Volkswagen Group: Stability in Volatile Times

Lennart Schmidt, Kai Otto, Ulrich Hauswaldt
Volkswagen AG, Volkswagen Financial Services
Commerzbank Investorday, Frankfurt, 16 September 2015
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Consequently, 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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This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.
Volkswagen Investor Update

Volkswagen AG
Lennart Schmidt – Group Investor Relations
Kai Otto – Head of Capital Markets, Asset Management and Bank Policy

Volkswagen Financial Services
Ulrich Hauswaldt – Investor Relations
Volkswagen Group – Leveraging the strength of the three pillars

<table>
<thead>
<tr>
<th>Automotive Division</th>
<th>Financial Services Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Cars</td>
<td>Volkswagen Financial Services</td>
</tr>
<tr>
<td>Commercial Vehicles / Power Engineering</td>
<td>Financial Services</td>
</tr>
<tr>
<td>SKODA</td>
<td>USA / Canada / Spain / Argentina</td>
</tr>
<tr>
<td>Audi</td>
<td>financial services</td>
</tr>
<tr>
<td>SEAT</td>
<td>Scania Financial Services</td>
</tr>
<tr>
<td>BENTLEY</td>
<td>Porsche Holding Financial Services</td>
</tr>
<tr>
<td>BUGATTI</td>
<td>Porsche Financial Services</td>
</tr>
<tr>
<td>PORSCHE</td>
<td></td>
</tr>
<tr>
<td>Remaining companies</td>
<td></td>
</tr>
</tbody>
</table>
Volkswagen Financial Services at a Glance (06/30/2015)

**Worldwide presence**

Volkswagen Financial Services conducts business in **51 countries**

**Key company figures**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>€ 147.0 bn</td>
</tr>
<tr>
<td>Equity</td>
<td>€ 17.3 bn</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>€ 25.7 bn</td>
</tr>
<tr>
<td>Operating profit</td>
<td>€ 970 m</td>
</tr>
<tr>
<td>Employees</td>
<td>13,174</td>
</tr>
<tr>
<td>Contracts (units)</td>
<td>12.6 m</td>
</tr>
</tbody>
</table>

**Receivables**

- Leasing: 20.1%
- Credit: 63.4%
- Wholesale: 16.5%
Contract portfolio Volkswagen Financial Services

Continuous portfolio expansion

in ‘000 units

2009 2011 2013 HY 2015

Credit

Leasing

Insurance/Services

12,595

6,632

7,482

9,640

4,597

2,307

5,691

15% North America

9% Asia Pacific

6% South America

31% Europe (excl. Germany)

39% Germany

12,595 contracts
Risk management

* Shareholder Risk + Issuer Risk + Counterparty Risk + lump sum for non-quantified Risk: Liquidity Risk, Strategic Risk, Reputational Risk

**Credit Risk**
- Risk of loss through defaults in customer transactions
- Portfolio Structure:
  - Retail 75% / Corporate 25%
- 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.
VW Financial Services – Credit risks

Credit risk remains at low level despite challenging market environment

Provision Ratio

Ø Dynamic Loss Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Financing</th>
<th>Leasing</th>
<th>Corporate Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2012</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2013</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>2014</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>HY 2015</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
VW Financial Services – Residual value

Residual value risks well covered by provisions

<table>
<thead>
<tr>
<th>Units</th>
<th>€ m</th>
<th>Provisions per car in €</th>
<th>RV Risk per car in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 2013 *</td>
<td>541</td>
<td>466</td>
<td>423</td>
</tr>
<tr>
<td>Dec 2013</td>
<td>496</td>
<td>431</td>
<td>352</td>
</tr>
<tr>
<td>Jun 2014</td>
<td>541</td>
<td>445</td>
<td>352</td>
</tr>
<tr>
<td>Dec 2014</td>
<td>541</td>
<td>544</td>
<td>461</td>
</tr>
<tr>
<td>Jun 15</td>
<td>609</td>
<td>609</td>
<td>518</td>
</tr>
</tbody>
</table>

* retroactive inclusion of contracts from employee/staff car leasing and long-term rentals
Contract portfolio Volkswagen Financial Services

Continuous portfolio expansion

in ‘000 contracts

<table>
<thead>
<tr>
<th>Year</th>
<th>Financing</th>
<th>Leasing</th>
<th>Insurance / Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,964</td>
<td>1,505</td>
<td>3,163</td>
</tr>
<tr>
<td>2009</td>
<td>2,148</td>
<td>1,508</td>
<td>3,567</td>
</tr>
<tr>
<td>2010</td>
<td>2,246</td>
<td>1,524</td>
<td>3,712</td>
</tr>
<tr>
<td>2011</td>
<td>2,691</td>
<td>1,623</td>
<td>3,930</td>
</tr>
<tr>
<td>2012</td>
<td>3,281</td>
<td>1,808</td>
<td>4,551</td>
</tr>
<tr>
<td>2013</td>
<td>3,796</td>
<td>1,983</td>
<td>4,946</td>
</tr>
<tr>
<td>2014</td>
<td>4,549</td>
<td>2,274</td>
<td>5,560</td>
</tr>
<tr>
<td>HY 2015</td>
<td>4,597</td>
<td>2,307</td>
<td>5,691</td>
</tr>
</tbody>
</table>

Total portfolio 12,595
Penetration VW FS

Rising penetration rates


w/o China

with China

26.4% 25.0% 24.7% 25.4% 27.5% 28.9% 30.6% 29.5%

32.5% 32.9% 34.9% 36.3% 40.7% 44.3% 44.5% 43.9%
Volkswagen FS offers the whole Range of Services under one roof

- Bank: Retail Finance, Dealer Finance, Factoring, Deposits, Instalment Loans, Investment Products
- Leasing: Finance Lease, Operating Leasing, Automotive, Payment Protection, Industry
- Insurance: Fleet Management, Service & Maintenance, Tyres
- Mobility: Services, Rent, Long-term rent, Short-term rent, Carsharing
Growth dimensions
Brands: Fleet Management and Trucks & Bus: Customer focus

What the customers have in common
- Corporate customers focusing on TCO
- Truck and Fleet is an investment decision, not emotional driven. The vehicle is a tool for the customer.
- Buying holistic TCO solutions and services, not financing only
- Need for reporting, telematics or comprehensive services (technical and monetary)
- International tender processes

Where the customers differ
- A truck goes cross-boarder – a fleet customer sources cross-boarder, but does not drive cross board
- Lifecycle costs: 100 T€ p.a. truck vs 10 T€ p.a. car
- Risk Management principles: Area of use and specs for truck vs Balance Sheet of fleet customer
- Different services are required: e.g. toll collect, sophisticated fuel solutions
MAN Finance Initial Success – Foundation for Growth

**Initial success**

MAN | Financial Services

Penetration

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penetration (%)</td>
<td>27%</td>
<td>43%</td>
</tr>
</tbody>
</table>

**Foundation for growth**

- Product-portfolio/TCO
- Global expansion
- GO50
Volkswagen Financial Services in China – A true VOLKSWAGEN company

China Banking Regulatory Commission

Retail Finance. Wholesale Finance.

Ministry of Commerce

Leasing. Insurance. After Sales. New Mobility.

Volkswagen Financial Services in China - A true VOLKSWAGEN company

VOLKSWAGEN FINANCE

CHINA COMPANY LIMITED

VOLKSWAGEN NEW MOBILITY SERVICES

INVESTMENT COMPANY LIMITED

China

BENTLEY

Commercial Vehicles

SEAT

SKODA

Audi

PORSCHE

SANTANA VOLKSWAGEN

MAN

BUGATTI

FRESNO VOLKSWAGEN
# Growth dimension - Product

<table>
<thead>
<tr>
<th>Car Ownership</th>
<th>Car Usage</th>
<th>Total Flexibility (Bikes, Public Transportation, Planes etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Leasing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long-Term Rental</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Short-Term Rental</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Car Sharing</td>
<td></td>
</tr>
</tbody>
</table>

- **Car Ownership**
  - 5 to 6 years
  - 1 to 3 years
  - 1 month to 1 year
  - 1 day to 1 month
  - 1 minute to 1 day

- **Car Usage**
  - Leasing
  - Long-Term Rental
  - Short-Term Rental
  - Car Sharing

- **Total Flexibility**
  - Bikes
  - Public Transportation
  - Planes
Volkswagen Financial Services follows Route 2025

WE ARE THE KEY TO MOBILITY

VISION

STRATEGIC DIMENSIONS

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

WHAT

STRATEGIC TARGETS

VISION

WHAT

WHAT

HOW

INTERNATIONAL COLLABORATION

Corporate Culture

FS Values

Leadership Culture

Full Entrepreneurial Autonomy of Countries

Aligned by a Global Approach

FS WAY
VW Financial Services AG – Asset Quality Review

The Comprehensive Assessment was successfully passed

Volkswagen Financial Services AG achieved a capital ratio (CET 1) of 7% (6.96%) in the stress test and exceeded the supervisory threshold (pass mark) of 5.5% by a significant extent.
Funding Structure Volkswagen Financial Services

Strategic Funding Sources

- Deposits
- ABC
- Capital Markets

Total € 147 bn

- Equity € 17.3 bn (11.8%)
- Asset Backed Securitization € 22.8 bn (15.5%)
- Bonds issued € 37.8 bn (25.7%)
- Commercial Paper € 4.0 bn (2.7%)

- Liabilities to financial institutions € 13.9 bn (9.4%)
- Liabilities to affiliated companies € 16.2 bn (11%)
- Others € 9.3 bn (6.4%)

- Customer Deposits € 25.7 bn (17.5%)

as of 30 June 2015
Volkswagen Financial Services’ Worldwide Capital Market Activities

- **Volkswagen Financial Services (VWFS) Japan**: JPY 60 bn ECP Program
- **Volkswagen Finance (China)**: Project
- **Volkswagen Leasing Mexico**: MXN 20 bn Dual Program*
- **Volkswagen Bank Mexico**: MXN 7 bn Debt Issuance Program
- **Volkswagen Credit Inc. (USA)**:
  - $4 bn CP Program (VWoA + Volkswagen Credit Inc.)
  - €10 bn CP Program (VW Group)
  - €30 bn Debt Issuance Program (VW Group)
  - 144a Bond Issuances via VWGoAF
- **Volkswagen Credit Canada Inc.**:
  - €30 bn Debt Issuance Program (VW Group)
  - CAD 1 bn CP Program
- **Volkswagen Financial Services Group (VWFS Group)**:
  - €10 bn CP Program
  - €25 bn Debt Issuance Program
- **Volkswagen Bank**:
  - €2.5 bn CP Program
  - €10 bn Debt Issuance Program
- **Volkswagen Bank Polska**: PLN 3 bn Debt Issuance Program
- **Volkswagen Bank Russia**: Domestic 50bn RUB Bond Program
- **Volkswagen Financial Services Korea (VWFS Korea)**: Domestic KRW Bond Issuances
- **Volkswagen Financial Services Japan (VWFS Japan)**: JPY 60 bn ECP Program
- **Volkswagen Financial Services India (VWFS India)**: Domestic INR CP + Bond Issuances
- **Volkswagen Financial Services Australia (VWFS Australia)**: AUD 3 bn Debt Issuance Program
- **Volkswagen Credit Inc. (USA)**: Domestic TRY Bond Issuances
- **Volkswagen Credit Canada Inc.**: Domestic TRY Bond Issuances
- **Volkswagen Financial Services Australia (VWFS Australia)**: AUD 3 bn Debt Issuance Program

*Dual = CP + Debt Issuance
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### DCM Activities (2015 YTD)

<table>
<thead>
<tr>
<th>Region</th>
<th>Issuances</th>
<th>Currency</th>
<th>Tenor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen FS AG</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany: VW Leasing</td>
<td>2</td>
<td>1,500m EUR</td>
<td>2 and 5 years</td>
</tr>
<tr>
<td>Australia: VW FS Australia</td>
<td>1</td>
<td>250m AUD</td>
<td>4 years</td>
</tr>
<tr>
<td>Japan: VW FS Japan</td>
<td>5</td>
<td>16,000m JPY</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>India: VW FS India</td>
<td>2</td>
<td>4,000m INR</td>
<td>3.2 to 5 years</td>
</tr>
<tr>
<td>Mexico: VW Leasing + Bank</td>
<td>1</td>
<td>1,500m MXN</td>
<td>4 years</td>
</tr>
<tr>
<td>Brasil: Banco VW</td>
<td>2</td>
<td>550m BRL</td>
<td>2 years</td>
</tr>
<tr>
<td>Korea: VWFS Korea</td>
<td>1</td>
<td>150bn KRW</td>
<td>3 years</td>
</tr>
<tr>
<td>International: VW FS N.V.</td>
<td>8</td>
<td>1,092m EUR*</td>
<td>1.5 to 5 years</td>
</tr>
</tbody>
</table>

* Various currencies (NOK, SEK, GBP, EUR, NZD)
Rating History (08/31/2015)

<table>
<thead>
<tr>
<th>Company</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>A2</td>
<td>A+</td>
</tr>
<tr>
<td>VW AG</td>
<td>A2 ¹)</td>
<td>A¹)</td>
</tr>
<tr>
<td>VW Bank GmbH / VW FS AG</td>
<td>Aa3 ¹)</td>
<td>A¹)</td>
</tr>
<tr>
<td>Scania</td>
<td>--</td>
<td>A-</td>
</tr>
<tr>
<td>Daimler</td>
<td>A3</td>
<td>A-</td>
</tr>
<tr>
<td>RCI Banque</td>
<td>Baa1</td>
<td>BBB</td>
</tr>
<tr>
<td>FMCC</td>
<td>Baa3</td>
<td>BBB-</td>
</tr>
<tr>
<td>Banque PSA</td>
<td>Ba1</td>
<td>BB</td>
</tr>
</tbody>
</table>

¹) Outlook: stable

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

Data Source: Reuters
S&P and Moody’s value VWFS’s strategic position within VW Group

S&P: “We consider VW FS to be core to its ultimate parent, VW AG, and equalize our ratings on VW FS with those on VW AG.”

Moody’s: “VW FS AG benefits from a domination and profit-and-loss transfer agreement with Volkswagen that reflects the entity’s core strategic role for Volkswagen.”

S&P: “We consider VW FS’ corporate strategy to be prudent, well-executed, and focused on its core business, in which it has expertise.”

Moody’s: “Because of the strength of the contractual and strategic links between Volkswagen and its subsidiaries, Moody's expects both VW FS AG and VW Bank to benefit from “affiliate backing”, the highest degree of affiliate support (…)”

S&P: “(…) reflects our view that captive finance operations will remain integral to the VW group’s overall corporate strategy.”

“S&P: We believe that VW FS will preserve its current conservative capital and risk management, and that its asset mix and growth trends are unlikely to change materially in the short to medium term.”

Investor’s Risk Evaluation – EUR Bond Curve Volkswagen AG compared to Volkswagen Financial Services AG

![Graph showing EUR bond curves for Volkswagen AG (VW AG) and Volkswagen Financial Services AG (VW FS)]
Volkswagen Group: Stability in Volatile Times

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