

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



Efficient financing strategy in Asia

Volkswagen Financial Services – Bernd Bode

Disclaimer

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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, and trade disputes among major trading partners 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.

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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



1 Overview and Funding Volkswagen Financial Services

2 Funding China

3 Funding Korea

4 Funding Australia

Agenda














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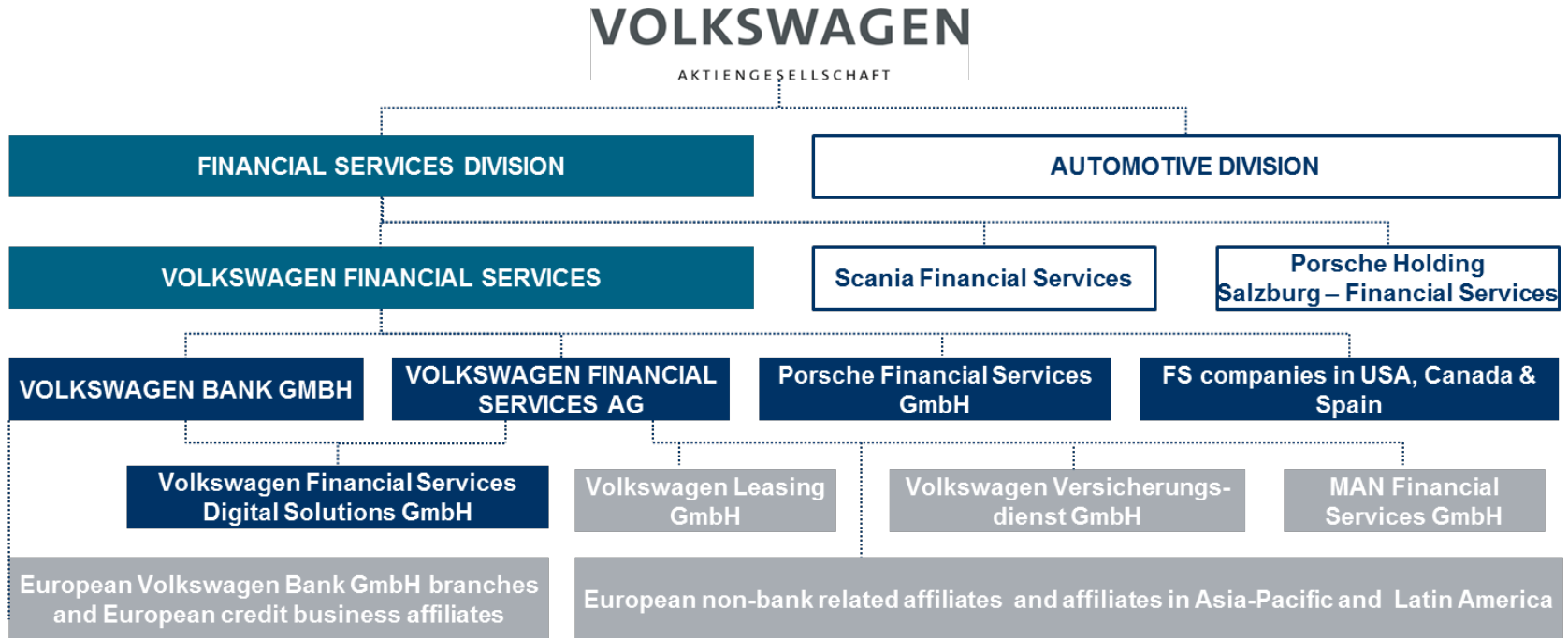
Volkswagen Group Structure

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  ŠKODA	Lamborghini* 	Bentley  BENTLEY	Scania 	Components**		
SEAT  SEAT	Ducati* 	Bugatti 	Power Engineering*			
VW LCV  Commercial Vehicles						
MOIA 						

* Allocation will be verified

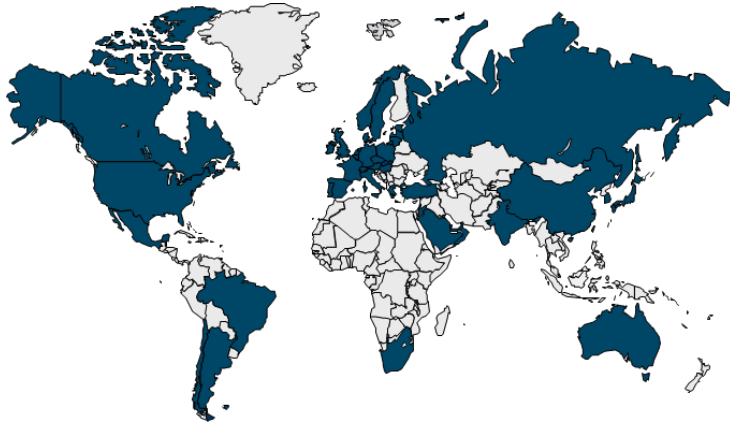
** Temporarily responsibility of Group CEO, will be a combined Board of Management function

Volkswagen Group – Group structure of Volkswagen Financial Services



Volkswagen Financial Services at a glance (30/06/2018)

Worldwide Presence

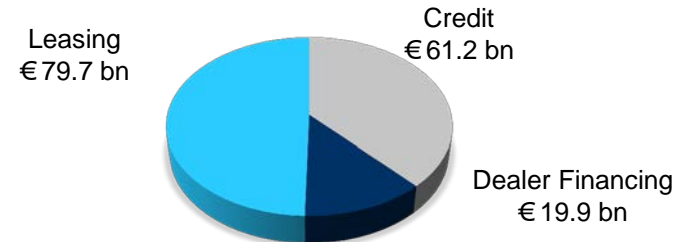


Volkswagen Financial Services conducts business in **48 markets**.

Key Figures

Total Assets	€ 196.5 bn
Equity	€ 25.6 bn
Customer Deposits	€ 33.6 bn
Operating Profit	€ 1.2 bn
Employees	13,943
Contracts (units)	16.8 m

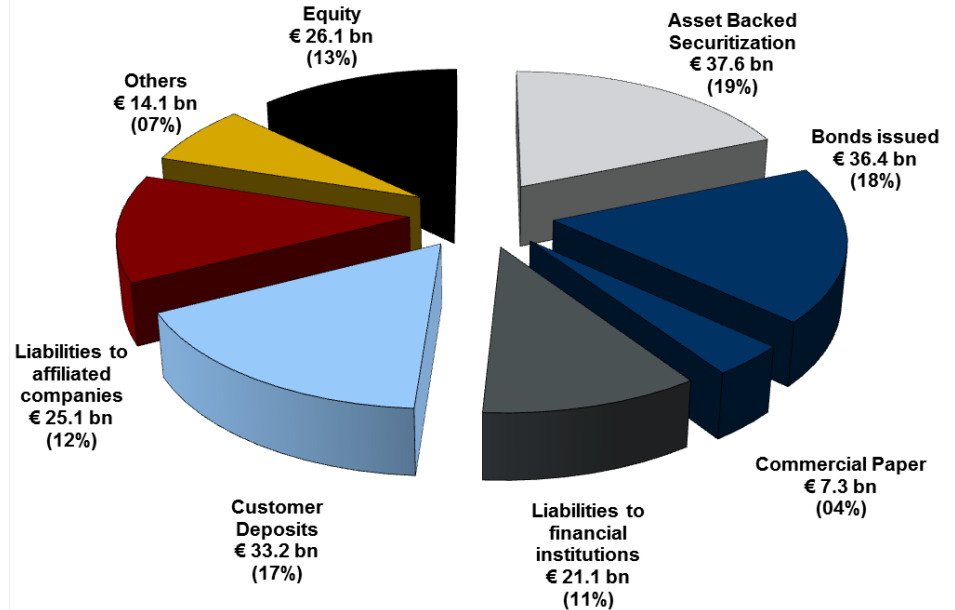
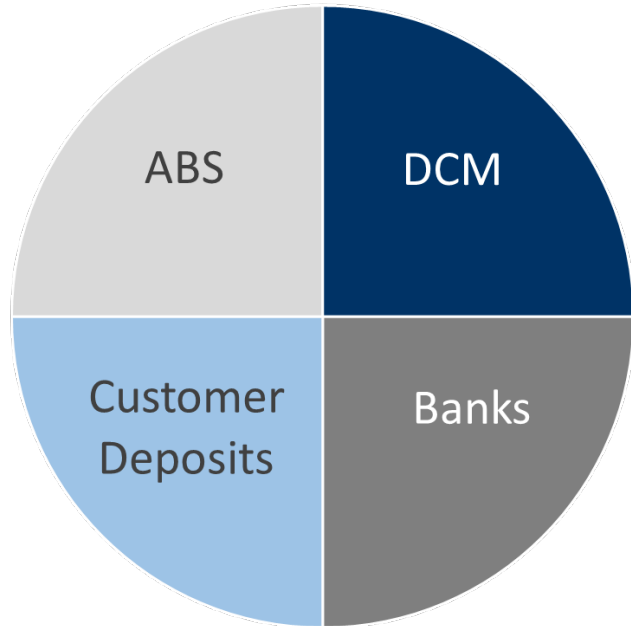
Business Volume*



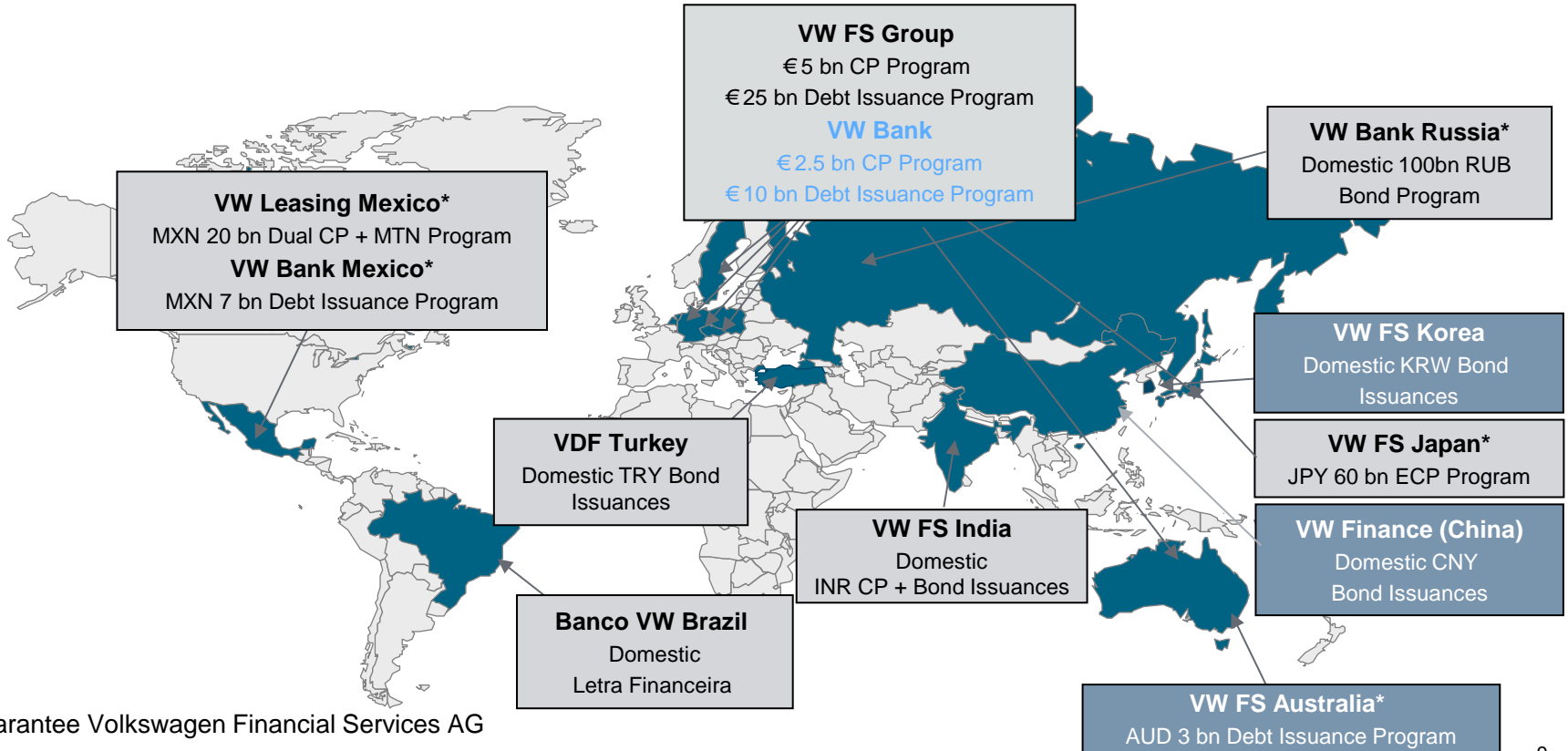
* Receivables + Leased Assets

Strategic Funding Allocation as of September 30, 2018

Total €200.8 bn

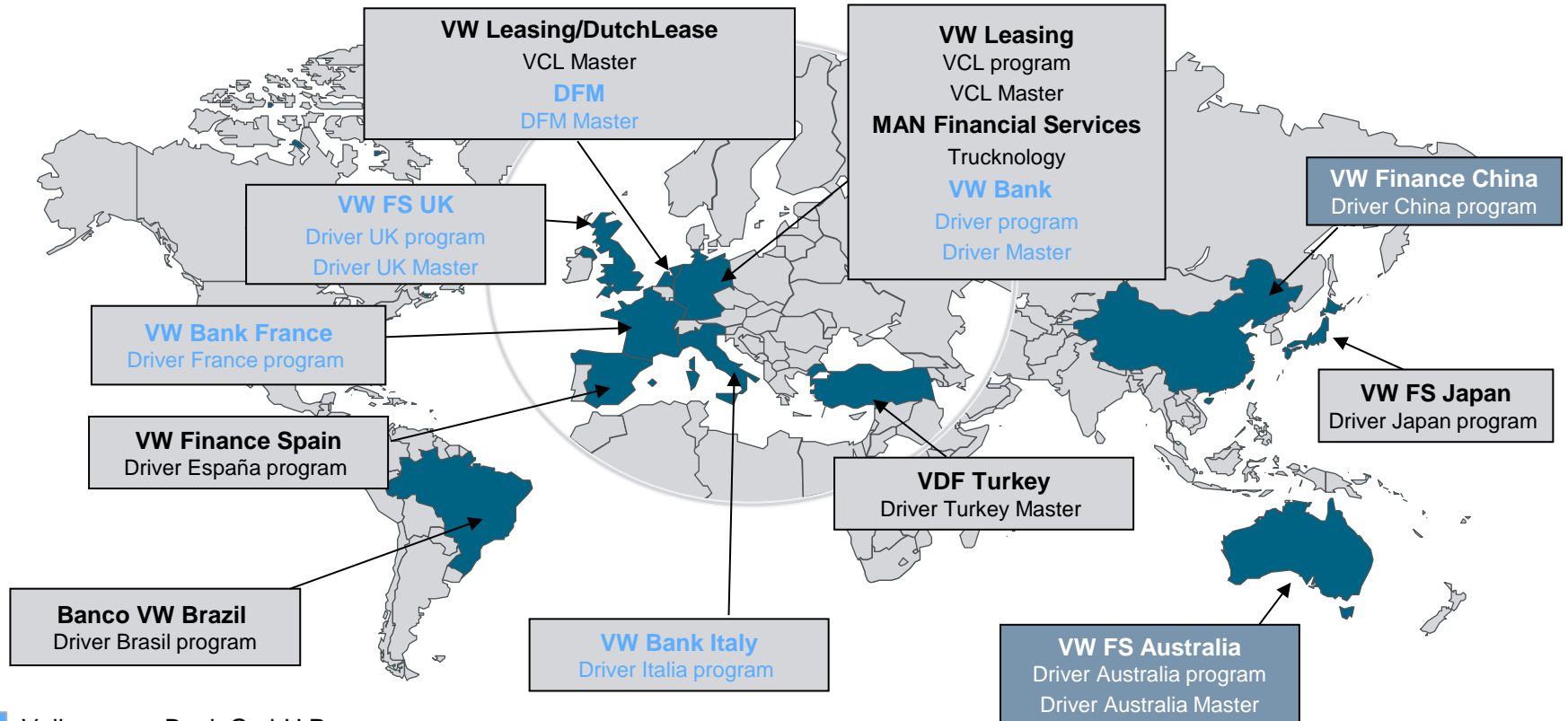


Worldwide Capital Market Activities

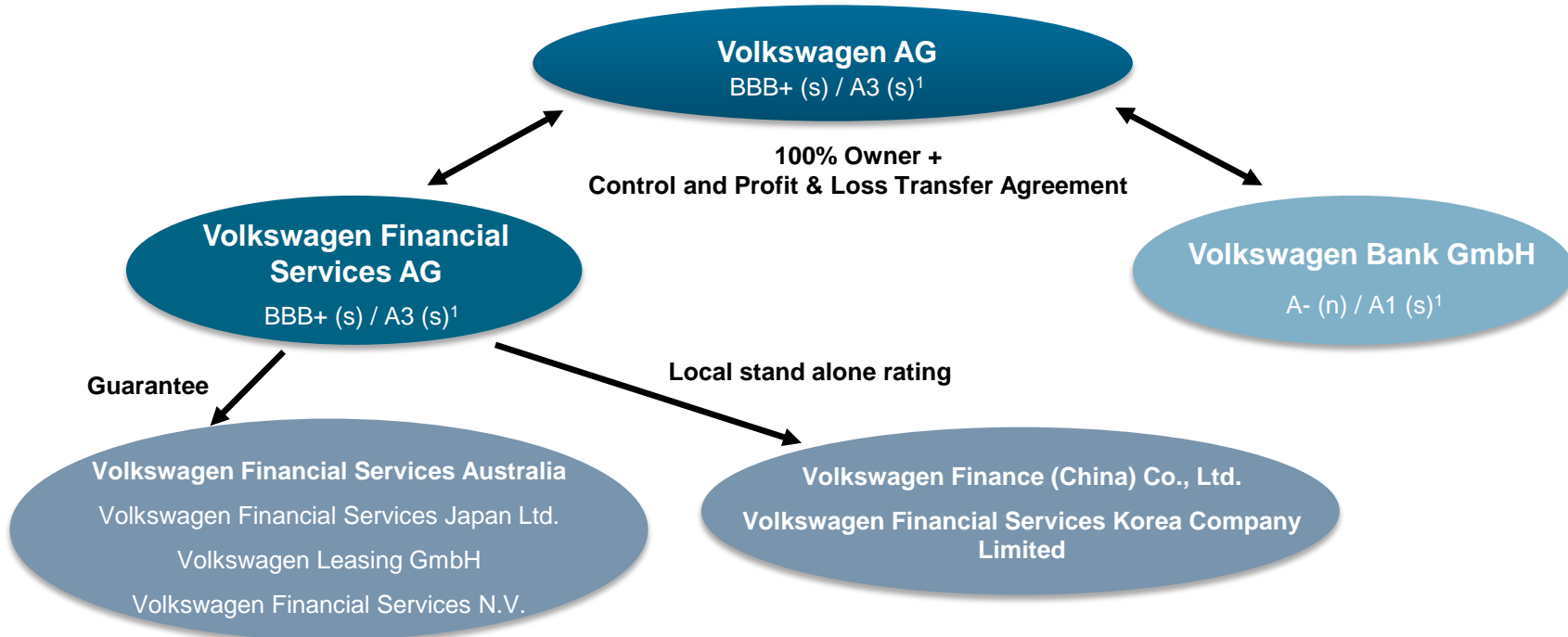


* Guarantee Volkswagen Financial Services AG

Worldwide ABS Activities



Volkswagen Financial Services organisational structure and guarantee scheme



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

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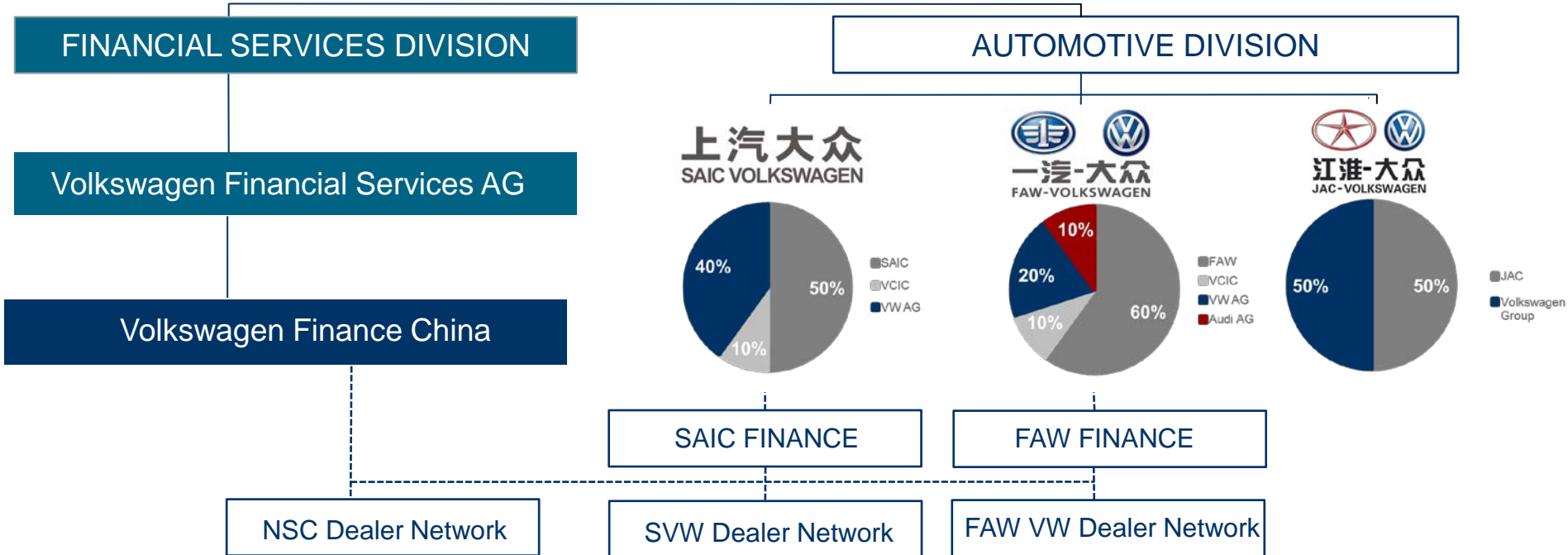
4 Funding Australia



Corporate Governance structure

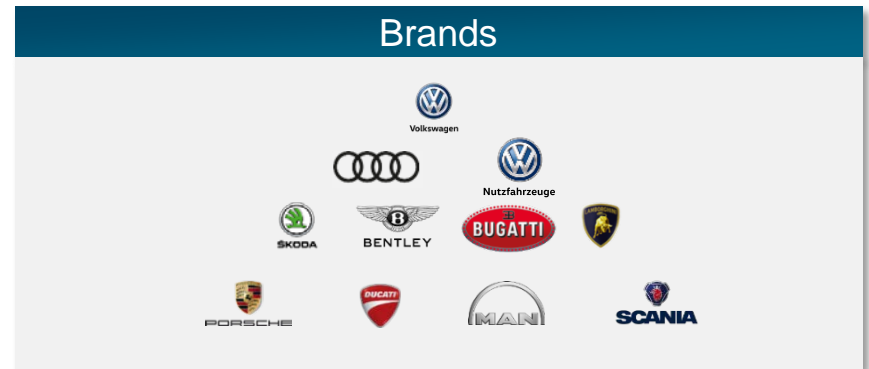
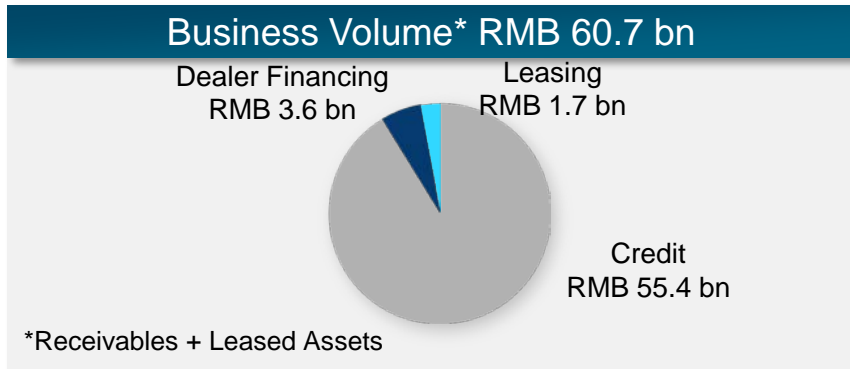
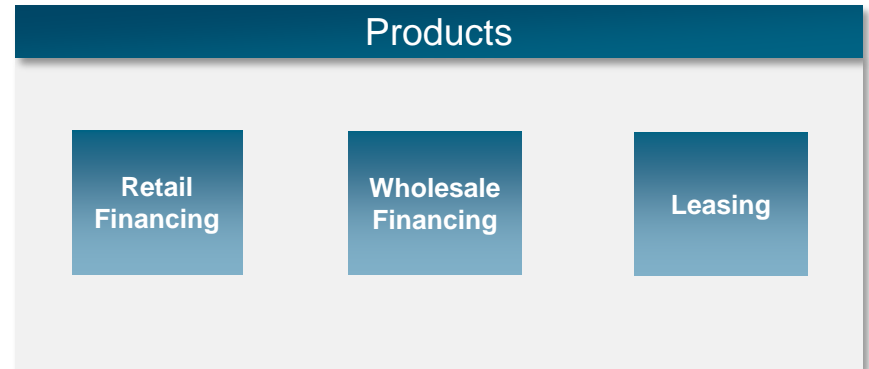
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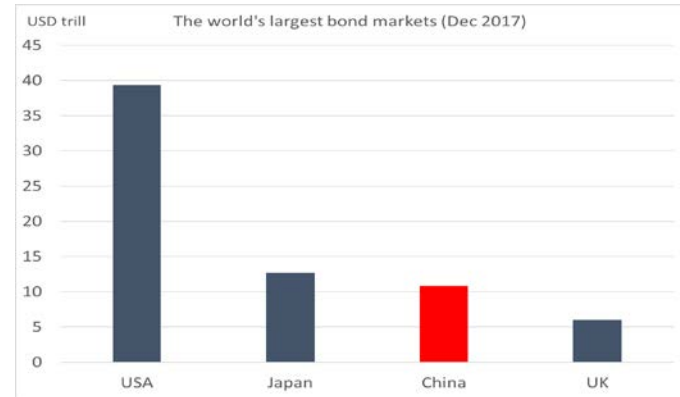
Volkswagen Finance China - At a Glance (30/06/2018)

Key Facts	
Total assets	RMB 64,414.5 m
Equity	RMB 8,730.3 m
Operating profit	RMB 806.1 m
Employees	944
Contracts (units)	1.2 m



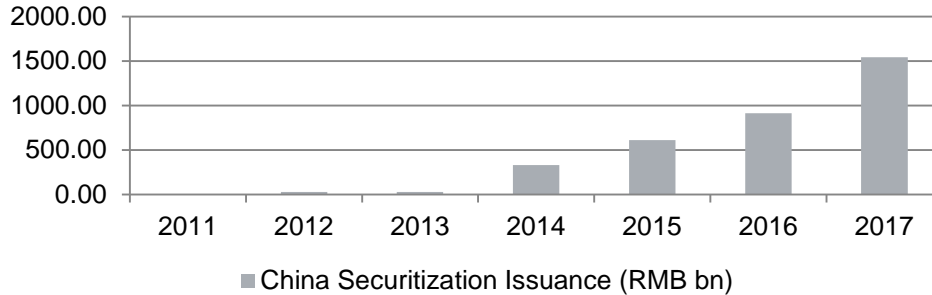
China's onshore bond market is large.....and growing

- China's domestic bond market is the **world's third-largest**, with total outstanding bonds of RMB 79tn (US\$11.4tn)
- The market has grown rapidly (~500%) in the last decade and is poised for further growth, given:
 - China's "shadow banking" sector is rapidly shrinking amid the government's ongoing deleveraging efforts; and
 - China's corporate loan market is still ~4x the size of its bond market



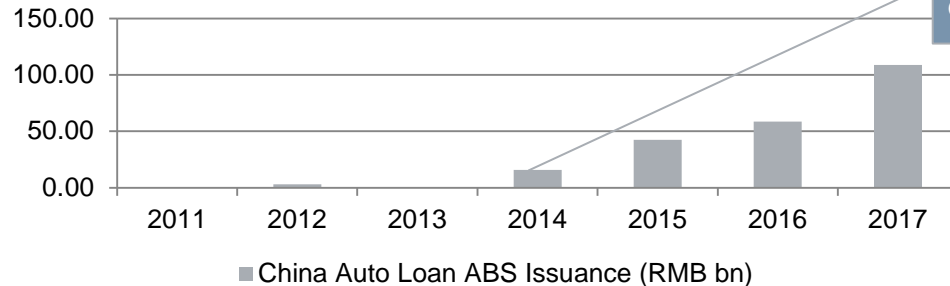
Securitization in China

China Securitization Issuance (RMB bn)



Overall market is getting rather deep....

China Auto Loan ABS Issuance (RMB bn)

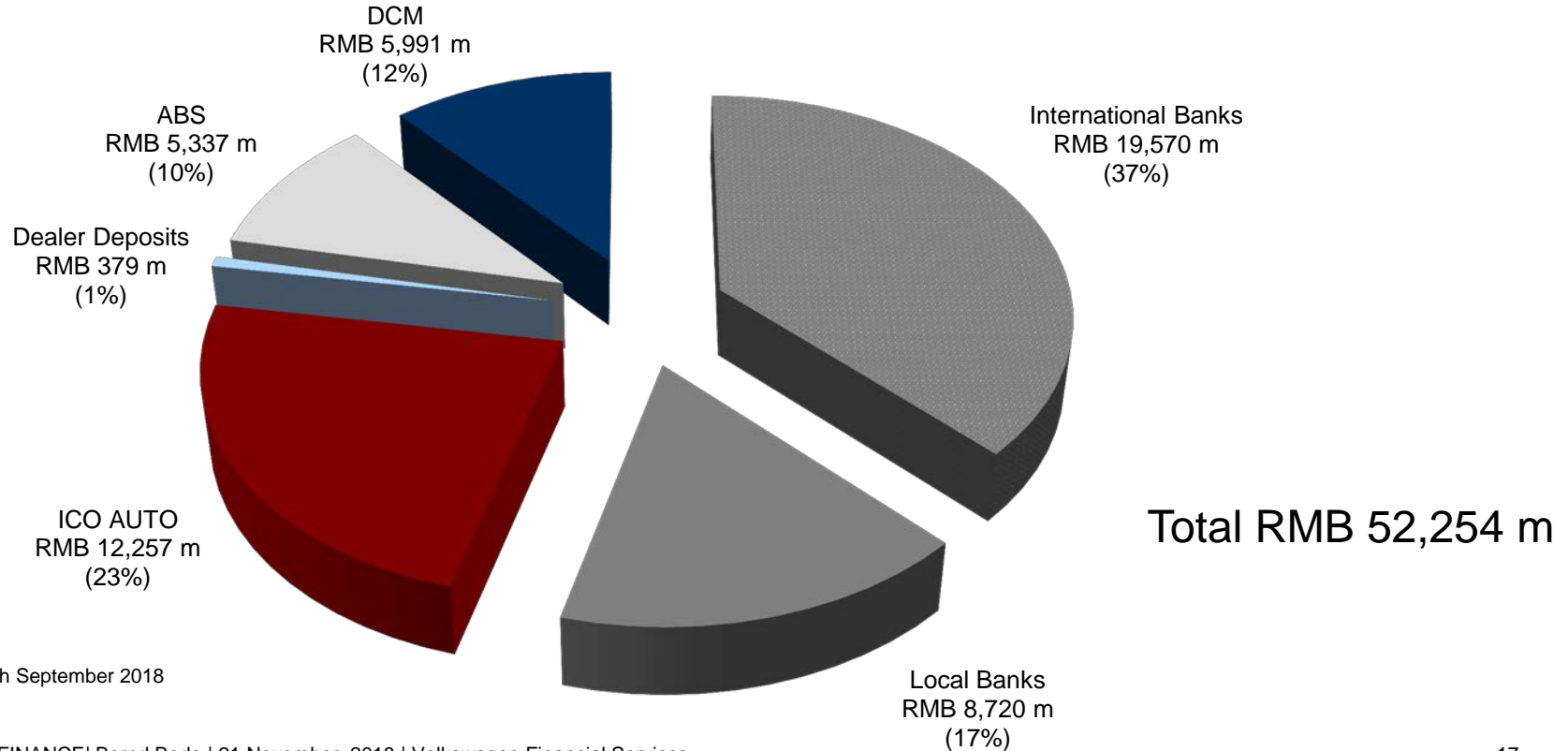


July 2014 first VW FS AG ABS transaction - Driver China One (RMB 800 m)

...and so is auto ABS issuance.

Source: Mizuho Analysis, China Securitisation Analytics

Current Funding Mix in China



Data as of 30th September 2018

Lessons learned China

- Long and complicated preparation procedures including negotiations with CBRC and PBOC. Hard legal frames to be followed.
 - Yearly credit quota decided by the PBOC.
 - ABS in general needs long internal set-up time for tapping new markets (ca. 18 months)
 - Bonds preparation time shorter but approval from regulators required.
 - First time international issuer → VWFS as market opener for ABS.
 - Rating: stand alone rating for each issuance by a local rating agency is a local legal requirement. Cooperation with rating agency CCXI.
- **IMPORTANT:** Issuances rely on regulatory approval. Backup via local bank lines needed. Funding sources beside local credit lines required.
- Broad diversification of funding sources important.



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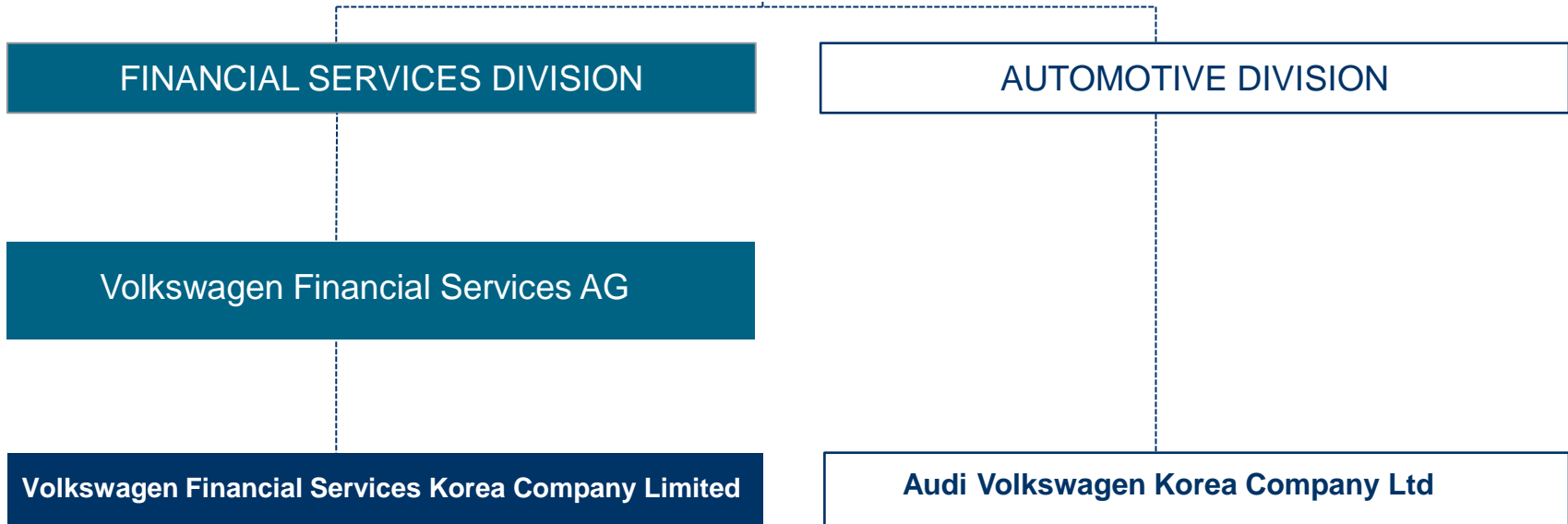
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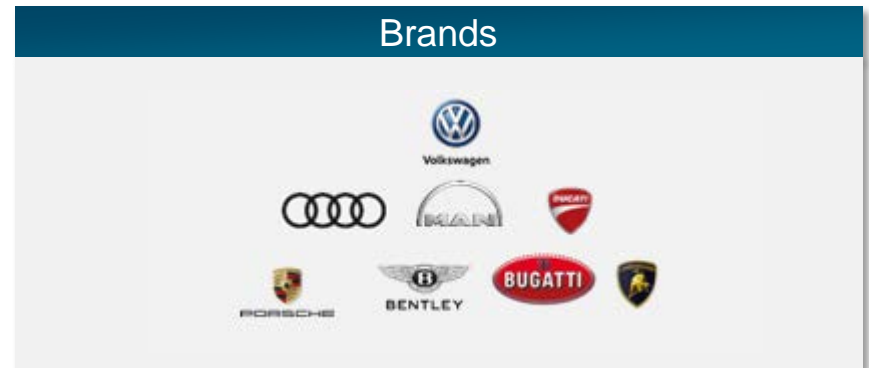
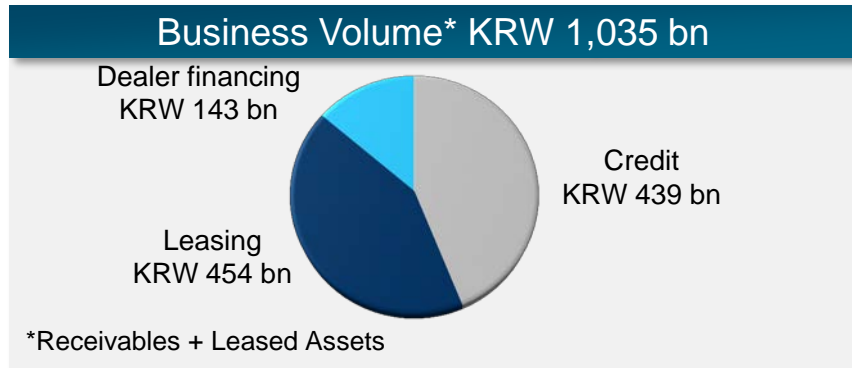
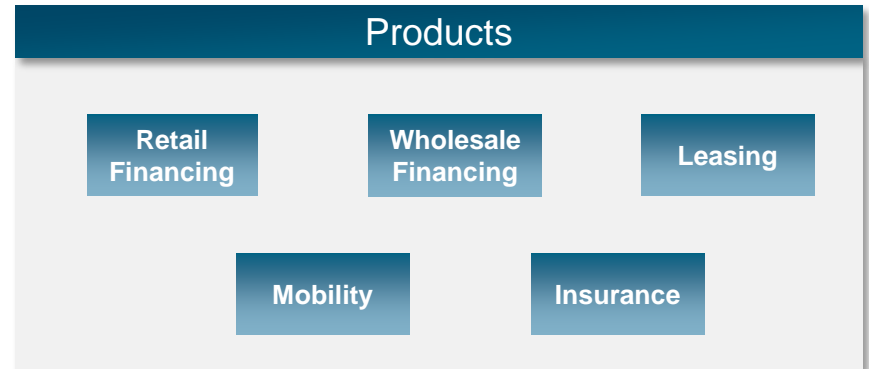
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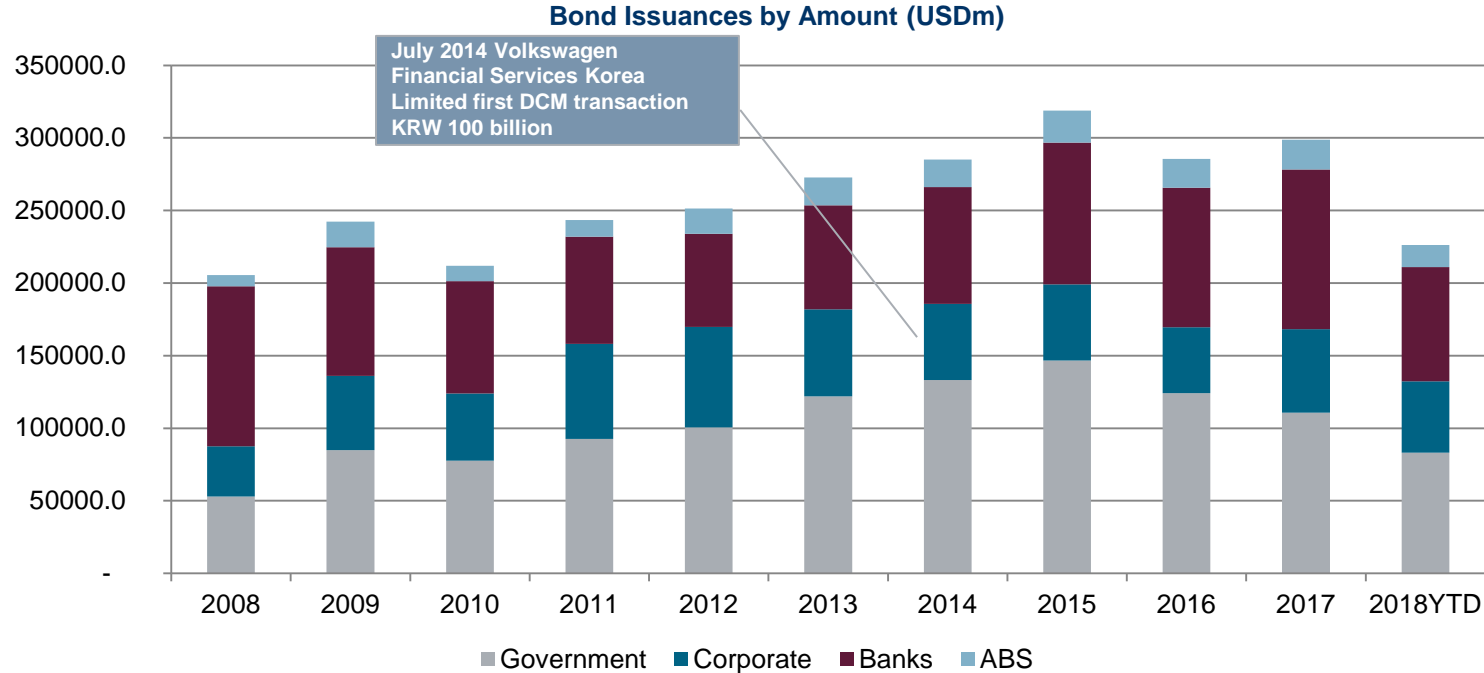


Volkswagen Financial Services Korea Ltd - At a Glance (30/06/2018)

Key Facts	
Total assets	KRW 1,070 bn
Equity	KRW 304 bn
Operating profit	KRW 5.4 bn
Employees	84
Contracts (units)	37,531

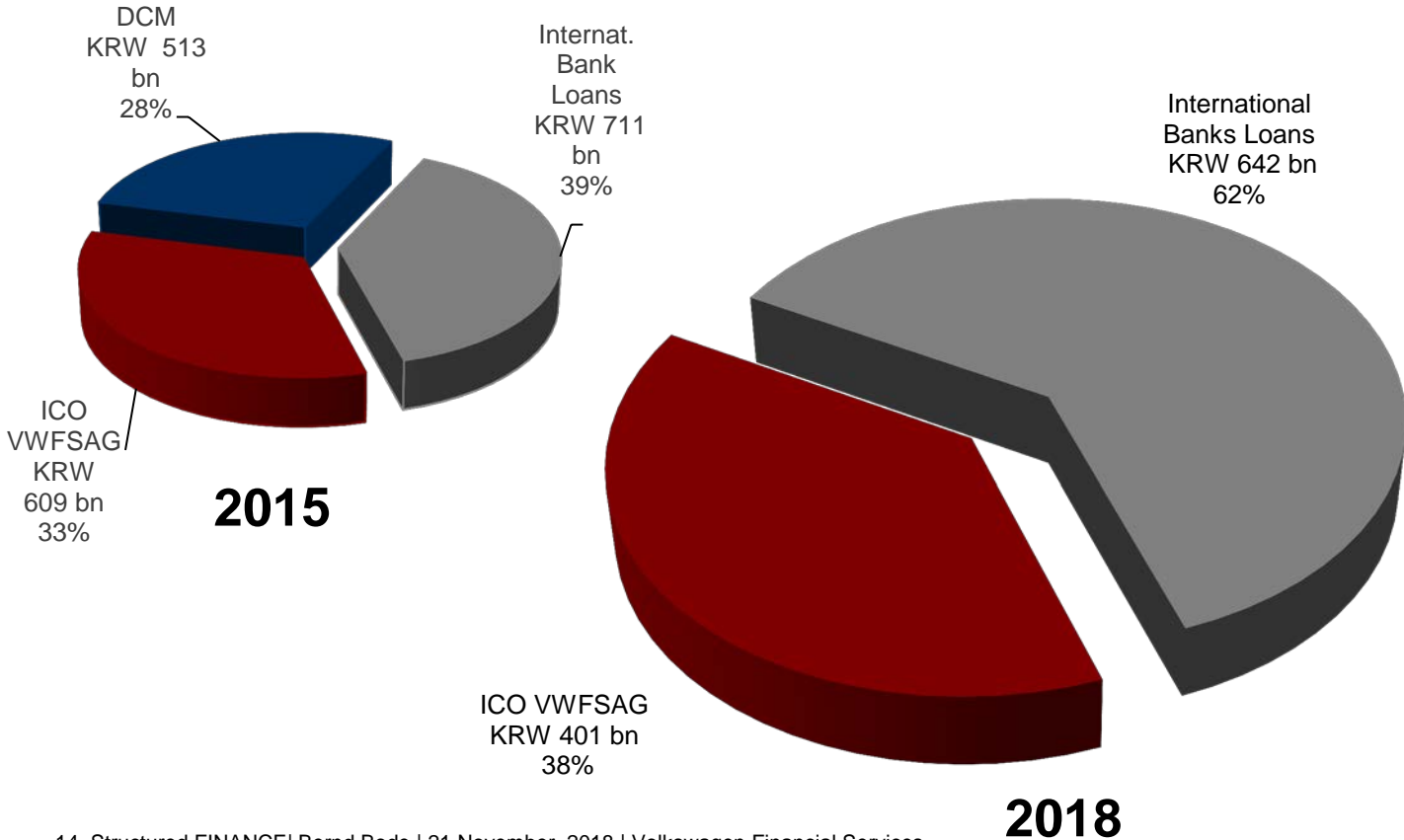


Korea – DCM Overview (incl. ABS)



Source: Mizuho Analysis, KOFIA (Korean Financial Investment Association), excluding Municipal, Other FI and others.

Current funding Mix Volkswagen Financial Services Korea Company



Lessons learned Korea

- Step by step establishment of diverse refinancing sources:
 1. Local bond programme since July 2014.
 2. ABS feasibility study.
 - Rating: local legal requirement to have local rating agency. VWFS Korea rated by two agencies (Korea Investor's Service (KIS) and NICE Investors Service).
- ➔ DCM: Programme established, currently no usage.
- ➔ Further diversification via ABS only when sustainable portfolio growth.



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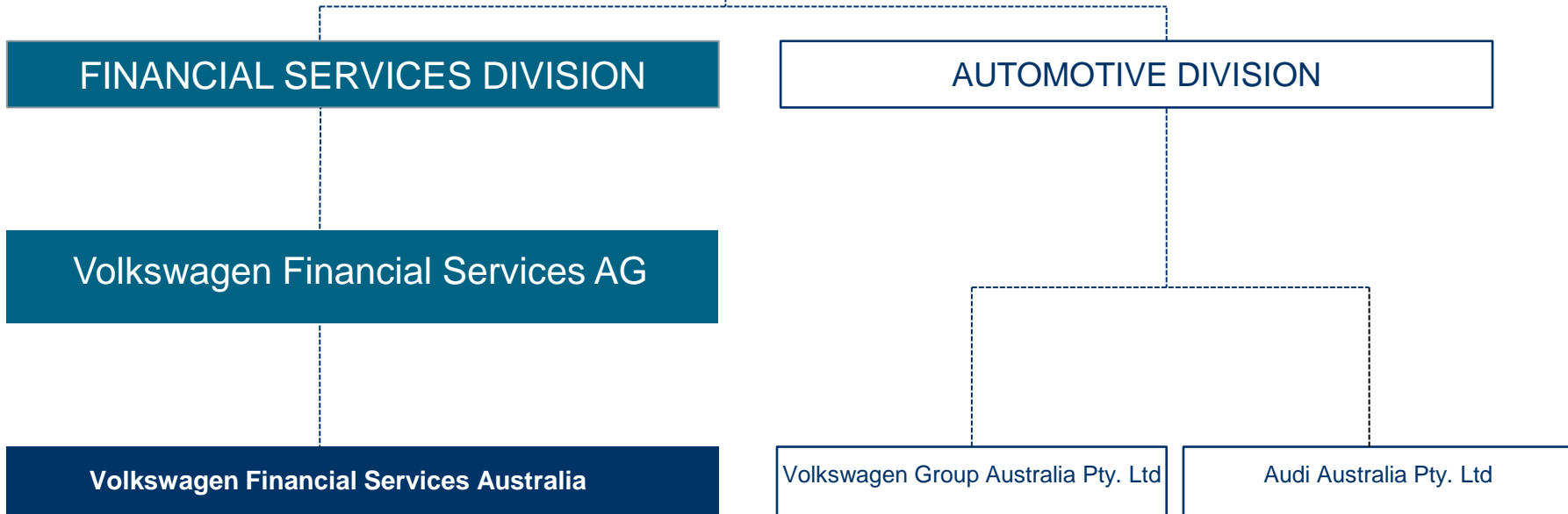
4 Funding Australia



Corporate Governance structure

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At a Glance (30/06/2018)

Key Facts

Total assets	AUD 6,483 m
Equity	AUD 265 m
Operating profit	AUD 16.2 m
Employees	138
Contracts (units)	142,886

Products

Retail
Financing

Wholesale
Financing

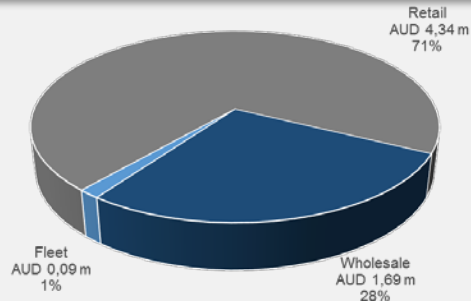
Leasing

Services

Insurance

Fleet
Management

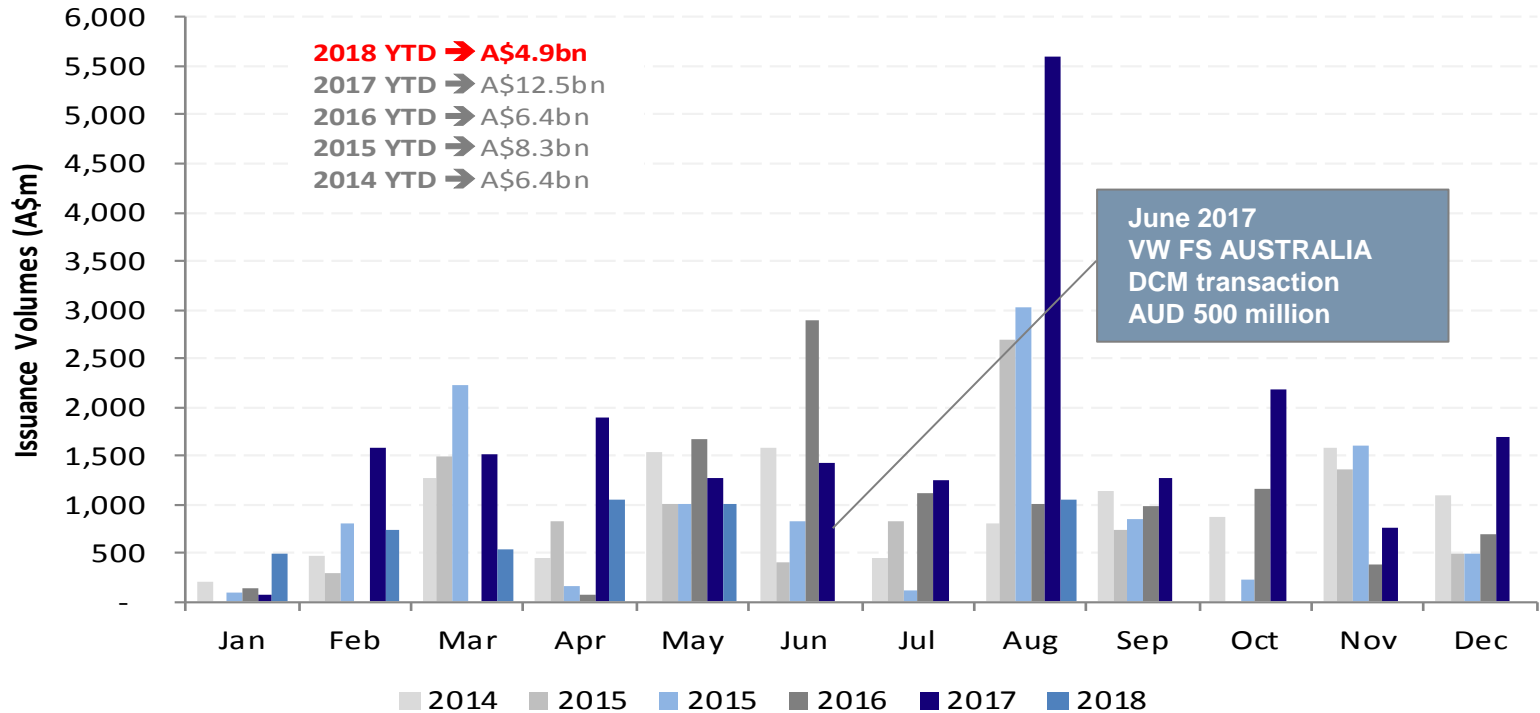
Business Volume AUD 6.12 bn



Brands



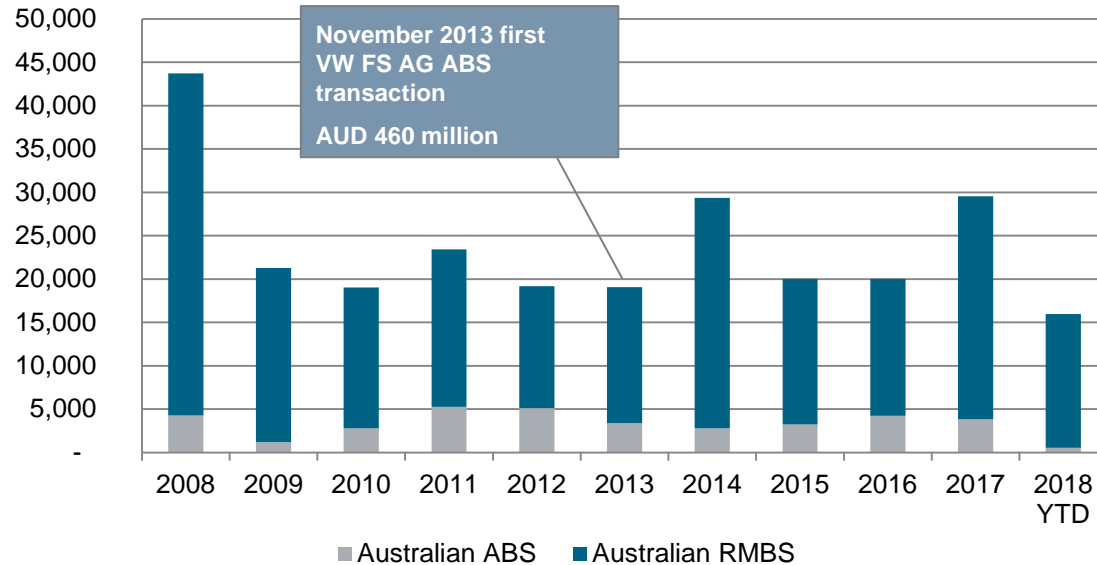
Market Snapshot – AUD New Issues Volumes 2014-2018YTD



Source: Mizuho Analysis, Bloomberg as at 22 August 2018

Australian Securitization and Share of ABS

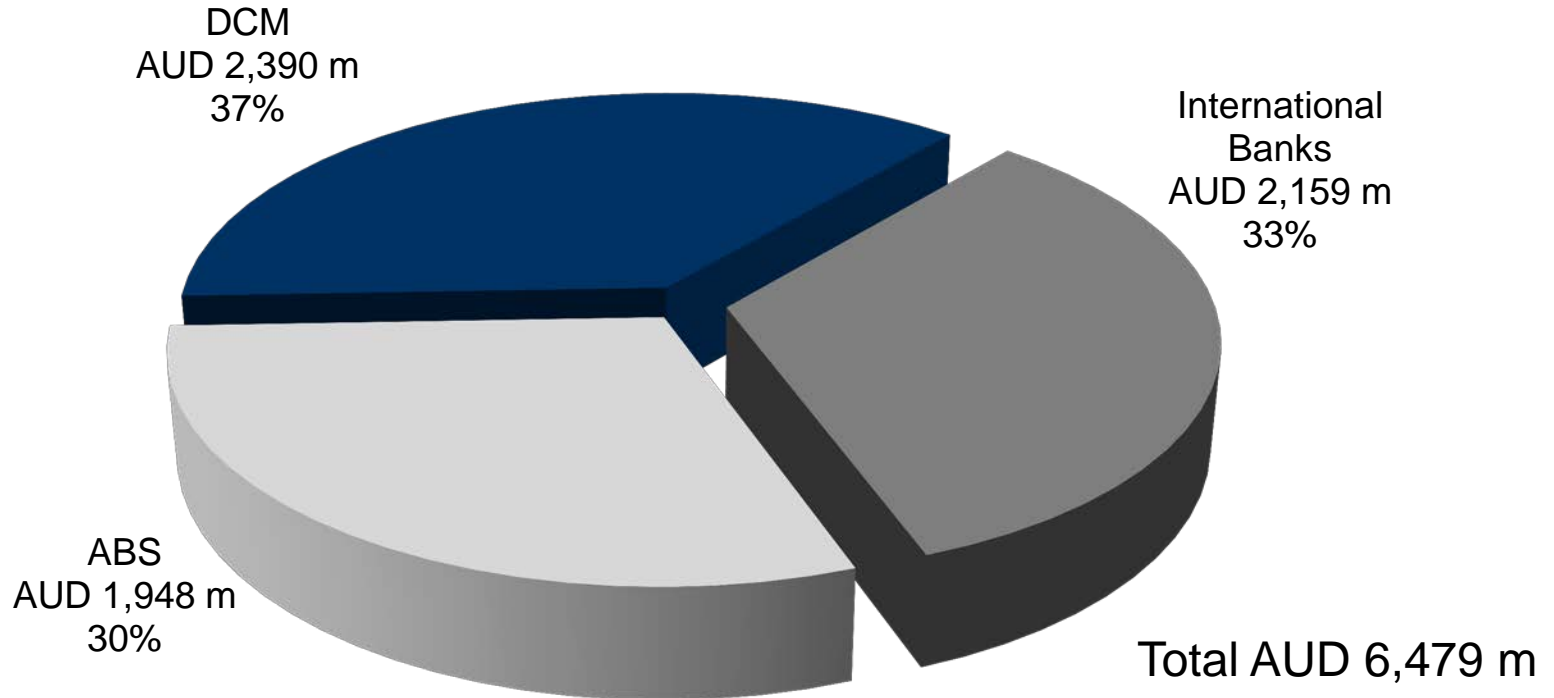
Australian Securitisation Market (USD m)



Securitisation market is developed, but so far mainly focused on RMBS.

Source: Mizuho Analysis, Bloomberg (@ average annual FX rates)

Current funding Mix Volkswagen Financial Services Australia



Data as of 30th August 2018

Lessons learned Australia

- Strong business growth but limited AUD capital market.
 - Multi brand business due to multi franchise and multi brand dealership.
 - Growth path → AUD funding sources not sufficient.
 - Rating: no local rating required, issuances based on Volkswagen Financial Services AG rating. Bonds guaranteed by Volkswagen Financial Services AG.
-
- Euro bonds out of European DCM programme.
 - Feasibility study for customer deposits.



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Thank You.

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