

## VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

# Financial Services Division

Our full-service packages offer customers peace-of-mind mobility at predictable costs

With our focus on mobility packages, the wishes of our customers are now anchored firmly at the heart of our offering. Business volume and profitability increased compared with the previous year.

### STRUCTURE OF THE FINANCIAL SERVICES DIVISION

The Financial Services Division's portfolio of services includes dealer and customer financing, leasing, banking and insurance activities, and fleet management business. Volkswagen Financial Services AG has been responsible for coordinating the Group's global financial services activities since 2006. Following recent reorganization measures, the Volkswagen Group's Latin American financial services companies are now the responsibility of Volkswagen Financial Services AG. This does not affect the legal independence of the North American subsidiaries. The Volkswagen Financial Services Group includes Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Leasing GmbH.

### BUSINESS DEVELOPMENT

The successful mobility packages offered through Volkswagen Bank GmbH have once again established Volkswagen Financial Services AG as a trend-setter among the financial services companies operating in the automotive sector. The full-service packages, which consist of three-way financing at a 0.9% effective interest rate, insurance cover and an extended warranty, meet customers' need for peace-of-mind mobility at predictable costs. In 2007, it again led to a marked increase in the volume of business. After the offer – which was originally only available for Volkswagen Passenger Cars brand vehicles – was extended to further Group brands, there was an increased focus on implementing it in international markets in 2007. The mobility packages are

now available to our customers in Poland and Italy, where they have met with a very positive reception. In the Netherlands, a pilot project was started during the reporting period.

As part of the reorganization of financial services activities in Latin America, Volkswagen Financial Services AG and HSBC Argentina entered into a cooperation in fiscal year 2007. This aims to offer customers of Volkswagen and Audi dealerships in Argentina a range of financial services relating to vehicle purchases. In fiscal year 2007, Volkswagen Financial Services AG was granted a license to operate its own automotive bank in Mexico. After receiving approval from the Mexican banking supervisory authorities, Volkswagen Bank Mexico will commence business in 2008 and assume a pioneering role in the Mexican market.

In 2007, rating agencies Moody's Investors Service and Standard & Poor's carried out their regular update of credit ratings. This confirmed last year's rating as well as the existing rating distinction between Volkswagen Bank GmbH and Volkswagen Financial Services AG and Volkswagen AG. For the second consecutive year, both agencies awarded Volkswagen Bank GmbH a credit rating one notch higher than Volkswagen Financial Services AG and Volkswagen AG.

A total of 2.4 million new finance, leasing and insurance contracts were signed in fiscal year 2007, thereby maintaining the high level of the previous year. The number of contracts as of December 31, 2007, increased by 0.5% year-on-year in the Customer

Brands and Business Fields  
 Volkswagen Passenger Cars  
 Audi  
 Škoda  
 SEAT  
 Bentley  
 Volkswagen Commercial Vehicles  
 > Financial Services

Financing/Leasing area and by 12.6% in the Service/Insurance area to a total of 6.6 million contracts. The share of vehicles leased or financed as a proportion of total delivery volumes in the Volkswagen Group matched the high level of the previous year, based on unchanged credit criteria. The direct banking business at Volkswagen Bank continued its positive development in fiscal year 2007. As of December 31, 2007, Volkswagen Bank *direct* managed around 973,199 accounts, a year-on-year increase of 10.2%. Deposits amounted to €9.6 billion (+9.0%).

In our fleet management business, the number of contracts recorded by our LeasePlan joint venture as of December 31, 2007, was 1.3 million, and was thus 4.5% higher than the figure at the end of 2006.

#### SALES REVENUE AND EARNINGS

In 2007, the Financial Services Division generated sales revenue of €10.1 billion, thereby exceeding the previous year's figure by 14.4%. Operating profit improved by €114 million to €957 million despite the negative impact of the crisis in the US mortgage market and increasing price competition. This means that the Division was again a major contributor to the Volkswagen Group's profit.



**FURTHER INFORMATION**  
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#### FINANCIAL SERVICES DIVISION

		2007	2006	%
Number of contracts	thousands	6,602	6,337	+ 4.2
Customer financing		3,097	3,155	- 1.8
Leasing		1,336	1,256	+ 6.3
Service/insurance		2,169	1,926	+ 12.6
Receivables <sup>1</sup> from	€ million			
Customer financing		28,002	26,718	+ 4.8
Dealer financing		10,565	9,623	+ 9.8
Leasing agreements		13,775	13,275	+ 3.8
Direct banking deposits	€ million	9,620	8,827	+ 9.0
Total equity and liabilities	€ million	68,603	64,518	+ 6.3
Equity	€ million	7,136	6,185	+ 15.4
Liabilities <sup>2</sup>	€ million	58,630	55,734	+ 5.2
Equity ratio	%	10.4	9.6	
Return on equity before tax <sup>3</sup>	%	16.1	16.9	
Leverage <sup>4</sup>		8.2	9.0	
Operating profit	€ million	957	843	+ 13.5
Profit before tax from continuing operations	€ million	1,069	1,019	+ 4.9
Employees at Dec. 31		7,298	7,154	+ 2.0

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

2 Excluding provisions and deferred tax liabilities.

3 Profit before tax as % of average equity (continuing operations).

4 Liabilities as % of equity.