

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



## **The Key to Mobility**

## **Creating Value with Financial Services**

Investor Update –

Volkswagen Financial Services

## 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, 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. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore 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 in particular 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 Such statements are valid on the date of publication and can be superseded.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.

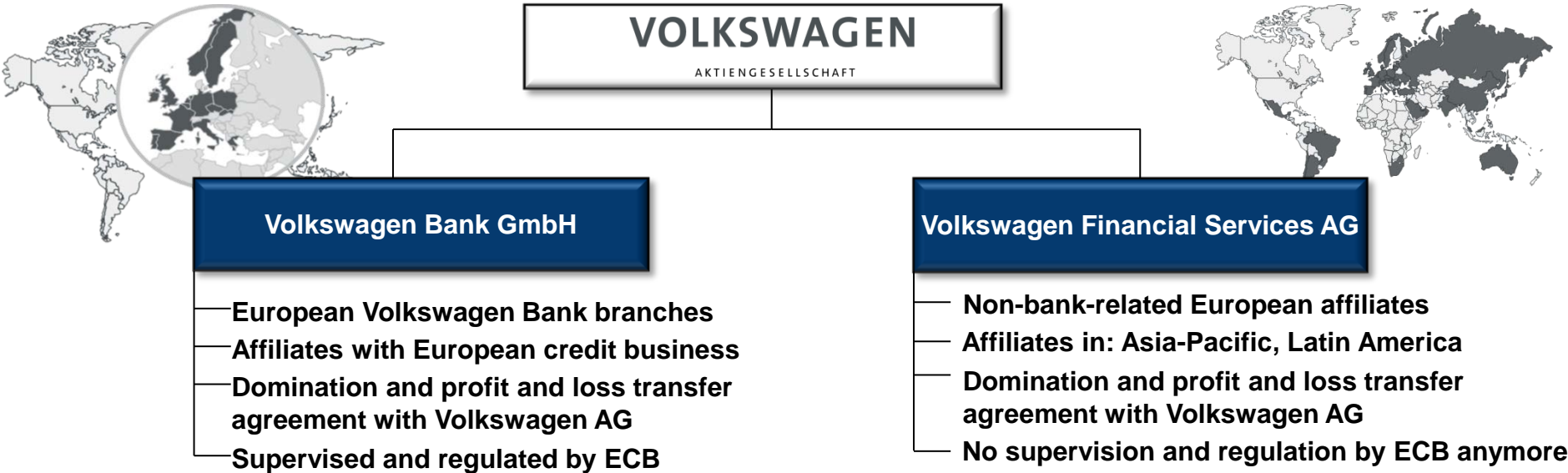
Under the brand “Volkswagen Financial Services – the key to mobility“ the subsidiaries of Volkswagen Financial Services AG as well as its sister company Volkswagen Bank GmbH render various services under the joint brand "Volkswagen Financial Services". Such services are banking services (through Volkswagen 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.

## Volkswagen Group Structure

Volume	Premium	Sport & Luxury	Truck & Bus	Procurement/ Components	Finance & IT	China
VW  Volkswagen	Audi 	Porsche  PORSCHE	MAN 	Procurement	VOLKSWAGEN FINANCIAL SERVICES THE KEY TO MOBILITY	Region China
Škoda  SKODA	Lamborghini* 	Bentley  BENTLEY	Scania  SCANIA	Components**		
SEAT  SEAT	Ducati* 	Bugatti  BUGATTI	Power Engineering*			
VW LCV  Commercial Vehicles						
MOIA MOIA						

\* Allocation will be verified  
 \*\* Temporarily responsibility of Group CEO, will be a combined Board of Management function

# Optimized Structure for Financial Services Business (starting 01.09.2017) Substantial Effects













**Advantages:**

- Optimized capital requirement
- Reduced complexity & improved transparency
- Agile for new business models

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

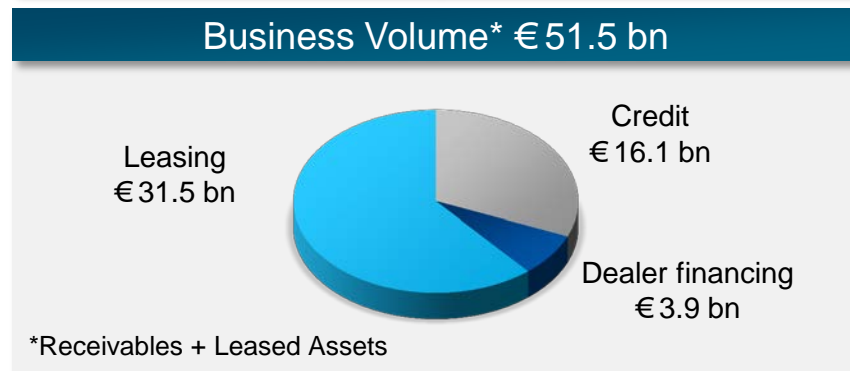
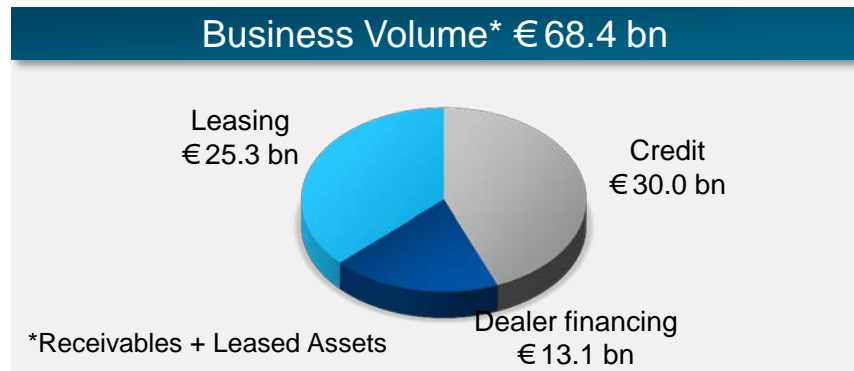
\*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.

Frequency of customer contact

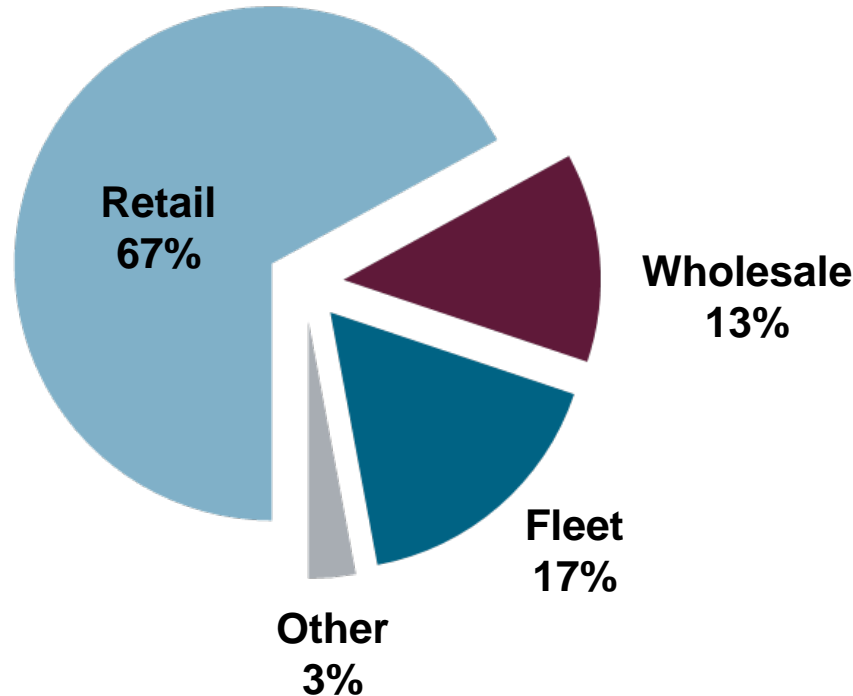
## At a Glance (06/30/2018)

Volkswagen Bank GmbH	
Total assets	€ 84.3 bn
Equity	€ 11.4 bn
Customer deposits	€ 33.7 bn
Operating profit	€ 567 m
Employees	3,584
Contracts (units)	5.7 m

Volkswagen Financial Services AG	
Total assets	€ 73.6 bn
Equity	€ 8.0 bn
Customer deposits	68.5 m
Operating profit	€ 329 m
Employees	8,449
Contracts (units)	8.4 m



## Portfolio Structure Volkswagen Financial Services



**Credit Risk** is the predominant risk type whereof the major share is originated from well diversified retail business with a low risk profile.

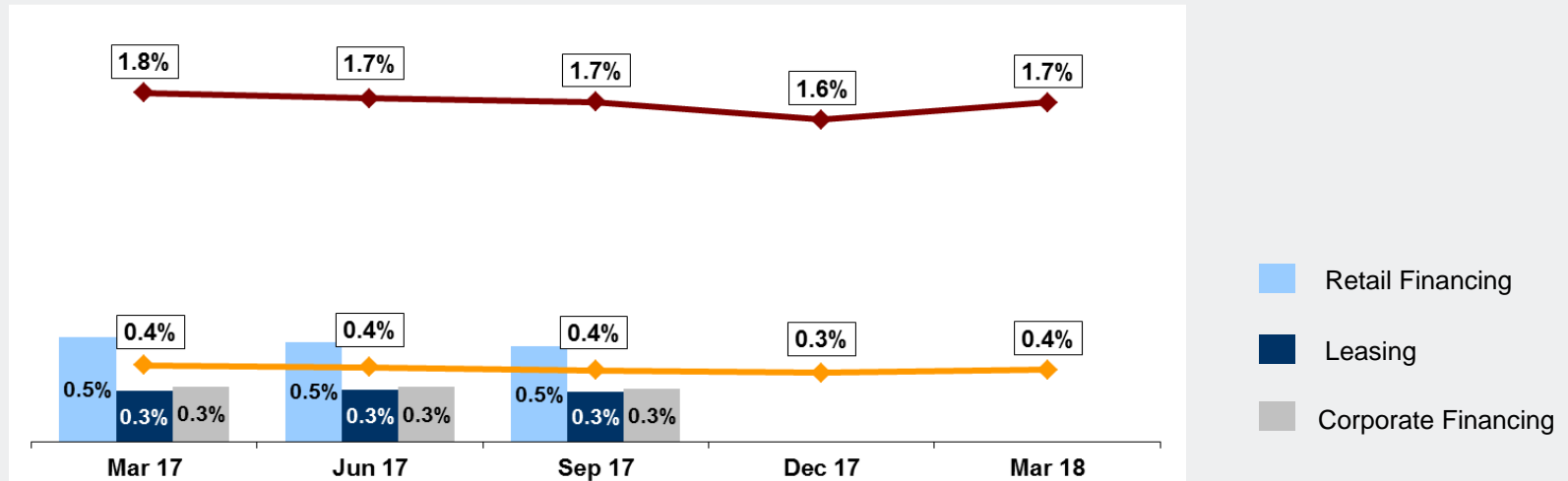
**Other relevant risk types:**

- Residual Value Risk
- Earning Risk
- Operational Risk
- Marketprice Risk
- Shareholder Risk

as of 12/31/2017

# Volkswagen Financial Services – Credit Risks as of 31.03.2018

## Credit risk remains at low level despite challenging market environment



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

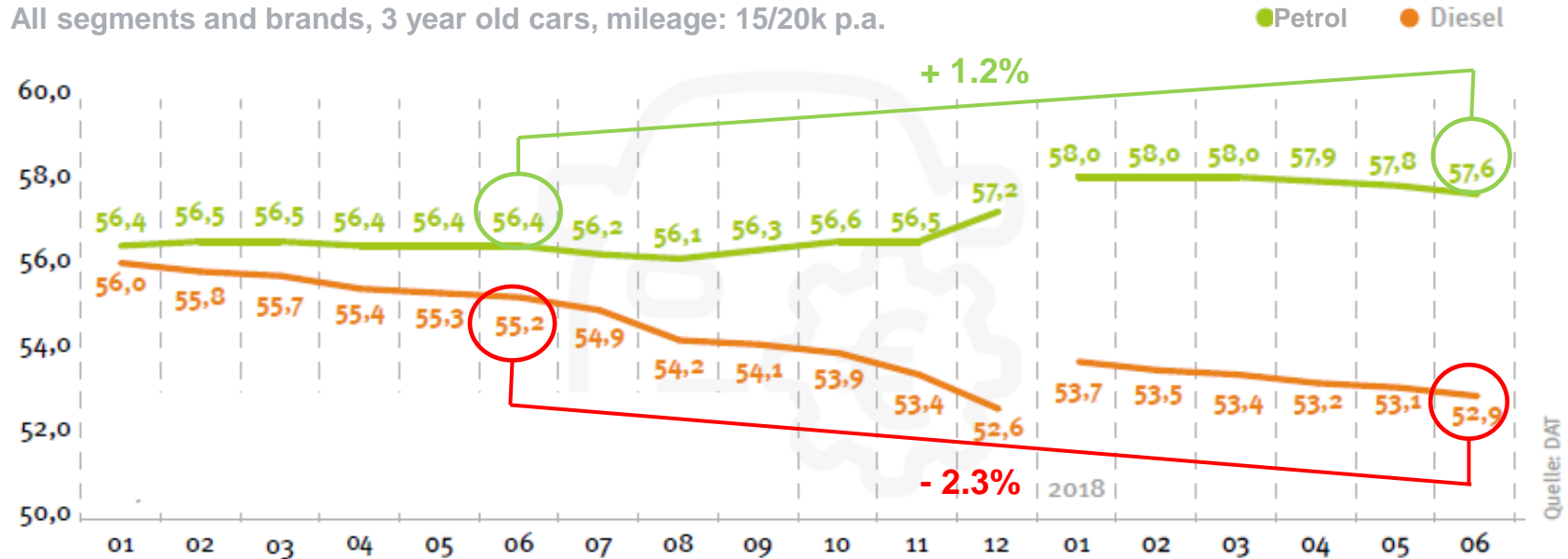
Dynamic Loss Ratio = drawings on provisions including direct write-offs relative to the average volume of receivables (last four quarters)



# Report by Deutsche Automobil Treuhand (June 18)

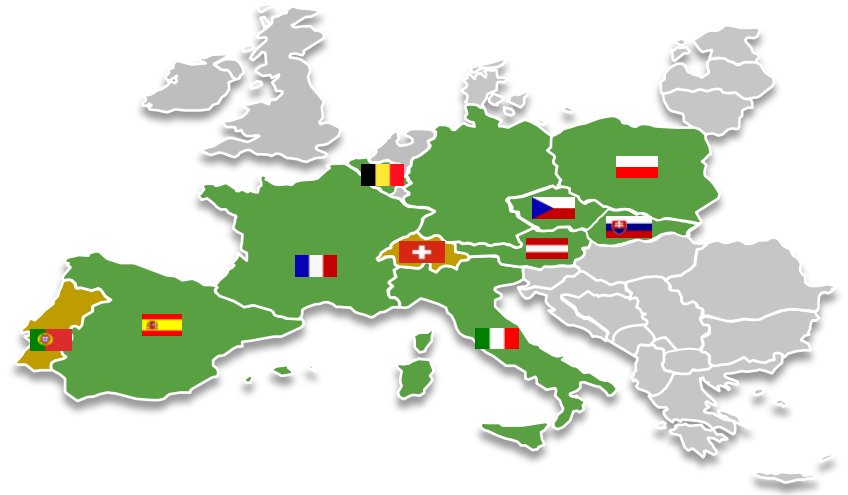
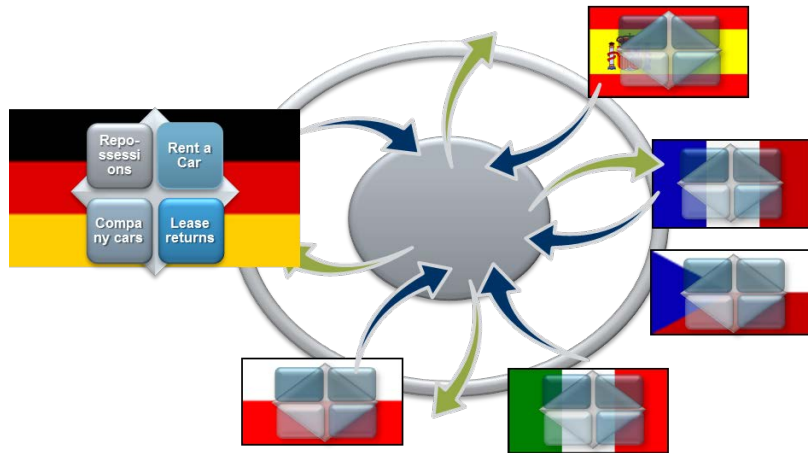
## Residual Value Development from list price in %

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



- Generally, Automotive and Financial Services Division are operating “at Arms Length” when setting residual values. Adequate provisioning for our existing portfolio is done on the basis of a regular portfolio assessment.
- All residual value risks are completely covered by provisions and equity according to IAS 36.

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



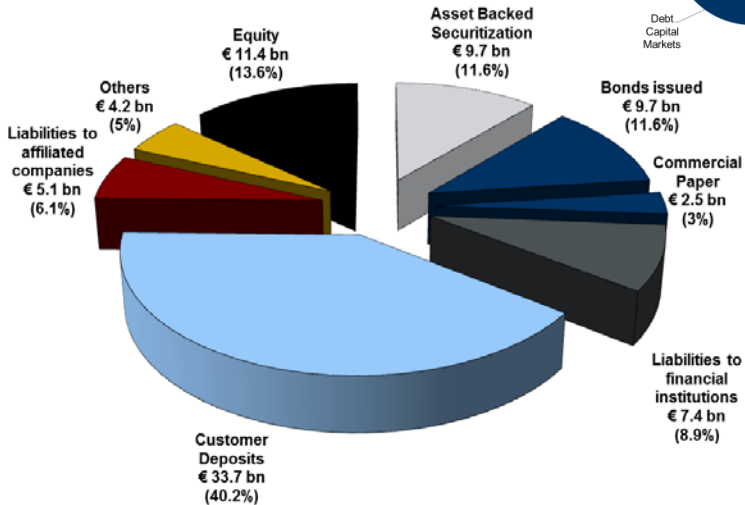
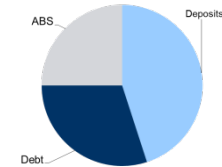
- Currently 8 VW FS AG countries participating
- 2 additional countries in discussion

# Strategic Funding Allocation as of June 30, 2018

## Volkswagen Bank GmbH

Total €84.3 bn

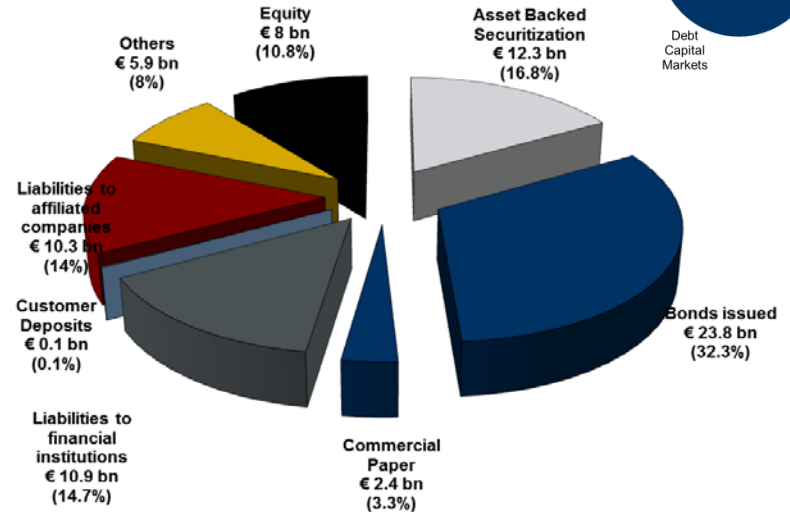
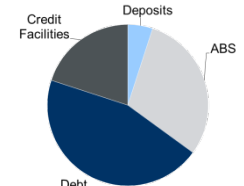
Strategic Funding Mix



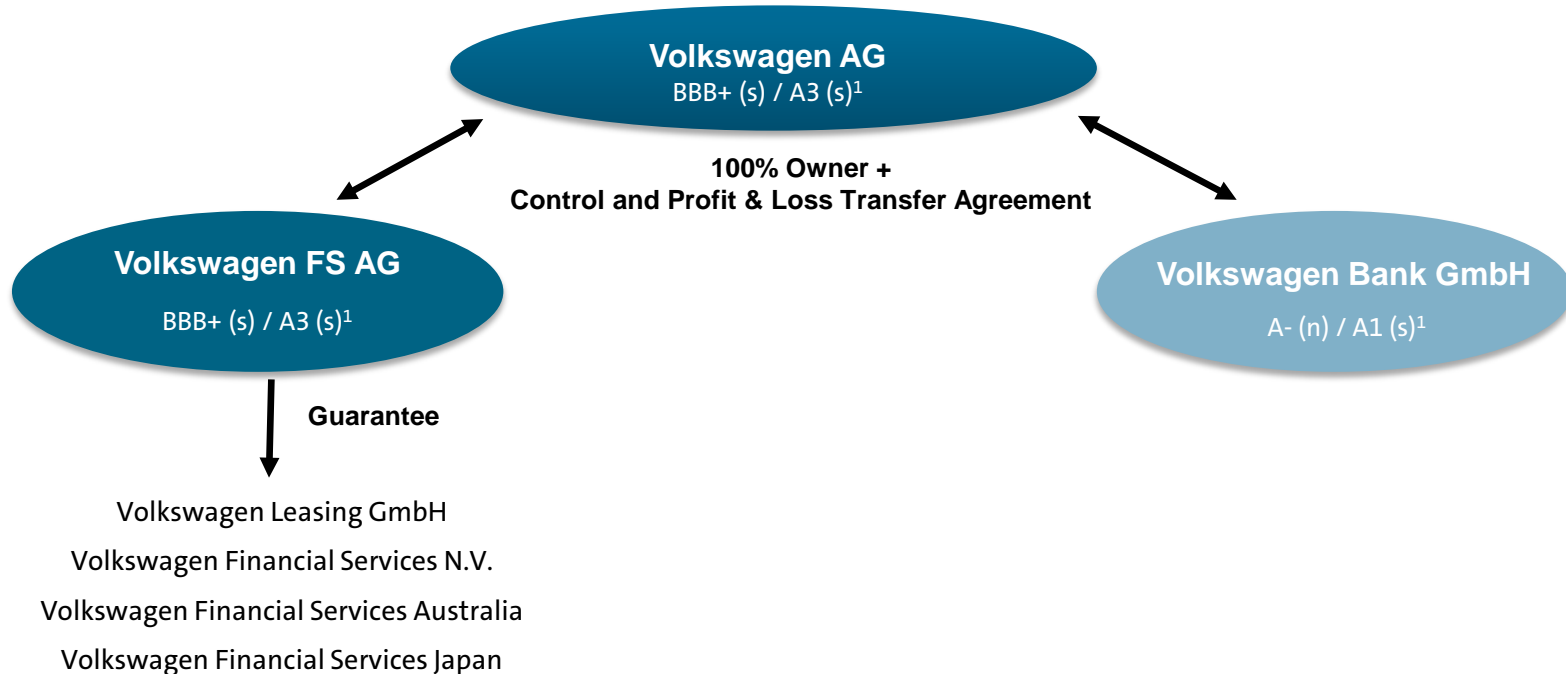
## Volkswagen Financial Services AG

Total €73.7 bn

Strategic Funding Mix

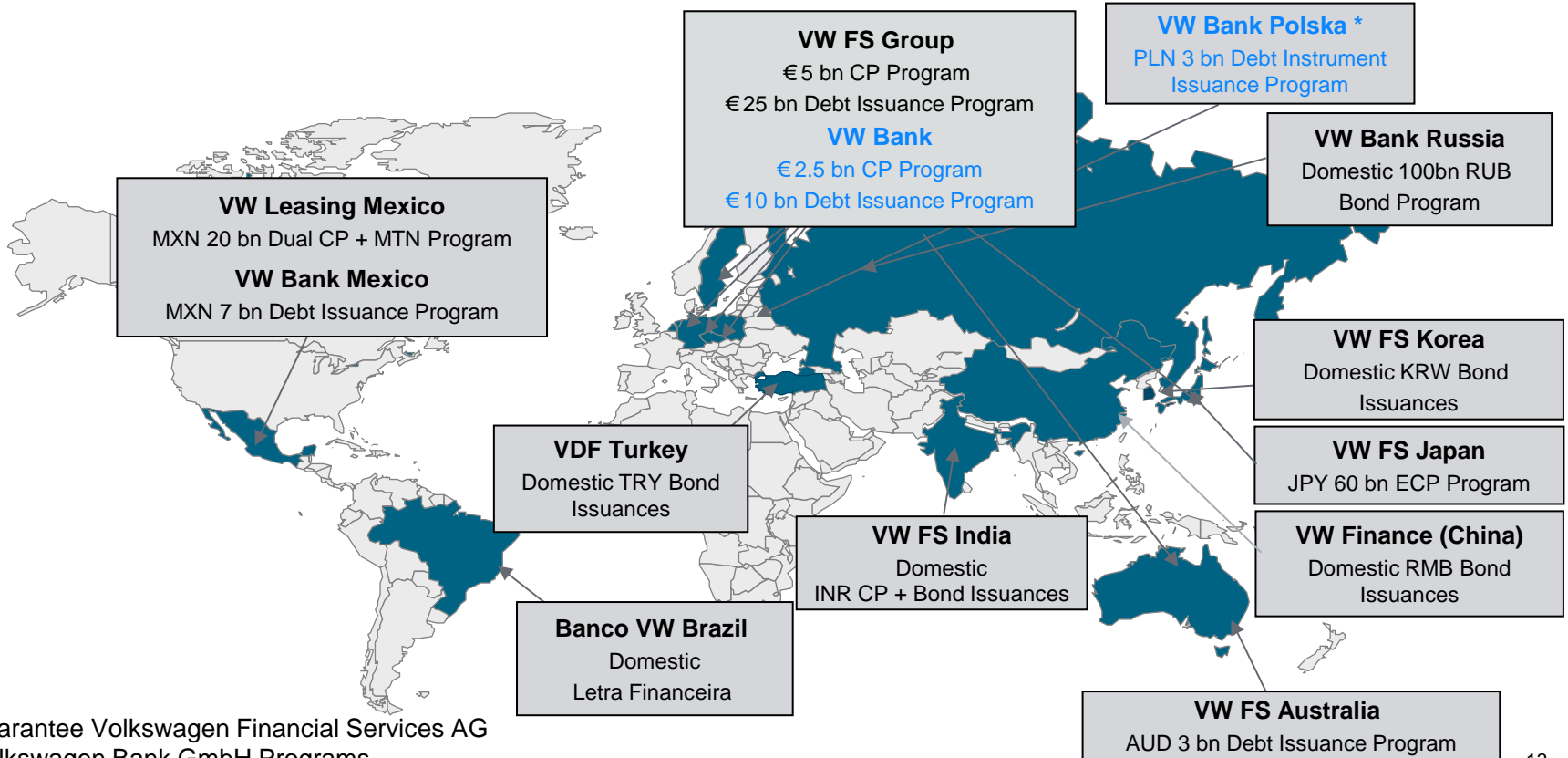


# Volkswagen Financial Services organisational structure and guarantee scheme



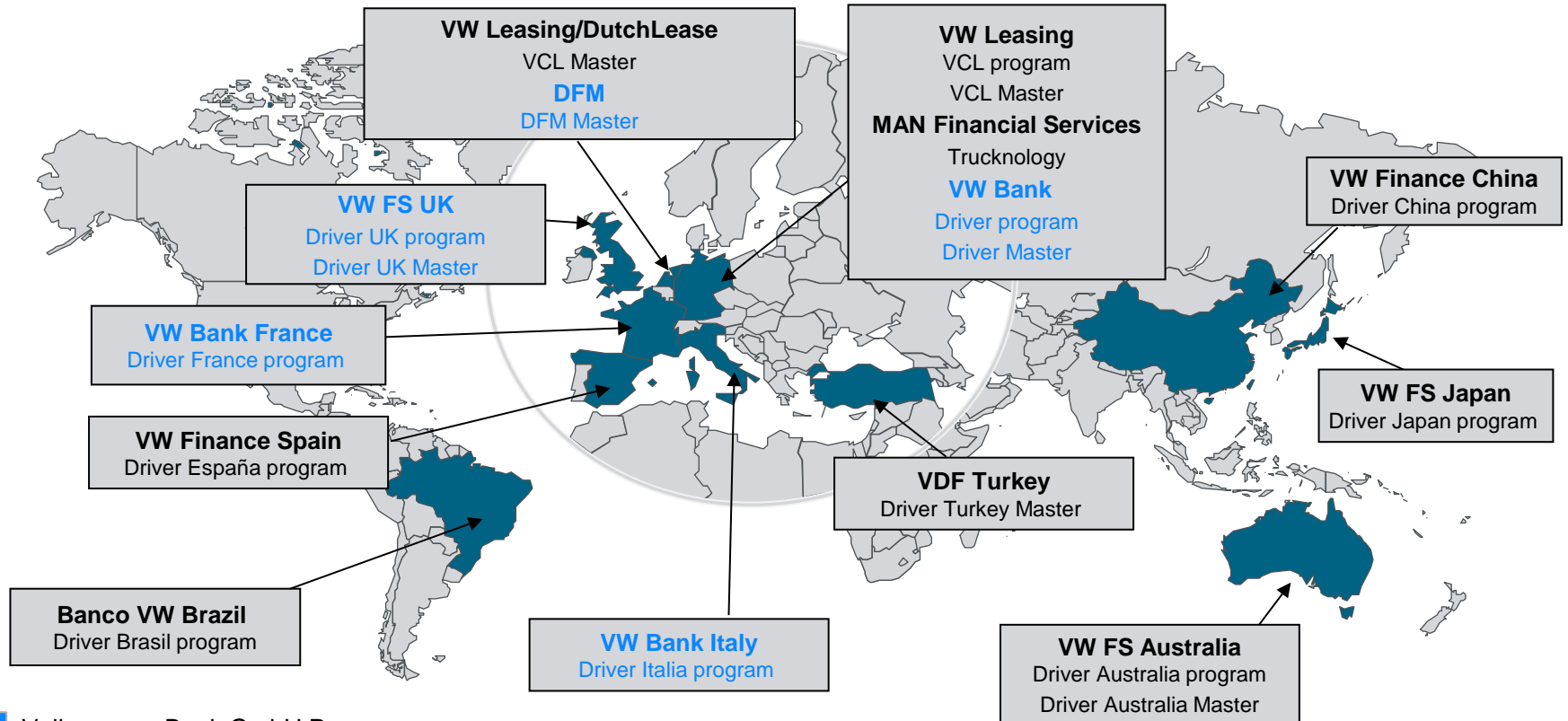
<sup>1</sup>Credit Ratings from Standard&Poors / Moody's as per 13 August 2018; (n) Outlook negative, (s) Outlook stable

# Worldwide Capital Market Activities



\* Guarantee Volkswagen Financial Services AG  
■ Volkswagen Bank GmbH Programs

## Worldwide ABS Activities



## Recent Public DCM Deals 2018 (Volkswagen Financial Services AG and Volkswagen Bank GmbH)

### Volkswagen Bank GmbH

- Volkswagen Bank GmbH: 06/2018 EUR 2bn, due 09/2021, 12/2021, 06/2024
- Volkswagen Bank GmbH: 12/2017 EUR 2bn, due 06/2021, 06/2023, 12/2025

### Volkswagen Financial Services AG

- Volkswagen Financial Services N.V.: GBP 300m 02/2018, due 06/2022
- Volkswagen Financial Services AG: EUR 2.25bn 04/2018, due 10/19, 04/21 & 04/23
- Volkswagen Financial Services N.V.: NOK 500m 04/2018, due 04/2021
- Volkswagen Financial Services Australia PTY LTD: AUD 400m 04/2018, due 04/2021
- Volkswagen Financial Services N.V.: SEK 500m 05/2018, due 05/2021
- Volkswagen Leasing Mexico S.A. de C.V.: MXN 2bn 05/2018, due 05/2022
- Banco Volkswagen S.A.: BRL 489.2m 06/2018, due 06/2020
- Volkswagen Financial Services AG: EUR 500m 07/2018, due 07/2020
- Volkswagen Leasing GmbH: EUR 2.5bn 08/2018, due 02/2021 & 02/2023 & 08/2025
- Volkswagen Financial Services N.V.: GBP 500m 08/2018, due 09/2021
- OOO Volkswagen Bank RUS: RUB 5bn 08/2018, due 08/2021
- Volkswagen Financial Services Australia PTY LTD: AUD 350m 08/2018, due 02/2022

## Recent Public ABS Deals 2018 (Volkswagen Financial Services AG and Volkswagen Bank GmbH)

### Volkswagen Bank GmbH

- Driver Espania five (Volkswagen Finance S.A.): EUR 1.0bn (02/2018)
- Driver fourteen (Volkswagen Bank GmbH): EUR 900m (03/2018)
- Driver Italia one (Volkswagen Bank GmbH): EUR 500m (04/2018)
- Driver fifteen (Volkswagen Bank GmbH): EUR 750m (08/2018)

### Volkswagen Financial Services AG

- Driver China eight (Volkswagen Finance (China) Co.): RMB 3.2 bn (12/2017)
- Driver Japan seven (Volkswagen Financial Services Japan): JPY 55 bn (02/2018)
- Driver Turkey Master (Volkswagen Dogus Finansman S.A.): TRY 1.1 bn (02/2018)
- VCL 26 (Volkswagen Leasing GmbH): EUR 1.5 bn (03/2018)
- Driver Australia five (Volkswagen Financial Services Australia Pty Ltd.): AUD 750m (04/2018)



# Volkswagen Financial Services follows consequently its vision and the targets of Route2025



# ROUTE 2025 | Our Focus Topics

**Digitalization**



**Operational  
Excellence**



**Mobility  
Services**



**Used Car  
Business**



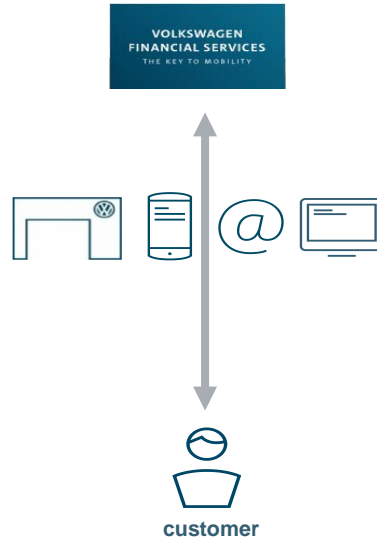
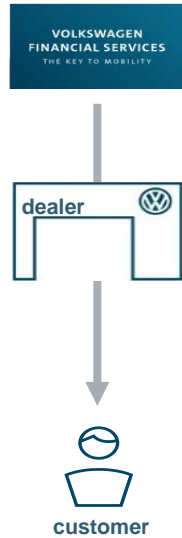


# Volkswagen Financial Services will digitalize all core products by 2020 and extends its distribution channels

Past: single channel

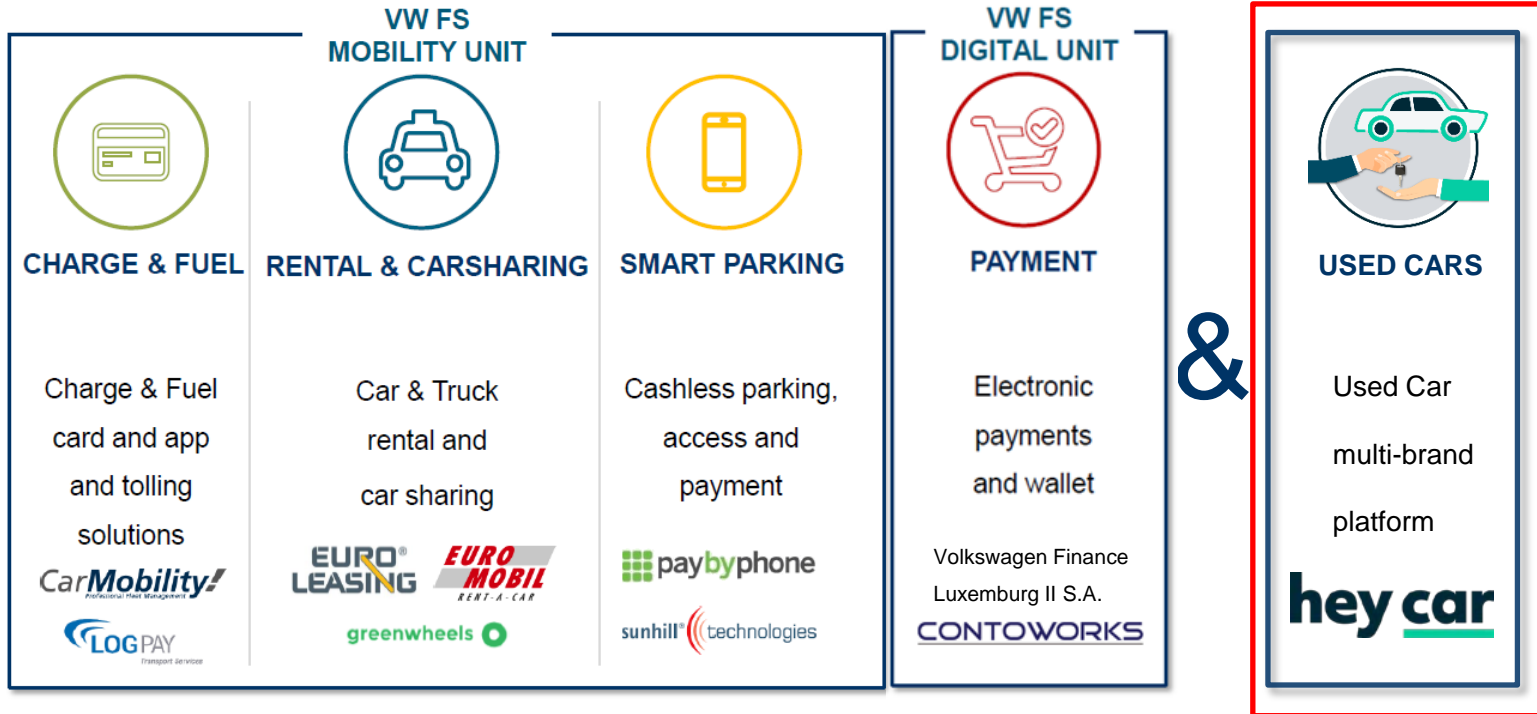
By 2020: multi channel

By 2025: omni channel





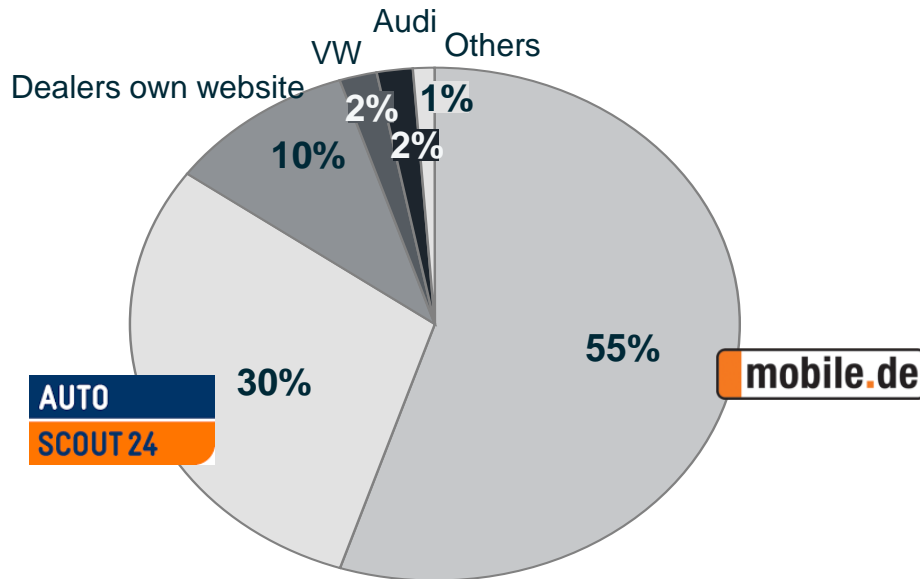
# Growing business with leading companies per business segment





# Used Car Business - 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

## Outlook

### Volkswagen Financial Services AG (Half-Yearly Financial Report 2018)

We anticipate that the trend toward an increase in new contracts and growth in the portfolio of current contracts from previous years will continue. In addition, we assume that we will be able to keep our 2018 penetration rate at 2017 levels in a vehicle market generally expected to expand more slowly. We expect the business volume to increase slightly.

Assuming that margins remain stable, the operating profit in fiscal year 2018 is expected to **be at the level achieved** in fiscal year 2017.

(This forecast is based on the current corporate structure of Volkswagen Financial Services AG and does not take into account any future changes that may result from the restructuring program that has been initiated.)

### Volkswagen Bank GmbH (Half-Yearly Financial Report 2018)

We anticipate that we will be able to sustain stable levels of new contracts, current contracts, penetration and volume of business in 2018. The volume of deposits is also projected to remain stable in 2018.

We expect the operating profit for fiscal year 2018 to be **moderately below the level** achieved in fiscal year 2017 because of the positive nonrecurring items recognized in 2017.

(This forecast is based on the current corporate structure of Volkswagen Bank GmbH and does not take into account any future changes that may result from the restructuring program that has been initiated.)

**Thank You.**

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