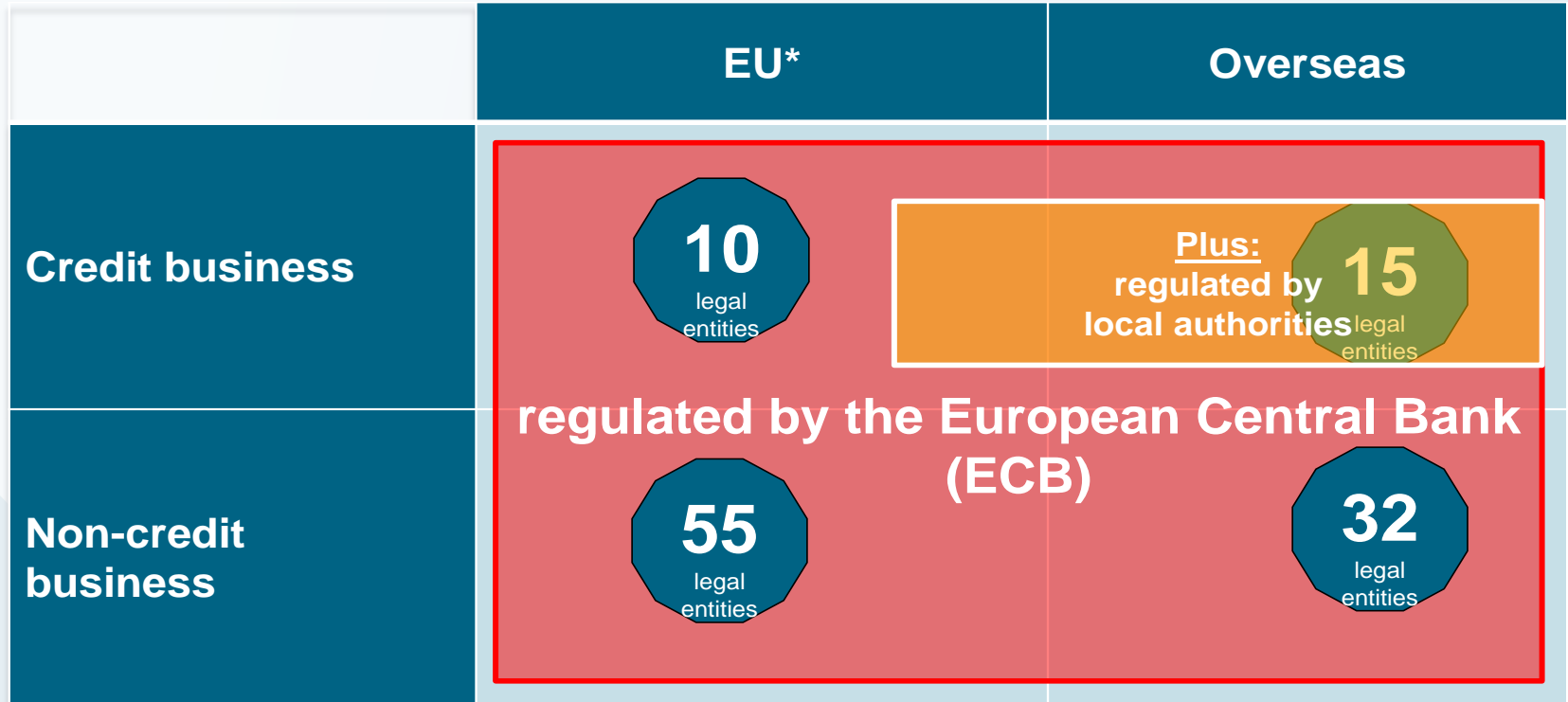
* Contract portfolio including contracts of non-consolidated companies

ROUTE 2025 - Target of 30 mn contracts* in portfolio in 2025



* Contract portfolio including contracts of non-consolidated companies

Restructuring | Reduction of regulatory supervision

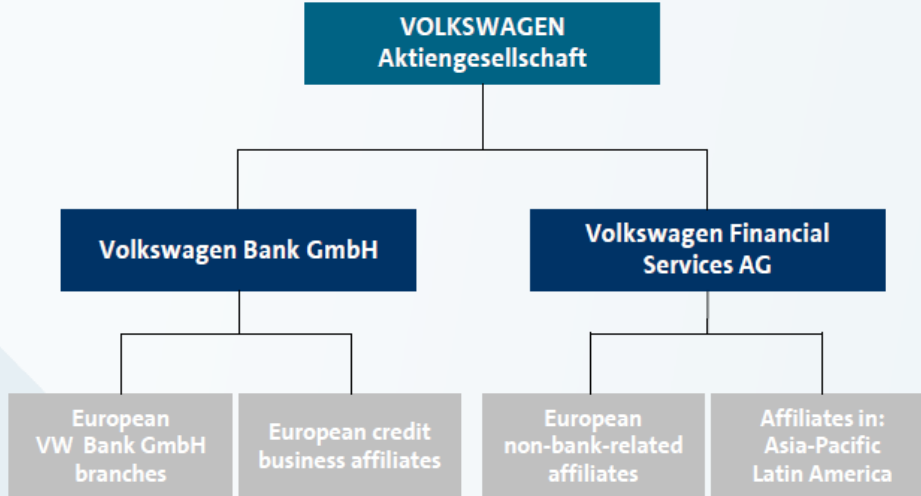


* Countries belonging to the European Economic Area (EEA)

Optimized structure for Volkswagen Financial Services

(Effective from 1. September 2017)

Organisational set-up of Volkswagen Financial Services

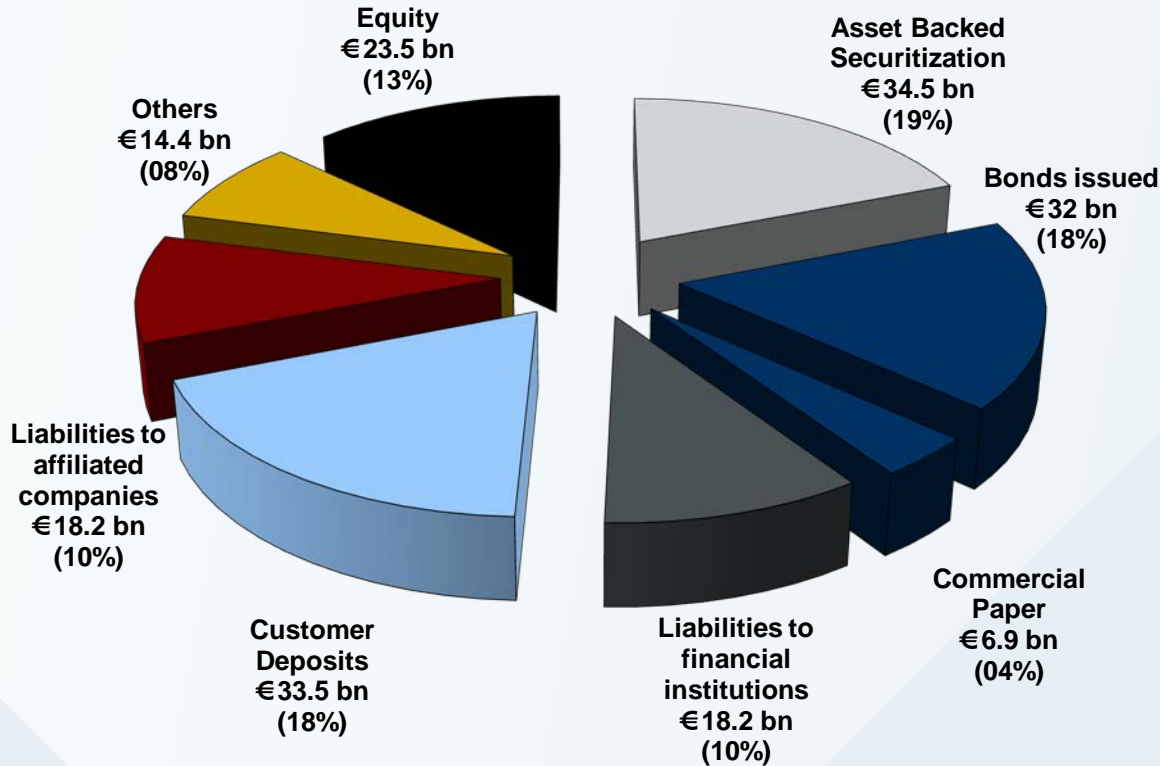


Benefits of new corporate structure

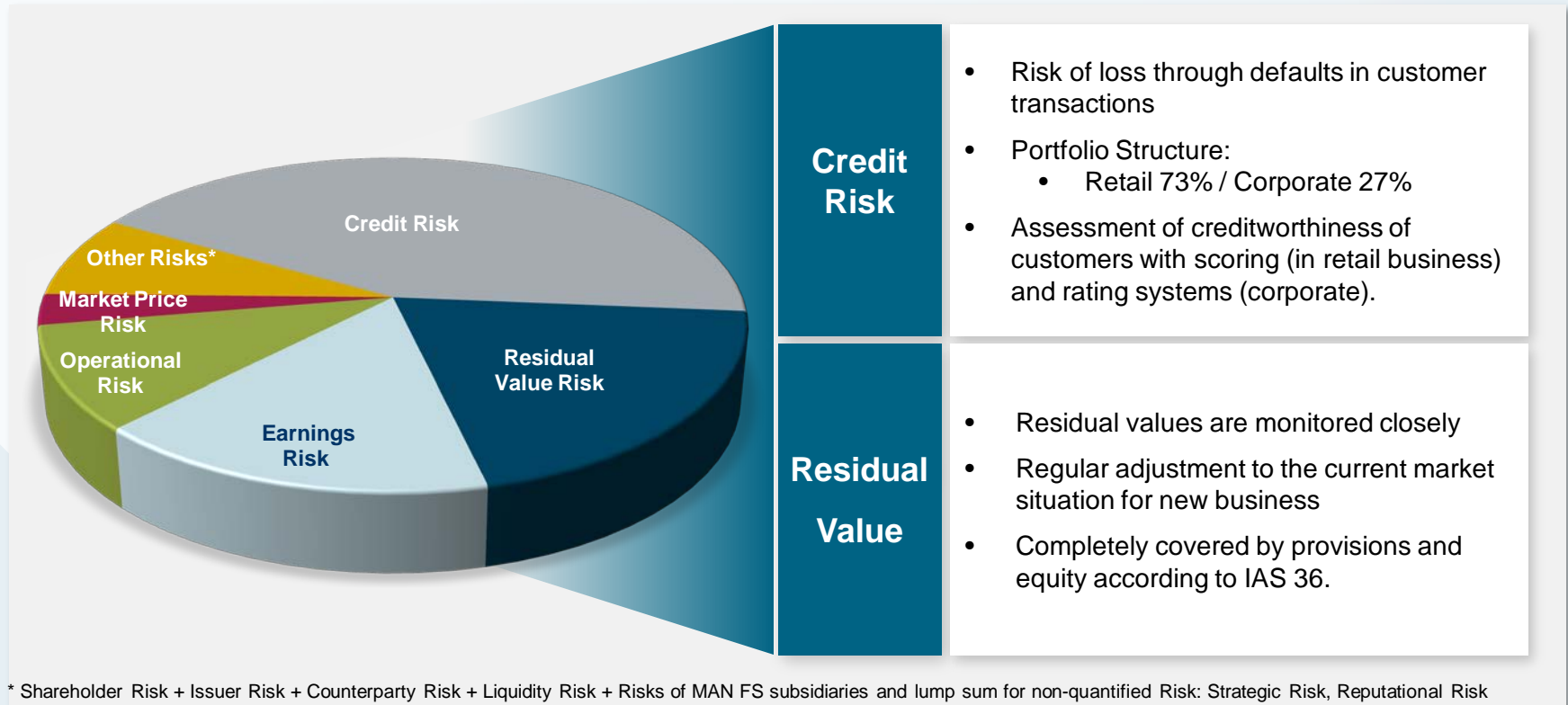
- Reduction of regulatory supervision
- Reduce equity requirements
- Agile for new business models

Refinancing-mix Volkswagen Financial Services (30.09.2017)

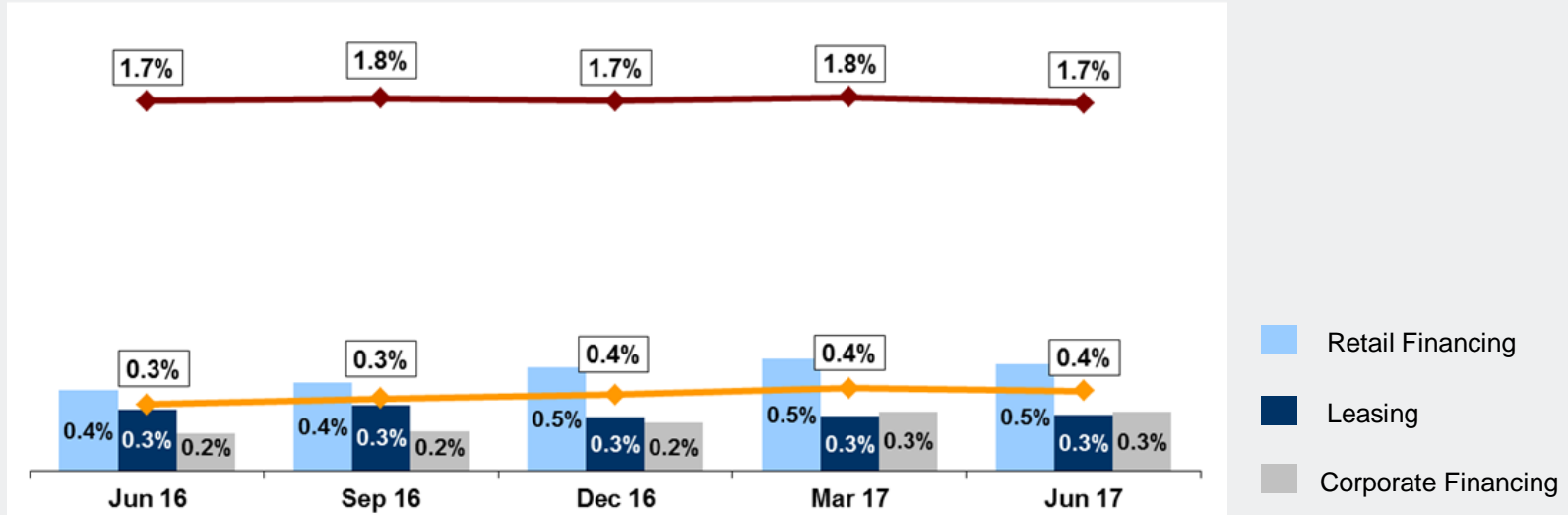
Total € 181.1 bn



Risk management Volkswagen Financial Services



Volkswagen Financial Services – Credit risks as of 30.06.2017



Total Provision Ratio

Total Provision Ratio = total provisions in proportion to the total receivables' volume at reporting date according to IAS 39



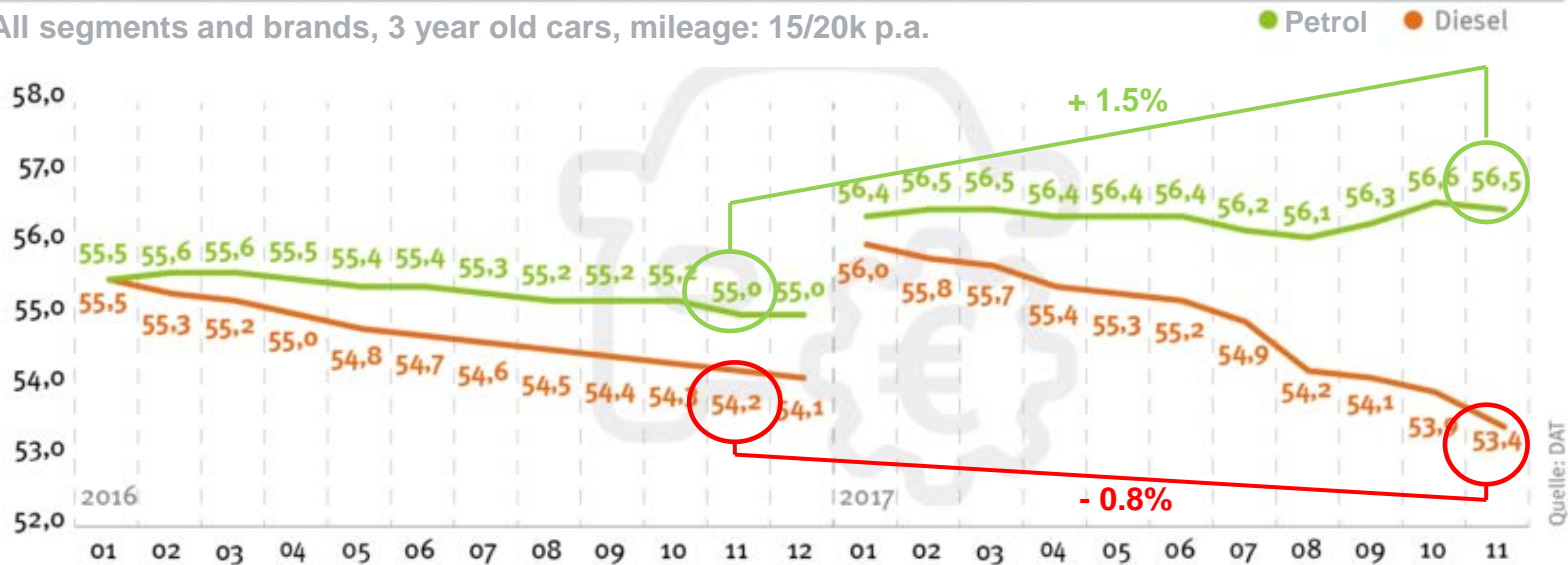
Ø Dynamic Loss Ratio

Dynamic Loss Ratio = drawings on provisions including direct write-offs relative to the average volume of receivables (last four quarters)

Report by Deutsche Automobil Treuhand (December 17)

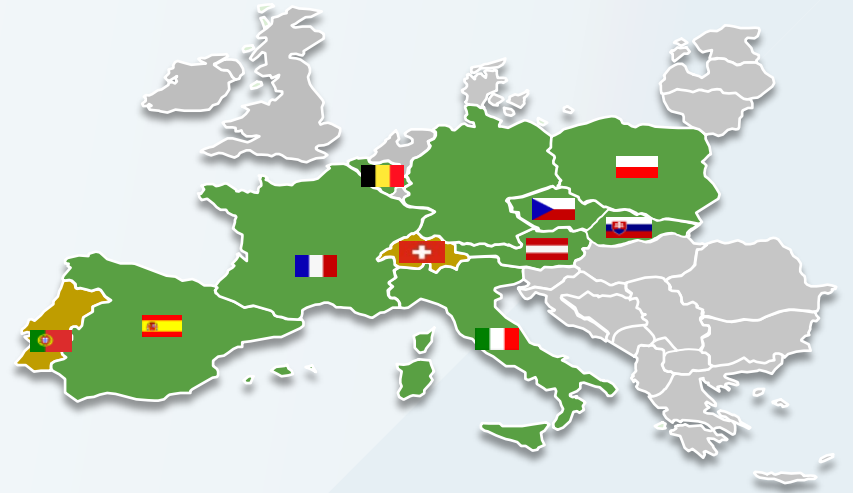
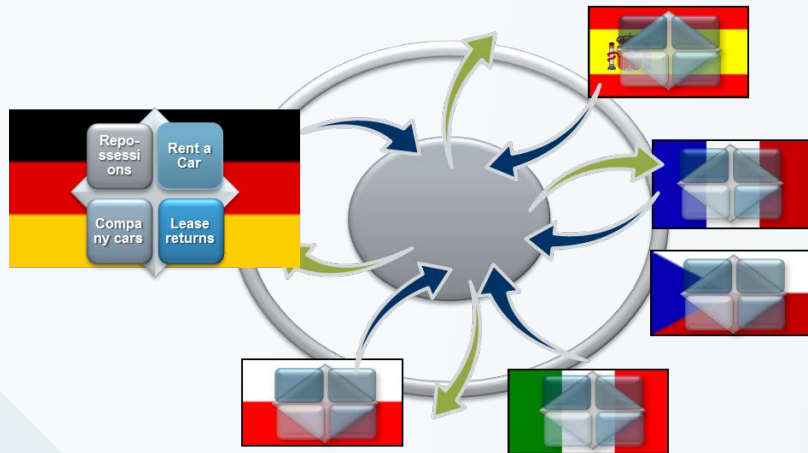
Residual Value Development from list price in %

All segments and brands, 3 year old cars, mileage: 15/20k p.a.



- Residual values of three year old used cars with diesel engine slightly decreased by -0.8% yoy.
- Residual values of three year old used cars with petrol engine increased by +1.5 % yoy.

The International Used Car Broker is the additional and international channel in remarketing, implemented in several European countries




- Currently 8 VW FS AG countries participating
- 2 additional countries in discussion




The Digital Business Model of Volkswagen Financial Services

Influences on our business model


New Channels




Our world is getting more **Digital**



IoT more present



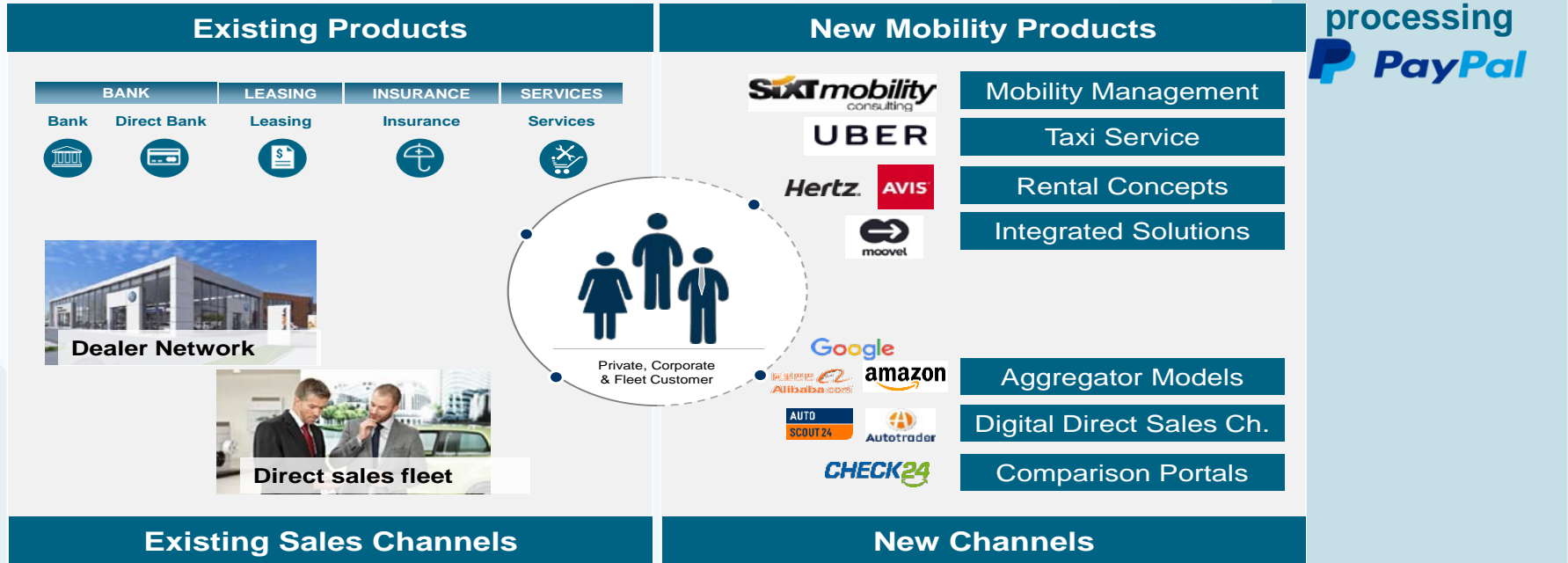
Urban Spaces are changing



Sharing economy is growing rapidly

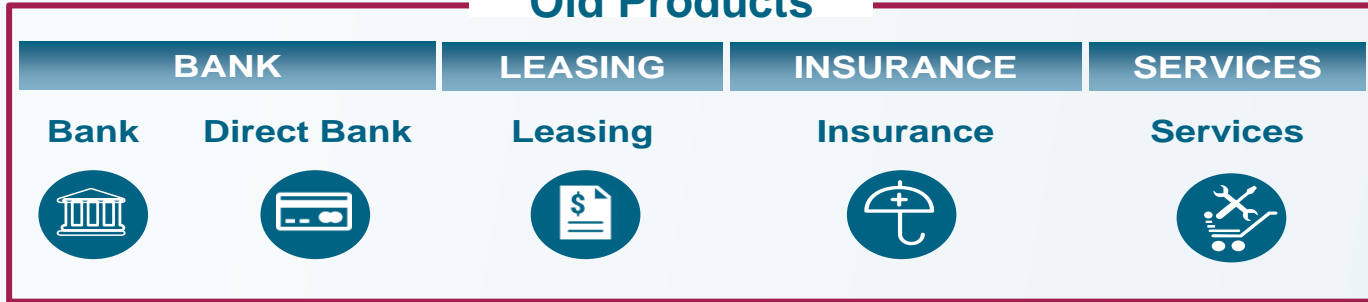
New Mobility Products

There is a need for new channels and products



Volkswagen Financial Services responds to change with an additional offer of future-oriented mobility services

Old Products



New Products

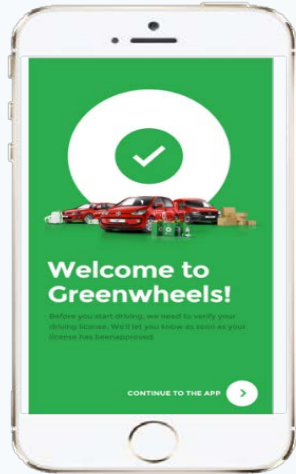


PAYMENT

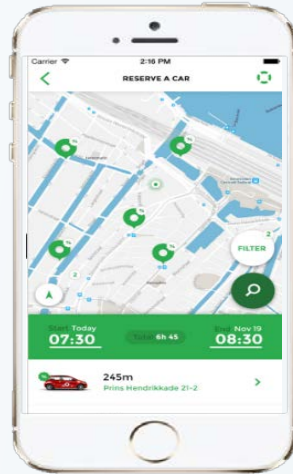
Payment



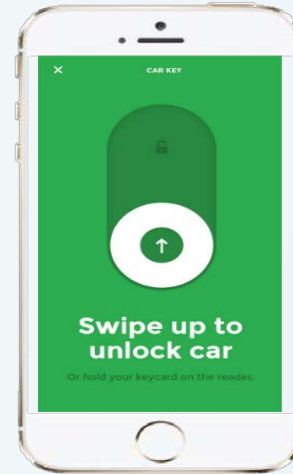
Greenwheels focuses on customer friendliness through digitalization



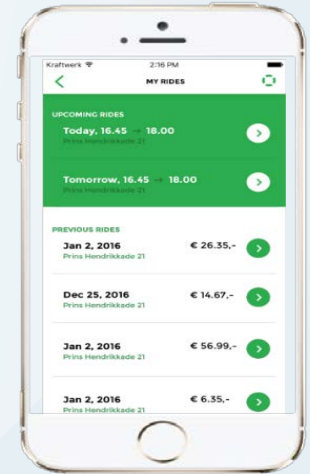
Register



Book



Drive



Own Data



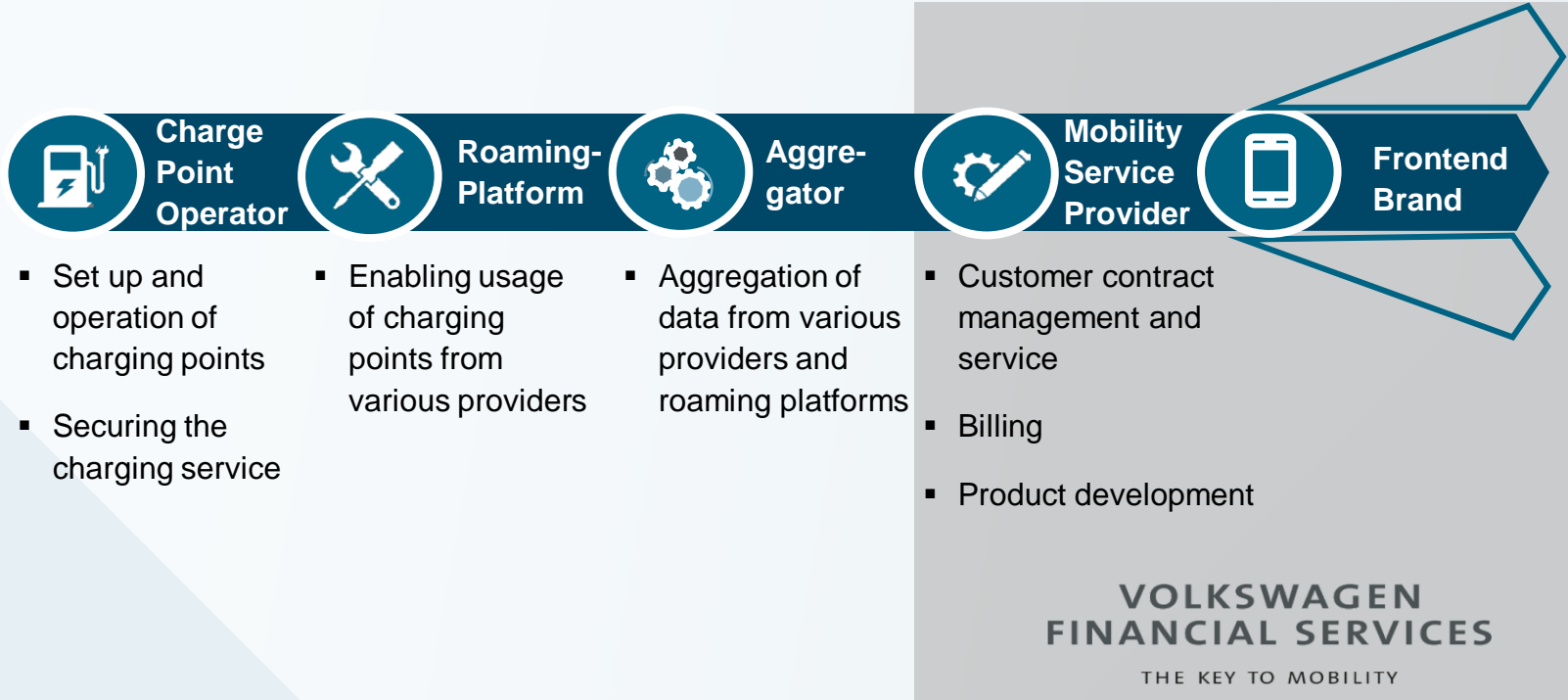
Volkswagen Financial Services has the lead for developing a parking solution within the Volkswagen Group



- VWFS is developing a **digital parking solution** allowing **central access** and **cashless payment** for parking
- This service will improve the customer journey by:
 - Displaying available parking spaces
 - Allowing seamless access & payment (depending on country)
 - Offering relevant coverage on an international scale
 - Car Integration

VWFS will provide this service independently and to all Group Brands (example WE Park) via a growing portfolio of parking operators






Volkswagen Financial Services has the lead function of a mobility service provider for e-charging in the Group



Old and new products offered online

Online

Old Products

BANK		LEASING	INSURANCE	SERVICES
Bank	Direct Bank	Leasing	Insurance	Services
				

PAYMENT

Payment



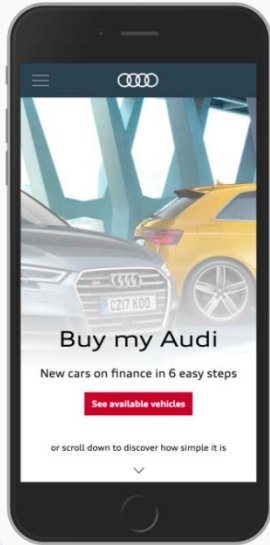
New Products

Mobility		
<u>Renting</u>	<u>Parking</u>	<u>Charge & Fuel</u>
		

Target of the digitalization of Volkswagen Financial Services



The first products are available online!



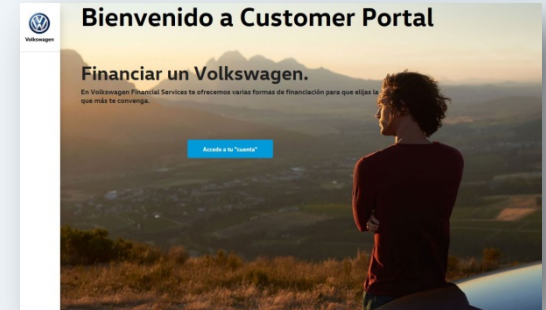
Auto Loans

10/2017: UK and GER



Service

10/2017: GER



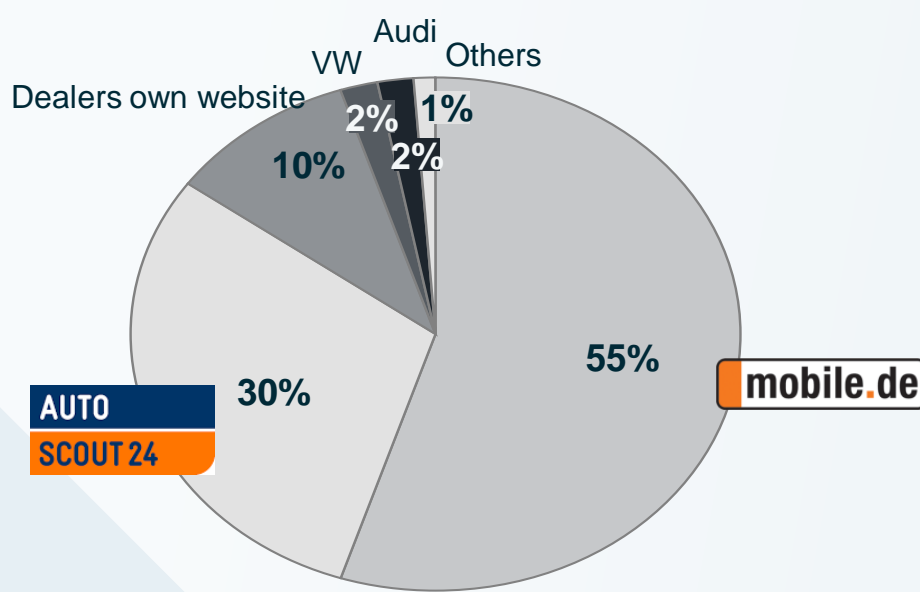
Customer Portal

10/2017: ES



Hey Car: development of a real alternative to the current duopoly

Online share of trades



- **mobile.de** and **AUTO SCOUT 24** counts for 85% of the Market
- **Constant price increase** for both platforms
- Dominant platforms **controlled by American tech companies**

Hey Car is being developed as an alternative in close cooperation with dealers



HeyCar – Benefits for dealers, brands & Financial Services



Dealers – Fee to be paid only in the case of vehicle sale and increase sales from workshop



Brands – Increase in after sales








Financial Services – Increase in sales of Financial Products

Payment solution to process products online

Online

Old Products

BANK		LEASING	INSURANCE	SERVICES
Bank	Direct Bank	Leasing	Insurance	Services
				

New Products

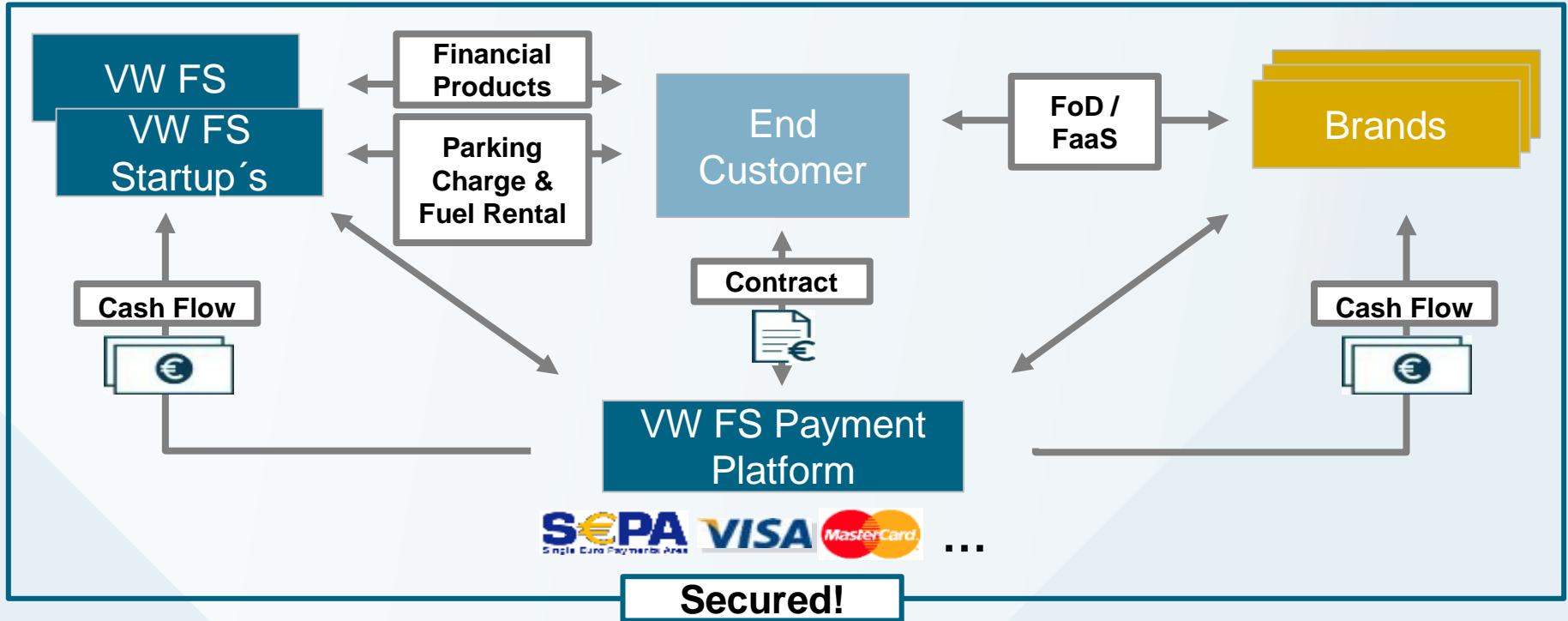
Mobility		
<u>Renting</u>	<u>Parking</u>	<u>Charge & Fuel</u>
		

PAYMENT

Payment



Payment Platform | Functionality of the payment platform



Customer data remains protected within the Groups ecosystem

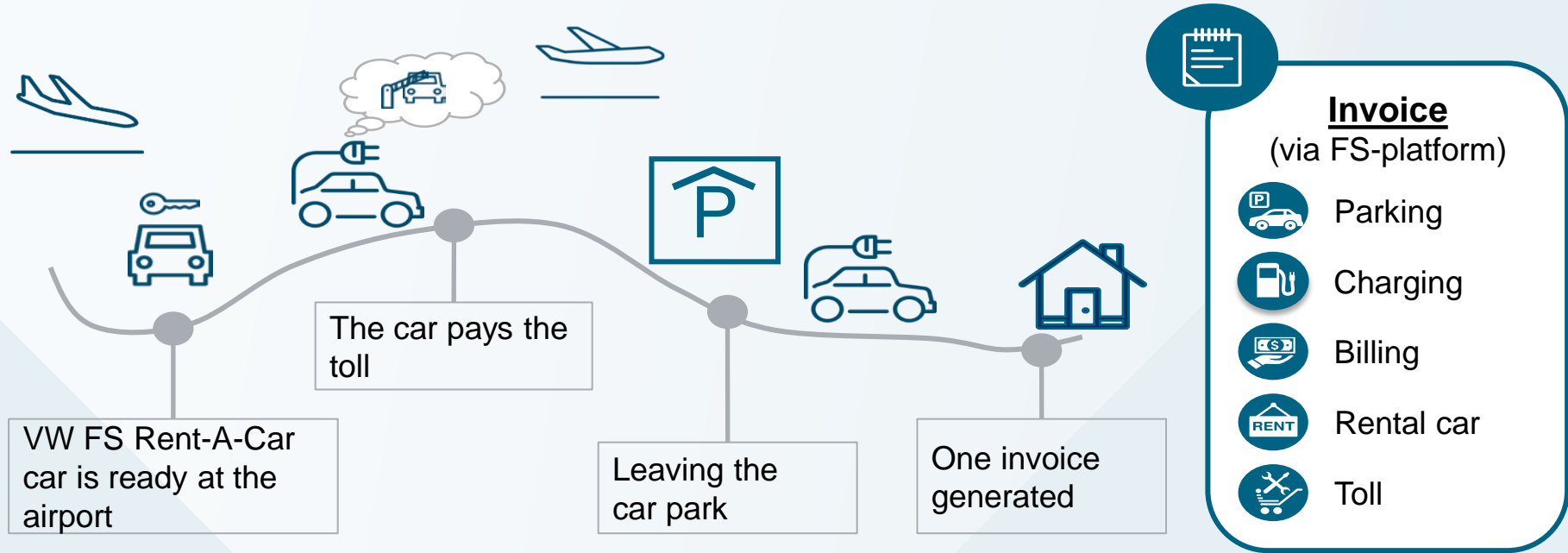
Our Vision | A look into the (near!) future: new services will be utilized „in the car“ and „seamless“ (I/II)

Example: Business trip from London to Frankfurt



Our Vision | A look into the (near!) future: new services will be utilized „in the car“ and „seamless“ (II/II)

On arrival at airport Frankfurt flexible mobility is guaranteed





Vision and Targets of Route2025

Volkswagen Financial Services is well on the way in implementing its vision and achieving its targets of strategy Route2025



VISION

WE ARE THE KEY TO MOBILITY

WHAT

STRATEGIC DIMENSIONS

CUSTOMERS

EMPLOYEES

OPERATIONAL EXCELLENCE

PROFITABILITY

VOLUME

STRATEGIC TARGETS

- Satisfied Customers

- Top Employer
- Top Employees

- Compliance & Governance
- IT Performance
- IT Benchmark

- Total Operating Income
- 20% ROE
- 40% CIR

- 30M Contracts
- 50% Extended Penetration

HOW

FS WAY

Corporate Culture

FS Values

Leadership Culture

INTERNATIONAL COLLABORATION

Full Entrepreneurial Autonomy of Countries

Aligned by a Global Approach

Thank You.

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<https://www.vwfsag.de/en/home.html>

We offer the whole range of services under one roof*

Volkswagen Financial Services

BANK		LEASING	INSURANCE	MOBILITY				PAYMENT	
Bank	Direct Bank	Leasing	Insurance	Services	Fleet Management	Charge & Fuel	Rental	Parking	Payment
									
<ul style="list-style-type: none"> • Retail Financing • Wholesale Financing • Factoring 	<ul style="list-style-type: none"> • Deposits • Instalment Credit • Investment Products 	<ul style="list-style-type: none"> • Finance Lease • Operating Lease 	<ul style="list-style-type: none"> • Motor Insurance • Warranty Insurance • GAP Insurance • Credit Protection Insurance • Industry 	<ul style="list-style-type: none"> • Service & Full and Limited Maintenance • Tyres 	<ul style="list-style-type: none"> • Multi-brand capability • Reporting • Fleet Consulting • Telematics • LifeCycle Services 	<ul style="list-style-type: none"> • Fuel and Service Cards • Charge & Fuel Card 	<ul style="list-style-type: none"> • Long-term Rental • Short-term Rental • Micro Rental • Car sharing 	<ul style="list-style-type: none"> • Payment for parking space • Services around parking • On- and off-street solution 	<ul style="list-style-type: none"> • Payment platform • Mobile Payments • Mobile Wallet

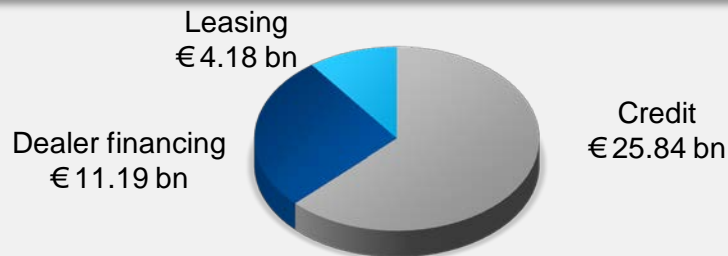
*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.

At a glance (06/30/2017)

Volkswagen Bank GmbH

Total assets	€57.9 bn
Equity	€8.1 bn
Customer deposits	€33.65 bn
Operating profit	€401 m
Employees	1,305
Contracts (units)	3.1 m

Business Volume** €41.2 bn

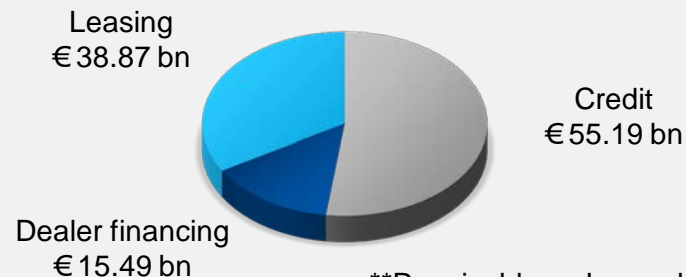


**Receivables + Leased Assets

Volkswagen Financial Services AG*

Total assets	€134.0 bn
Equity	€18.2 bn
Customer deposits	€34.35 bn
Operating profit	€788 m
Employees	11,926
Contracts (units)	13.7 m

Business Volume** €109.5 bn

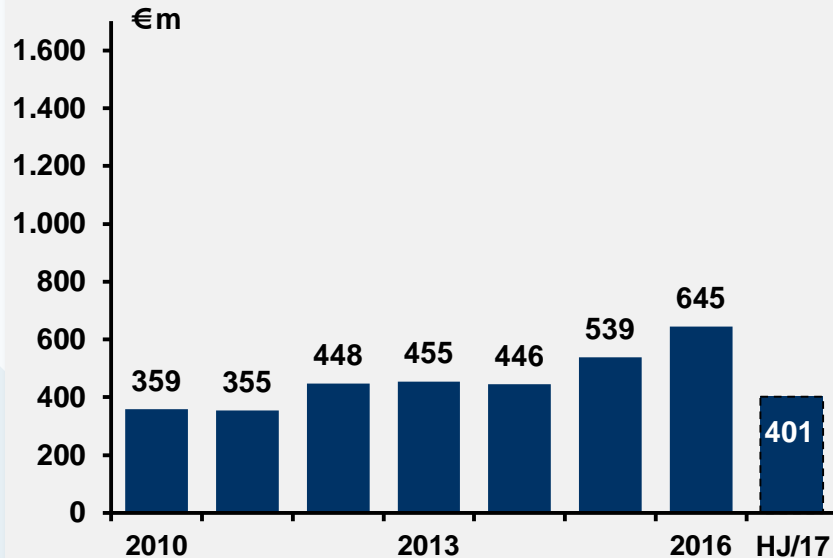


**Receivables + Leased Assets

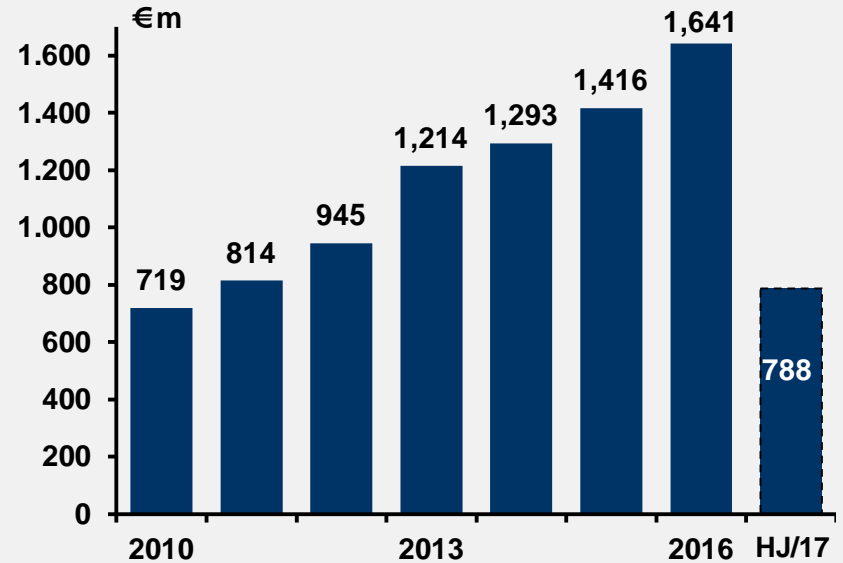
* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG

Operating Income

Volkswagen Bank GmbH



Volkswagen Financial Services AG*



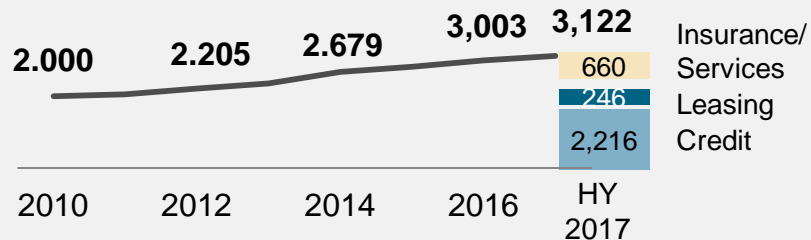
* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG

Contract Portfolio

Continuous portfolio expansion

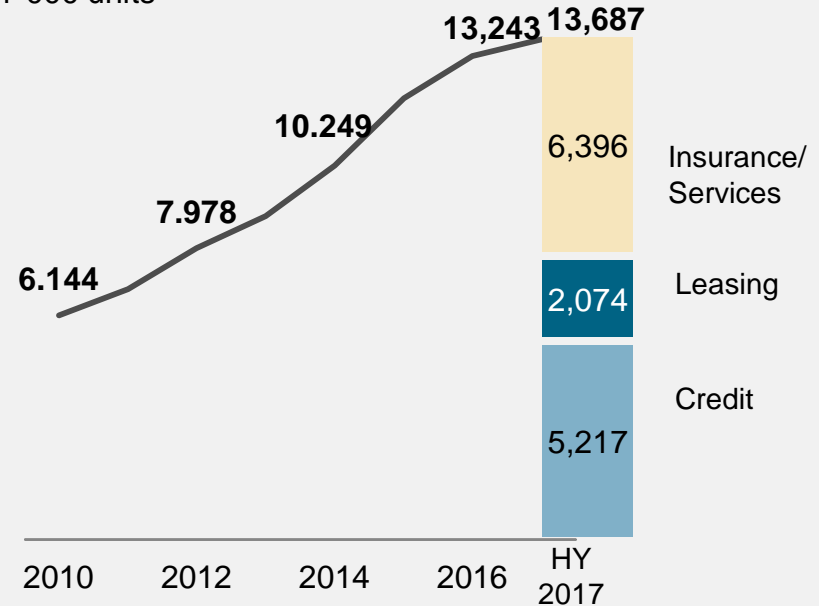
Volkswagen Bank GmbH

in '000 units



Volkswagen Financial Services AG*

in '000 units



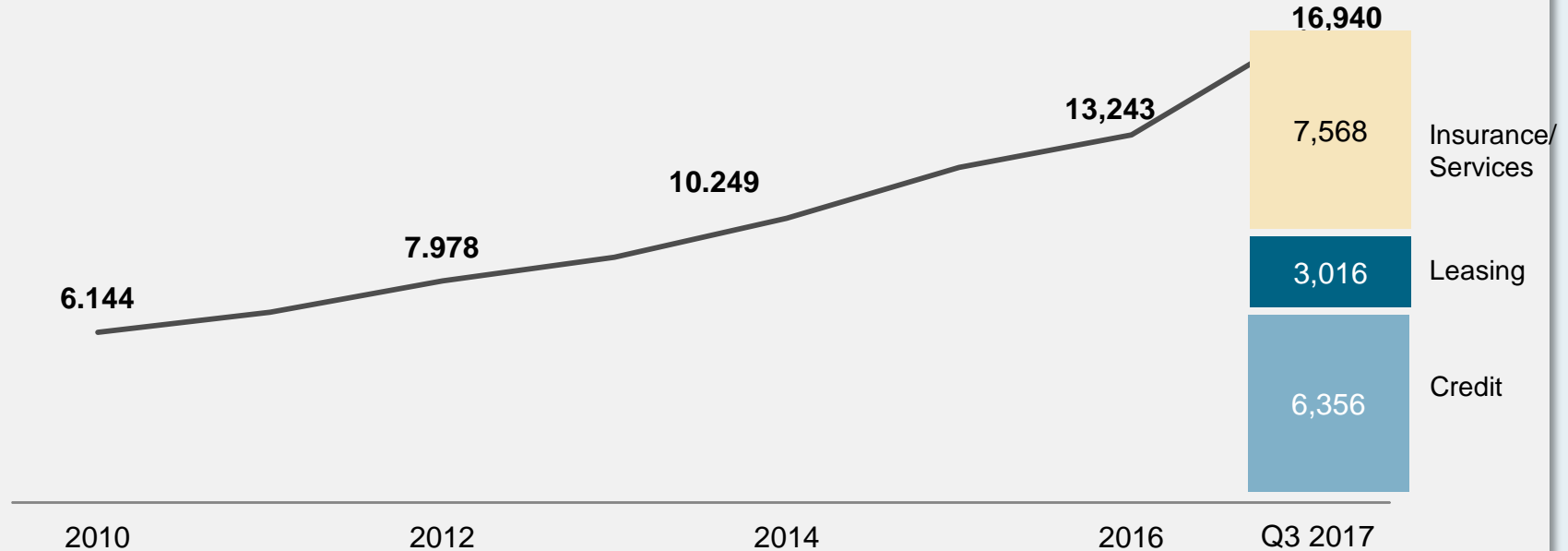
* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG

Contract portfolio

Continuous portfolio expansion

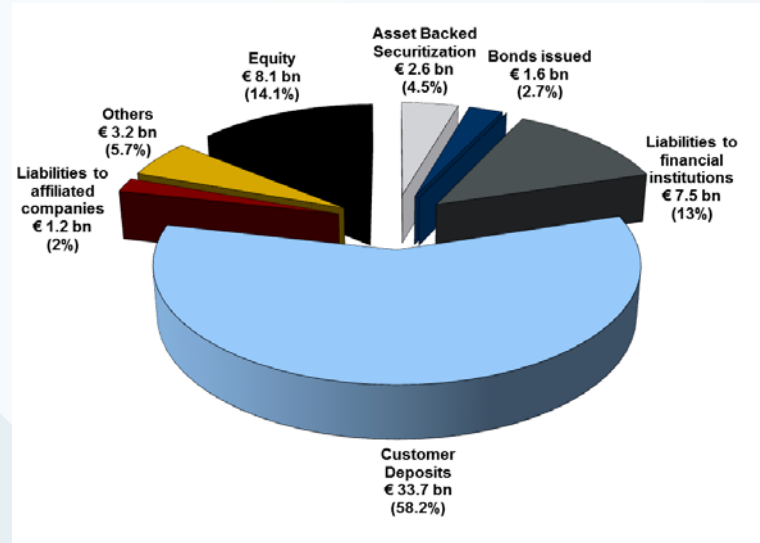
Volkswagen Financial Services

in '000 units



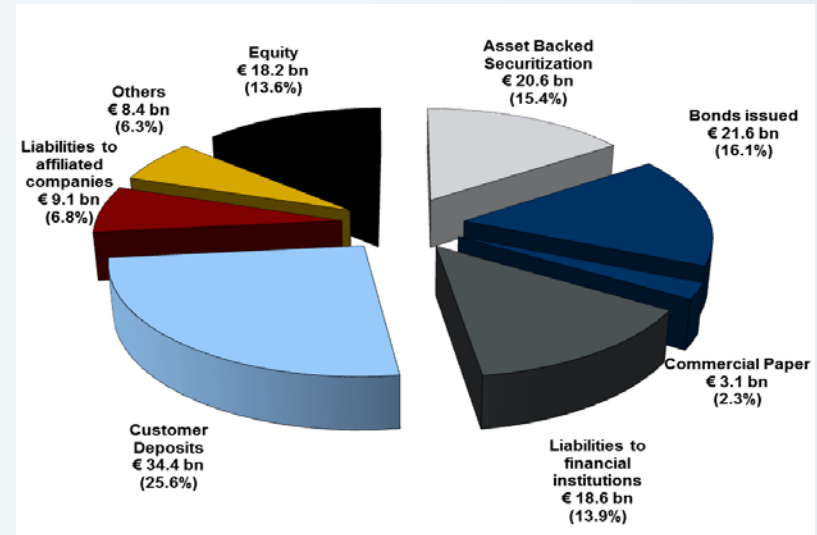
Strategic funding allocation as of 30 June 2017

Volkswagen Bank GmbH



Total €57.9 bn

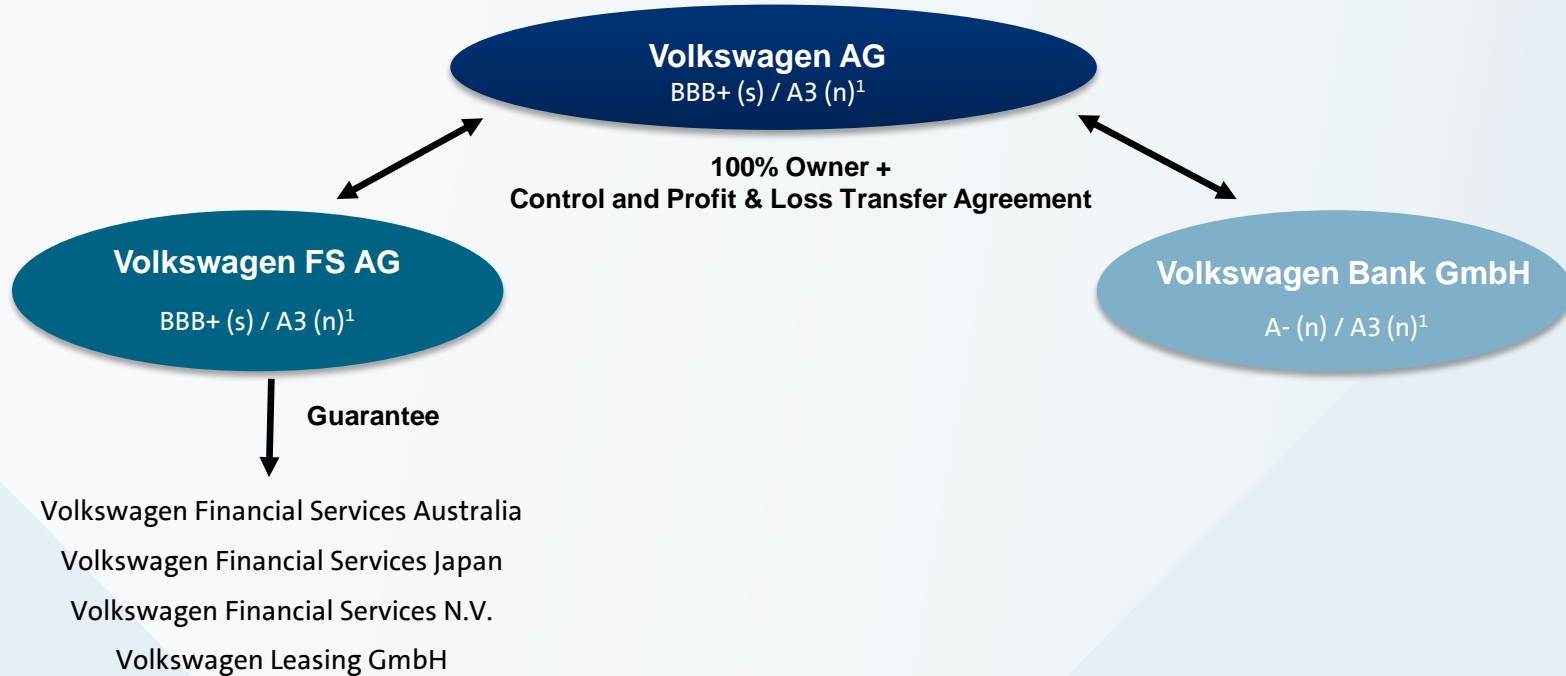
Volkswagen Financial Services AG*



Total €134.0 bn

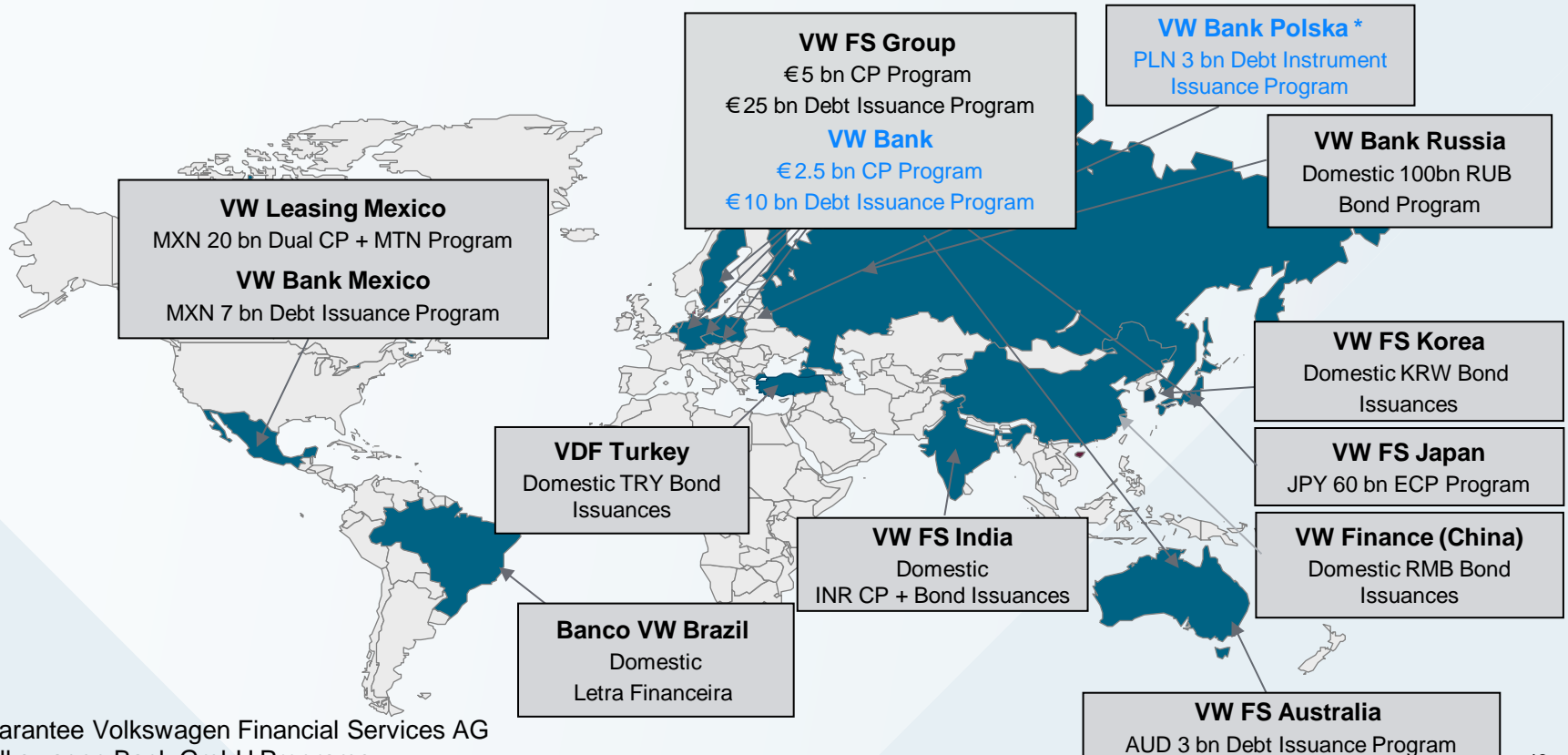
* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG

Volkswagen Financial Services organisational structure and guarantee scheme



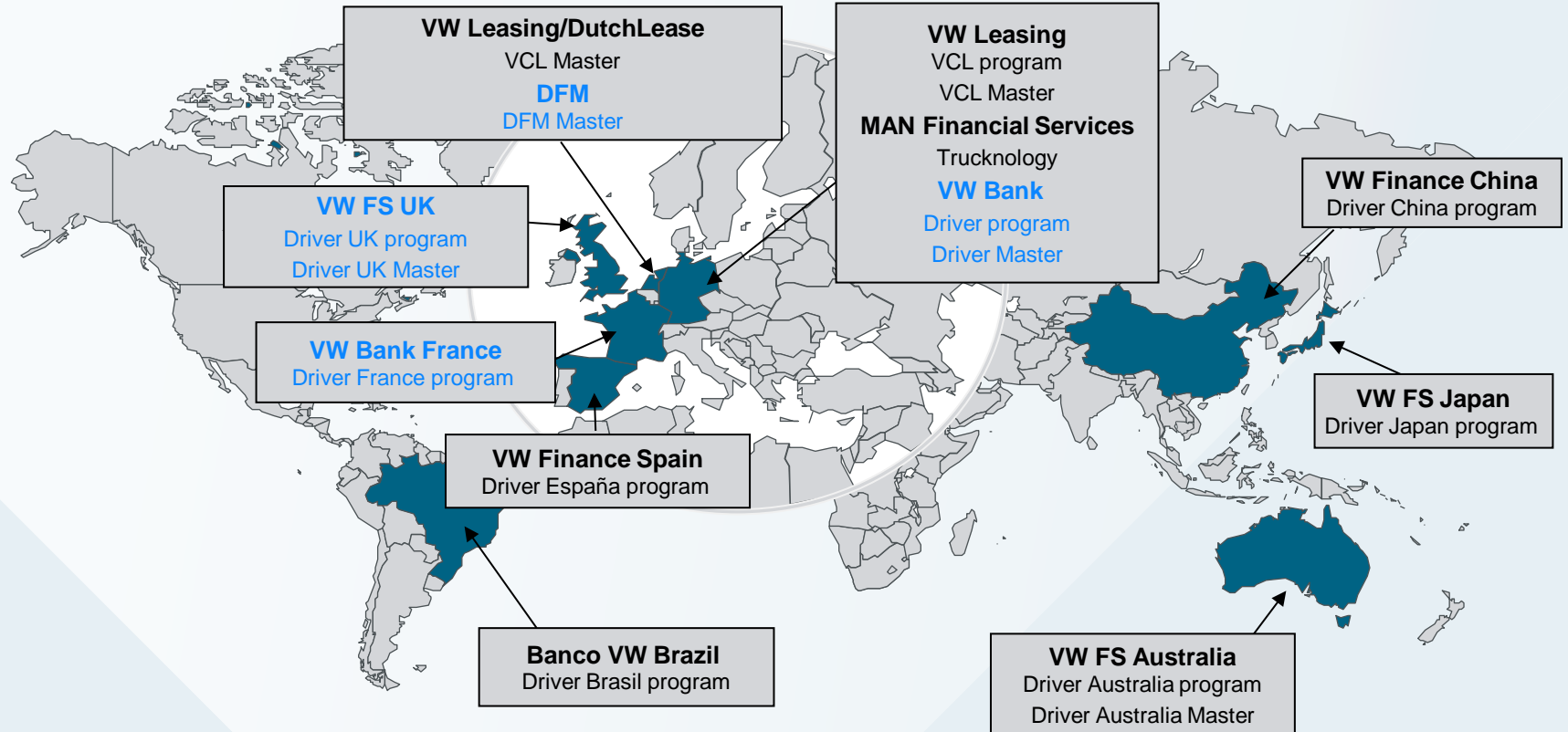
¹Credit Ratings from Standard&Poors / Moody's as per 08 Nov 2017; (n) Outlook negative, (s) Outlook stable

Worldwide Capital Market Activities



* Guarantee Volkswagen Financial Services AG
 Volkswagen Bank GmbH Programs

Worldwide ABS Activities



Rating Volkswagen Group and competitors

MOODY'S



Investment grade	Aaa	
	Aa1	
	Aa2	
	Aa3	Toyota (S)
	A1	BMW (S)
	A2	Nissan (S), Daimler (S), Honda (S)
	A3	VW AG (N), VW Bank (N), VW FS AG (N), MAN (N)
		PSA Banque (S)
	Baa1	Hyundai (S), RCI Banque (S), FCA Bank (S)
	Baa2	Ford (S), FMCC (S)
Baa3	Renault (S), GM (S)	

AAA	
AA+	
AA	
AA-	Toyota (S)
A+	Honda (N) BMW (S)
A	Daimler (S), Nissan (S)
A-	VW Bank (N) Hyundai (N)
BBB+	VW AG (S), VW FS AG (S), Scania (S) VW Bank
BBB	RCI Banque(S), Ford(S), Renault (S) FMCC(S), GM(S), FCA Bank (S)
BBB-	

Subinvestment grade	Ba1	Peugeot(S)
	Ba2	
	Ba3	Fiat (P)
	B1	
	B2	
	B3	
	- - -	

BB+	
BB	Fiat (S)
BB-	
B+	
B	
B-	
- - -	

Outlook -> (P)ositive, (S)table, (N)egative, **RID** = Ratings under review for Downgrade, **RIU** = Ratings under review for Upgrade

Senior Subordinated Rating

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



Creating Value with Financial Services

Frank Fiedler

CFO Volkswagen Financial Services AG

UniCredit KeplerCheuvreux 17th German Corporate Conference, 16 January 2018