The Key to Mobility
Creating Value with Financial Services
Investor Update – Volkswagen Financial Services AG
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 Such statements are valid on the date of publication and can be superseded.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

## Automotive Division

<table>
<thead>
<tr>
<th>Passenger Cars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
</tr>
<tr>
<td>Audi</td>
</tr>
<tr>
<td>Škoda</td>
</tr>
<tr>
<td>Bentley</td>
</tr>
<tr>
<td>Bugatti</td>
</tr>
<tr>
<td>Porsche</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial Vehicles / Power Engineering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Vehicles</td>
</tr>
<tr>
<td>Volkswagen Financial Services</td>
</tr>
</tbody>
</table>

## Financial Services Division

- **Volkswagen 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

<table>
<thead>
<tr>
<th>Figure</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>€ 130.1 bn</td>
</tr>
<tr>
<td>Equity</td>
<td>€ 16.95 bn</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>€ 36.1 bn</td>
</tr>
<tr>
<td>Operating profit</td>
<td>€ 1.6 bn</td>
</tr>
<tr>
<td>Employees</td>
<td>11,819</td>
</tr>
<tr>
<td>Contracts (units)</td>
<td>13.2 m</td>
</tr>
</tbody>
</table>

### 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

<table>
<thead>
<tr>
<th>Year</th>
<th>€ m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>719</td>
</tr>
<tr>
<td>2013</td>
<td>814</td>
</tr>
<tr>
<td>2016</td>
<td>945</td>
</tr>
<tr>
<td></td>
<td>1,214</td>
</tr>
<tr>
<td></td>
<td>1,293</td>
</tr>
<tr>
<td></td>
<td>1,416</td>
</tr>
<tr>
<td>2016</td>
<td>1,641</td>
</tr>
</tbody>
</table>
Contract portfolio Volkswagen Financial Services AG

Continuous portfolio expansion

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>6,028</td>
<td>6,852</td>
<td>8,848</td>
<td>12,081</td>
<td>13,244</td>
</tr>
<tr>
<td>Leasing</td>
<td>1,964</td>
<td>6,234</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance/Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe (excl. Germany)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>46%</td>
<td>33%</td>
<td>9%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

We offer the whole range of services under one roof*

*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.
Strong Benefits for Automotive through Captive

**Equipment**

- Decision to buy a better equipped car due to the attractive finance offer
  - +43%
  - 100% Cash Payer
  - 143% Captive Customer

**Turnover**

- Length of ownership (years)
  - +25%
  - 5.9 Cash Payer
  - 4.4 Captive Customer

**Brand Loyalty**

- Switch to Competitor
  - 54% Cash Payer
  - 37% Captive Customer
- Stay Loyal
  - 46% Cash Payer
  - 63% Captive Customer

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

- **Credit Risk**
  - Risk of loss through defaults in customer transactions
  - Portfolio Structure:
    - Retail 73% / Corporate 27%
  - Assessment of creditworthiness of customers with scoring (in retail business) and rating systems (corporate).

- **Residual Value**
  - Residual values are monitored closely
  - Regular adjustment to the current market situation for new business
  - Completely covered by provisions and equity according to IAS 36.

* Shareholder Risk + Issuer Risk + Counterparty Risk + Liquidity Risk + Risks of MAN FS subsidiaries and lump sum for non-quantified Risk: Strategic Risk, Reputational Risk
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

<table>
<thead>
<tr>
<th>Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Still no significant impact</td>
<td>With respect to emissions issue, neither at Volkswagen group nor at other</td>
</tr>
<tr>
<td>with emissions issue,</td>
<td>OEMs. Diesel residual value development still in normal range.</td>
</tr>
<tr>
<td>nor at other OEMs. Diesel</td>
<td></td>
</tr>
<tr>
<td>residual value development</td>
<td></td>
</tr>
<tr>
<td>still in normal range.</td>
<td></td>
</tr>
<tr>
<td>No significant residual</td>
<td>Value impact in UK by emission issue.</td>
</tr>
<tr>
<td>Development of Diesel</td>
<td>residual values within the normal range. Market share of Diesel cars is</td>
</tr>
<tr>
<td>residual values within the</td>
<td>decreasing.</td>
</tr>
<tr>
<td>normal range. Market share</td>
<td></td>
</tr>
<tr>
<td>of Diesel cars is decreasing.</td>
<td></td>
</tr>
<tr>
<td>Used car market stable,</td>
<td>but overall low residual value level in comparison with other European</td>
</tr>
<tr>
<td>but overall low residual</td>
<td>markets. Slightly increasing residual value level in the coming years</td>
</tr>
<tr>
<td>value level in comparison</td>
<td>expected.</td>
</tr>
<tr>
<td>with other European</td>
<td></td>
</tr>
<tr>
<td>markets.</td>
<td></td>
</tr>
<tr>
<td>Diesel residual value</td>
<td>development within the normal range.</td>
</tr>
<tr>
<td>development within the normal range.</td>
<td></td>
</tr>
</tbody>
</table>

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)

\[ \text{Dynamic Loss Ratio} = \text{Total Provision Ratio} \]

- Total Provision Ratio = total provisions in proportion to the total receivables' volume at reporting date.
- Ø 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:

- Customer Deposits: €36.1 bn (27.8%)
- Liabilities to affiliated companies: €9.4 bn (7.3%)
- Liabilities to financial institutions: €17 bn (13.1%)
- Commercial Paper: €4.4 bn (3.4%)
- Bonds issued: €19.4 bn (14.9%)
- Asset Backed Securitization: €18.8 bn (14.4%)
- Equity: €17 bn (13%)
- Others: €8 bn (6.1%)

Total: €130.1 bn
Worldwide Capital Market Activities

VW FS Japan
JPY 60 bn ECP Program
VW Finance (China)
Domestic RMB Bond Issuances
VW Leasing Mexico
MXN 20 bn Dual Program*
VW Bank Mexico
MXN 7 bn Debt Issuance Program
VW FS India
Domestic INR CP + Bond Issuances
VDF Turkey
Domestic TRY Bond Issuances
Banco VW Brazil
Domestic Letra Financeira
VW FS Australia
AUD 3 bn Debt Issuance Program
VW Bank Polska
PLN 3 bn Debt Instrument Issuance Program
VW Bank Russia
Domestic 100bn RUB Bond Program
VW FS Korea
Domestic KRW Bond Issuances
VW FS Japan
JPY 60 bn ECP Program
VW Finance (China)
Domestic RMB Bond Issuances
VW Bank
€ 2.5 bn CP Program
€ 10 bn Debt Issuance Program
VW FS Group
€ 5 bn CP Program
€ 25 bn Debt Issuance Program

*Dual = CP + Debt Issuance
Ownership Structure and Support Mechanism VW AG and VW FS AG

VOLKSWAGEN Aktiengesellschaft

100% Owner + Control and Profit and Loss Transfer Agreement

Volkswagen Financial Services AG
Worldwide ABS Activities

- DFM
  - DFM Master program
- VW FS UK
  - Driver UK Master
- VW Bank France
  - Driver France program
- VW Finance Spain
  - Driver España program
- Banco VW Brazil
  - Driver Brasil program
- VW Bank / VW Leasing
  - Driver-& VCL- program,
  - VCL Master, Driver Master
- VW FS Japan
  - Driver Japan program
- VW Finance China
  - Driver China program
- VW FS Australia
  - Driver Australia program
Volkswagen Financial Services AG has a solid and stable rating history.

Rating History (05/08/2017) – Moody’s

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
<th>S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td>Honda</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>BMW</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>VW AG</td>
<td>A3 1)</td>
<td>BBB+ 1)</td>
</tr>
<tr>
<td>VW FS AG</td>
<td>A2 1)</td>
<td>BBB+ 2)</td>
</tr>
<tr>
<td>VW Bank GmbH</td>
<td>Aa3 1)</td>
<td>A- 3)</td>
</tr>
<tr>
<td>Scania</td>
<td>--</td>
<td>BBB+</td>
</tr>
<tr>
<td>Daimler</td>
<td>A2</td>
<td>A</td>
</tr>
<tr>
<td>RCI Banque</td>
<td>Baa1</td>
<td>BBB</td>
</tr>
<tr>
<td>FMCC</td>
<td>Baa2</td>
<td>BBB</td>
</tr>
<tr>
<td>Banque PSA</td>
<td>Baa2</td>
<td>BB+ *</td>
</tr>
</tbody>
</table>

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

Data Source: Reuters
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
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.
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.
WE ARE THE KEY TO MOBILITY

CUSTOMERS
- Satisfied Customers

EMPLOYEES
- Top Employer
- Top Employees

OPERATIONAL EXCELLENCE
- Compliance & Governance
- Process Efficiency
- IT-Excellence

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

VOLUME
- 30M Contracts
- 50% Extended Penetration

VISION

WHAT

STRATEGIC DIMENSIONS

STRATEGIC TARGETS
The world keeps turning | Focus on additional topics

- Digitalisation
- Operational Excellence
- Used Car Business
- Growth Market China
Digitalisation: Our target

Until 2020 all relevant products can be sold online and offline.
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.
Thank You.

Volkswagen Financial Services AG
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Germany