

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



The Key to Mobility

Creating Value with Financial Services

Investor Update – Volkswagen Financial Services AG

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 Such statements are valid on the date of publication and can be superseded.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 Group – Leveraging the strength of the three pillars

VOLKSWAGEN

AKTIENGESELLSCHAFT

Automotive Division

Financial Services Division

Passenger Cars

Commercial Vehicles / Power Engineering

Volkswagen Financial Services



ŠKODA



BENTLEY



BUGATTI



PORSCHE



DUCATI

Remaining companies



Commercial
Vehicles



SCANIA



VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Financial Services

USA / Canada / Spain

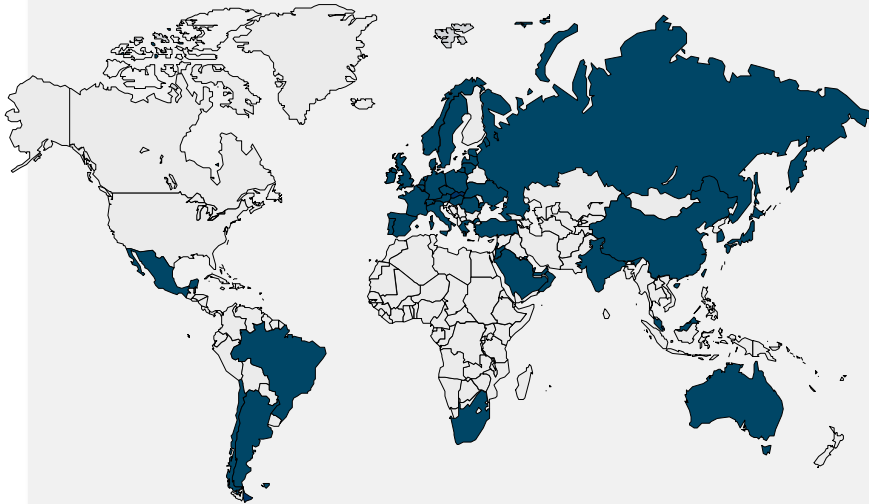
Incl. Porsche Financial Services

Scania Financial Services

Porsche Holding Financial Services

Volkswagen Financial Services AG at a Glance (12/31/2016)

Worldwide presence



Volkswagen Financial Services
conducts business in **49 countries**

Key company figures

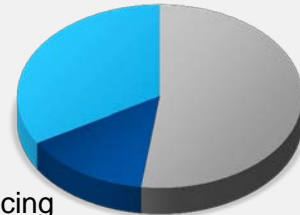
Total assets	€ 130.1 bn
Equity	€ 16.95 bn
Customer deposits	€ 36.1 bn
Operating profit	€ 1.6 bn
Employees	11,819
Contracts (units)	13.2 m

Business Volume* € 105.3 bn

Leasing
€ 36.69 bn

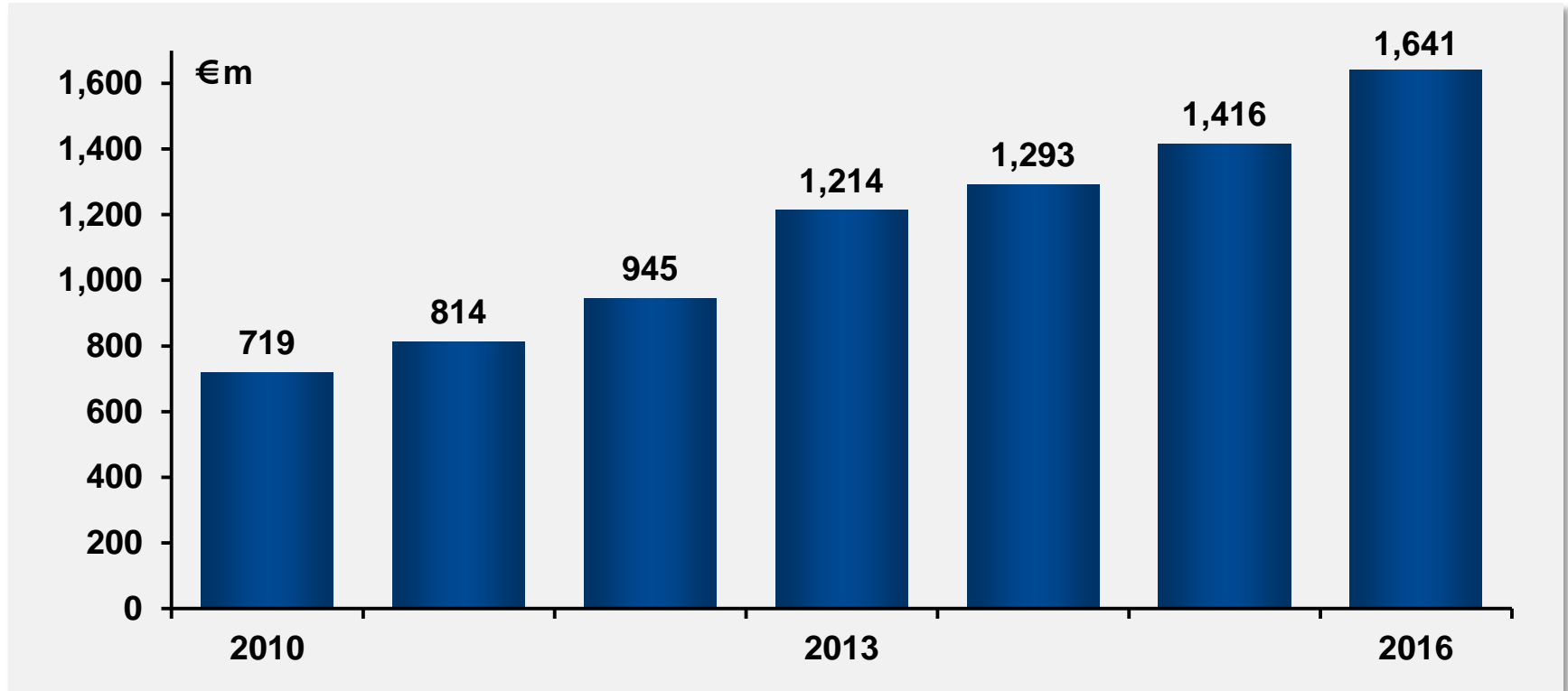
Credit
€ 53.97 bn

Dealer financing
€ 14.64 bn



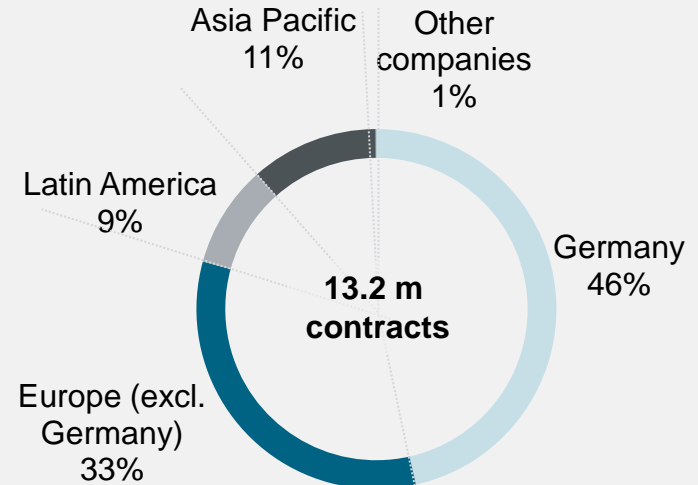
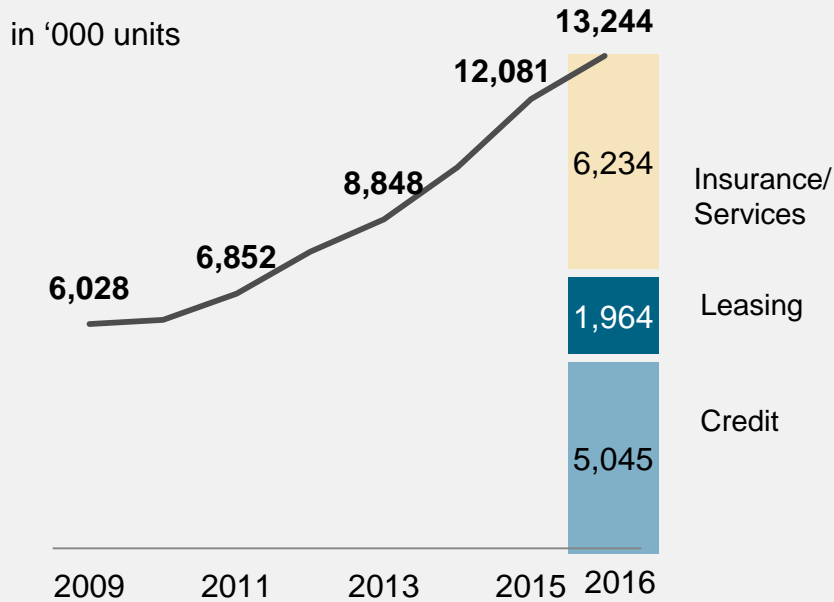
*Receivables + Leased Assets

Operating Income Volkswagen Financial Services AG











Contract portfolio Volkswagen Financial Services AG

Continuous portfolio expansion



We offer the whole range of services under one roof*

Volkswagen Financial Services

BANK		LEASING	INSURANCE	MOBILITY			PAYMENT
Bank	Direct Bank	Leasing	Insurance	Services	Rental	Parking	Payment
							
<ul style="list-style-type: none"> • Retail Finance • Dealer Stock Finance • 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 • Credit Protection • GAP Insurance • Industry 	<ul style="list-style-type: none"> • Fleet Management • Service & Maintenance • Tyres • Fuel & Service Card and Charge & Fuel Card 	<ul style="list-style-type: none"> • Long-term rental • Short-term rental • Carsharing 	<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

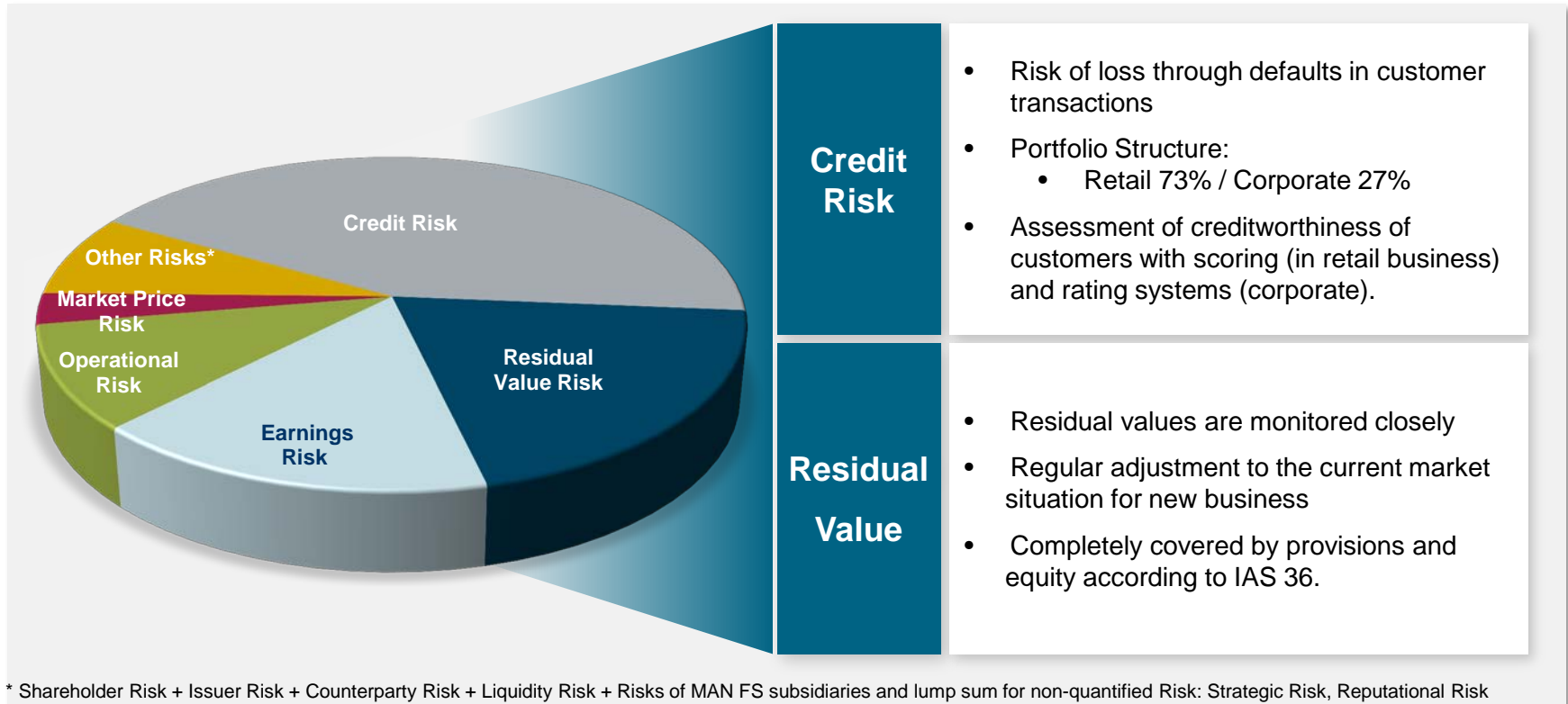
*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.

Strong Benefits for Automotive through Captive

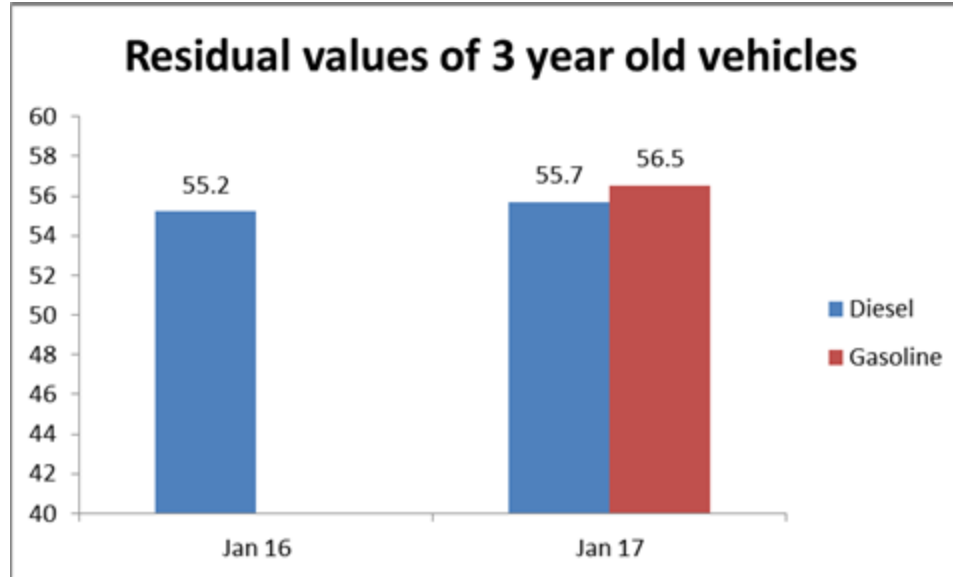


Source: AKA – Automobilbanken 2016, Study of puls Marktforschung GmbH

Risk management



Residual Values - Report by Deutsche Automobil Treuhand (22.04.2017)



Stable development of residual value of gasoline and diesel vehicles in the German market.
Based on 18,000 dealers statements.

Development of residual values in EU5



Still no significant impact with respect to emissions issue, neither at Volkswagen group nor at other OEMs. Diesel residual value development still in normal range.



No significant residual value impact in UK by emission issue.



Development of Diesel residual values within the normal range. Market share of Diesel cars is decreasing.



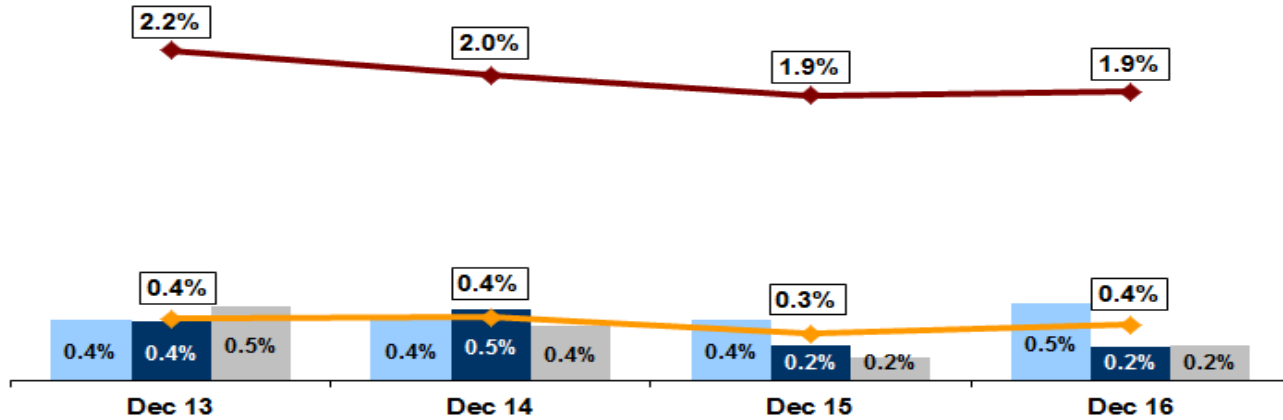
Used car market stable, but overall low residual value level in comparison with other European markets. Slightly increasing residual value level in the coming years expected.



Diesel residual value development within the normal range.

In 2016, there was no direct impact on residual values of used vehicles from the Diesel Issue in Europe. The markets in Germany, France, UK, Italy and Spain moved within their usual bandwidths.

Credit Risk Loss Ratio VW FS AG (only fully consolidated companies)



Total Provision Ratio

Total Provision Ratio
(according to IAS 39 revised)

=

total provisions in proportion to the total receivables' volume at reporting date



Ø Dynamic Loss Ratio

Dynamic Loss Ratio

=

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



Retail Financing



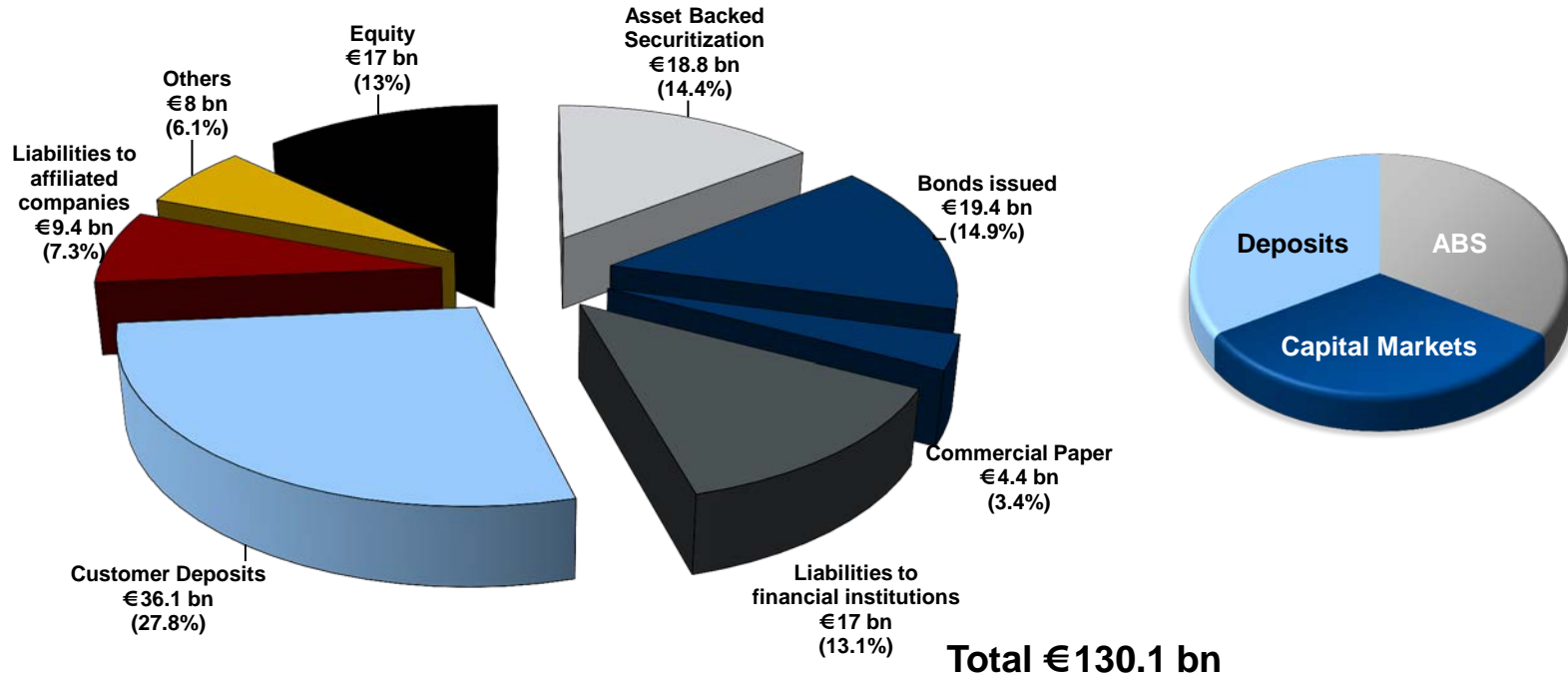
Leasing



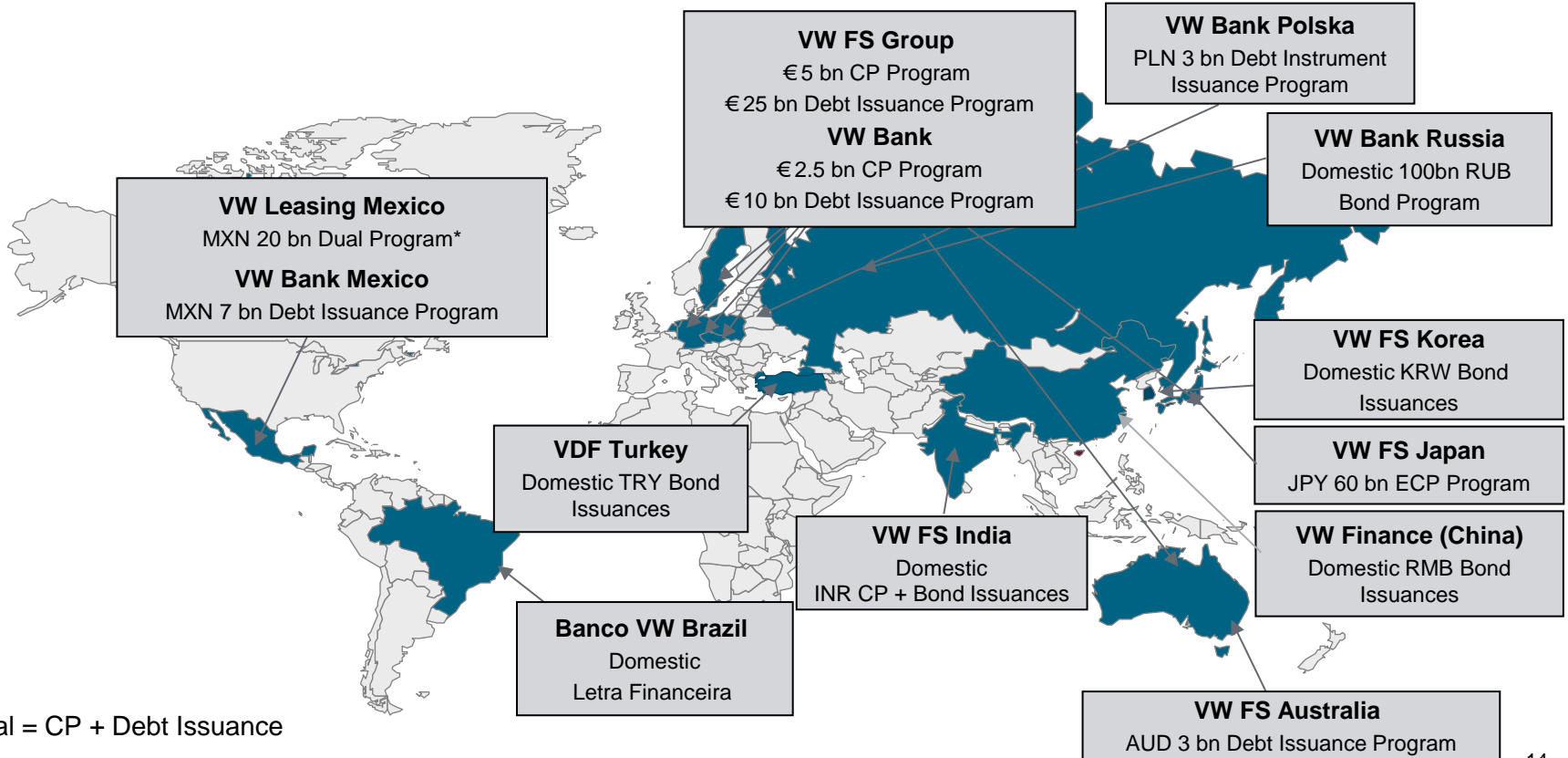
Corporate Financing

Funding structure Volkswagen Financial Services AG

Strategic funding allocation as of 31 December 2016:

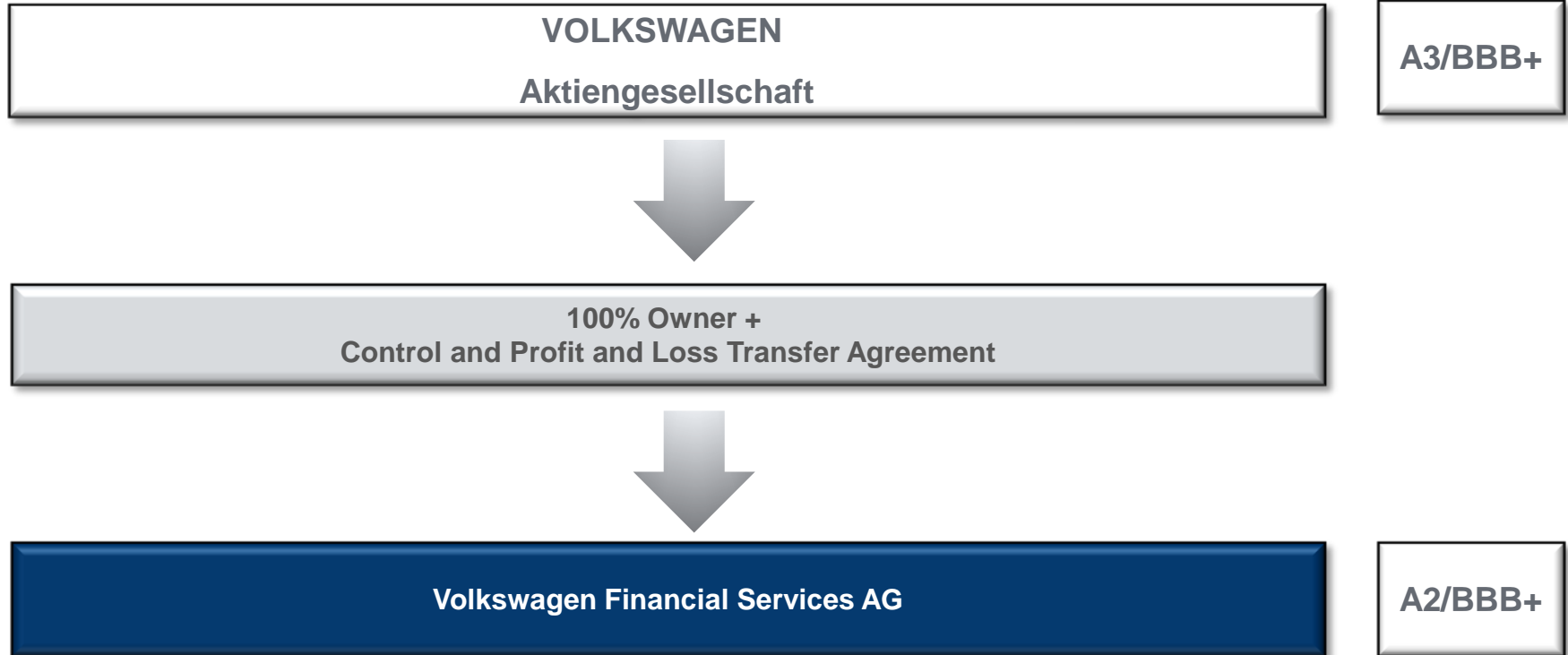


Worldwide Capital Market Activities

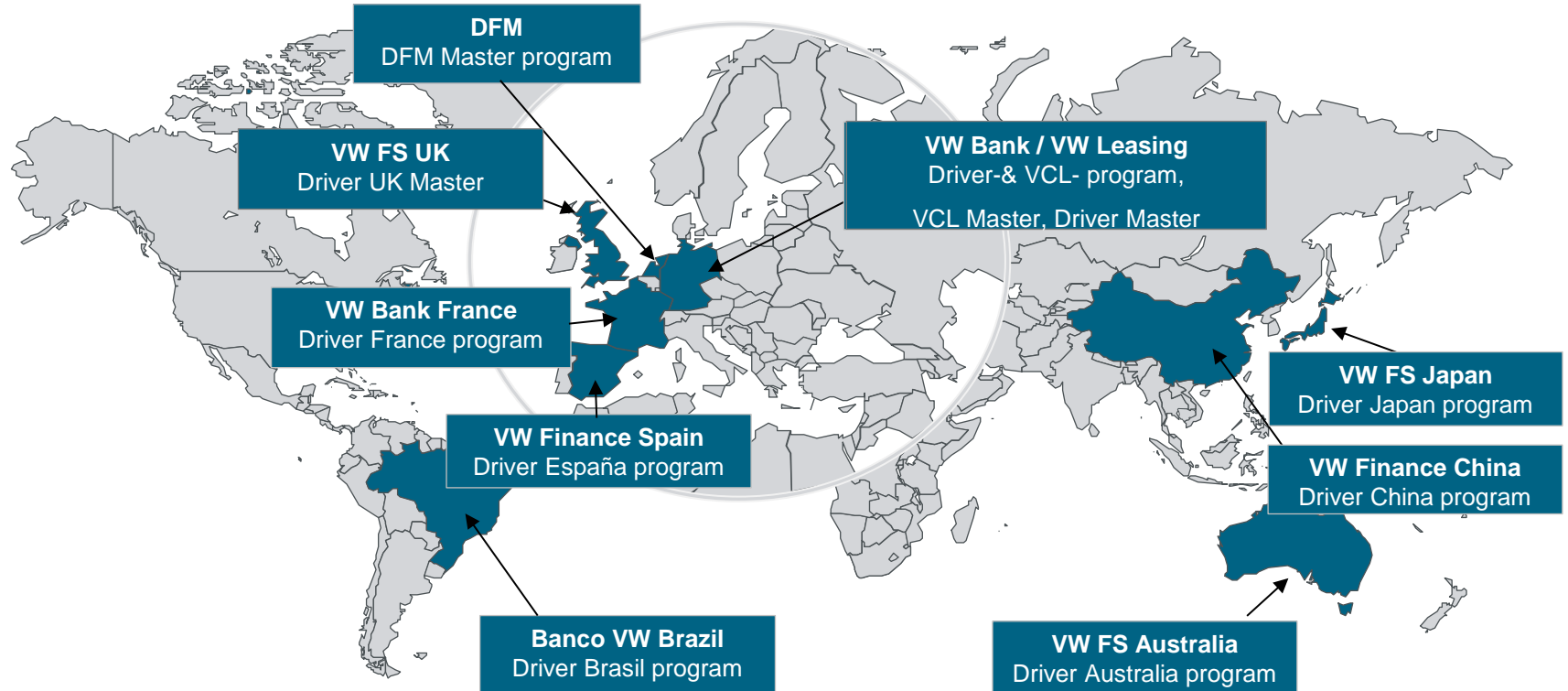


*Dual = CP + Debt Issuance

Ownership Structure and Support Mechanism VW AG and VW FS AG

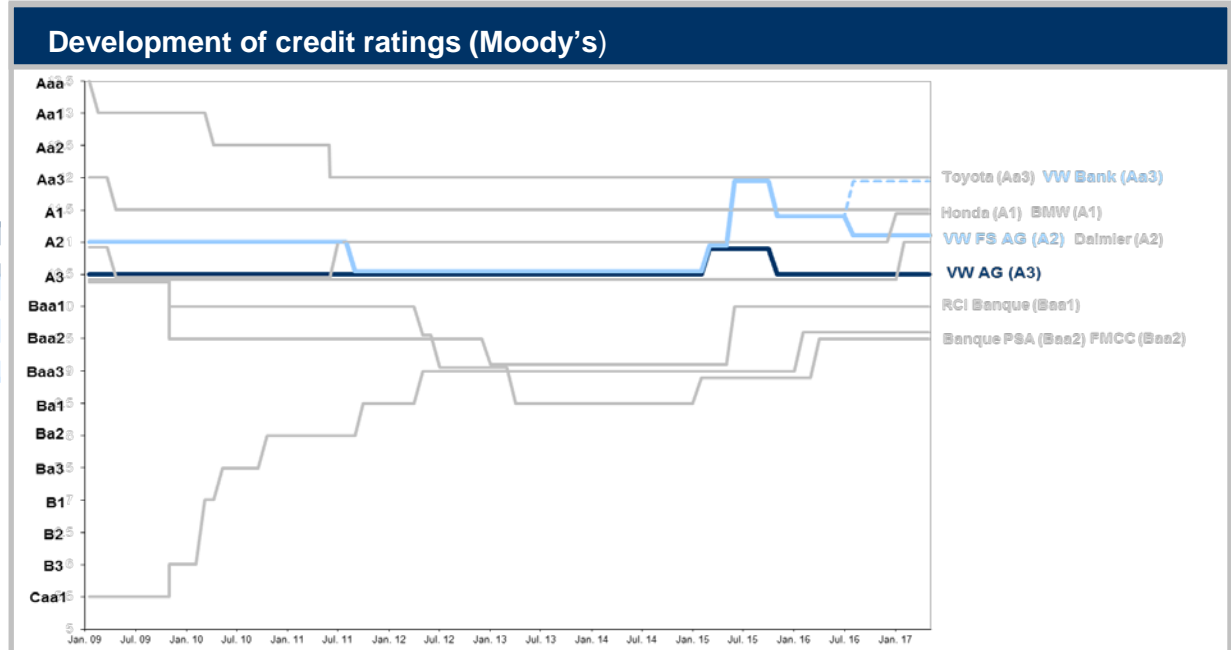


Worldwide ABS Activities



Rating History (05/08/2017) – Moody's

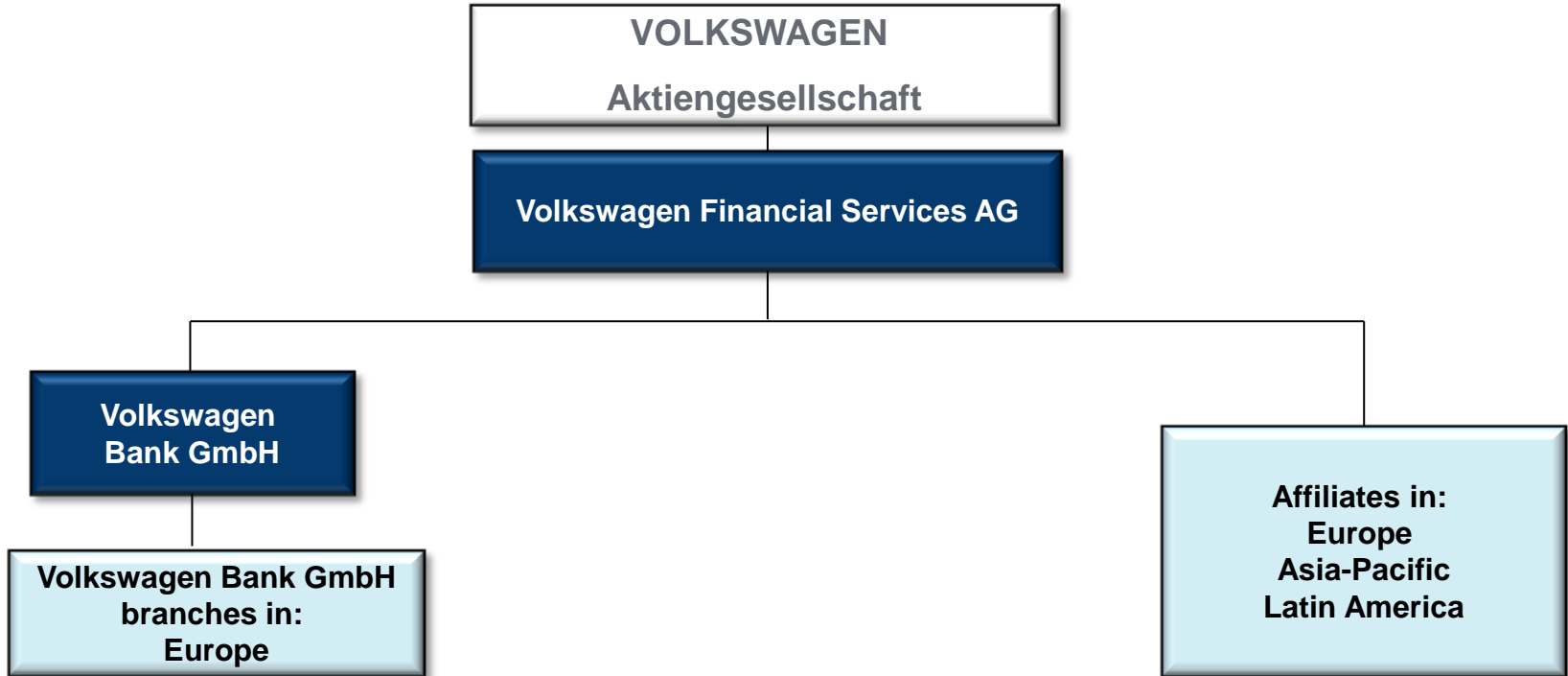
	Moody's	S&P
Toyota	Aa3	AA-
Honda	A1	A+
BMW	A1	A+
VW AG	A3 ¹⁾	BBB+ ¹⁾
VW FS AG	A2 ¹⁾	BBB+ ²⁾
VW Bank GmbH	Aa3 ¹⁾	A- ³⁾
Scania	--	BBB+
Daimler	A2	A
RCI Banque	Baa1	BBB
FMCC	Baa2	BBB
Banque PSA	Baa2	BB+ *



¹⁾ Outlook: negative ²⁾ Bonds are senior subordinated rated BBB ³⁾ Bonds are senior subordinated rated BBB+ * withdrawn at bank's request

Volkswagen Financial Services AG has a solid and stable rating history.

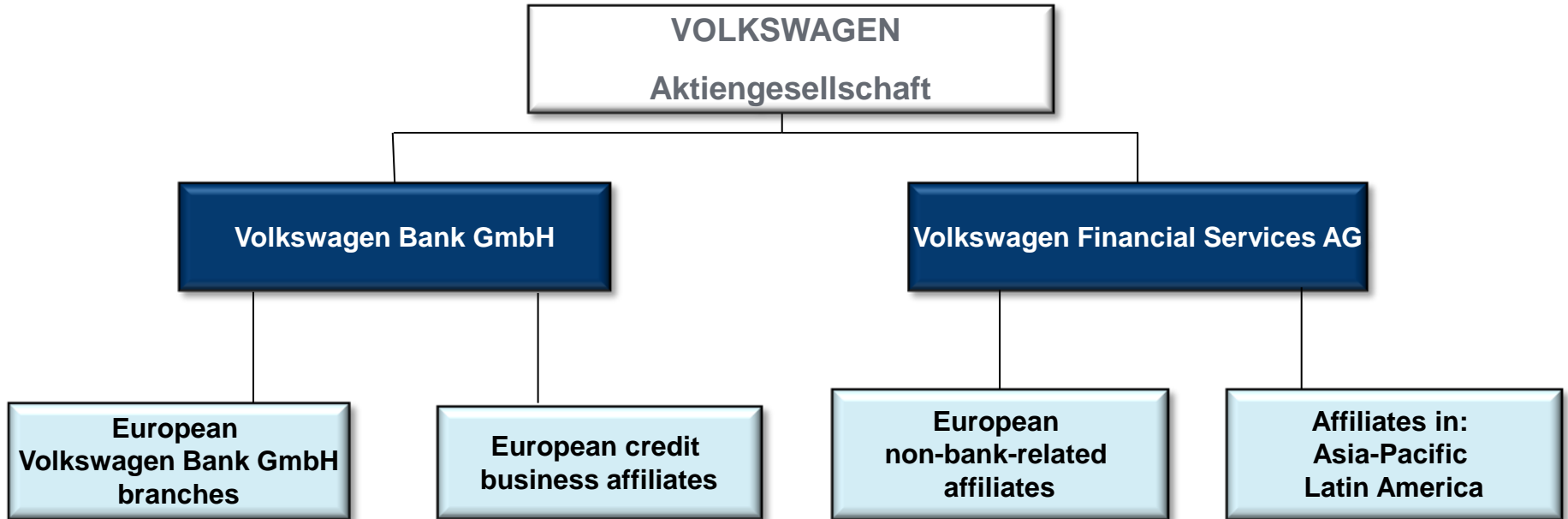
Current structure – Volkswagen Bank GmbH is 100% affiliate of Volkswagen Financial Services AG



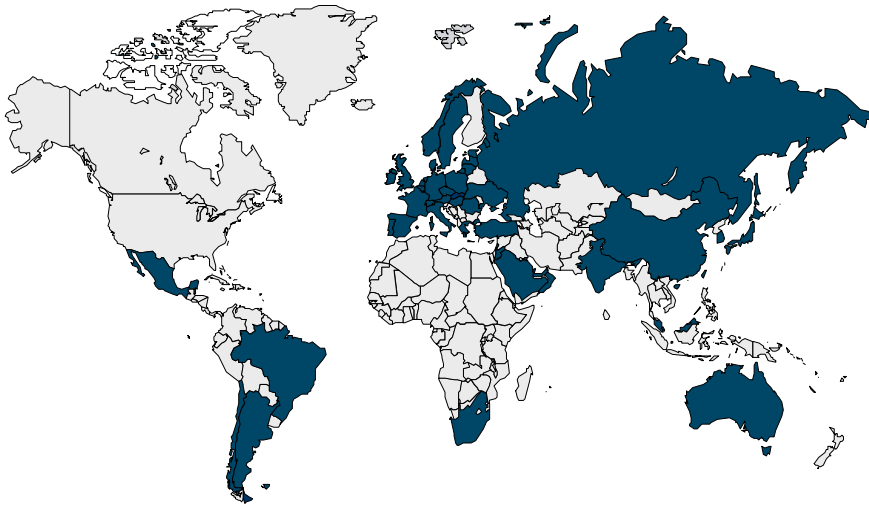
Core Elements and Aims of the new Structure: Split of VWFSAG in EU Bank und Non EU Bank

- The new structure reduces complexity.
- The new structure ensures the future growth path.
- The new structure aims on strengthening Braunschweig as a financial center.
- Both companies will be sister companies and 100% owned by Volkswagen AG.
- Due to the pooling of European banking activities at Volkswagen Bank GmbH, only this entity will be regulated by ECB.
- Capitalization will remain very comfortable above statutory levels at both companies.
- One face to the customer approach will be ensured for brands and customers to continue the success in the future.

Prospective structure - Volkswagen Bank GmbH will be 100% affiliate of Volkswagen AG



Prospective Structure – Overview Worldwide Activities Volkswagen Financial Services AG



In the future Volkswagen Financial Services AG new will offer financial services for the Volkswagen Group brands in **more than 40 countries worldwide** – directly, as well as through equity investments and service contracts.

Prospective Structure – Overview European Activities Volkswagen Bank GmbH new



In the future the Volkswagen Bank GmbH new will provide banking products for the Volkswagen Group brands in **15 European countries**, by branches as well as through equity investments



VISION

WE ARE THE KEY TO MOBILITY

WHAT

CUSTOMERS

EMPLOYEES

OPERATIONAL EXCELLENCE

PROFITABILITY

VOLUME

STRATEGIC DIMENSIONS



STRATEGIC TARGETS

- Satisfied Customers

- Top Employer
- Top Employees

- Compliance & Governance
- Process Efficiency
- IT-Excellence

- Total Operating Income
- 20% ROE
- 50% CIR

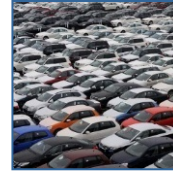
- 30M Contracts
- 50% Extended Penetration

The world keeps turning | Focus on additional topics

Digitalisation



**Used Car
Business**



**Operational
Excellence**

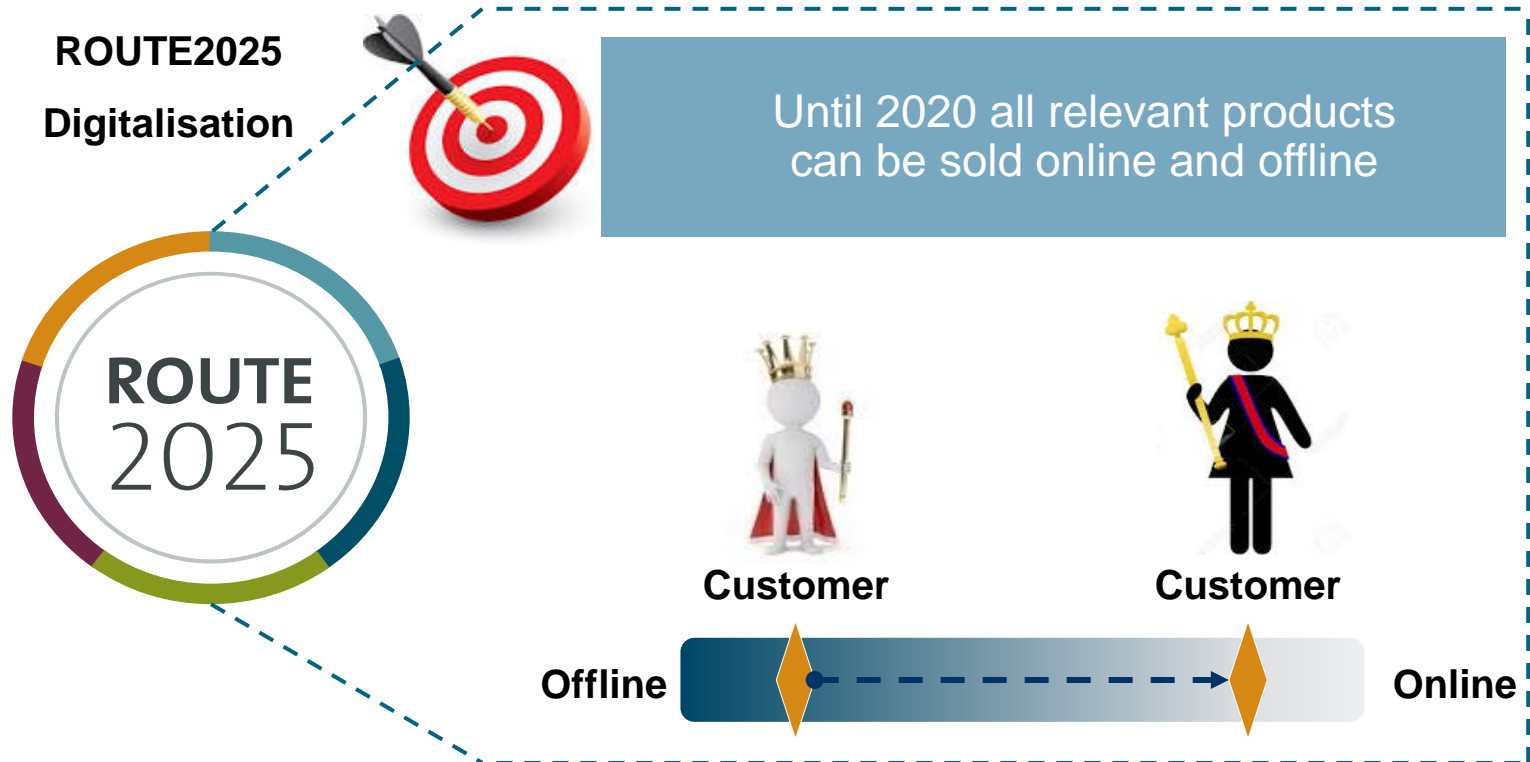


**Growth Market
China**





Digitalisation: Our target



Outlook

Assuming that margins remain stable in the coming year, the operating profit in fiscal year 2017 would be at least at the level achieved in fiscal year 2015.

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Thank You.

Volkswagen Financial Services AG

Gifhorner Str. 57

38112 Braunschweig

Germany