Press Release

Creditreform Rating

Rated entity / Rating / Rating Outlook:

EUR Floating Rate Asset Backed Class A and Class B Notes as following, issued by VCL Master Residual Value S.A., acting with respect to its Compartment 2

Series	ISIN	Note Balance Before Renewal (EUR)	Note Balance After Renewal (EUR)	Rating / Outlook
Class A 2015-1	XS1325738166	464,100,000	464,100,000	AAA_{sf} / stable
Class A 2015-2	XS1325738240	448,700,000	448,700,000	AAA_{sf} / stable
Class A 2015-3	XS1325738323	550,000,000	800,000,000	AAA_{sf} / stable
Class A 2015-4	XS1325738596	589,300,000	700,000,000	AAA_{sf} / stable
Class A 2015-5	XS1325738679	469,400,000	525,000,000	AAA_{sf} / stable
Class A 2015-6	XS1325738752	262,400,000	300,000,000	AAA_{sf} / stable
Class A 2016-1	XS1420331438	441,500,000	441,500,000	AAA_{sf} / stable
Class A 2016-2	XS1505905072	50,000,000	50,000,000	AAA_{sf} / stable
Class A 2016-4	XS1505904851	431,700,000	438,600,000	AAA_{sf} / stable
Class A 2018-1	XS1877503182	218,100,000	-	Rating withdrawn
Class A 2018-2	XS1877951761	319,200,000	319,200,000	AAA_{sf} / stable
Class A 2018-4	XS1918850071	130,400,000	185,000,000	AAA_{sf} / stable
Class A 2018-5	XS1918849735	108,200,000	326,500,000	AAA_{sf} / stable
Class A 2019-1	XS2051470479	253,400,000	253,400,000	AAA_{sf} / stable
Class B 2015-1	XS1325738083	110,900,000	110,900,000	$A+_{sf}$ / stable
Class B 2015-3	XS1325738836	166,400,000	166,400,000	$A+_{sf}$ / stable
Class B 2016-1	XS1420331354	76,100,000	76,100,000	Not rated
Class B 2016-3	XS1505904695	317,100,000	317,100,000	$A+_{sf}$ / stable
Class B 2017-1	XS1675801143	83,200,000	84,400,000	Not rated
Class B 2018-1	XS1877951845	61,200,000	79,400,000	Rating withdrawn
Class B 2018-2	XS1918850154	38,400,000	48,200,000	$A+_{sf}$ / stable
Class B 2019-1	XS2051470800	44,200,000	46,400,000	Not rated
Class B 2020-1	XS2166353537	8,600,000	24,900,000	$A+_{sf}$ / stable
Class B 2020-2	XS2166353701	25,700,000	74,800,000	Not rated

Rating summary:

Following a renewal on September 25, 2020 and the amendments made to the Programme Documents in connection with such renewal pursuant to the Ninth Amendment Agreement, Creditreform Rating (CRA) confirms the existing ratings of Series of Class A and B Notes, issued by VCL Master Residual Value S.A., acting for and on behalf of its Compartment 2 (VCLM RV C2). In addition, CRA withdraws the rating of Class A Notes Series A 2018-1 due to fully redemption and the rating of Class B Notes Series B 2018-1 upon the request of the relevant Noteholder.

VCLM RV C2 is a platform for VW Leasing GmbH (VWL) to securitise the residual value portion of German auto lease receivables. VCLM RV C2, has currently issued 13 series of asset backed floating rate Class A Notes and ten series of asset backed floating rate Class B Notes. The transaction features a revolving period of 12 months, within which the Issuer will purchase new expectancy rights for revolving series. The compartment may from time to time issue further series of Class A and Class B Notes.

VCLM RV C2 securitises only the residual value portion of the leases; finance portions of the lease contracts are not securitised by the Issuer. A combination of subordinated loan and overcollateralisation will provide credit enhancement to the Class A Notes Series (current total CE 47.51%) and Class B Notes Series (current total CE 37.23%). In addition, a cash reserve, currently amounting to 2.71% of the expectancy rights balance, is available to provide credit enhancement to the Class A and B Notes.

To size the credit risk of the portfolio and derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating used data provided by VWL as well as internal databases. Following an updated analysis of historical data, CRA set the base case gross loss rate at 0.81% and the base case recovery rate at 65%. CRA decided to maintain a conservative approach in selecting the appropriate scenario-specific stress multiples at x7.83 and x5.31 in an AAA_{sf} and $A+_{sf}$ scenario, respectively. Moreover, CRA set the recovery haircuts at 49.78% (AAA_{sf}) and 39.88% ($A+_{sf}$), taking into account transaction-specific features such as observed volatility and established recovery procedures as well as potential market value risks. This resulted in total expected net losses of 4.26% (AAA_{sf}) and 2.61% ($A+_{sf}$).

The transaction is subject to the risks of obligors' defaults and used car market values' deterioration. CRA used data of residual value forecasts and historical data of sale proceeds to determine an expected RV loss of 36.60% and 31.48% in an AAA_{sf} and $A+_{sf}$ rating scenario, respectively, taking into account a stable recovery procedure, a moderate RV setting strategy of VWL and increased market value risks.

These scenario-specific assumptions about residual value risk and credit risk were tested in CRA's proprietary cash flow model, which was tailored to reflect the structure of VCLM RV C2 and to test the transactions' ability of paying interest and ultimate payment principal at final maturity.

Primary key rating driver:

+ Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer, including non-petition provisions

+ Downgrade collateral and replacement provisions mitigate counterparty risk exposure w.r.t. the Swap Counterparties and Account Bank

- No specified back-up servicer, even though contractual provisions enable the replacement of the servicer

- Revolving period until September 2021 may affect portfolio quality

- Securitisation of residual values exposes the transaction to the market value risk of the underlying leased vehicles, but VWL enters into a repurchase agreement with the Issuer and is obliged to repurchase the leased vehicles at expiration or termination of the underlying lease contracts

- Potentially indirect negative impact of Volkswagen AG diesel emission manipulations on future (portfolio) recovery performance

- Increased macroeconomic uncertainty and potential market decline due to the coronavirus crisis may have adverse effect on VWL's ABS strategy and future portfolio performance

Rating sensitivities:

Best-case scenario: In this scenario, we stressed (ceteris paribus) the base case default rate by an amount of -25% and the base case recovery rate by an amount of +25%, resulting in a rating of AAA_{sf} for Class A Notes and $A+_{sf}$ for Class B Notes.

Worst-case scenario: In this scenario, a severe 100% stress is applied to the base case default rate in combination with a 50% stress on the base case recovery rate and a severe 20% stress on sale proceeds, resulting in a rating of BBB_{sf}. for Class A Notes and $B-_{sf}$. for Class B Notes. In our view, this rating would represent a scenario with higher default correlation and market decline in a stressed pandemic scenario.

ESG-criteria:

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing the rating object. Overall, ESG factors have a mild impact on the current ratings of the Class A and B notes. Nevertheless, CRA identifies macroeconomic factors (particularly with regard to potential changes in consumer behaviour) to have a high significant impact on the stability of the ratings. Increased macroeconomic uncertainty and potential market decline due to the coronavirus crisis may have adverse effect on VWL's ABS strategy and future portfolio performance. Governance is relevant to the ratings with respect to counterparty risk, but downgrade collateral and replacement provisions mitigate counterparty risk exposure with respect to the Swap Counterparty and Account Bank. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

https://creditreform-rating.de/en/about-us/regulatory-requirements.html

Rating Date / disclosure to rated entity / maximum validity:

September 23, 2020 / September 23, 2020 / September 25, 2027

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

Initial rating date:

September 23, 2016

Lead-analyst – position / Person approving (PAC):

Stephan Giebler (Lead) – Senior Analyst

Tobias Stroetges (PAC) – Analyst

Name & address of legal entity:

Creditreform Rating AG, Europadamm 2-6, 41460 Neuss, Germany

Status of solicitation:

The rating is a solicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: Yes

With Access to Internal Documents: Yes

With Access to Management: Yes

Rating methodology / Version / Date of application / Link:

Rating Criteria and Definitions, Version 1.3, January 2018

Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018

Rating Methodology Auto ABS Securitizations, Version 1.4, July 2018

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

https://creditreform-rating.de/en/about-us/regulatory-requirements.html

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity. To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants

2. Transaction documents

3. Issuing documents

4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.