The Key to Mobility
Creating Value with Financial Services
Meeting Citi – 11 May 2017

Frank Fiedler, CFO Volkswagen Financial Services AG
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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, 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.

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Volkswagen Group – Leveraging the strength of the three pillars

<table>
<thead>
<tr>
<th>VOLKSWAGEN</th>
<th>Automotive Division</th>
<th>Financial Services Division</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Passenger Cars</td>
<td>Volkswagen Financial Services</td>
</tr>
<tr>
<td></td>
<td>Commercial Vehicles</td>
<td>Financial Services</td>
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<td></td>
<td>Power Engineering</td>
<td>USA / Canada / Spain</td>
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<td></td>
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<td>Incl. Porsche Financial Services</td>
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<td>Scania Financial Services</td>
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<td></td>
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<td>Porsche Holding Financial Services</td>
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<tr>
<td></td>
<td>Remaining companies</td>
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Volkswagen Financial Services

Incl. Porsche 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

<p>| | |</p>
<table>
<thead>
<tr>
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<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
Contract portfolio Volkswagen Financial Services AG

Continuous portfolio expansion

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<tbody>
<tr>
<td>Germany</td>
<td>46%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Europe (excl. Germany)</td>
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<tr>
<td>Latin America</td>
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<tr>
<td>Asia Pacific</td>
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<tr>
<td>Other companies</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other companies</td>
<td>1%</td>
<td></td>
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</tr>
</tbody>
</table>

Credit Leasing: 5,045 → 1,964 → 6,234
Insurance/Services: 6,852 → 8,848 → 12,081
Leasing: 6,028 → 6,852 → 8,848
Credit: 5,045

13.2 m contracts

- Germany: 46%
- Europe (excl. Germany): 33%
- Latin America: 9%
- Asia Pacific: 11%
- Other companies: 1%

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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**
  - **Cash Payer:** 100%
  - **Captive Customer:** 143%
  - **Increase:** +43%

### Turnover

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

### Brand Loyalty

- **Switch to Competitor**
  - **Cash Payer:** 54%
  - **Captive Customer:** 37%
  - **Increase:** +37%

- **Stay Loyal**
  - **Cash Payer:** 46%
  - **Captive Customer:** 63%
  - **Increase:** +17%

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

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Penetration Volkswagen Financial Services AG

Rising penetration rates


w/o China

38.9% 42.7% 42.9% 45.9% 46.1%

24.3% 25.8% 28.0% 28.3% 30.0%

with China
Creating Value
Integrating Automotive and Financial Services

Improving Customer Loyalty
Maximizing Profit Potential

Automotive Mobility

Total Mobility

Financial Mobility

Research & Development
Procurement
Production
Sales
After Sales

Dealer Financing
Credit / Leasing
Insurance
Services
Funding structure Volkswagen Financial Services AG*

**Total € 114.6 bn**

- **Customer Deposits** €29.3 bn (22%)
- **Liabilities to affiliated companies** €10.2 bn (9%)
- **Liabilities to financial institutions** €15 bn (14%)
- **Commercial Paper** €3.4 bn (2.9%)
- **Equity** €13.4 bn (11.7%)
- **Others** €5.9 bn (5.1%)
- **Asset Backed Securitization** €15.3 bn (13.4%)
- **Bonds issued** €25.1 bn (21.9%)

* strategic funding allocation

as of 30 September 2015

**Total € 130.1 bn**

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

* strategic funding allocation

as of 31 December 2016
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
### Development of residual values in EU5

<table>
<thead>
<tr>
<th>Region</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen group</td>
<td>Still no significant impact with respect to emissions issue, neither at nor at other OEMs. Diesel residual value development still in normal range.</td>
</tr>
<tr>
<td>UK</td>
<td>No significant residual value impact in UK by emission issue.</td>
</tr>
<tr>
<td>Italy</td>
<td>Development of Diesel residual values within the normal range. Market share of Diesel cars is decreasing.</td>
</tr>
<tr>
<td>Spain</td>
<td>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.</td>
</tr>
<tr>
<td>Germany, France</td>
<td>Diesel residual value development within the normal range.</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 remains at low level despite challenging market environment

- **Total Provision Ratio**
  - According to IAS 39
  - Total provisions in proportion to the total receivables’ volume at reporting date

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

**Glossary**
- **Retail Financing**
- **Leasing**
- **Corporate Financing**
Worldwide Capital Market Activities

**VW FS Group**
- € 5 bn CP Program
- € 25 bn Debt Issuance Program

**VW Bank**
- € 2.5 bn CP Program
- € 10 bn Debt Issuance Program

**VW FS Japan**
- JPY 60 bn ECP Program

**VW FS (China)**
- Domestic RMB Bond Issuances

**VW Leasing Mexico**
- MXN 20 bn Dual Program*

**VW Bank Mexico**
- MXN 7 bn Debt Issuance Program

**VDF Turkey**
- Domestic TRY Bond Issuances

**Banco VW Brazil**
- Domestic Letra Financeira

**VW FS India**
- Domestic INR CP + Bond Issuances

**VW FS Korea**
- Domestic KRW Bond Issuances

**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 Japan**
- JPY 60 bn ECP Program

**VW Finance (China)**
- Domestic RMB Bond Issuances

*Dual = CP + Debt Issuance
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
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
The world keeps turning | Focus on additional topics

Digitalisation

Used Car Business

Operational Excellence

Growth Market China
Digitalisation: Our target

Until 2020 all relevant products can be sold online and offline.
Project Panda | Objectives

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

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