Creating Value with Financial Services
Frank Fiedler
CFO Volkswagen Financial Services AG
Investor Update – Volkswagen Financial Services
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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

Role of Volkswagen Financial Services within the Volkswagen Group and the current Business Model

New Business Models of Volkswagen Financial Services

Vision and Targets of Route2025
Role of Volkswagen Financial Services within the Volkswagen Group and the current Business Model
Volkswagen Financial Services is a strong pillar within the Volkswagen Group

<table>
<thead>
<tr>
<th>Volume</th>
<th>Premium</th>
<th>Sport &amp; Luxury</th>
<th>Truck &amp; Bus</th>
<th>Procurement/Components</th>
<th>Financial Services</th>
<th>China</th>
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</thead>
<tbody>
<tr>
<td>VW</td>
<td>Audi</td>
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<td>ŠKODA</td>
<td>Lamborghini(^1)</td>
<td>Bentley</td>
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<td>SEAT</td>
<td>Ducati(^1)</td>
<td>Bugatti</td>
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<td>VW LCV</td>
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1) Allocation to be verified
We offer the whole range of services under one roof*

* Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.
Volkswagen Financial Services conducts business in 48 MARKETS.

**KEY FIGURES**

- **Total assets**: € 207.6 BN
- **Equity**: € 26.3 BN
- **Customer deposits**: € 32.4 BN
- **Operating profit**: € 2.61 BN
- **Employees**: 16,267
- **Contracts (units)**: 20.3 M

**BUSINESS VOLUME**

- **CREDIT**: € 63.7 bn
- **LEASING**: € 82.2 bn
- **WHOLESALE**: € 20.5 bn

* Receivables + Leased Assets
Volkswagen Financial Services - Operating Income

bn €


0.6 0.9 1.2 1.4 1.6 1.7 1.9 2.1 2.5 2.6
Volkswagen Financial Services – Balance Sheet

bn €

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (bn €)</th>
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<tbody>
<tr>
<td>2008</td>
<td>74.7</td>
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<tr>
<td>2009</td>
<td>76.4</td>
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<td>2010</td>
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<td>2011</td>
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<td>2012</td>
<td>111.1</td>
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<tr>
<td>2013</td>
<td>115.1</td>
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<td>2014</td>
<td>137.5</td>
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<tr>
<td>2015</td>
<td>157.9</td>
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<tr>
<td>2016</td>
<td>170.1</td>
</tr>
<tr>
<td>2017</td>
<td>186.9</td>
</tr>
<tr>
<td>2018</td>
<td>207.6</td>
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</tbody>
</table>
Volkswagen Financial Services: successful, diversified and automotive-independent funding structure (12/31/2018)

Strategic Funding Mix

- Equity: € 28.3 bn (13%)
- Customer deposits: € 32.4 bn (15%)
- ABS
- Debt Capital Markets
- Banks
- Deposits

Components independent from the company rating

€ 207.6 bn
Portfolio structure Volkswagen Financial Services

Credit Risk
The predominant risk type whereof the major share is originated from well diversified retail business with a low risk profile.

Residual Value Risk
Residual values are monitored closely and regularly adjusted to the current market situation for new business. Completely covered by provisions and equity according to IAS 36.

Other substantial risk types:
- Earnings Risk
- Operational Risk
- Marketprice Risk
- Shareholder Risk

as of 12/31/2018
Volkswagen Financial Services – credit risks as of 31.12.2018

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)
Residual value situation of Volkswagen Financial Services as of 31.03.2019

Vehicles in direct residual value portfolio

- **Diesel**: 1.9 million cars
- **Petrol**: 1.0 million cars

Total: 2.9 m cars

- **Vehicle stock** increased in Q1 2019
- Declining **risk per vehicle** in Q1 2019

➤ All **residual value risks** are fully covered by risk provisions and equity.
International used car brokerage safeguards residual values

Currently 10 Volkswagen Financial Services AG countries participating
1 additional country in discussion
New Business Models of Volkswagen Financial Services
Impacts on our business model

New Channels

Our world is becoming more Digital

Internet of Things more present

Urban Spaces are changing

BEVs are the key to realizing EU targets for reducing emissions

Frank Fiedler | Investor Update | London, 20.-21.05.2019
The Volkswagen Financial Services offer must adapt to market changes

**Classic business model**

- Car financing
- Dealer financing
- Leasing
- Insurance
- Services
- Interest and liquidity risk
- Default risk
- Residual value risk
- Retail customer (1:1)
- Dealers
- BaFin, ECB
We offer the whole range of services under one roof*

* Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.
The Volkswagen Financial Services offer must adapt to market change

New mobility concepts

- Rental products
- Fleet business
- Parking, Fuel, Toll
- Revenue risk
- Utilisation risk
- Operating risk (own operations)
- Mobility customers (1:n)
- Municipal authorities
- Public transport
We offer the whole range of services under one roof*

* Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.
The Volkswagen Financial Services offer must adapt to market changes

Digital products

- Payment-Services
- Cyber-insurance
- Functions on Demand

INCOME

- Cyber risks
- Traffic law risks (autonomous driving)

RISK

- Digital-savvy customers
- Digital companies

PARTNER
Payment Platform | Volkswagen Financial Services provides global payment solutions for digital-based business models within the Volkswagen group.
The Volkswagen Financial Services offer must adapt to market changes

**Electrification**

- Classic business, new mobility concepts and digital products for e-cars
- Charging-products
- Revaluation of classic risks, especially residual value risk (internal combustion engine vs. electric motor)
- Environmentally aware customers
- Energy providers
- Battery producers
- Providers of charging infrastructure
Electrification and digitalization change the automotive industry

Volkswagen accelerates push into electric cars with €30 billion spending plan

The world's most valuable resource is no longer oil, but data.

Cars displayed are studies.
Electrification creates new challenges for automotive financial service providers

<table>
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<tr>
<th>Challenges</th>
<th>Customers</th>
<th>Financial service providers</th>
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<tbody>
<tr>
<td></td>
<td>• Uncertainties and delays (technology and complexity)</td>
<td>• Reduced margin due to changed product portfolio</td>
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<td>• Investment risk</td>
<td>• Keeping the residual values stable</td>
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<table>
<thead>
<tr>
<th>Targets</th>
<th>Take over the risks and uncertainties</th>
<th>Securing the residual values</th>
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<tbody>
<tr>
<td></td>
<td>Offer an attractive financial services product portfolio</td>
<td>Customer loyalty: Accompanying the customer and the vehicle &quot;for a lifetime&quot;</td>
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<table>
<thead>
<tr>
<th>Solutions</th>
<th>Customized leasing offers for EV new and used cars</th>
<th>Packages and after-sales offers for EV new and used cars</th>
</tr>
</thead>
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Volkswagen Financial Services e-charging solutions provides access to public charging

Focus VW FS

work  destination  on the road  home

Charge&Fuel Card
- Charging product for the German market
- VWFS is developer and operator
- Product for all brands of VW group

DCS Cooperation
- International oriented e-charging products
- VWFS cooperation with DCS to provide access to charging infrastructure
- First implementation project with Audi and VWCV
Vision and Targets of Route2025
Vision and targets of Route2025

WE ARE THE BEST AUTOMOTIVE FINANCIAL SERVICES GROUP IN THE WORLD

**STRATEGIC DIMENSIONS**

**CUSTOMERS**
- Excited Customers

**EMPLOYEES**
- Top Employer
- Top Employees

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

**PROFITABILITY**
- Total Operating Income
- 20% ROE
- 40% CIR

**VOLUME**
- 30M Contracts
- 50% Extended Penetration
ROUTE2025 - Target of 30 mn contracts* in portfolio in 2025
Major driver: used cars

* Contract portfolio including contracts of non-consolidated companies
ROUTE2025 | Our Focus Topics

Digitalization

Operational Excellence
Volkswagen Financial Services will digitalize all core products by 2020 and extends its distribution channels.

Past: single channel  
By 2020: multi channel  
By 2025: omni channel

Volkswagen Financial Services will digitalize all core products by 2020 and extends its distribution channels.
Operational Excellence | Cost efficiency has been continuously improved but we are still behind our competitors

Development Cost Income Ratio

2016 2017 2018 2025 2018

54% 51% 49% 40% ~44%*

VW FS Target Ø Competitors

* Sources: Annual Reports

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The main drivers of Volkswagen Financial Services’ expenses are IT, HR and Sales - Right at these points OpEx will have its effects

Global VW FS Targets

1% Overhead Ratio

Best-in-Class Productivity
- Process Optimization
- Lean administration
- Automation

Best-in-Class IT Organization
- Shoring/ Sourcing
- Cloud Strategy
- Shared IT Services
- Application Portfolio

Optimize Cost of Sales
- Reduced campaign reimbursement
- Product comprehensive reimbursement systems
- Optimization of objectives and reimbursement levels
- Effort-based reimbursement Omni-channel

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Thank You.
Volkswagen Bank GmbH
Gifhorner Str. 57
38112 Braunschweig
Germany
Finding the charging station

- **NOW**
  - No central information about charging stations

Solution

- **✓ App to find the charging station**

Authentification

- **✓ ONE App/ Charging card for universal charging/refueling**

Charging and refueling

- **✓ Integrated offer for charging and refueling**

Payment

- **✓ Payment with one bill and uniform prices**

New customer experience "Everything from one source" - integrated process for public charging
Rental & Sharing

**Rental**

- **MAN Rental, EUROLEASING:**
  Rental of **heavy commercial vehicles and trailers** for 1 day to 60 months

- **VW FS Rent a Car, EUROMOBIL:**
  Rental of **passenger cars and light commercial vehicles** from 1 day till 12 months.

**Carsharing**

- **Greenwheels:**
  Station-based carsharing of **passenger cars and light commercial vehicles** for short-time rental (by **hours, days or weeks**).
Smart Parking

Key Facts

- Active in 7 countries
- ~1.4 million parking places in over 400 cities
- About 80 million transactions per year with the target of 250 million transactions in 2020

Market leader in Germany

Role in the Group

- VW FS as platform provider for cashless parking for all brands of the Volkswagen Group

Product

Access / Payment (Comfort)

Relevant coverage

- On-Street (municipal, unlimited)
- Off-Street (limited)
The development of a real alternative to the current duopoly

- mobile.de and AUTO SCOUT24 counts for 85% of the market
- Constant price increase for both platforms
- Dominant platforms controlled by American tech companies

Heycar is being developed as an alternative in close cooperation with dealers

Daimler Financial Services acquired 20% stake

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