

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



## **Creating Value with Financial Services**

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CFO Volkswagen Financial Services AG

Investor Update – Volkswagen Financial Services

## 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, 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. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore 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, 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.

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 Such statements are valid on the date of publication and can be superseded.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.

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

Volume	Premium	Sport & Luxury	Truck & Bus	Procurement/ Components	Financial Services	China
<p>VW  Volkswagen</p> <hr/> <p>ŠKODA  ŠKODA</p> <hr/> <p>SEAT  SEAT</p> <hr/> <p>VW LCV  Nutzfahrzeuge</p> <hr/> <p>MOIA </p>	<p>Audi  Audi</p> <hr/> <p>Lamborghini<sup>1)</sup> </p> <hr/> <p>Ducati<sup>1)</sup> </p>	<p>Porsche  PORSCHE</p> <hr/> <p>Bentley  BENTLEY</p> <hr/> <p>Bugatti </p>	<p>MAN </p> <hr/> <p>Scania </p> <hr/> <p>Power Engineering<sup>1)</sup></p>	<p>Procurement</p> <hr/> <p>Components</p>	<p>Volkswagen Financial Services</p> <hr/> <p>VOLKSWAGEN FINANCIAL SERVICES <small>AKTIENGESELLSCHAFT</small></p> <hr/> <p>VOLKSWAGEN BANK <small>GMBH</small></p> <hr/> <p>Porsche Financial Services</p> <hr/> <p>Financial Services USA / Canada / Spain</p> <hr/> <p>Scania Financial Services</p> <hr/> <p>Porsche Holding Financial Services</p>	<p>Region China</p>

<sup>1)</sup> Allocation to be verified

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

## We offer the whole range of services under one roof\*

VOLKSWAGEN  
FINANCIAL SERVICES  
THE KEY TO MOBILITY

### BANKING



#### BANK

- Retail Financing
- Wholesale Financing
- Factoring
- Deposits

### LEASING



#### LEASING

- Finance Lease
- Operating Lease

### INSURANCE & SERVICE



#### INSURANCE

- Motor incl. Telematics
- Warranty
- GAP & CPI
- Commercial Lines



#### SERVICES

- Service & Inspection
- Full and Limited Maintenance
- Tyres



#### FLEET

- Multi-brand capability
- Reporting
- Telematics
- Life-Cycle-Services
- Consulting



#### HEYCAR

- Used Car Platform

### MOBILITY



#### CHARGE & FUEL

- Fuel & Service Cards
- Charge & Fuel Card
- Tolling



#### RENTAL

- Long-term Rental
- Short-term Rental
- Micro Rental | Car sharing



#### PARKING

- Payment for parking space
- Services around parking
- On- and off-street



#### PAYMENT

- In-Car-Payment
- Mobile Payment
- Wallet

PROFITABILITY

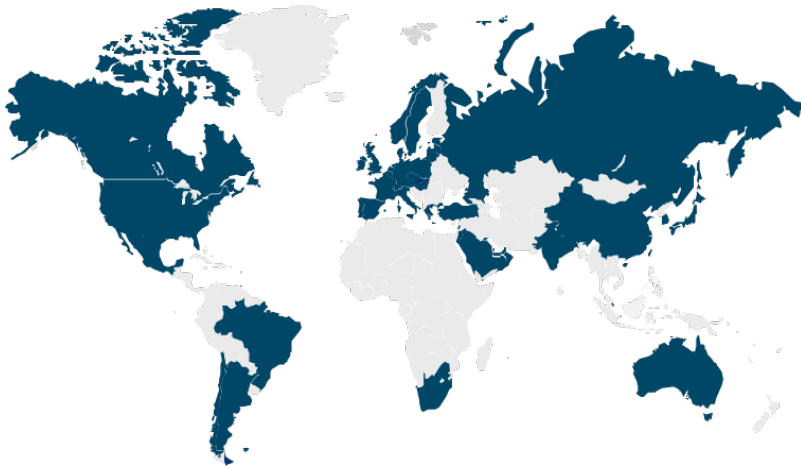
CONTACT FREQUENCY

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

# Volkswagen Financial Services at a glance (31.12.2018)

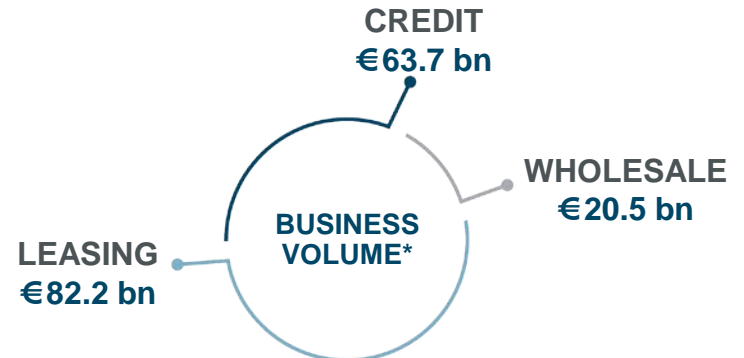
Volkswagen Financial Services conducts business in

## 48 MARKETS.



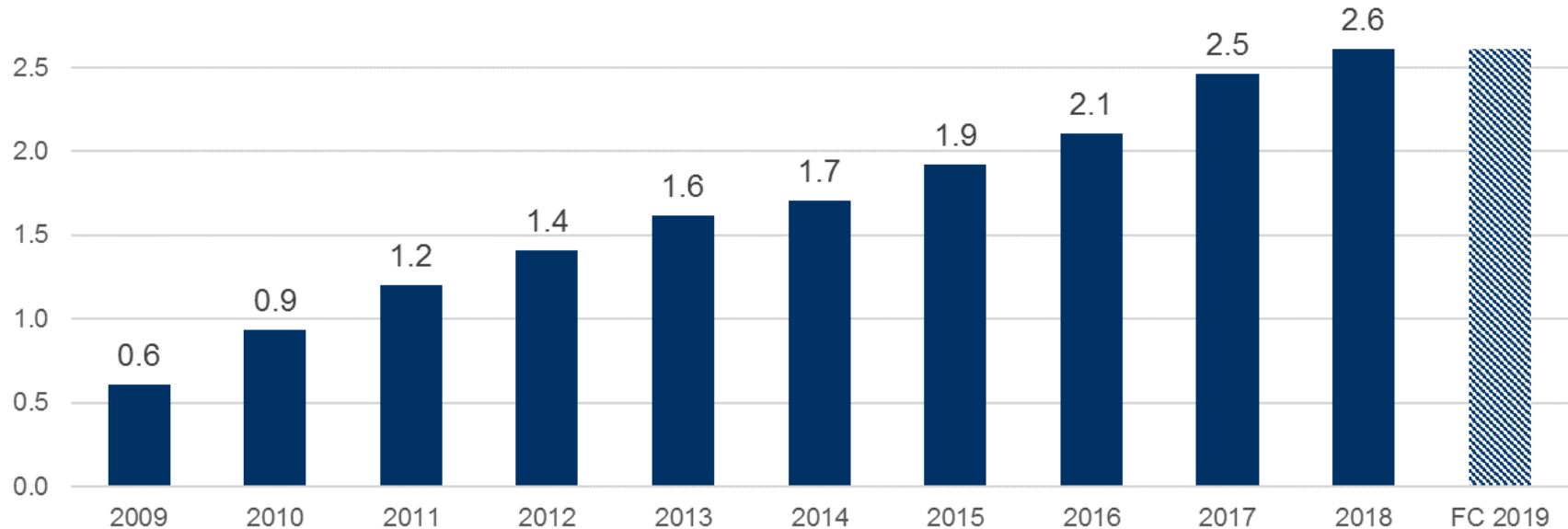
## KEY FIGURES

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



## Volkswagen Financial Services - Operating Income

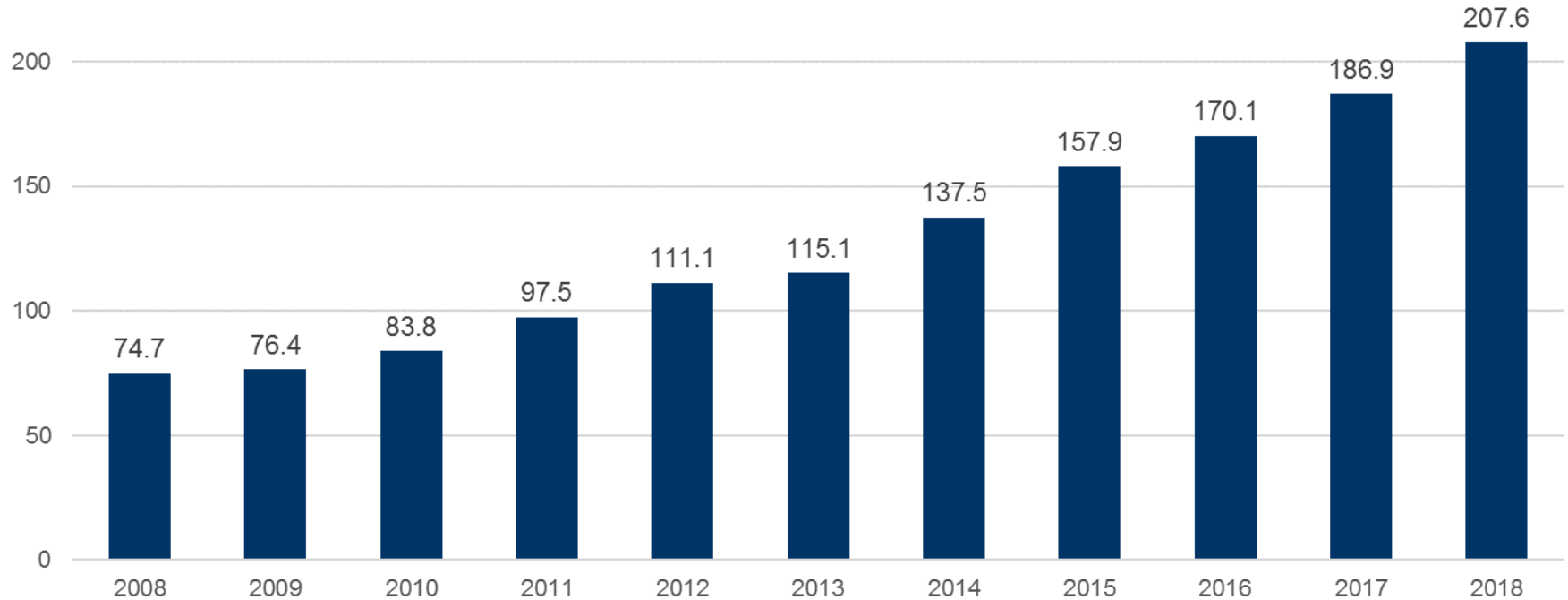
bn €



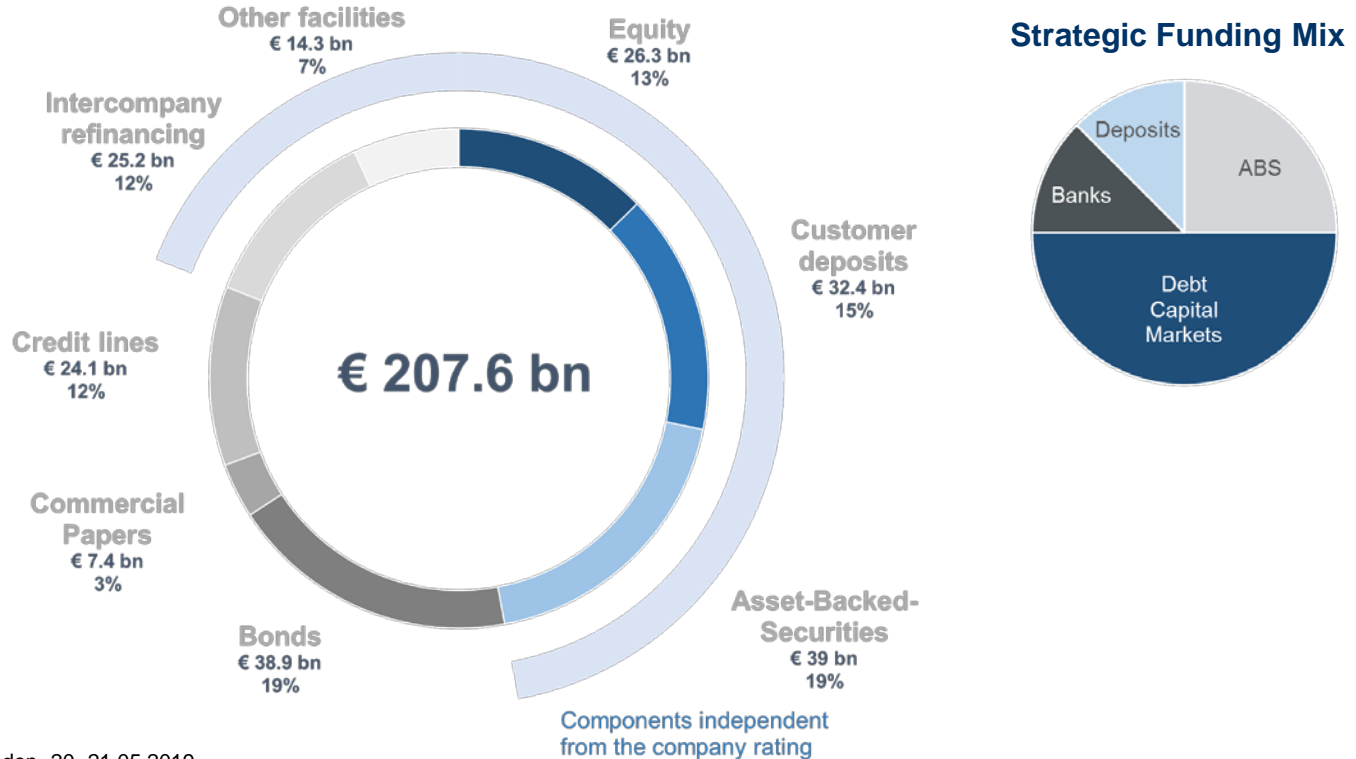


## Volkswagen Financial Services – Balance Sheet

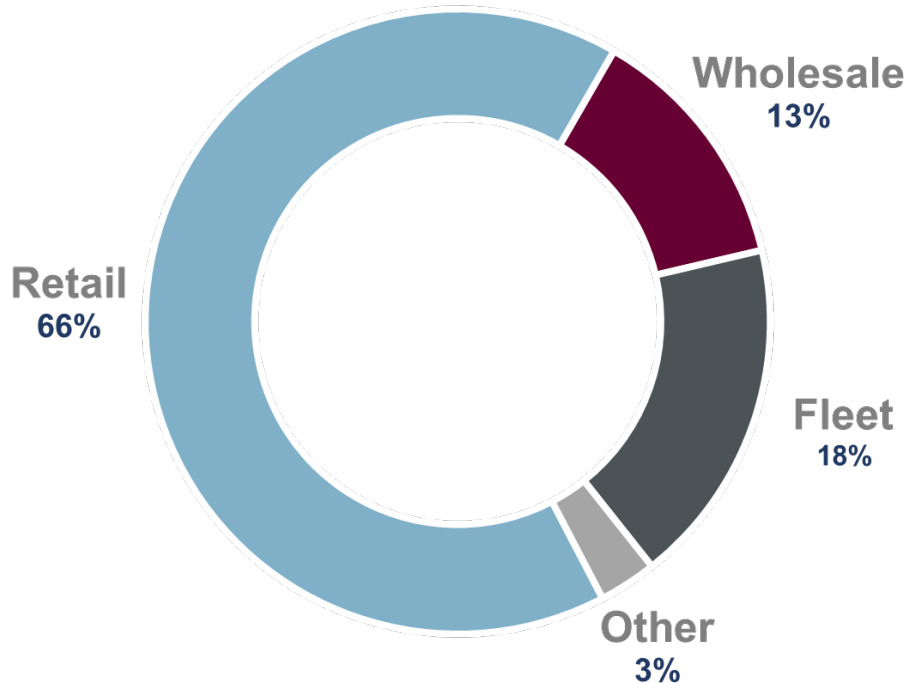
bn €



# Volkswagen Financial Services: successful, diversified and automotive-independent funding structure (12/31/2018)



## 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.

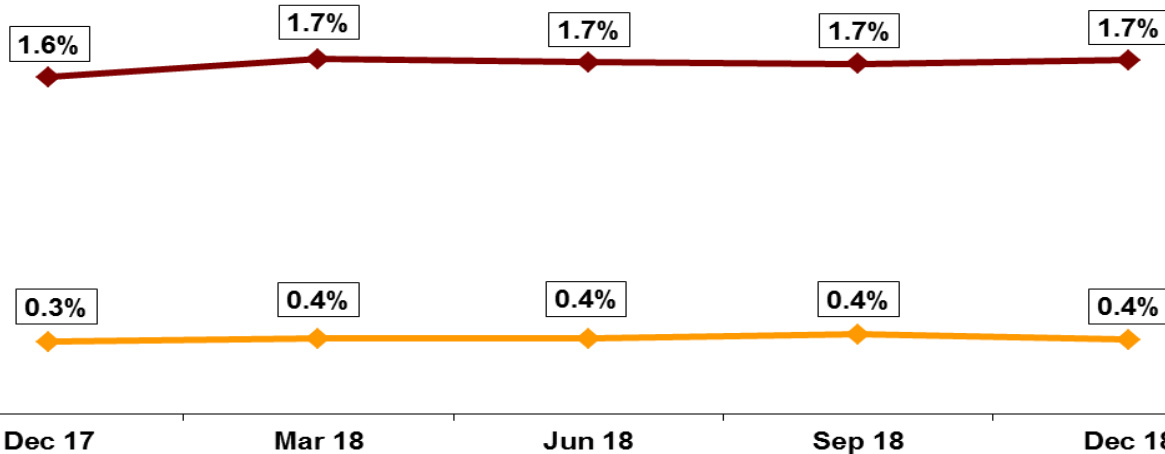
### Other substantial risk types:

- 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

Total Provision Ratio according to IAS 39 =

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



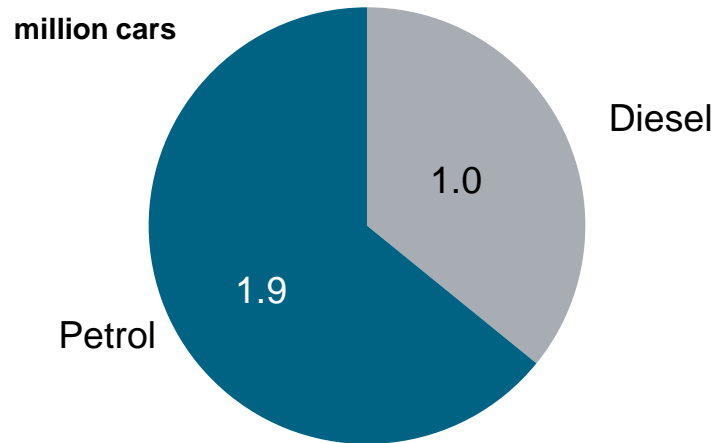
Ø Dynamic Loss Ratio

Dynamic Loss Ratio =

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

## Residual value situation of Volkswagen Financial Services as of 31.03.2019

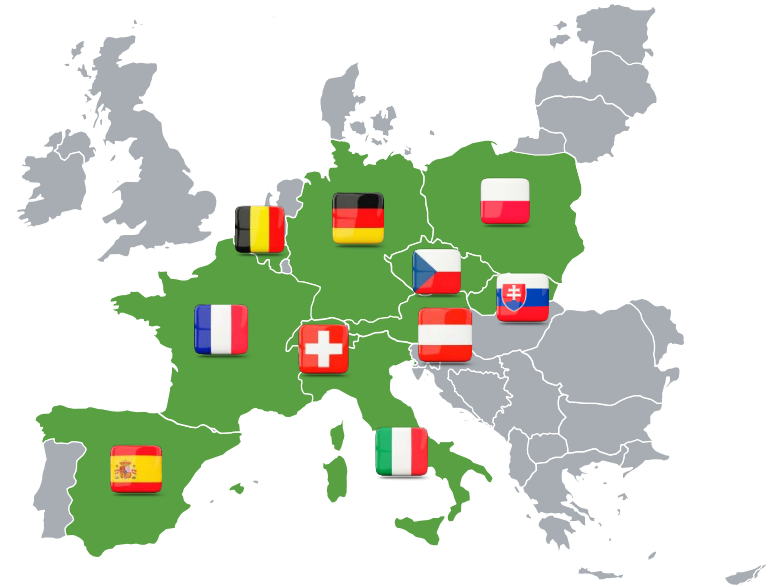
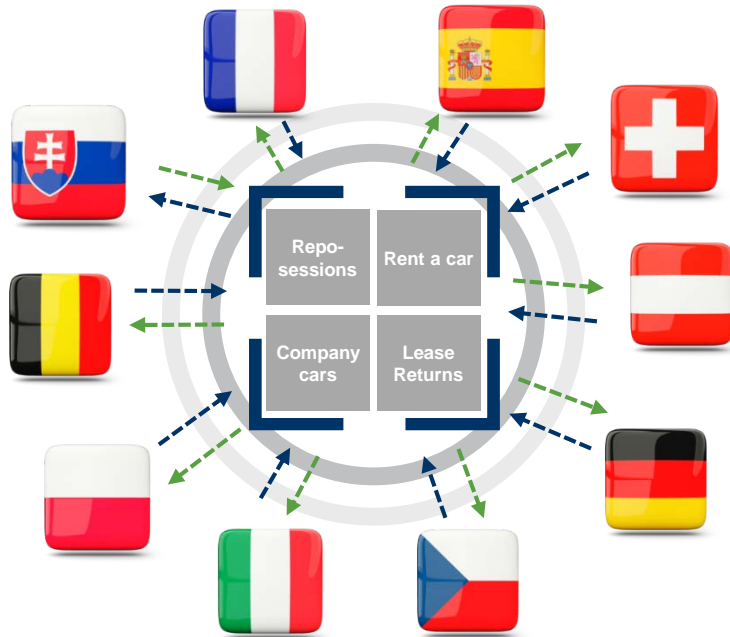
### Vehicles in direct residual value portfolio



**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

### New Products



# The Volkswagen Financial Services offer must adapt to market changes

## Classic business model



INCOME

- ✓ Car financing
- ✓ Dealer financing
- ✓ Leasing
- ✓ Insurance
- ✓ Services



RISK

- ✓ Interest and liquidity risk
- ✓ Default risk
- ✓ Residual value risk



PARTNER

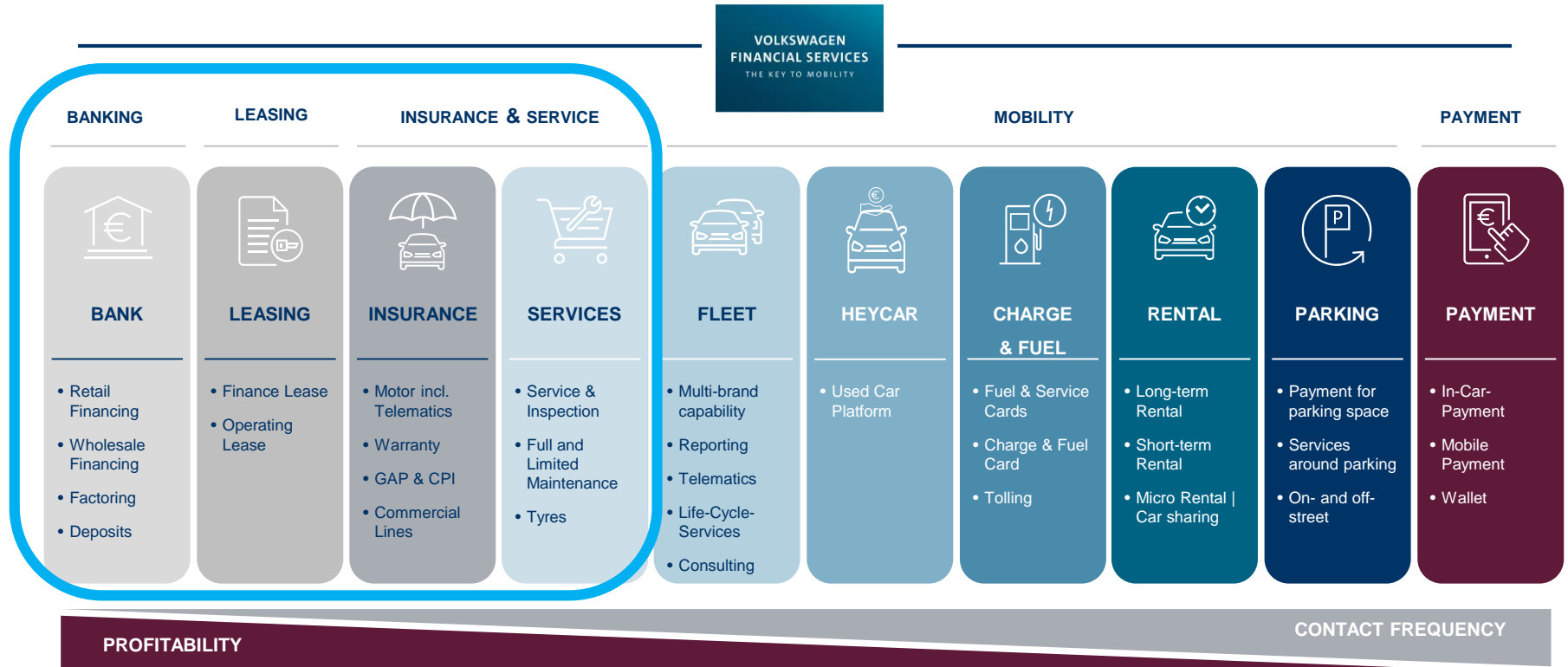
- ✓ Retail customer (1:1)
- ✓ Dealers
- ✓ BaFin, ECB



# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

## 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



**INCOME**

- + Rental products
- + Fleet business
- + Parking, Fuel, Toll



**RISK**

- + Revenue risk
- + Utilisation risk
- + Operating risk (own operations)



**PARTNER**

- + Mobility customers (1:n)
- + Municipal authorities
- + Public transport

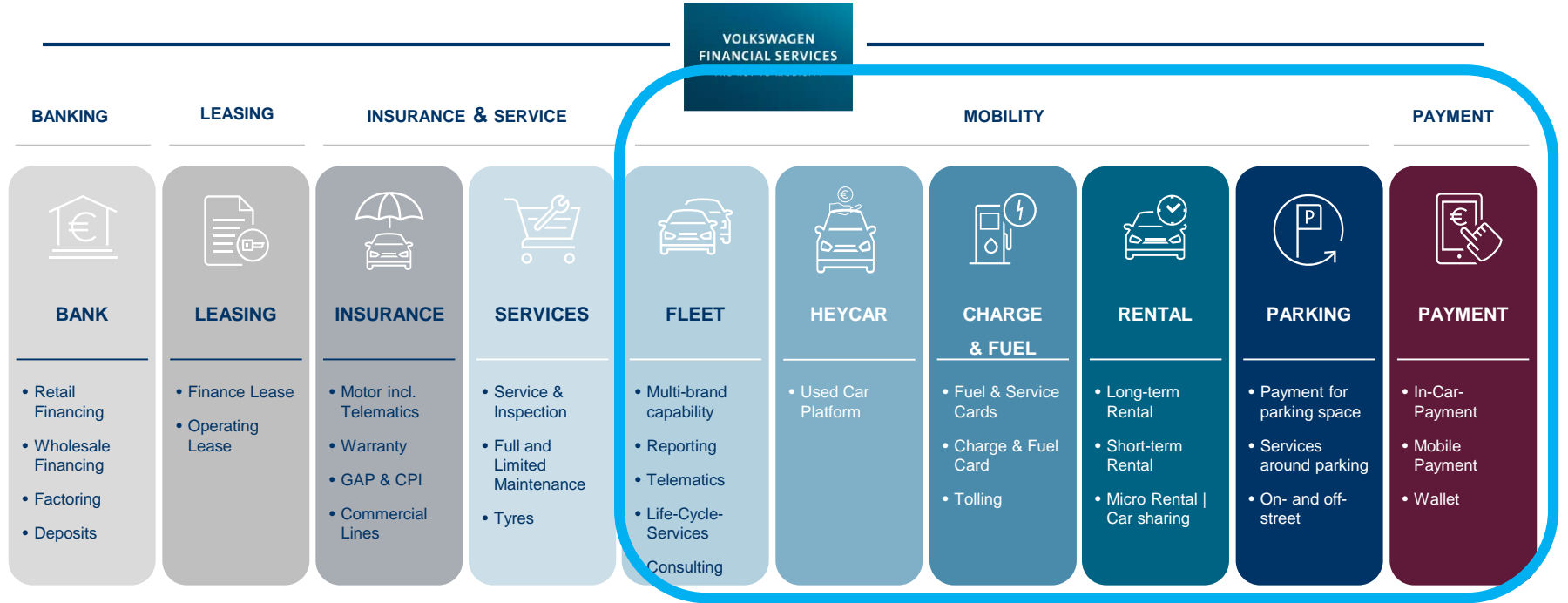


# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

## We offer the whole range of services under one roof\*

VOLKSWAGEN  
FINANCIAL SERVICES



PROFITABILITY

CONTACT FREQUENCY

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# The Volkswagen Financial Services offer must adapt to market changes

## Digital products



**INCOME**

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



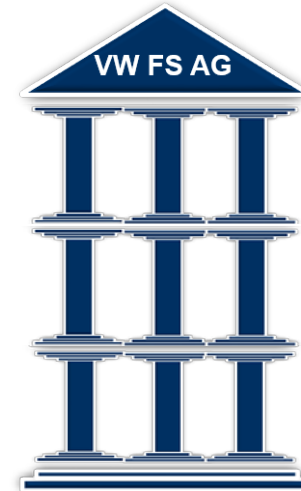
**RISK**

- + Cyber risks
- + Traffic law risks (autonomous driving)

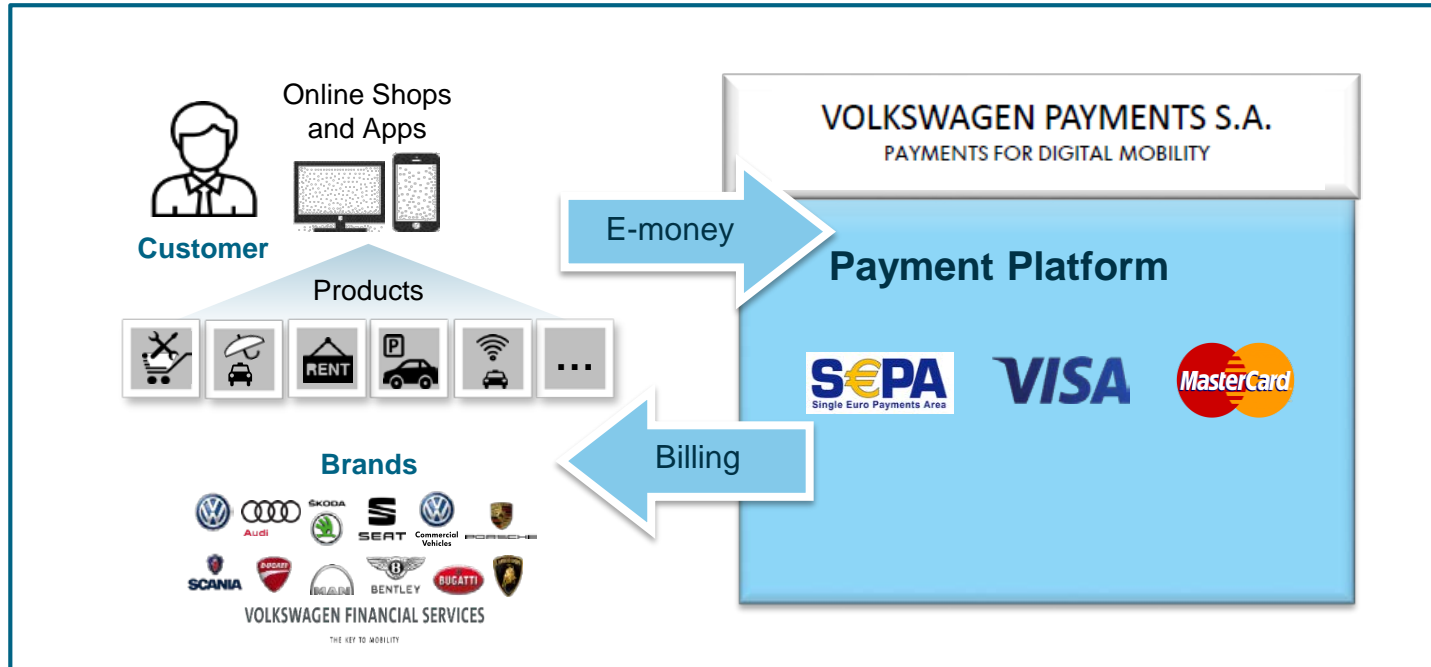


**PARTNER**

- + Digital-savvy customers
- + Digital companies



# 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



INCOME

- + Classic business, new mobility concepts and digital products for e-cars
- + Charging-products



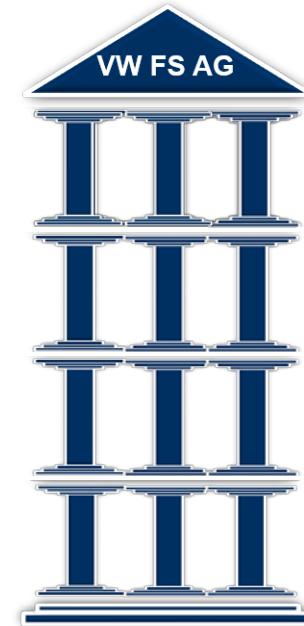
RISK

- + Revaluation of classic risks, especially residual value risk (internal combustion engine vs. electric motor)



PARTNER

- + Environmentally aware customers
- + Energy providers
- + Battery producers
- + Providers of charging infrastructure

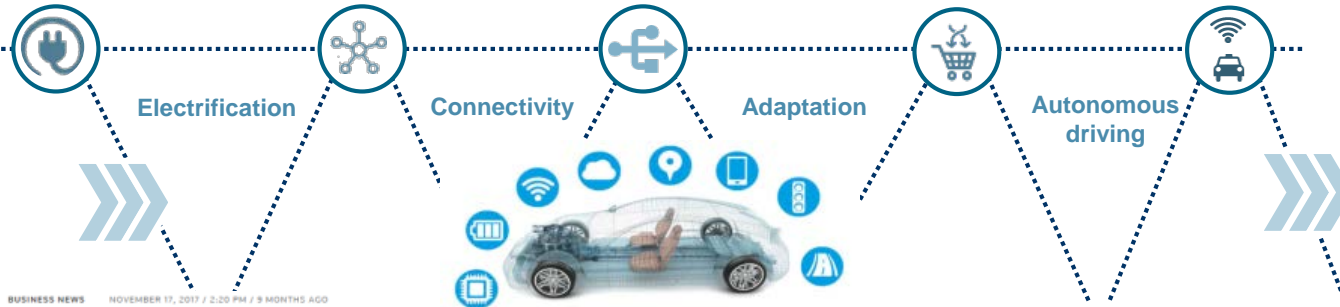


# Electrification and digitalization change the automotive industry


Launches



Investments

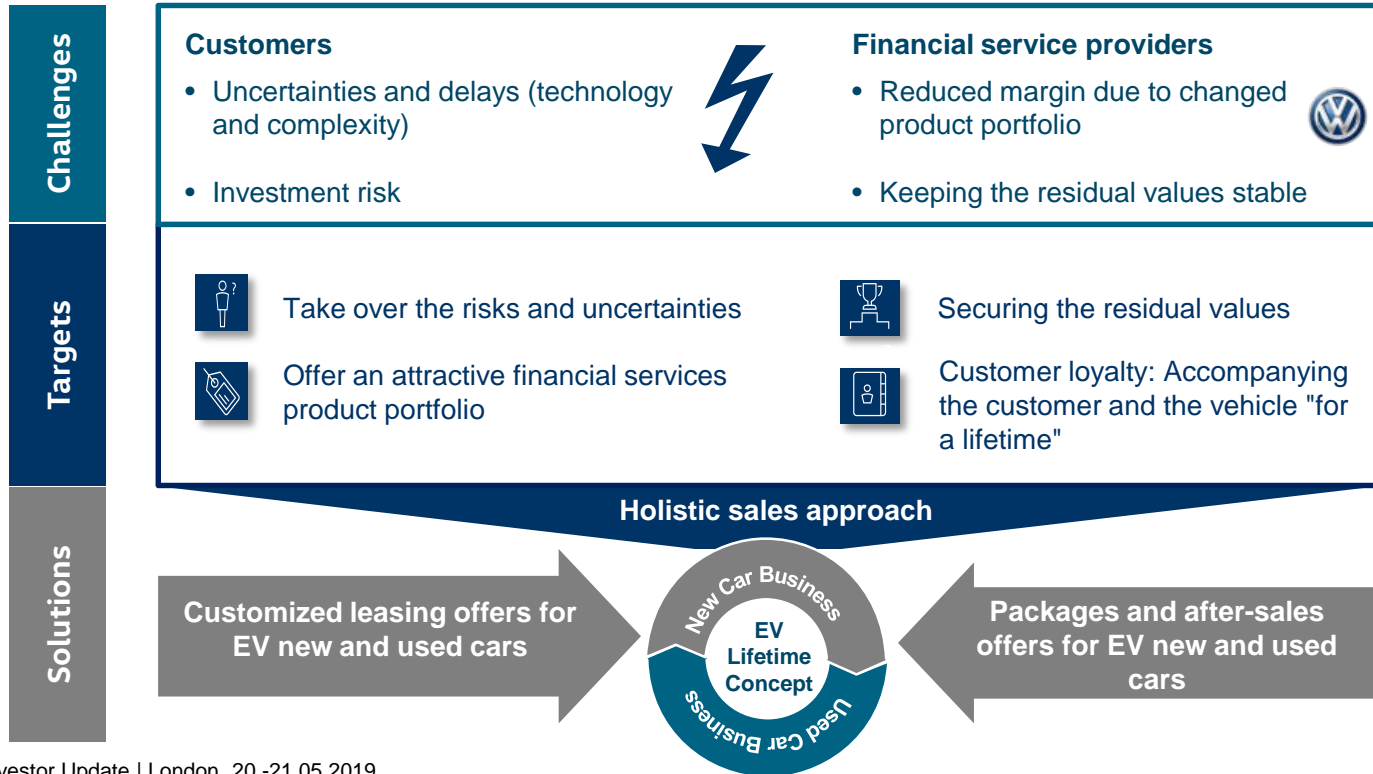


Volkswagen accelerates push into electric cars with €30 billion spending plan

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



# Electrification creates new challenges for automotive financial service providers



# Volkswagen Financial Services e-charging solutions provides access to public charging



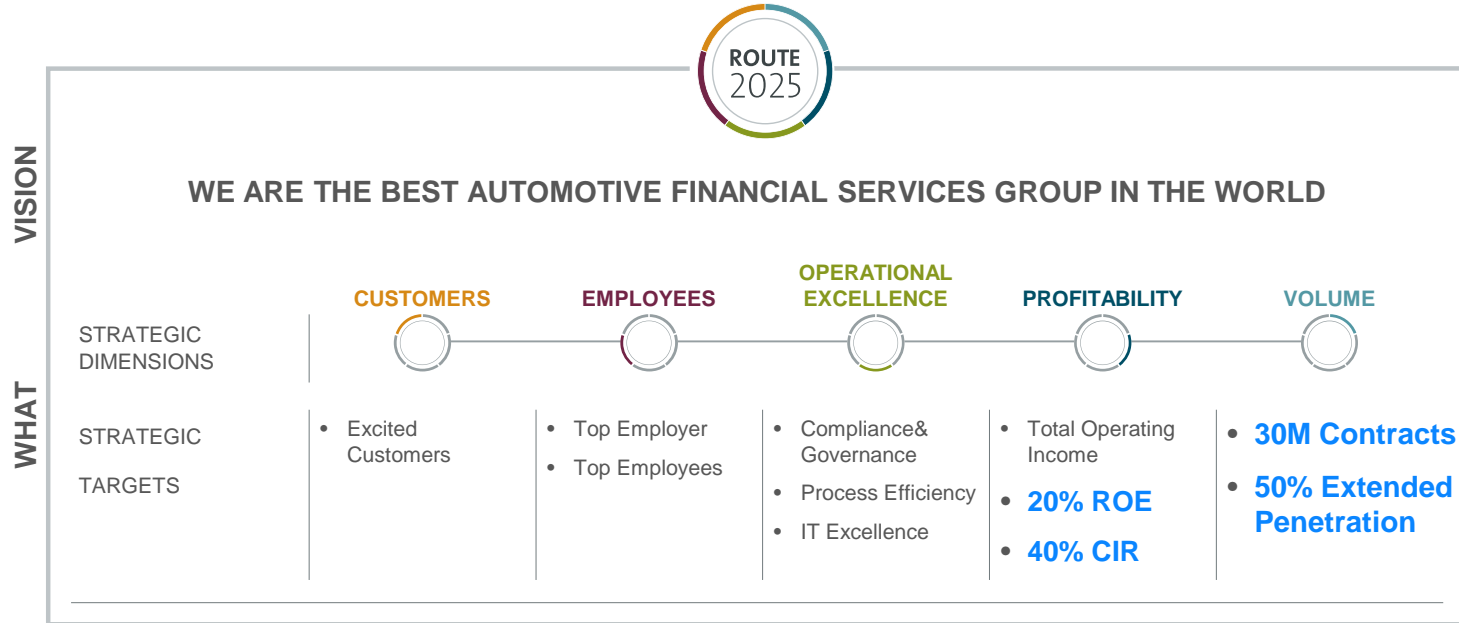
## Focus VW FS





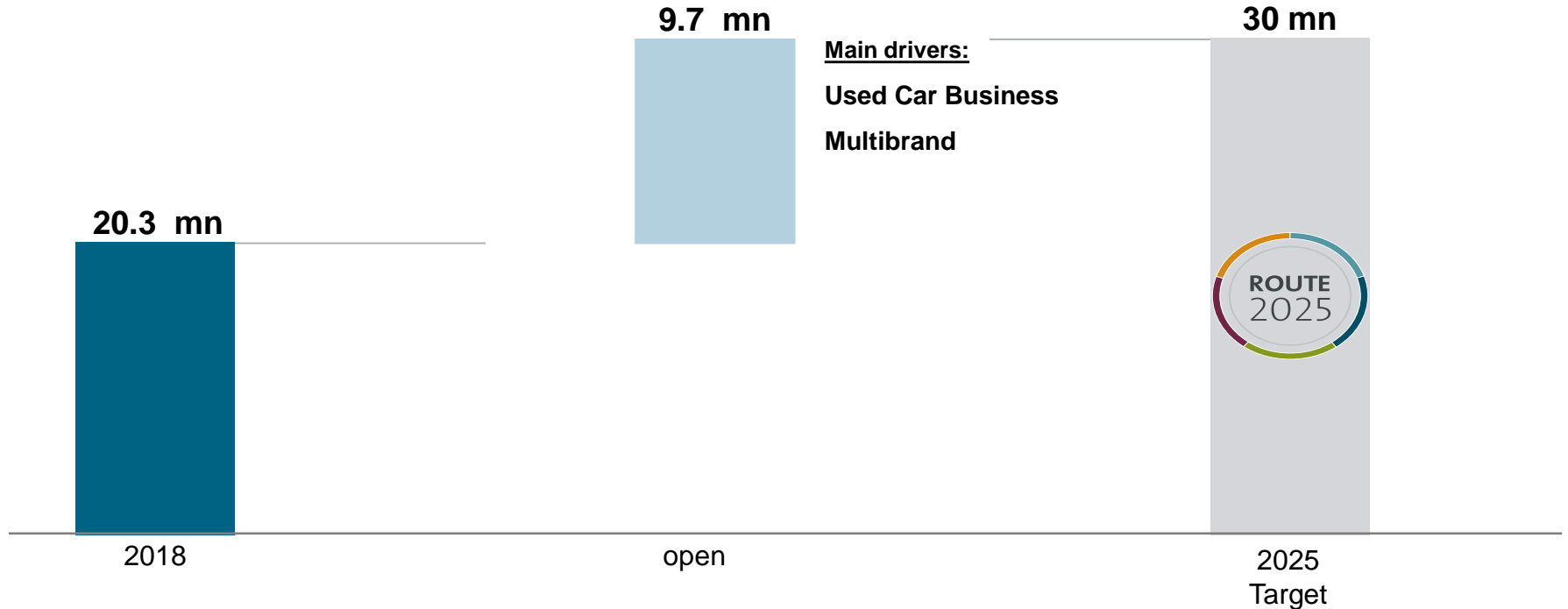
## Vision and Targets of Route2025

# Vision and targets of Route2025



# ROUTE2025 - Target of 30 mn contracts\* in portfolio in 2025

## Major driver: used cars



\* Contract portfolio including contracts of non-consolidated companies

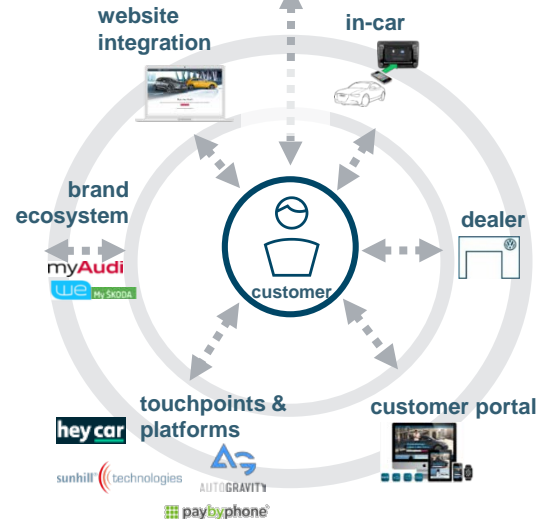
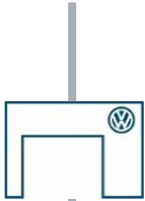
# ROUTE2025 | Our Focus Topics

**Digitalization**

**Operational Excellence**

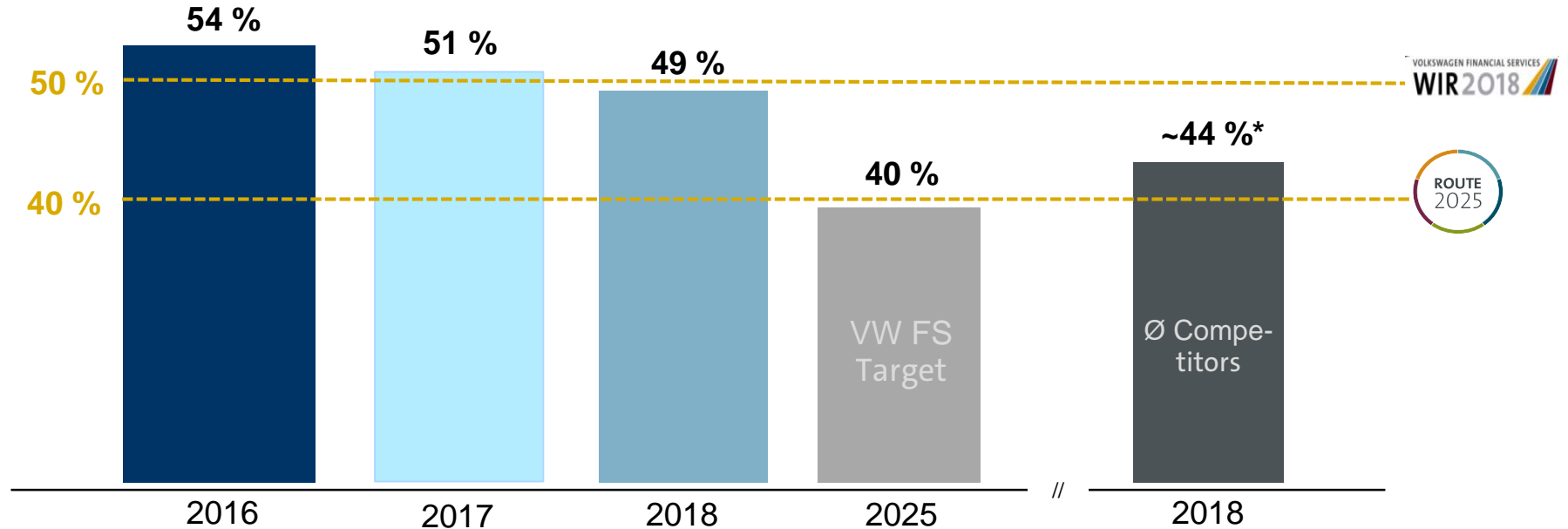


# Volkswagen Financial Services will digitalize all core products by 2020 and extends it's distribution channels



# Operational Excellence | Cost efficiency has been continuously improved but we are still behind our competitors

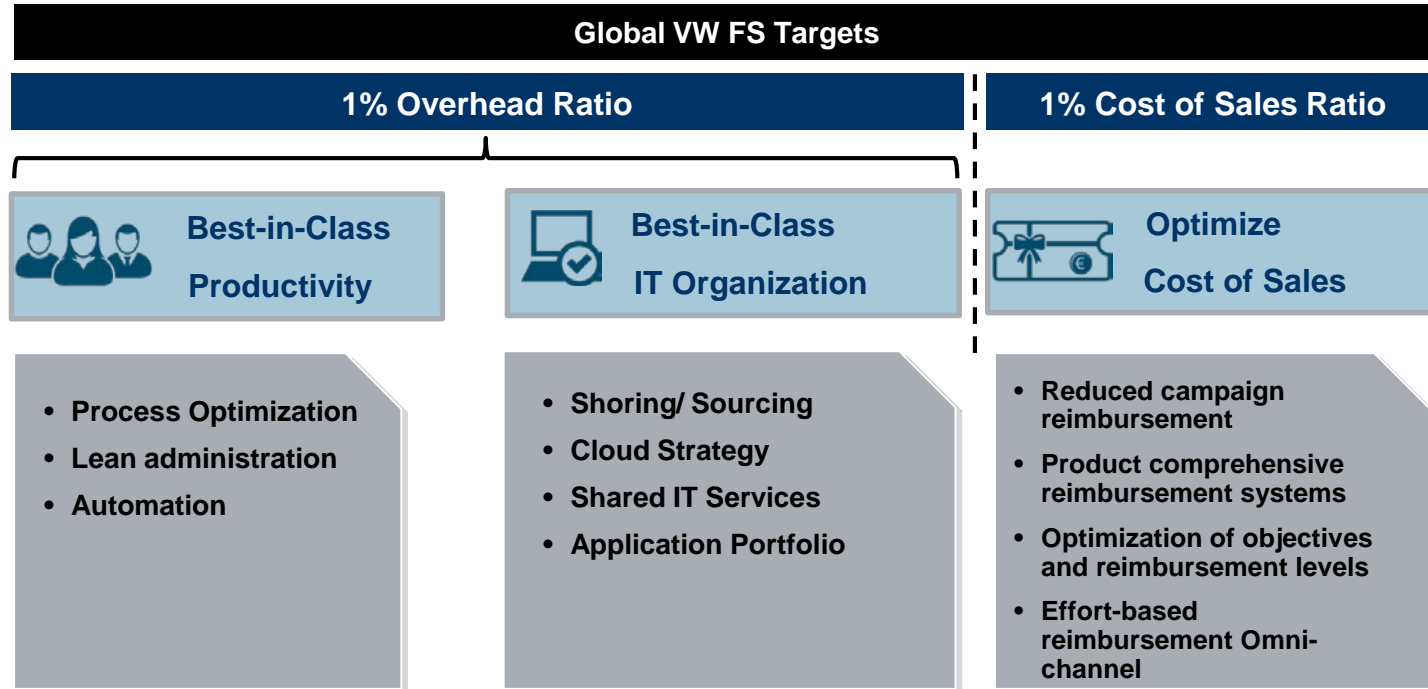
Development Cost Income Ratio



\* Sources: Annual Reports



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



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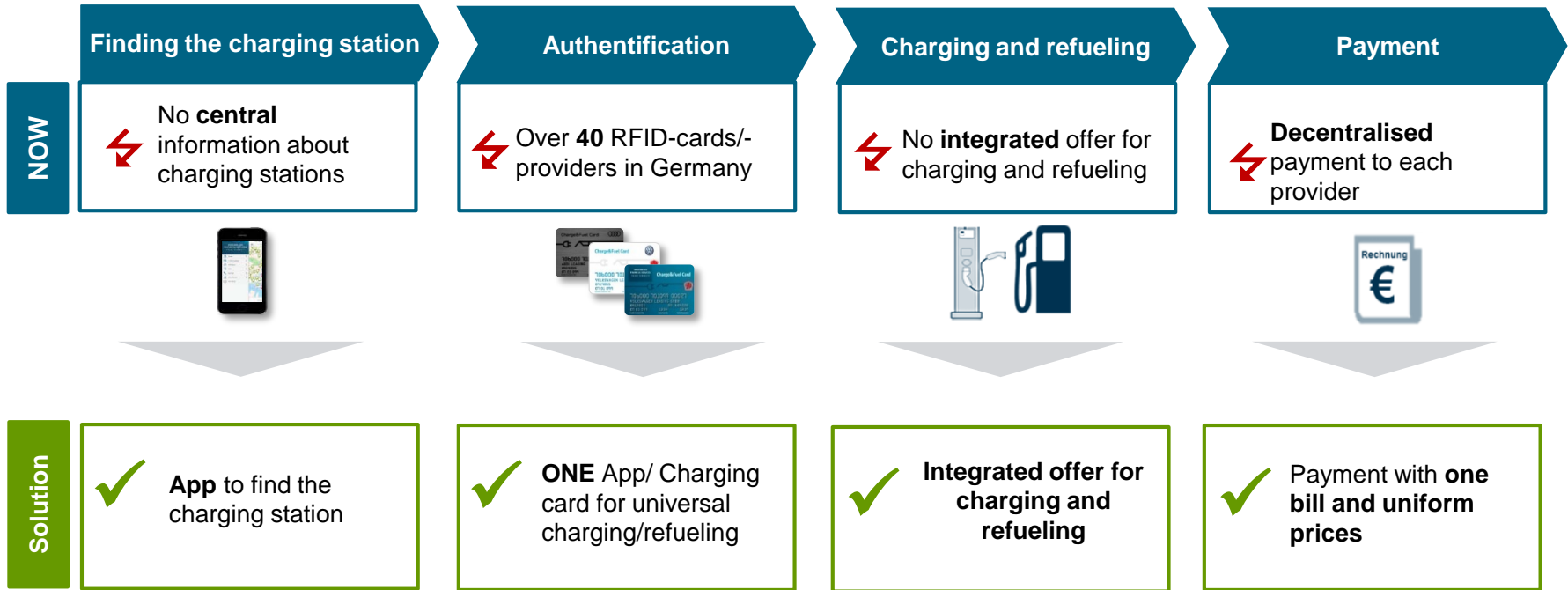
**Thank You.**

Volkswagen Bank GmbH

Gifhorner Str. 57

38112 Braunschweig

Germany



▶ New customer experience "Everything from one source" - integrated process for public charging



### 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 **passanger 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**).



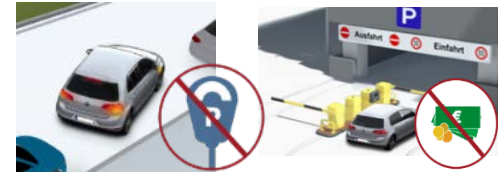


## Key Facts



- 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**

## Product



**Access / Payment (Comfort)**

## Role in the Group

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



## Relevant coverage



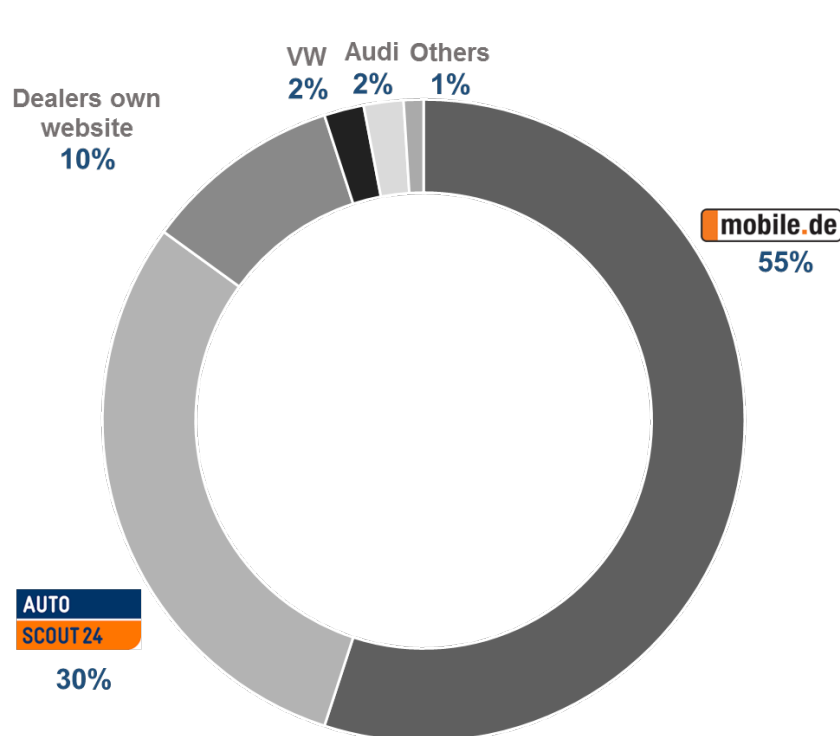
**On-Street**  
(municipal,  
unlimited)



**Off-Street**  
(limited)

# hey car | development of a real alternative to the current duopoly

## Online share of trades



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



▶ **hey car is being developed as an alternative in close cooperation with dealers**

▶ **Daimler Financial Services acquired 20% stake**