



Volkswagen Financial Services

Strategy and business development in China

Harald Müller

General Manager, Volkswagen Finance (China) Co., Ltd.

Beijing, 14 April 2015

Volkswagen Group – Leveraging the power of three strong pillars

VOLKSWAGEN

AKTIENGESELLSCHAFT

Automotive Division

Financial Services Division

Passenger Cars

Commercial Vehicles / Power Engineering

Volkswagen Financial Services



Audi

SEAT

ŠKODA



BENTLEY



BUGATTI



PORSCHE



DUCATI

Remaining companies



Commercial
Vehicles



SCANIA



VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Europe / Asia-Pacific / North and South America

Financial Services



USA / Canada / Spain / Argentina

Scania Financial Services

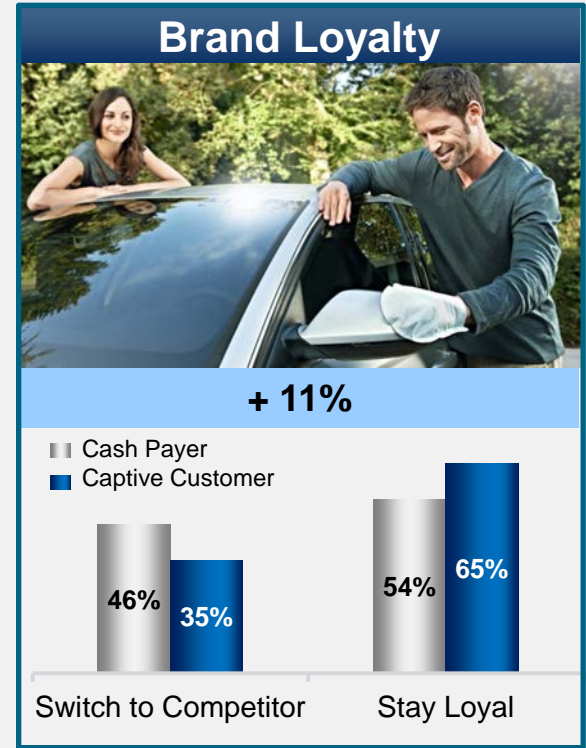
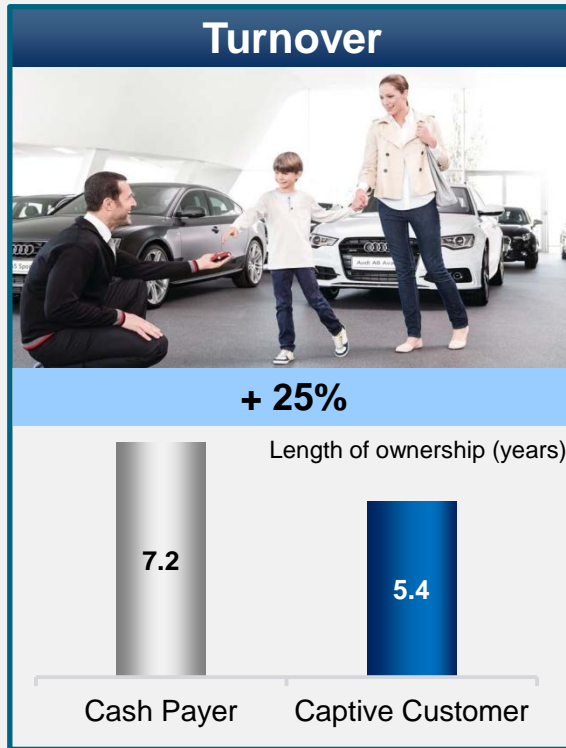
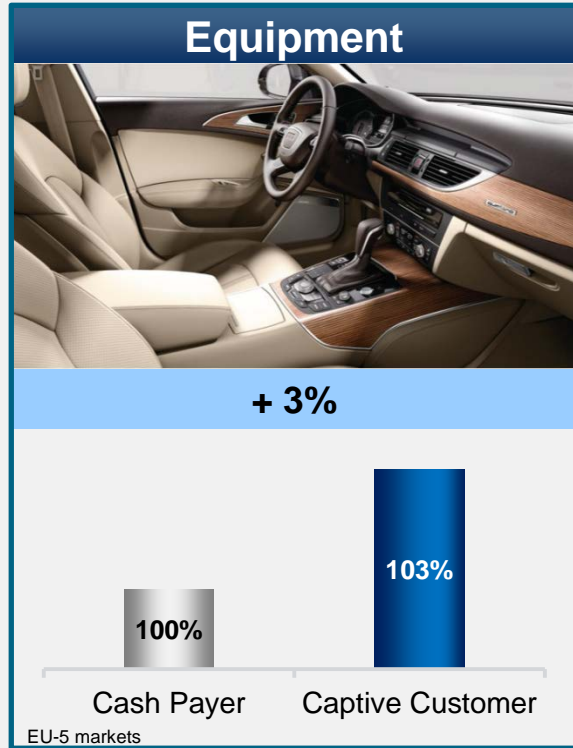
Porsche Holding Financial Services

Porsche Financial Services

Volkswagen Financial Services offers the whole range of services

BANK		LEASING	INSURANCE	MOBILITY	
 <p>Bank</p>	 <p>Direct Bank</p>			 <p>Services</p>	 <p>Rental</p>
<ul style="list-style-type: none"> • Retail Finance • Dealer Finance • Factoring 	<ul style="list-style-type: none"> • Deposits • Instalment Loans • Investment Products 	<ul style="list-style-type: none"> • Finance Lease • Operating Lease 	<ul style="list-style-type: none"> • Automotive • Payment Protection • Industry 	<ul style="list-style-type: none"> • Fleet Management • Tyre • Wear & Tear 	<ul style="list-style-type: none"> • Long-term Rental • Short-term Rental • Car Sharing

Strong benefits for automotive through captive





Volkswagen Financial Services in China

VOLKSWAGEN FINANCE

CHINA COMPANY LIMITED

CBRC
regulated

Retail Finance. Wholesale Finance.

VOLKSWAGEN NEW MOBILITY SERVICES

INVESTMENT COMPANY LIMITED

MofCom
regulated

Leasing. Insurance. After Sales. New Mobility.





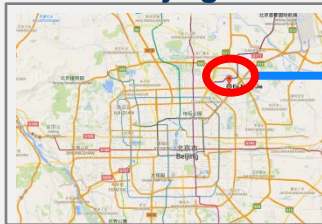
Volkswagen Finance (China) Co., Ltd. – Overview

Volkswagen Finance (China) Co., Ltd.

China



Beijing



Fu Rong Lu



Facts & Figures

- Foundation: 2004
- **Shareholder:**
100% Volkswagen Financial Services AG
- Total Assets: RMB36.8 bn¹⁾
- Employees: 763¹⁾
- Awards: Top Employers China 2013, 2014 & 2015
Best AFC 2012, 2013 & 2014
- Regulator:
China Banking Regulatory Commission (CBRC)
- Board of Directors:
R. Fleger, F. Witter, L.-H. Santelmann,
C. Isensee, W. Soh
- General Management:
J. Kurzrock, H. Müller, J. Huang

¹⁾ as of 31 December 2014



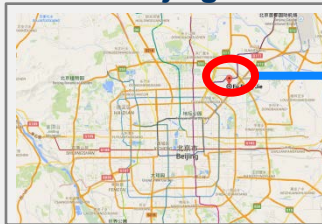
Volkswagen New Mobility Services Investment Co., Ltd. – Overview

Volkswagen New Mobility Services

China



Beijing



Fu Rong Lu



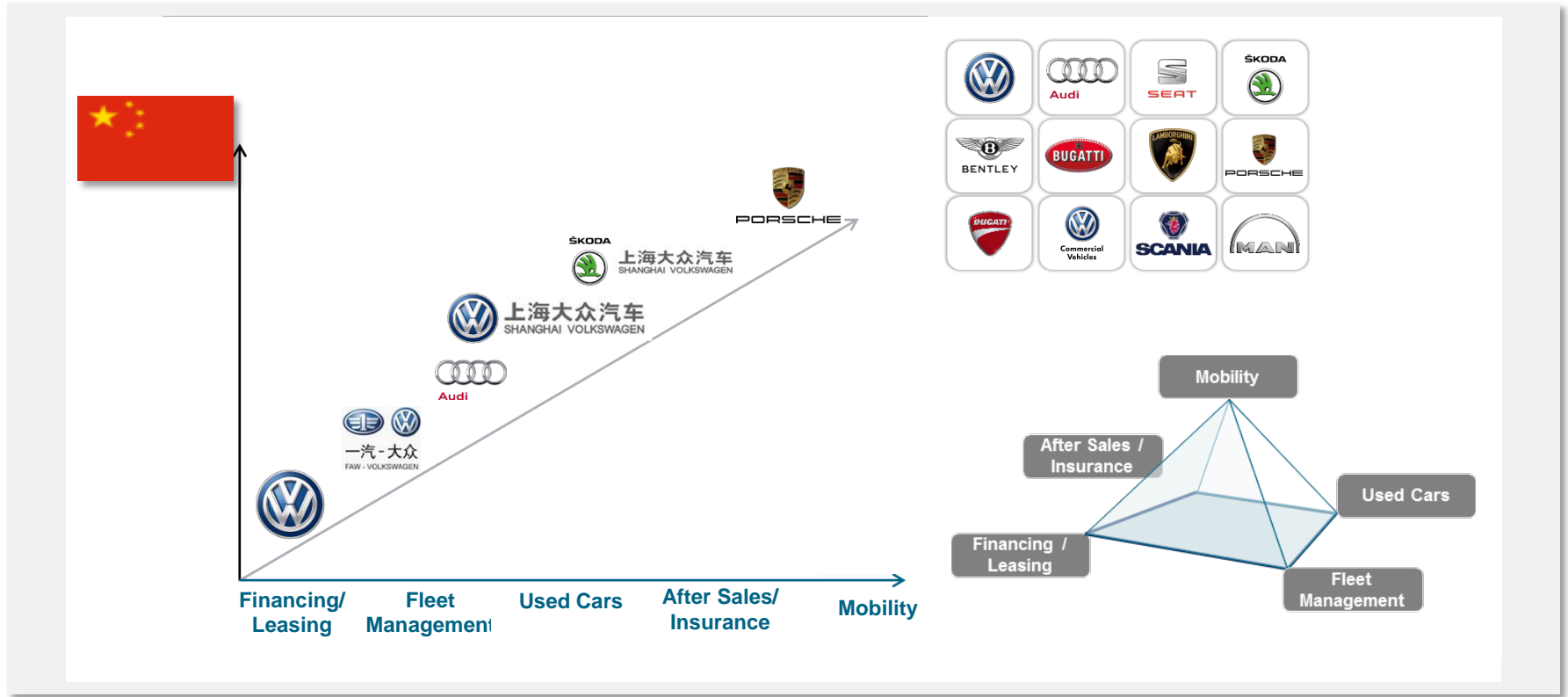
Facts & Figures

- Foundation: December 2011
- **Shareholder:**
100% Volkswagen Financial Services AG
- Employees: 179¹⁾
- 7 leasing subsidiaries¹⁾ + 7 leasing branches¹⁾
- 1 consulting subsidiary
- Board of Directors:
R. Fleger, F. Witter, L.-H. Santelmann,
C. Isensee, W. Soh
- General Management:
P. Tempich, R. Yeo

¹⁾ as of 31 December 2014 including branches and subsidiaries



Volkswagen Financial Services China: Three strategic growth dimensions





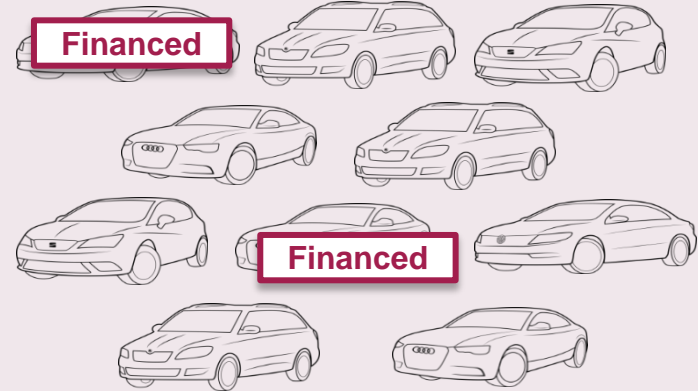
Traditionally, “Cash was King” when buying a car

In the past...



...cash was the first choice
to buy cars!

Today...



...every 5th new car in
China is financed!



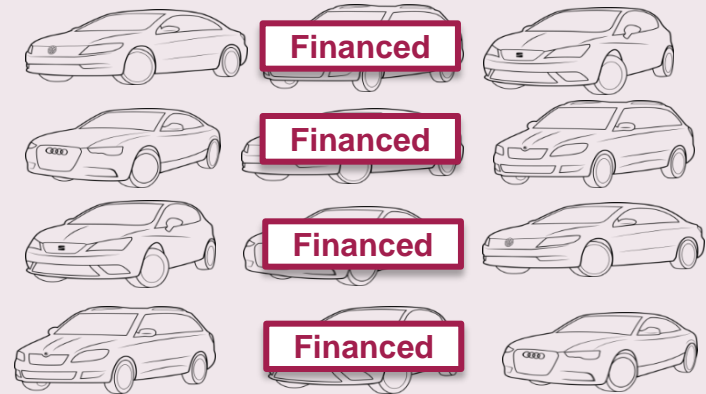
In the future, consumers are expected to increasingly turn to financing

In the past...



...cash was the first choice to buy cars!

Tomorrow...



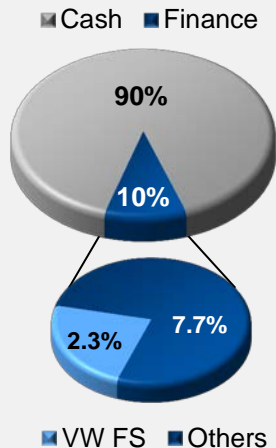
...every 3rd new car will be financed!



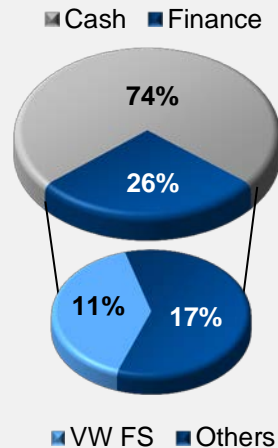
Gaining share in an expanding retail financing market

Volkswagen Finance (China) retail finance penetration in the Volkswagen Group China network (% of deliveries to customers)

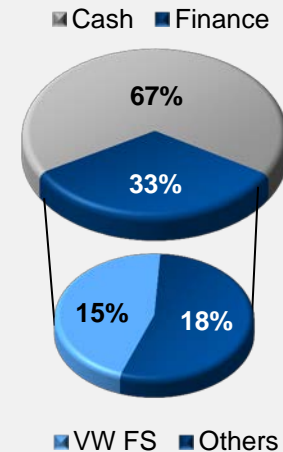
2007



2014



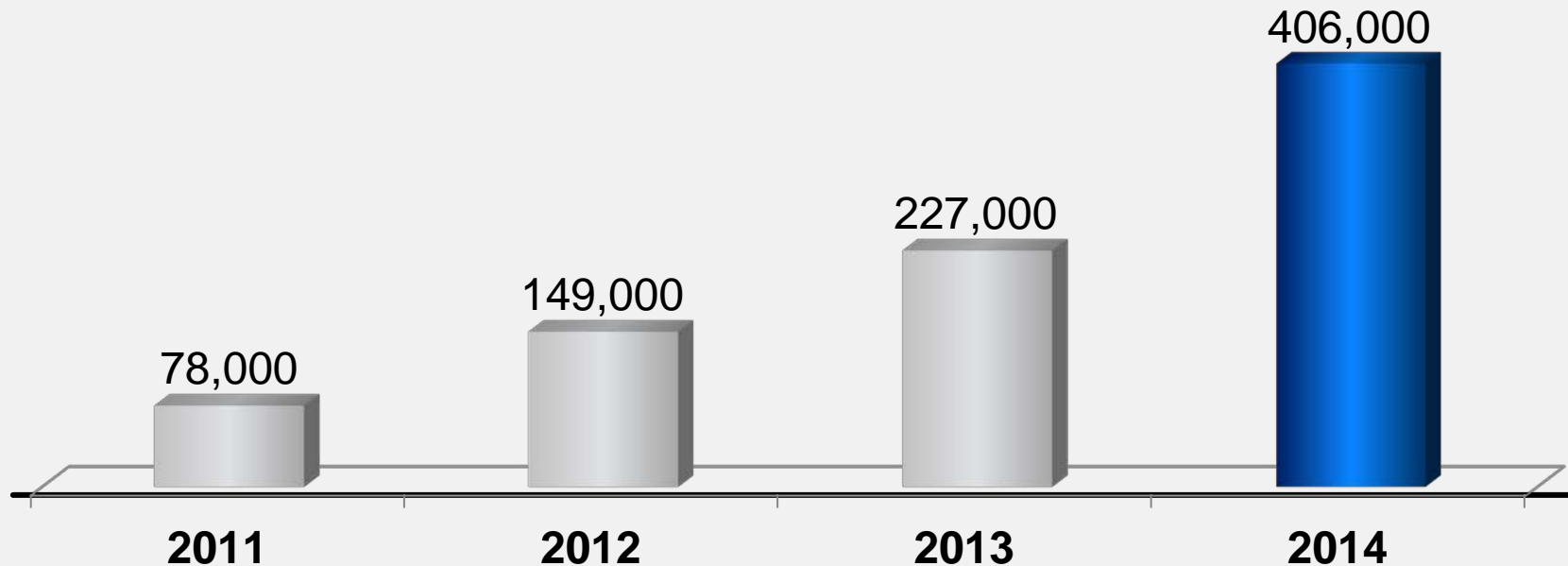
2018e





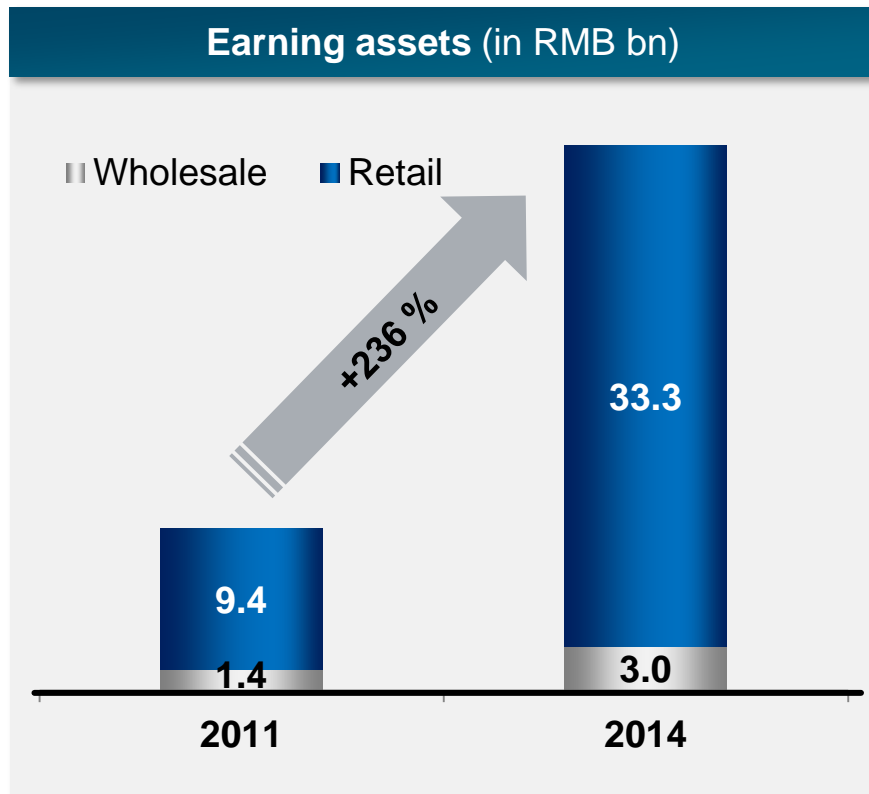
Growth dimension: Strong retail finance development in Volkswagen Finance

New retail finance contracts Volkswagen Finance (China) (number of units)





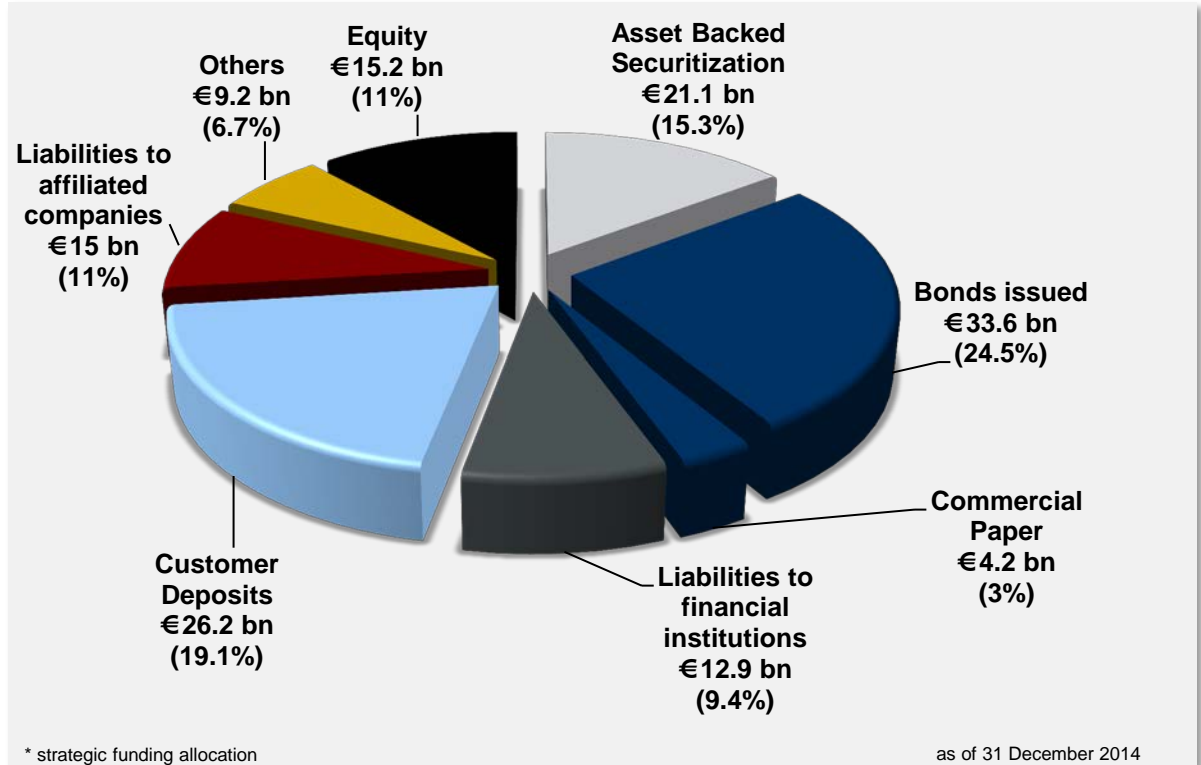
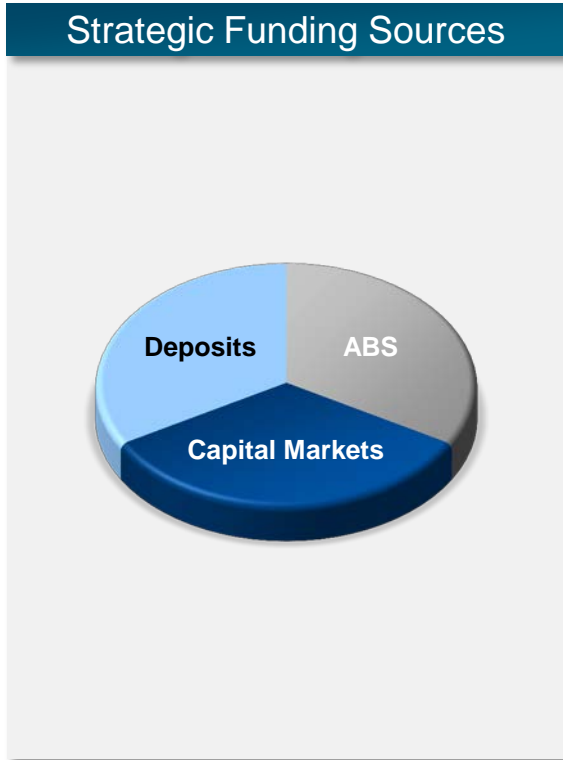
Managing growth is the key challenge for Volkswagen Finance (China)



- More and more complex regulatory environment, locally and internationally
- High demand from the financing industry for experts in the labor market
- Limited funding diversification in the still restricted Chinese financing market

Funding structure Volkswagen Financial Services

Total € 137.4 bn

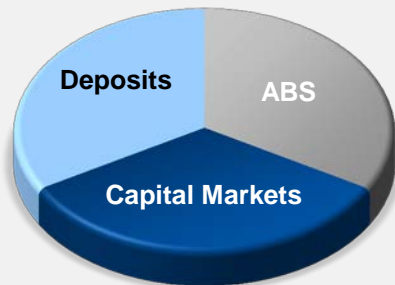




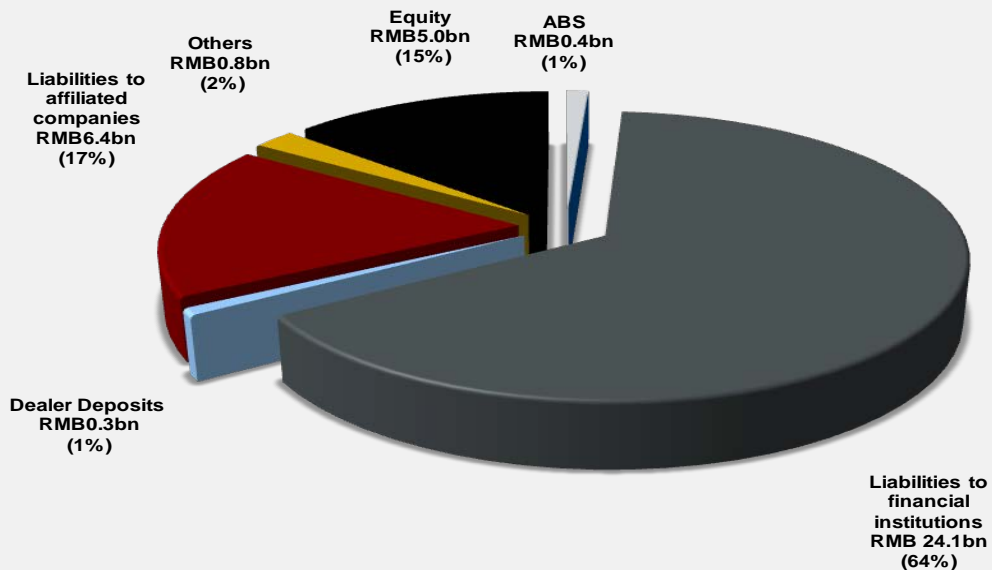
Funding structure of Volkswagen Finance (China)

Total RMB36.8 bn as of 31 December 2014

Strategic Funding Sources

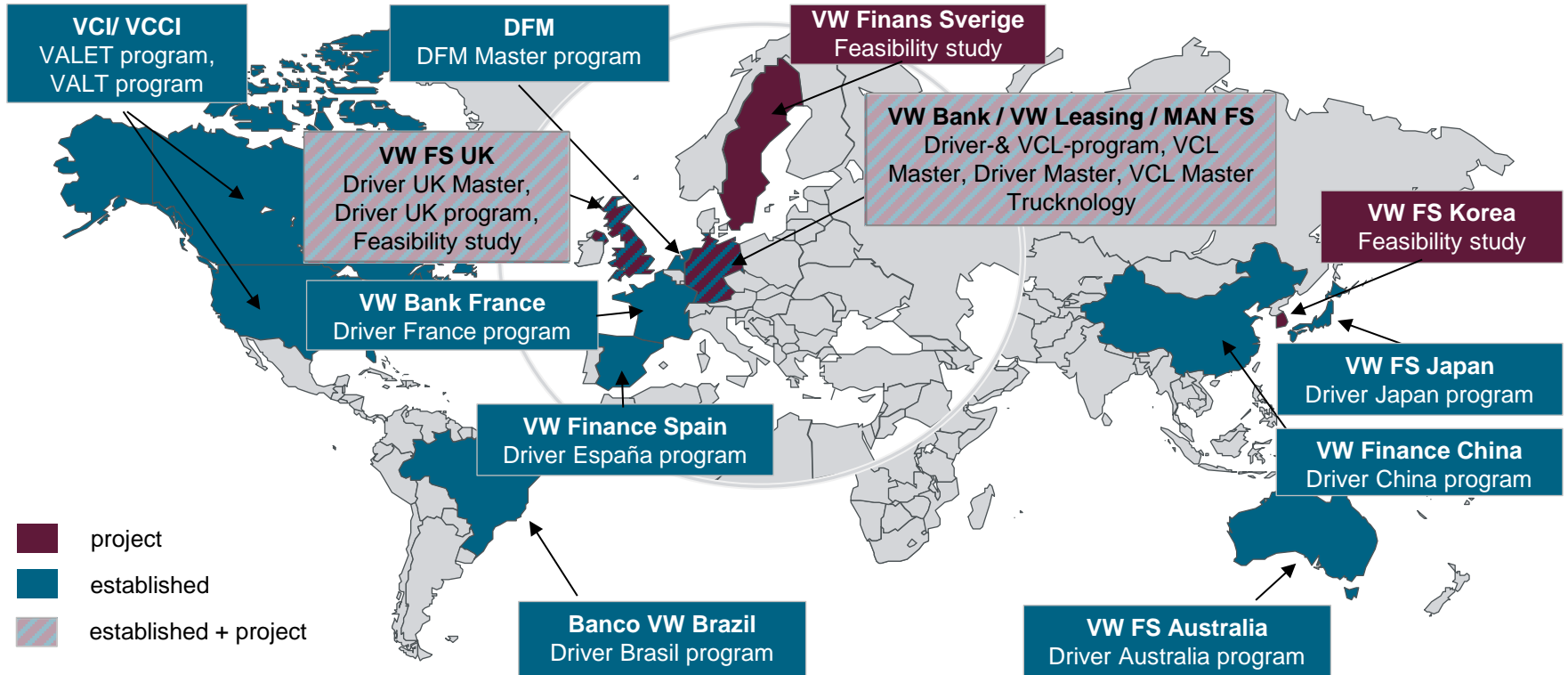


Actual Funding Allocation





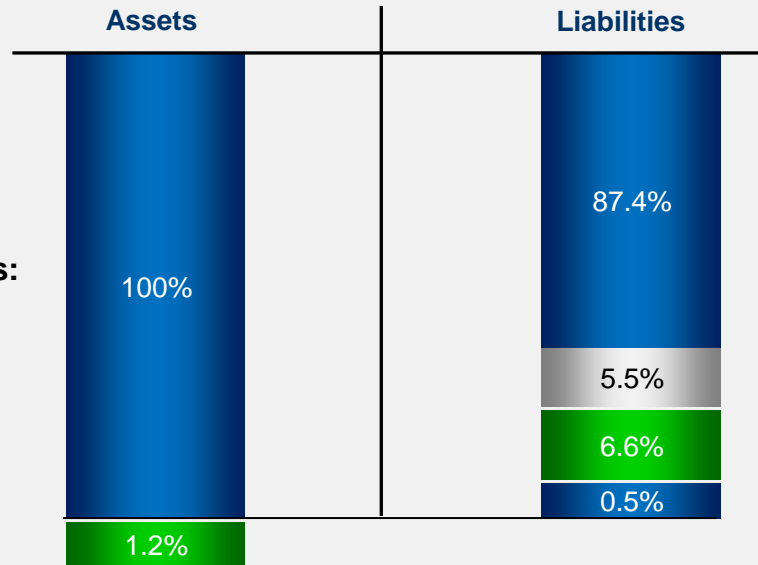
Volkswagen Financial Services' ABS activities – now also in China





ABS program – Driver China one

- **Program history:**
Established in 2014
- **Issuer type:**
Trust
- **Asset volume:**
RMB800 m
- **Underlying asset class:**
Car loans
- **Residual value risk:**
no
- **Balloon loans:**
yes



- **Format:**
Listed and Rated Securities
National Interbank Market
- **Denomination:**
RMB 100
- **Pricing:**
Class A 4.80% fixed rate
Class B 8.08% fixed rate
- **Rating agencies:**
CCXI, Lianhe, China Rating,
Fitch, Moody's
- **Rating (sf):**
Class A: AAA / AAA / AA+ / Aa / Aa3
Class B: A+ / A+ / A / A- / Baa2

- ✓ Well established global program
- ✓ TSI certification

- ✓ Reporting adheres to requirements for Five Star Fitch Grading
- ✓ Modelled on Intex

Driver China one: Awards



IFR Global Awards 2014:
Asia-Pacific Structured Finance Issue



IFR Asia Awards 2014:
Structured Finance Issue of the Year



Global Capital Asia Capital Markets Awards:
Best Securitization



The Asset Triple A Regional Awards 2014:
Best Domestic Securitization



China Securitization Forum Awards 2014: Top Ten Securitization Issue of the Year (Credit Assets)

- the first ABS onshore to get international ratings;
- the first auto securitization in China to offer a fixed rate of interest;
- the first China ABS to have a target overcollateralization scheme;
- the first China ABS to adopt servicer advance mechanism;
- the first China ABS to set up prefunded cash collateral account;
- the first China ABS to adopt sequential plus targeted-OC-level repayment mechanism;
- the first China ABS to use discounted principal balance;
- the first ABS onshore to be certified by TSI (True Sale International).

Volkswagen Financial Services: Risk management is a core competence

Identification and Strategy

- Risk inventory
- Business & Risk Strategy
- Risk-bearing capacity / limit system

Methods, Processes, Systems

- Development and Implementation of appropriate methods, processes and systems for all substantial risk categories

Efficient
Risk Control

Monitoring and active control

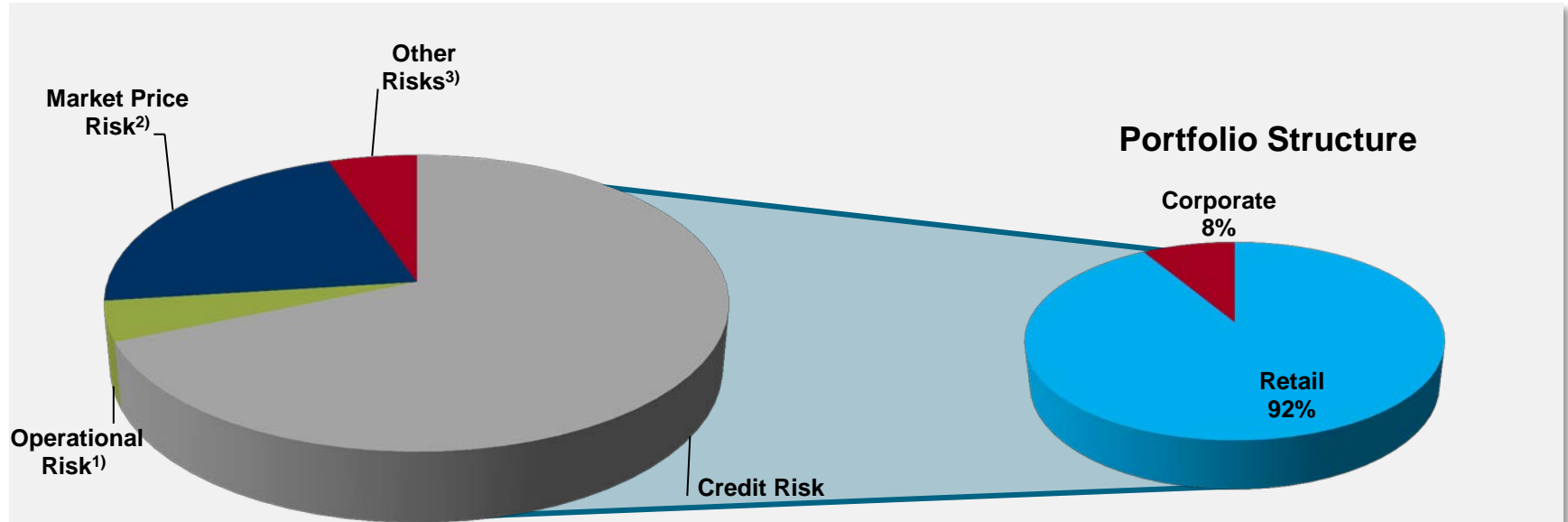
- Central requirements (crash barriers)
- Business Financial Reviews

Quantification and Reporting

- Assessment of Risk parameter
- Ongoing Portfolio analysis
- Risk Reporting
- Group-wide Risk transparency



Risk Management Volkswagen Finance (China)



1) Based on Operational Risk Self-assessment result of 2014, which is the estimation of typical operation loss amount.

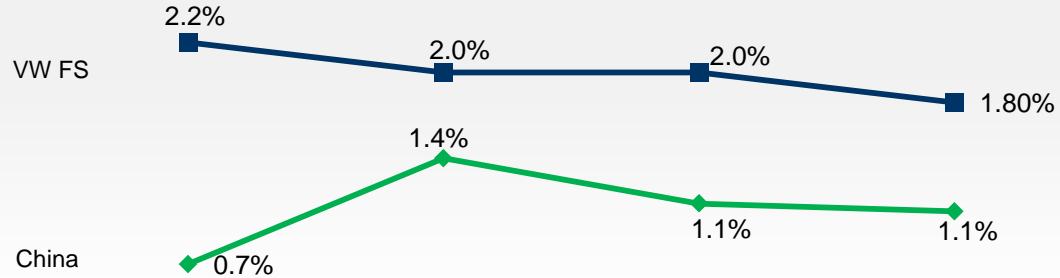
2) Simulation Result based on HQ's market price risk assessment, no influence for VWFC Balance Sheet.

3) Including Residual Value Risk, Liquidity Risk, Strategic Risk, Reputational Risk, Shareholder Risk + Issuer Risk, which are handled in HQ Risk Bearing Capacity.



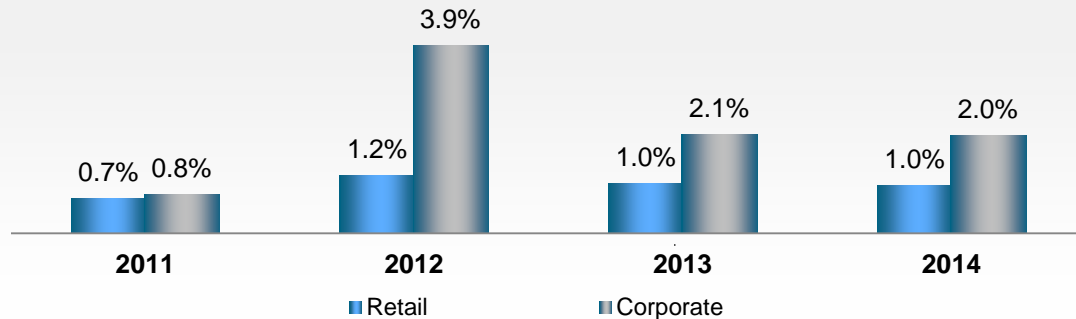
Credit Risk – Volkswagen Finance (China) vs. Volkswagen Financial Services

Provision Ratio



Provision Ratio

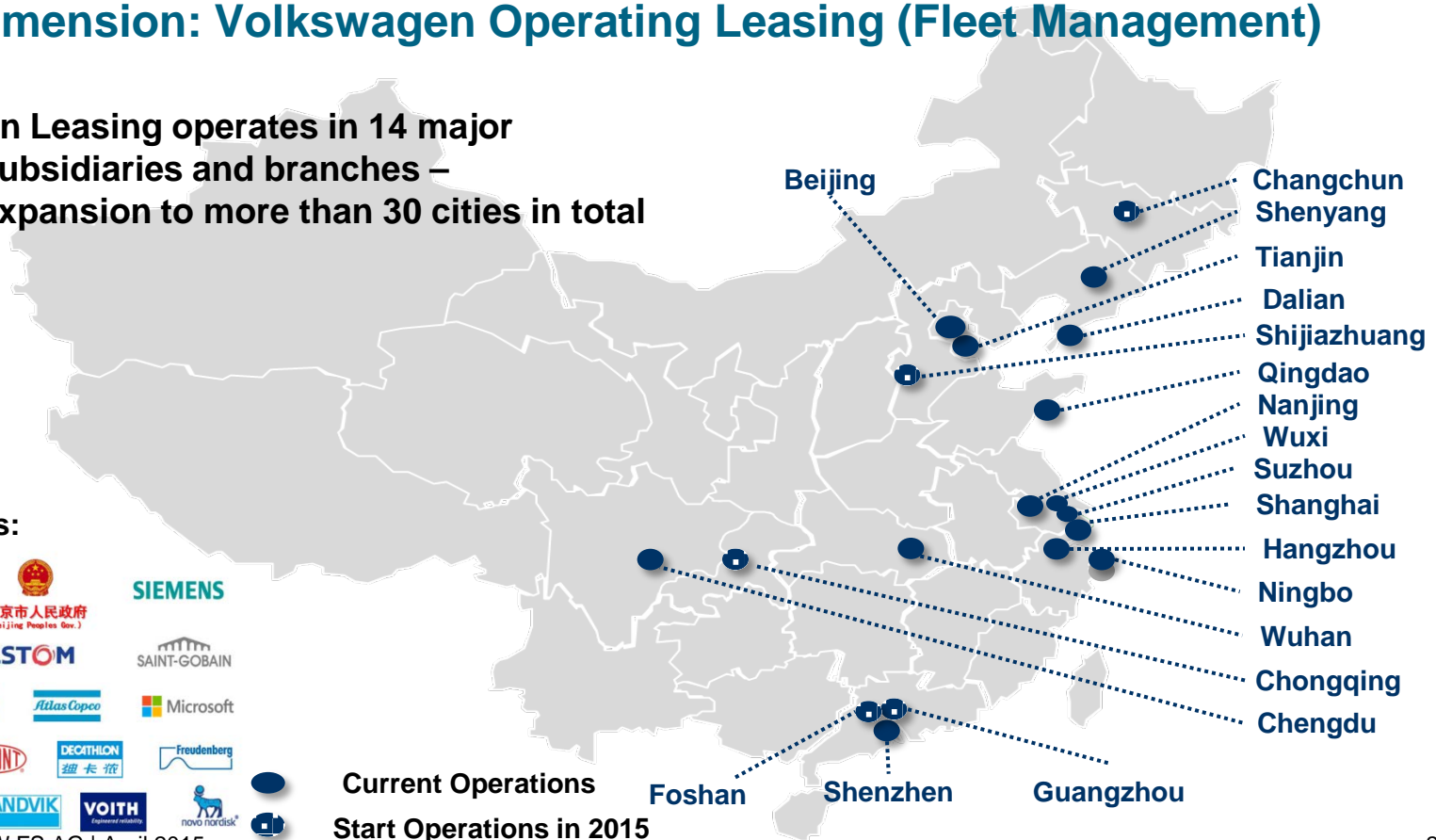
Volkswagen Finance (China)





Growth dimension: Volkswagen Operating Leasing (Fleet Management)

Volkswagen Leasing operates in 14 major cities via subsidiaries and branches –
Potential expansion to more than 30 cities in total



Key customers:





Growth dimension: Mobility / Car Sharing (Pilot Concept)



- Pilot project by VW New Mobility Services
- 1st premium corporate car sharing in Beijing

VRent is a keybox
and station based
system
providing...



Companies
in Towers



on demand
access



to VW-Group
Vehicles



Volkswagen Finance (China) is Top Employer, because our employees are our key to success





Summary

- ✓ Together with the fascinating brands of the Volkswagen Group,
- ✓ the global experience of Volkswagen Financial Services,
- ✓ our highly dedicated employees
- ✓ and our exciting new products...

... **Volkswagen Finance (China)** and **Volkswagen New Mobility Services** will serve all mobility needs of the Chinese customer also in the changing environment!



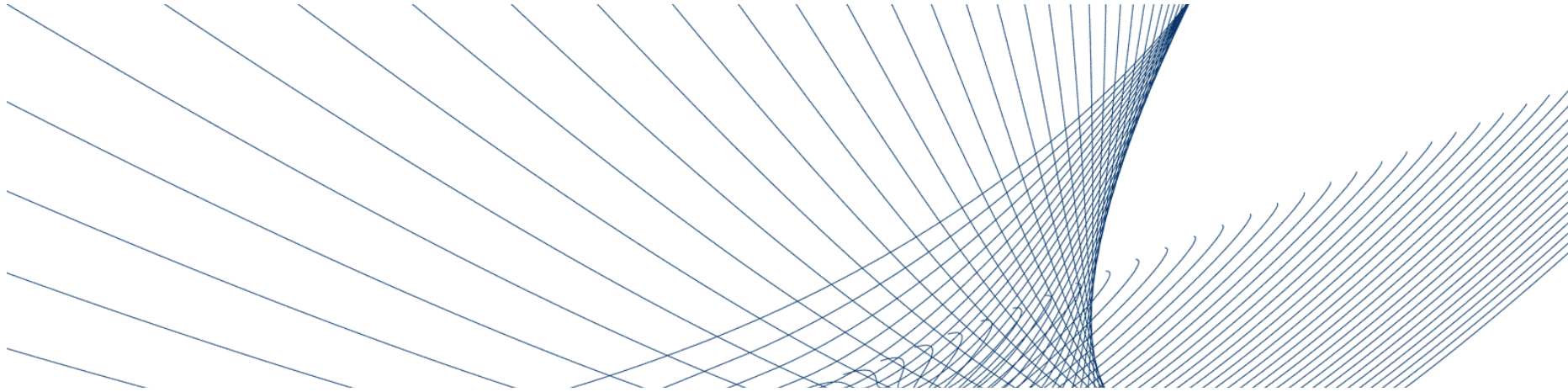
Disclaimer

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 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.

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.

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 Financial Services

Strategy and business development in China

Harald Müller

General Manager, Volkswagen Finance (China) Co., Ltd.

Beijing, 14 April 2015