

# **Volkswagen Financial Services**

## **Strategy and business development in China**

**Harald Müller**

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

Volkswagen Group China Investor Update, Foshan, 11 July 2014

## 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.

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VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

# Volkswagen Group – Leveraging the power of three strong pillars

## VOLKSWAGEN

AKTIENGESELLSCHAFT

### Automotive Division

#### Passenger Cars



Audi



SEAT

ŠKODA



BENTLEY



BUGATTI



PORSCHE



DUCATI

Remaining companies

#### Commercial Vehicles / Power Engineering



Commercial  
Vehicles



SCANIA



MAN

### Financial Services Division

#### Volkswagen Financial Services

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

THE KEY TO MOBILITY

# Volkswagen Financial Services offers the whole range of services

### BANK

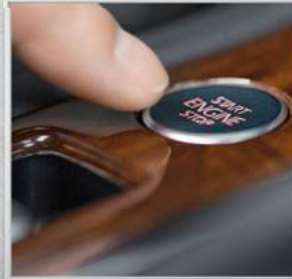
#### Bank



#### Direct Bank



### LEASING

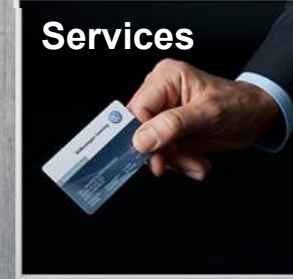


### INSURANCE



### MOBILITY

#### Services



#### Rental



- Retail Finance
- Dealer Finance
- Factoring

- Deposits
- Instalment Loans
- Investment Products

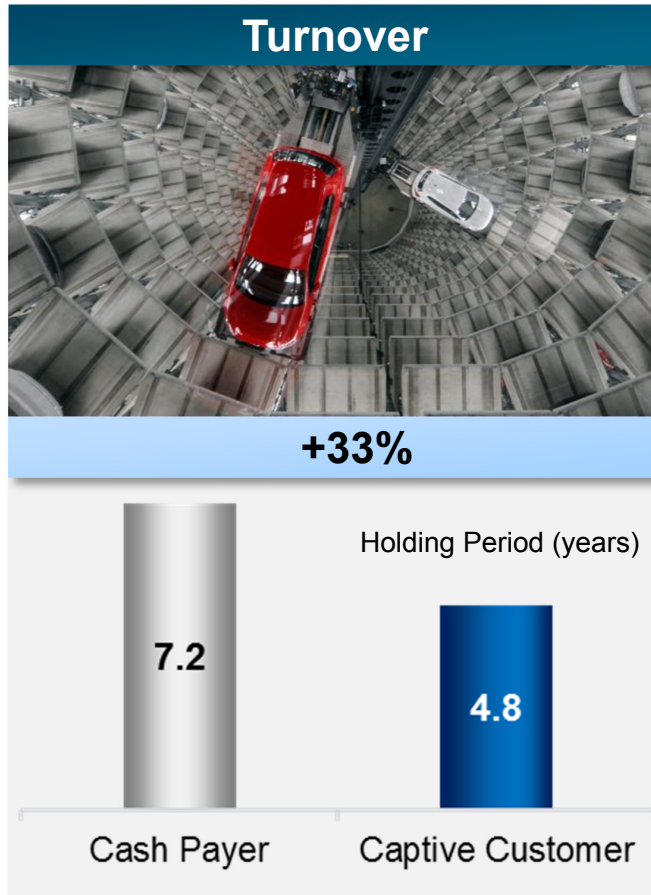
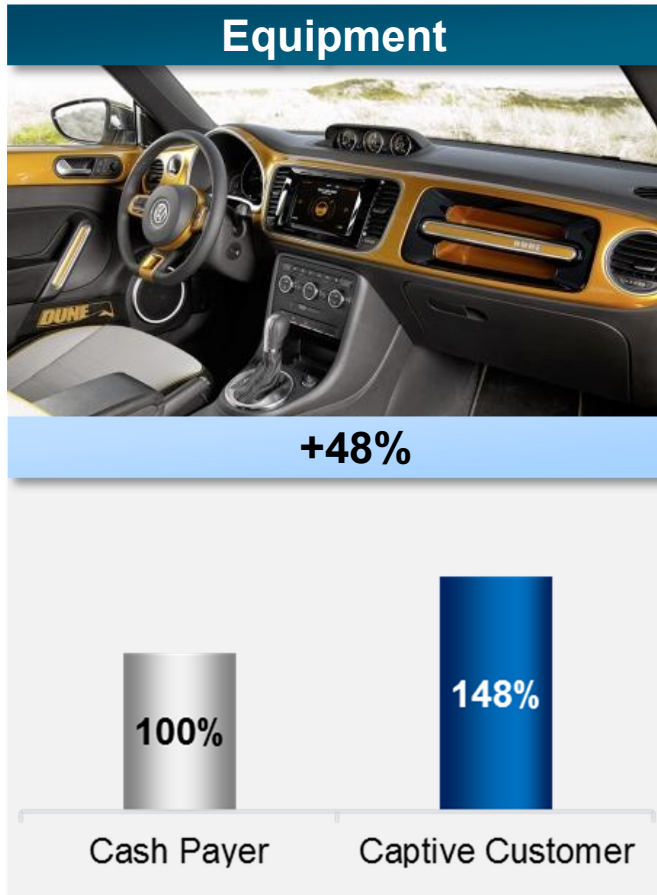
- Finance Lease
- Operating Lease

- Automotive
- Payment Protection
- Industry

- Fleet Management
- Tyre
- Wear & Tear

- Long-term Rental
- Short-term Rental
- Car Sharing

## Strong benefits for automotive through captive



EU-5 markets



# Volkswagen Financial Services in China – A true VOLKSWAGEN company

## 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



IFC Tower 16<sup>th</sup> - 17<sup>th</sup> Floor



### Facts & Figures

- Foundation: 2004
- **Shareholder:**  
**100% Volkswagen Financial Services AG**
- Total Assets: RMB30.7 bn<sup>1)</sup>
- Employees: 684<sup>1)</sup>
- Awards: Top Employers China 2013 & 2014, Best AFC 2012 & 2013
- Regulator:  
China Banking Regulatory Commission (CBRC)
- Board of Directors:  
R. Fleger, F. Witter, L.-H. Santelmann,  
Dr. J. Mull, W. Soh
- General Management:  
J. Kurzrock, H. Müller, J. Huang

<sup>1)</sup> as of 30 June 2014 including branches and subsidiaries



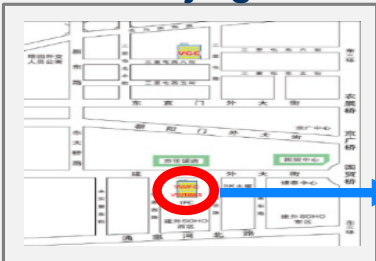
## Volkswagen New Mobility Services Investment Co., Ltd. – Overview

### Volkswagen New Mobility Services

#### China



#### Beijing



#### IFC Tower 29<sup>th</sup> Floor



### Facts & Figures

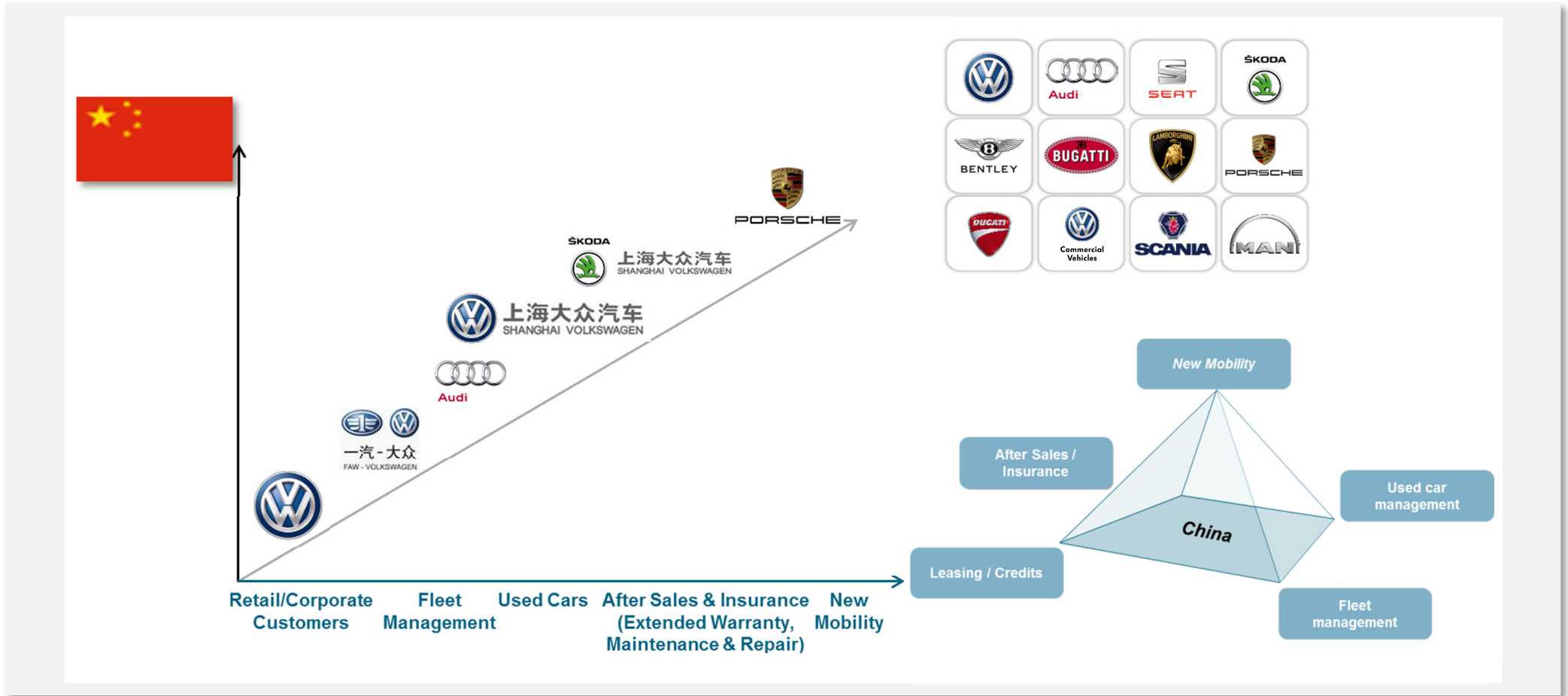
- Foundation: December 2011
- **Shareholder:**  
**100% Volkswagen Financial Services AG**
- Employees: 147<sup>1)</sup>
- 7 leasing subsidiaries<sup>1)</sup> + 7 leasing branches<sup>1)</sup>
- 1 consulting subsidiary
- Board of Directors:  
R. Fleger, F. Witter, L.-H. Santelmann,  
Dr. J. Mull, W. Soh
- General Management:  
P. Tempich, R. Yeo

<sup>1)</sup> as of 30 June 2014 including branches and subsidiaries





# Financial Services China: Three strategic growth dimensions





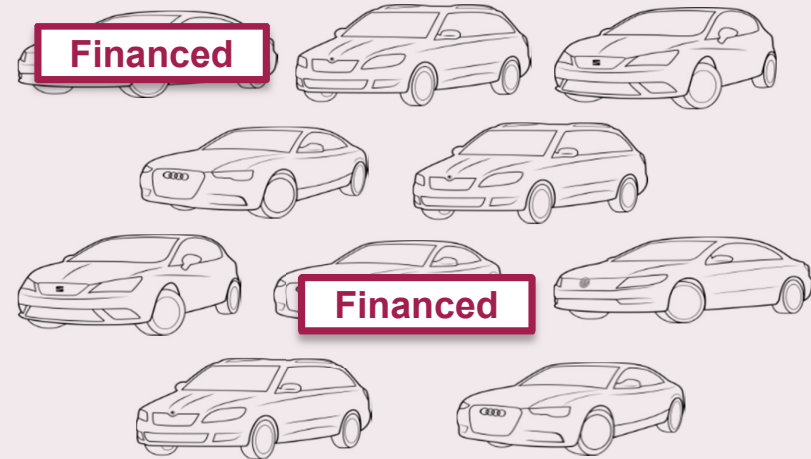
## Traditionally, “Cash was King” when buying a car

In the past...



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

Today...



...every 5<sup>th</sup> new car in China is financed!



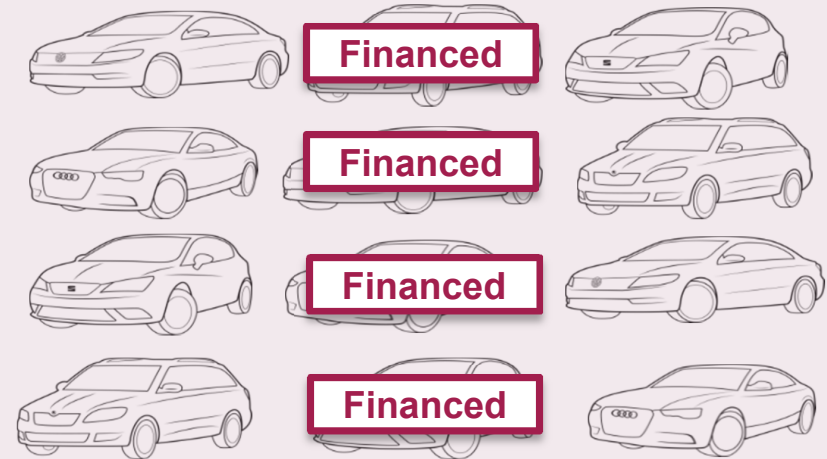
## In the future, consumers are expected to increasingly turn to financing

In the past...



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

Tomorrow...

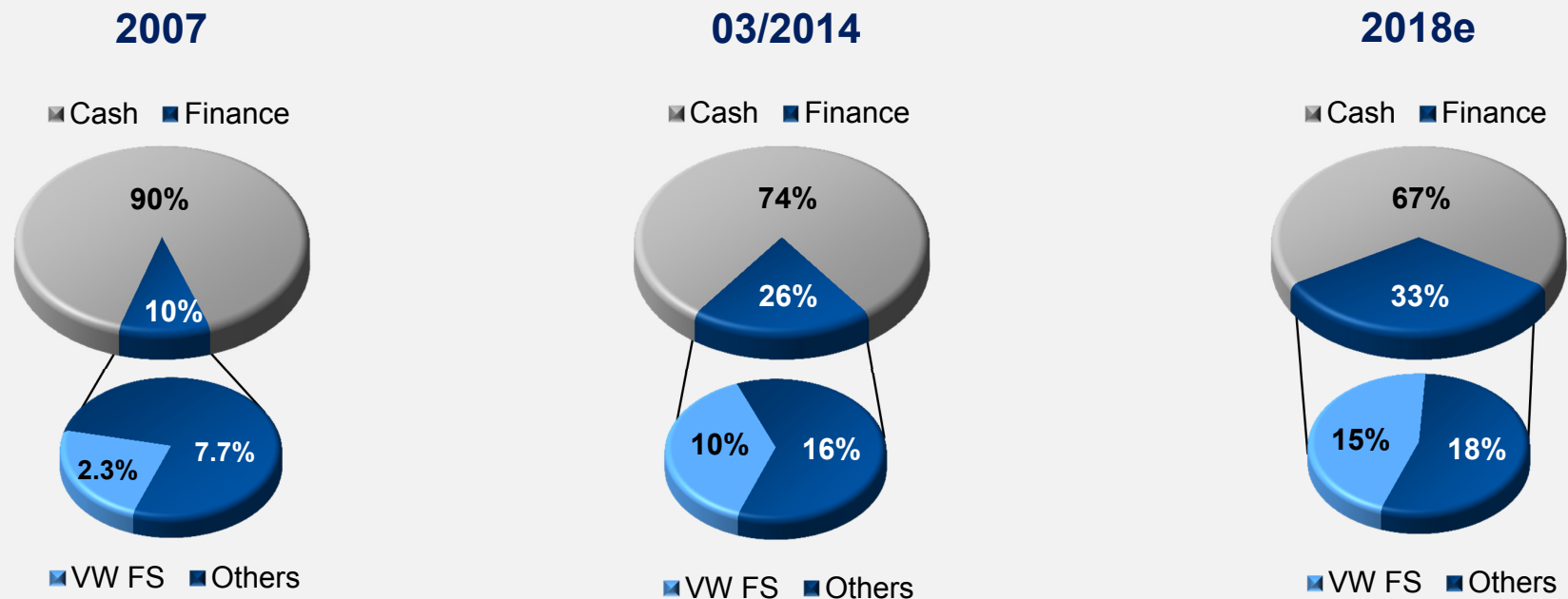


...every 3rd new car will be financed!



## Gaining share in an expanding retail financing market

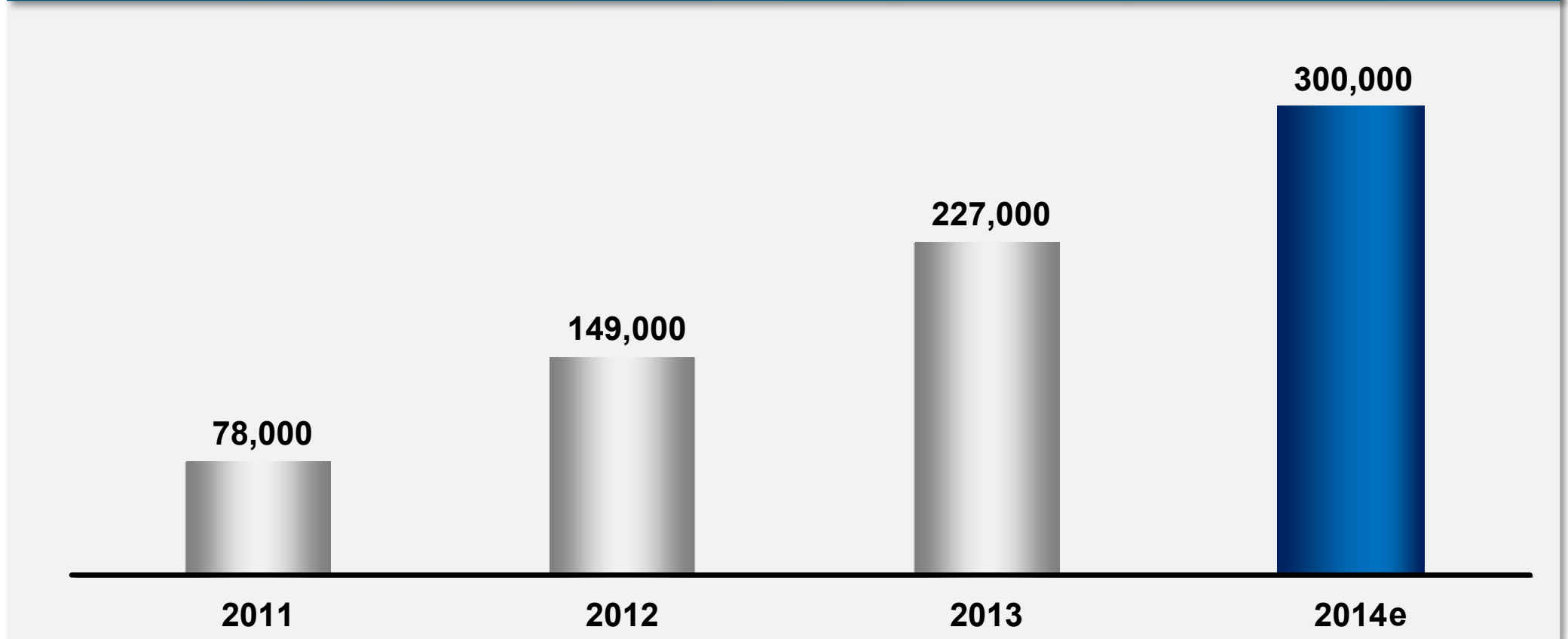
### Volkswagen Finance (China) retail finance penetration in the Volkswagen Group China network (% of deliveries to customers)





## Growth dimension: Strong retail finance development in Volkswagen Finance

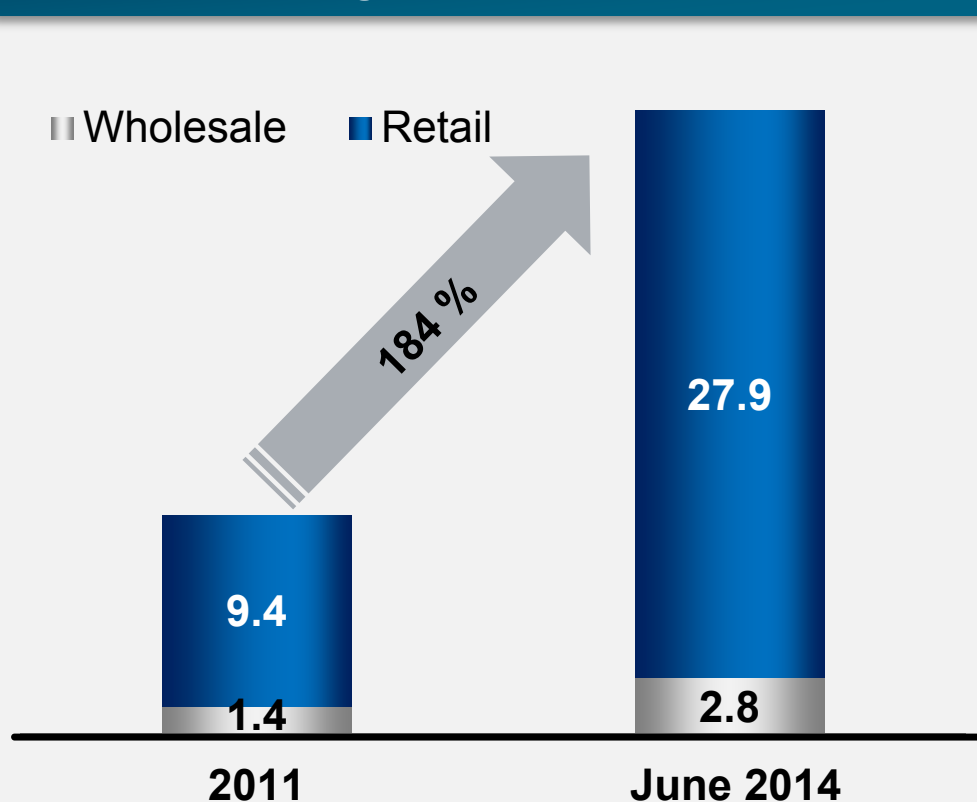
New retail finance contracts (number of units)





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

### Earning assets (in RMB bn)



- More and more complex regulatory environment, locally and internationally
- Unpredictable macro-economic driven growth-steering imposed by People's Bank of China
- High demand from the financing industry for experts in the labor market
- Limited funding diversification in the restricted Chinese financing market

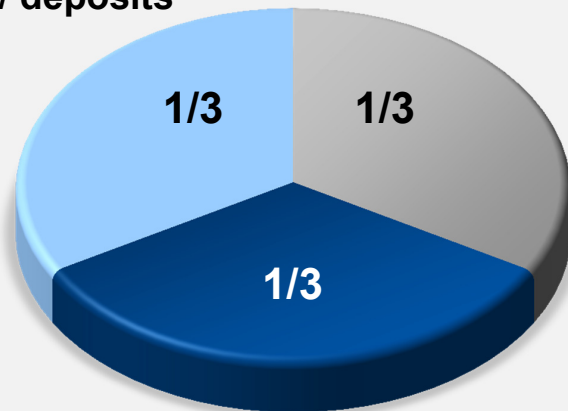
## Funding structure of Volkswagen Financial Services AG

Total €90.9 bn as of 31 December 2013<sup>1)</sup>

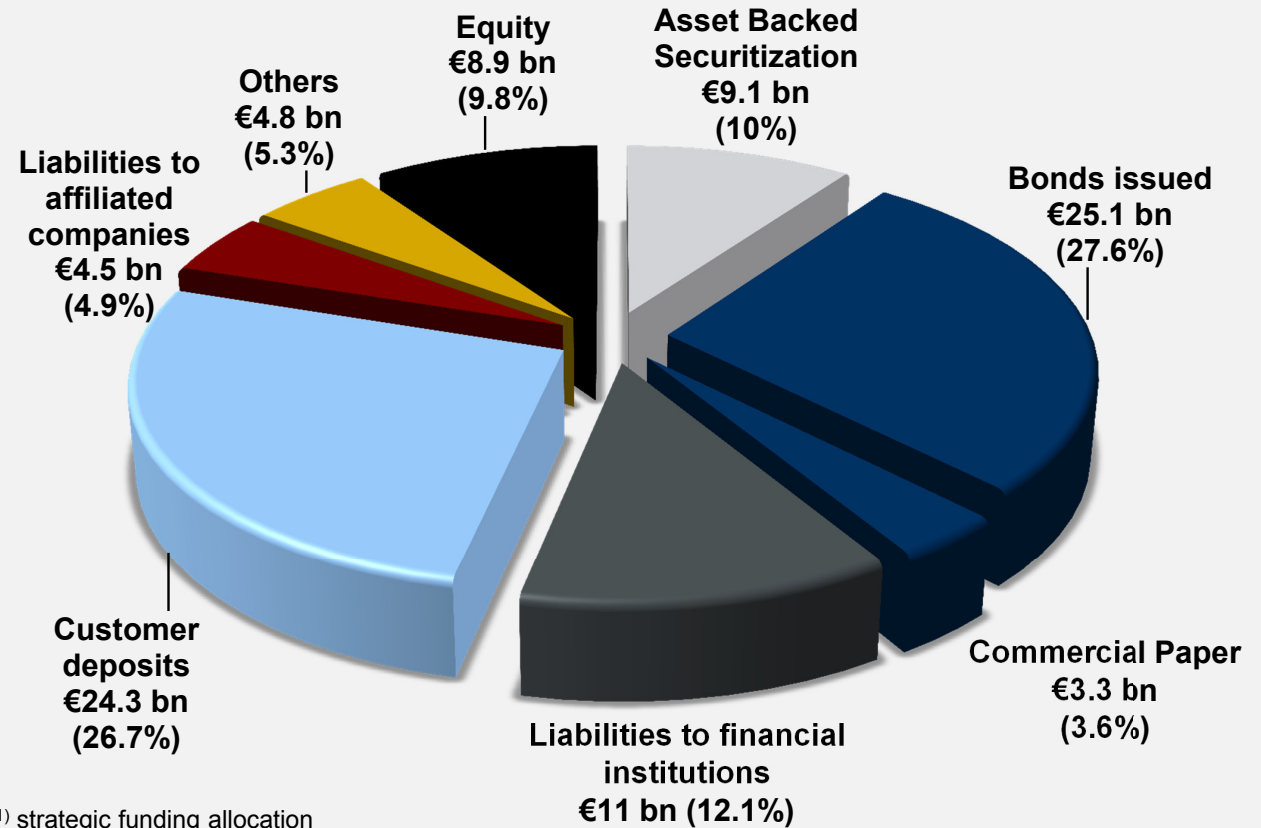
### Strategic debt plan

Bank lines / deposits

ABS



Capital markets



<sup>1)</sup> strategic funding allocation



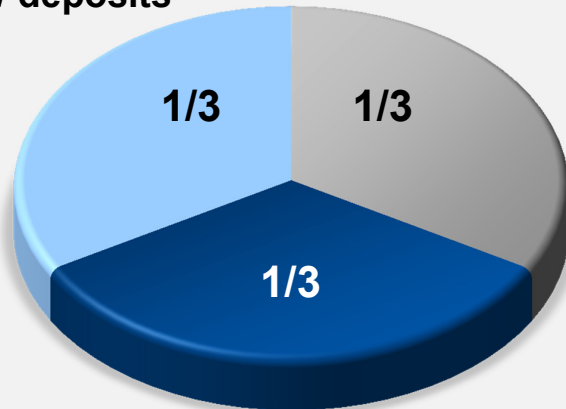
## Funding structure of Volkswagen Finance (China)

Total RMB30.7 bn as of 30 June 2014

### Strategic debt plan

Bank lines  
/ deposits

ABS



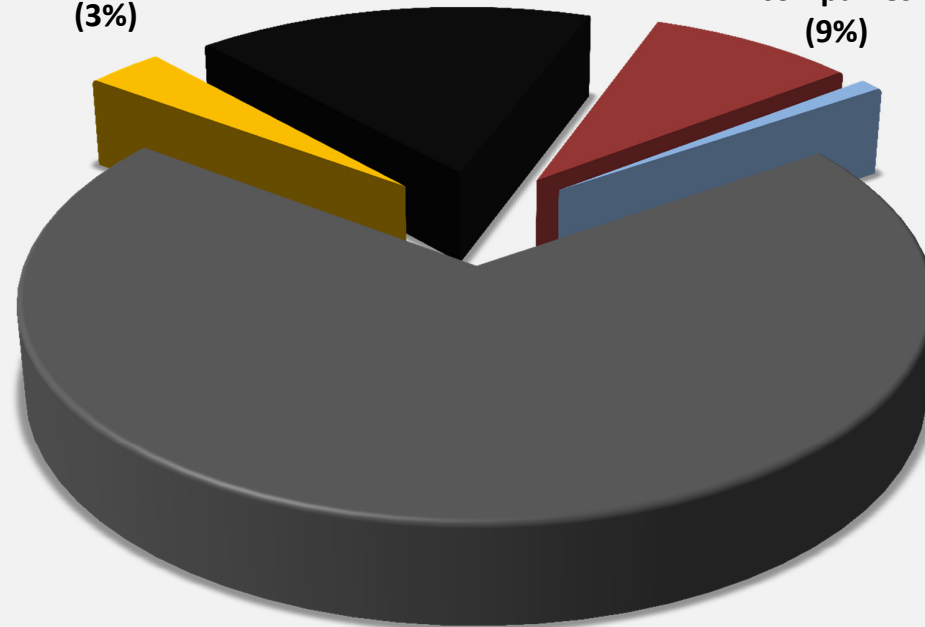
Capital markets

Others  
(3%)

Equity  
(17%)

Liabilities to  
affiliated  
companies  
(9%)

Dealer deposits  
(1%)

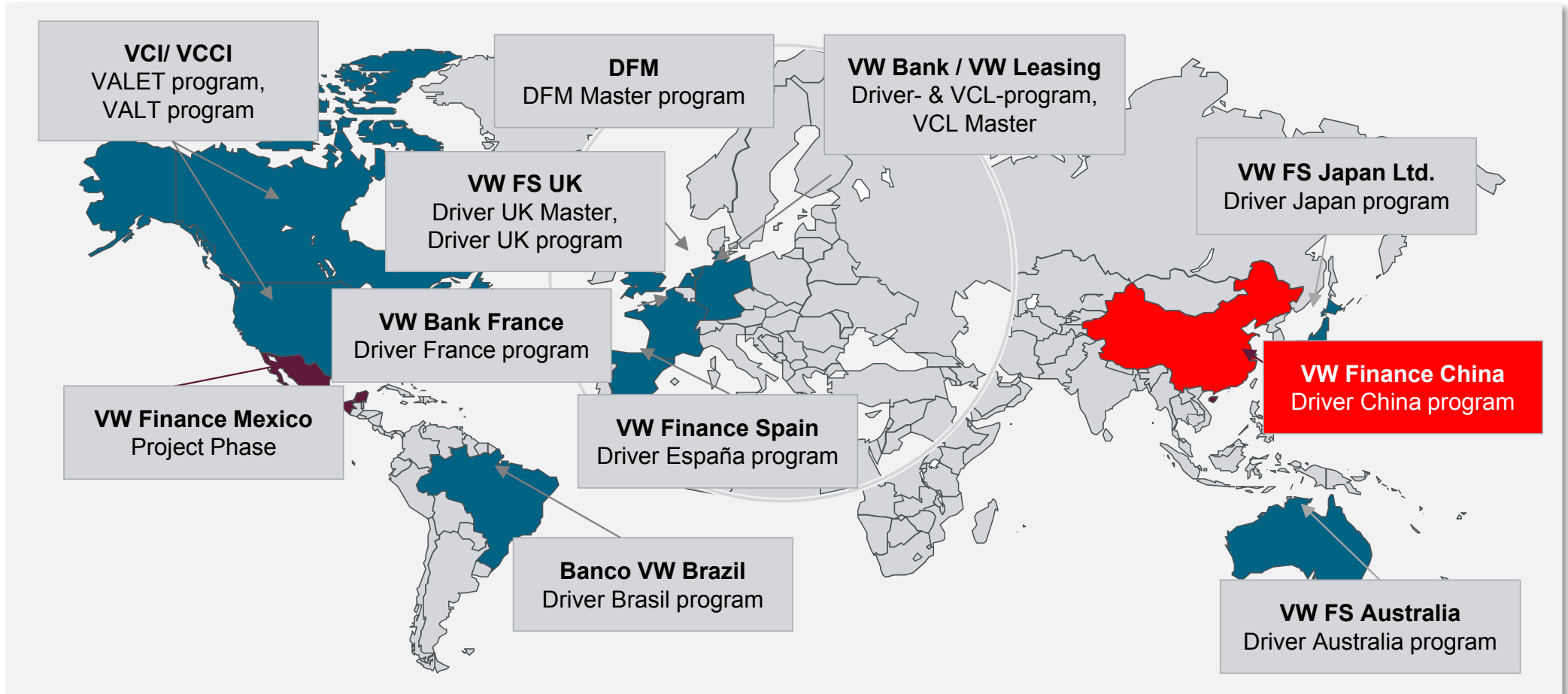


Liabilities to  
financial  
institutions  
(70%)





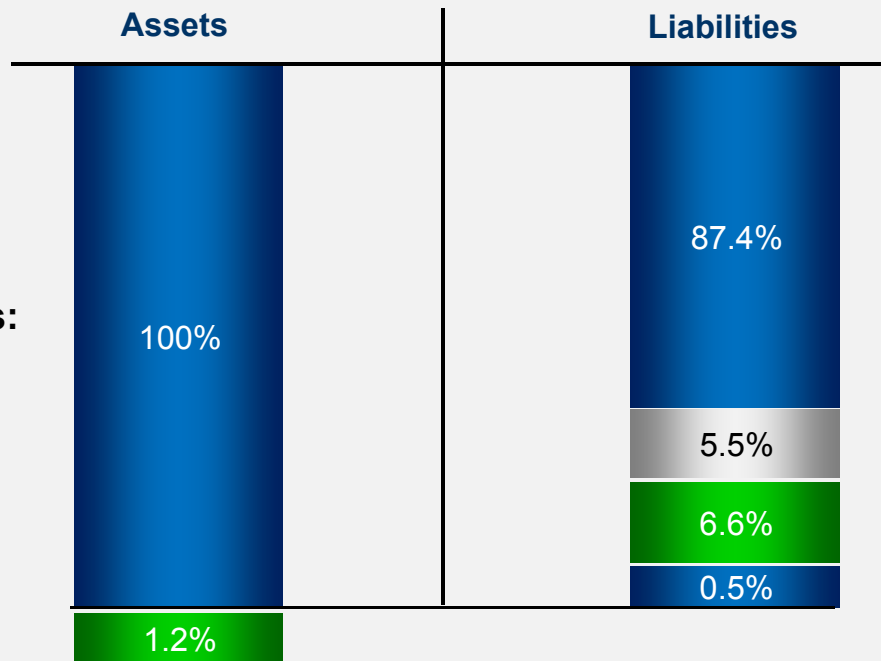
## Volkswagen Financial Services' ABS activities – now also in China





## 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 fixed rate<sup>1)</sup>  
Class B fixed rate<sup>1)</sup>
- **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

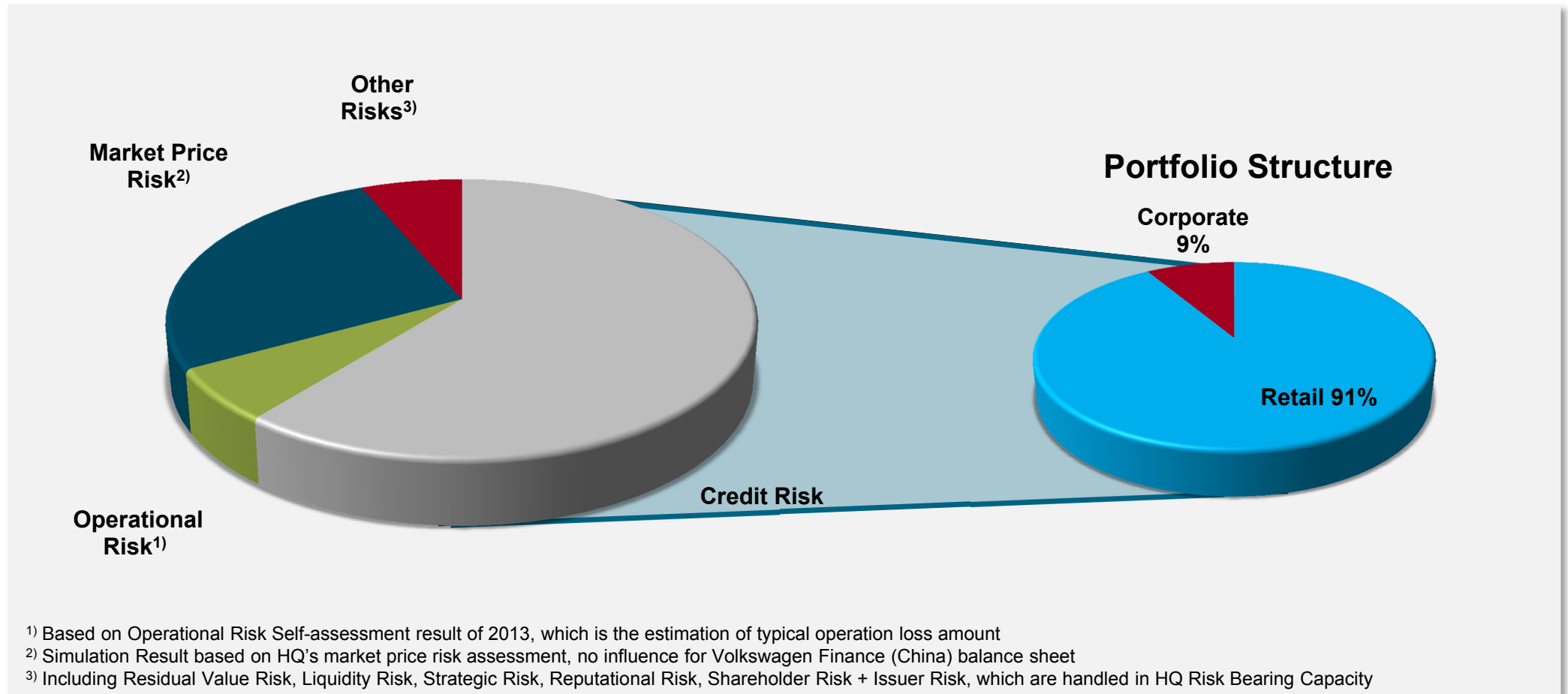
- ✓ Well established global program
- ✓ TSI certification

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

<sup>1)</sup> Pricing is expected to be fixed at the end of July 2014



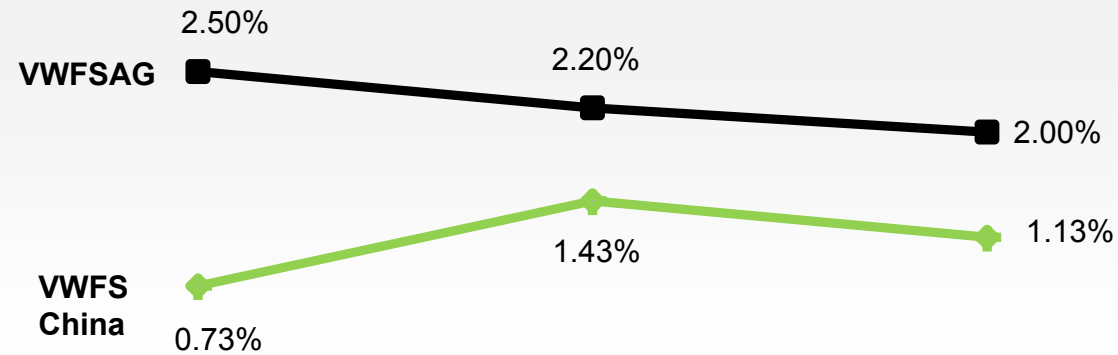
## Risk Management





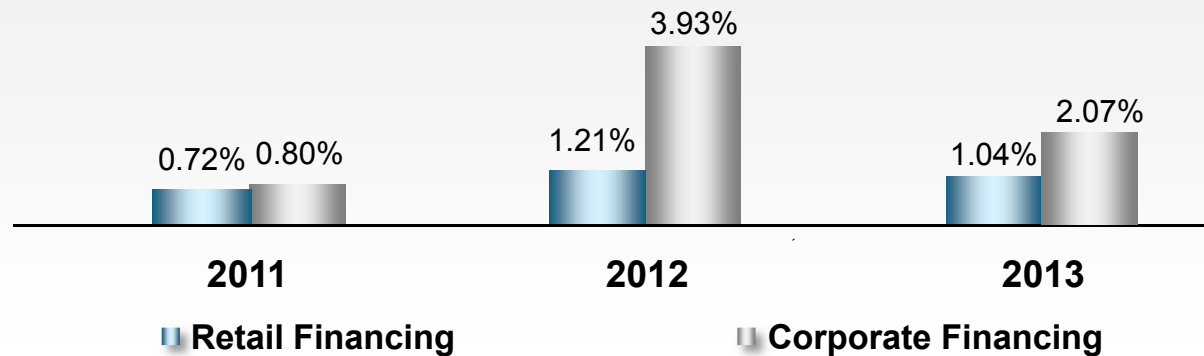
## Credit Risk – Volkswagen Finance (China) vs. Volkswagen FS AG

Provision Ratio



Provision Ratio

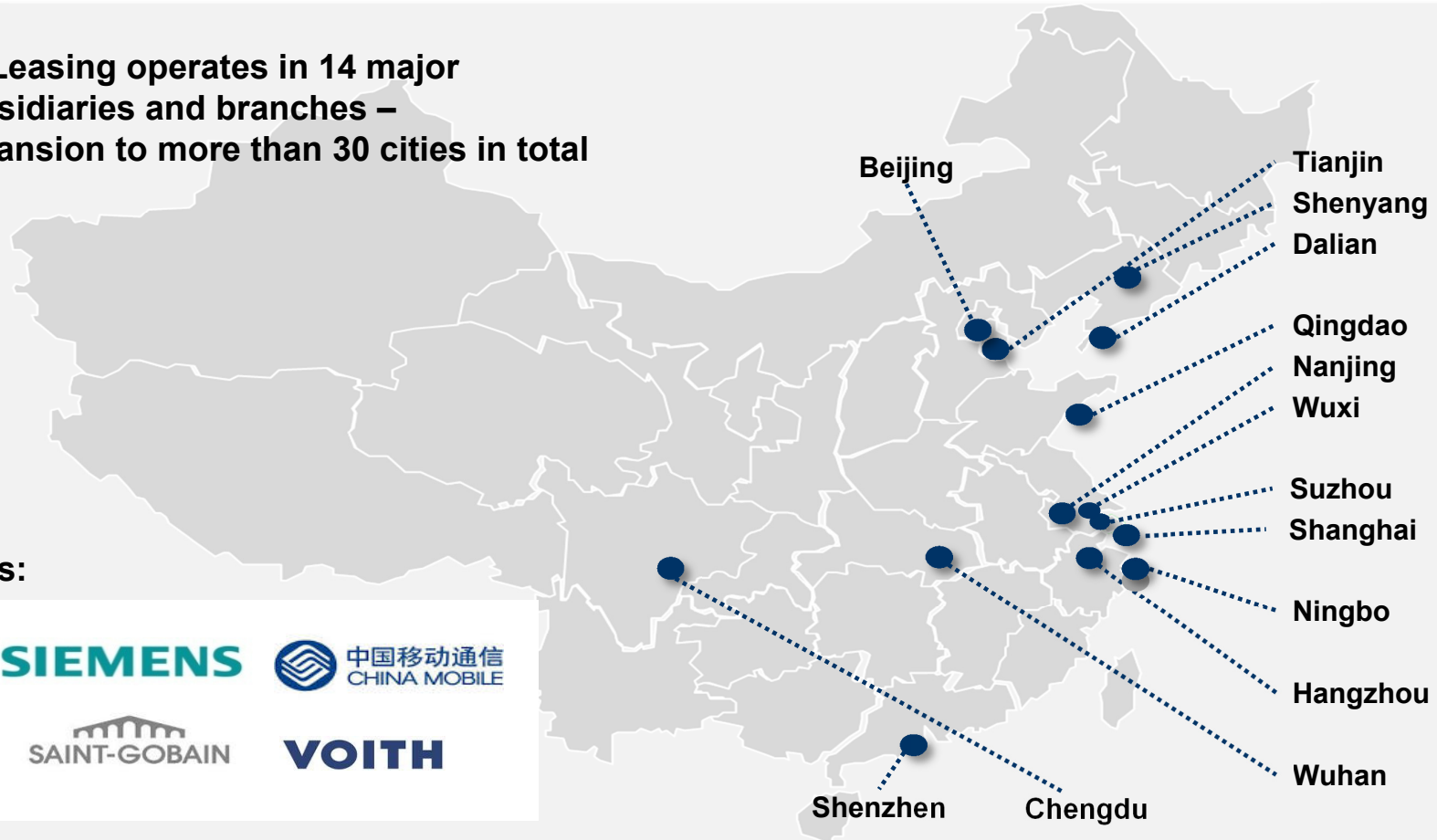
Volkswagen Finance (China)





## 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:





VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



VOLKSWAGEN FINANCIAL SERVICES  
**WIR 2018** 

**As Top Employer,  
our employees are our key to success**





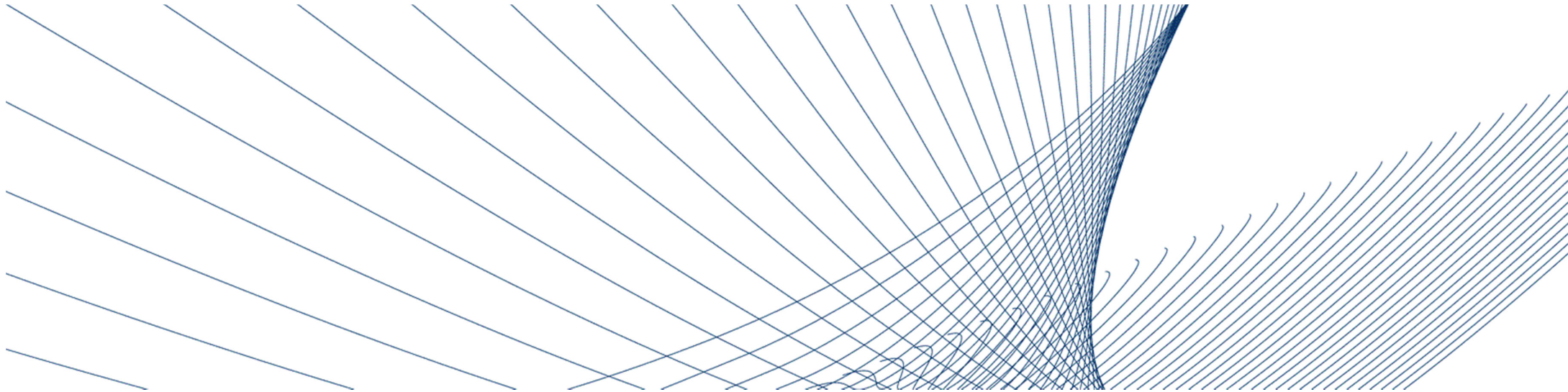
## Summary

- ✓ 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!







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