

Morningstar DBRS Takes Credit Rating Actions on VCL Master Residual Value S.A., acting with respect to its Compartment 2

AUTO

DBRS Ratings GmbH (Morningstar DBRS) assigned AAA (sf) credit ratings to the Series 2024-1, Class A Notes and Series 2024-2, Class A Notes, which were newly issued by VCL Master Residual Value S.A., acting with respect to its Compartment 2 (the Issuer).

Additionally, Morningstar DBRS took the following credit rating actions on the already existing bonds of the Issuer:

- assigned an AAA (sf) credit rating to the Series 2021-1, Class A Notes
- discontinued its AAA (sf) credit rating on the Series 2022-1, Class A Notes, due to their full redemption
- discontinued its AA (low) (sf) credit rating on the Series 2015-3, Class B Notes, due to their full redemption

Morningstar DBRS also confirmed the credit ratings on the outstanding notes issued by the Issuer as follows:

- Series 2015-1, Class A Notes at AAA (sf)
- Series 2015-2, Class A Notes at AAA (sf)
- Series 2015-3, Class A Notes at AAA (sf)
- Series 2015-4, Class A Notes at AAA (sf)
- Series 2015-5, Class A Notes at AAA (sf)
- Series 2015-6, Class A Notes at AAA (sf)
- Series 2016-1, Class A Notes at AAA (sf)
- Series 2016-2, Class A Notes at AAA (sf)
- Series 2016-4, Class A Notes at AAA (sf)
- Series 2018-2, Class A Notes at AAA (sf)
- Series 2018-4, Class A Notes at AAA (sf)
- Series 2018-5, Class A Notes at AAA (sf)
- Series 2021-2, Class A Notes at AAA (sf)
- Series 2023-1, Class A Notes at AAA (sf)
- Series 2023-2, Class A Notes at AAA (sf)
- Series 2015-1, Class B Notes at AA (low) (sf)
- Series 2016-3, Class B Notes at AA (low) (sf)
- Series 2018-2, Class B Notes at AA (low) (sf)
- Series 2020-1, Class B Notes at AA (low) (sf)
- Series 2023-1, Class B Notes at AA (low) (sf)

The credit ratings address the timely payment of interest and the ultimate payment of principal on or before the legal final maturity date of the notes in September 2031.

There are other series of Class B Notes outstanding that are not rated by Morningstar DBRS (together with the rated notes listed above, the notes).

CREDIT RATING RATIONALE

The credit rating actions are based on the following analytical considerations:

- An amendment to the transaction executed on 25 September 2024 (the Amendment);
- The portfolio performance, in terms of level of delinquencies and cumulative defaults, as of the September 2024 payment date;
- Updated probability of default (PD), loss given default (LGD), and expected loss assumptions for the collateral pool, considering the updated quarterly vintage performance data received in the context of the Amendment;
- No revolving period termination events have occurred; and
- The levels of credit enhancement to the rated notes to cover the expected losses at their respective credit rating level.

AMENDMENT

The Amendment consisted mainly of the below changes to the transaction:

- An increase of the maximum programme size to EUR 12,000,000,000 from EUR 10,000,000,000;
- Updated margins on all series of notes;
- Tap issuances on some series of notes;
- New swap counterparties to some series of notes and updated swap agreements for all series of notes;
- A 12-month extension of the revolving period for the notes through to September 2025; and
- A 12-month extension of the legal maturity date for all series of notes through to September 2031.

The transaction is a master securitisation of residual values deriving from motor vehicle lease contracts originated by Volkswagen Leasing GmbH (VWL) in Germany, with a maximum notes issuance amount of EUR 12.0 billion. As of the September 2024 payment date, the receivables portfolio had an outstanding discounted balance of EUR 14.5 billion.

PORTFOLIO PERFORMANCE

As at the September 2024 payment date, loans that were one to two months delinquent and two to three months delinquent represented 0.15% and 0.07% of the portfolio discounted balance, respectively, while delinquencies greater than three months were 0.21%. The cumulative write-offs stood at 0.04% of the original portfolio and cumulative transferred receivables.

PORTFOLIO ASSUMPTIONS AND KEY CREDIT RATING DRIVERS

Morningstar DBRS updated its base-case PD to 1.1% and maintained its LGD assumption based at 40.0%. Morningstar DBRS additionally applies residual value haircuts of 37.7% and 30.9% at the AAA (sf) and the AA (low) (sf) credit rating levels.

CREDIT ENHANCEMENT

Credit enhancement to the series of Class A and Class B Notes is provided by portfolio overcollateralisation (OC) and does not include the general cash collateral amount. As of the September 2024 payments date, OC to the Class A and Class B Notes was 48.0% and 37.3%, respectively.

The transaction benefits from liquidity support in the form of a cash collateral account funded to its target amount of EUR 272.7 million, equal to 3.0% of the outstanding balance of the notes. The reserve is available to cover senior expenses, missed interest payments on the Class A and Class B Notes, and net swap payments.

The Bank of New York Mellon, Frankfurt Branch (BNYM Frankfurt) acts as the account bank for the transaction. Based on Morningstar DBRS' private credit rating on BNYM Frankfurt, the downgrade provisions outlined in the transaction documents, and other mitigating factors inherent in the transaction structure, Morningstar DBRS considers the risk arising from the exposure to BNYM Frankfurt to be consistent with the credit rating assigned to the notes, as described in Morningstar DBRS' Legal Criteria for

European Structured Finance Transactions methodology.

The interest rate risk in the transaction arises from the fixed discount rate applied to the expectancy rights and the one-month Euribor floating rate on the rated notes. Each series of notes benefits from its own swap agreement, with different swap counterparties and different fixed leg. There are three swap counterparties for the transaction, namely, Credit Agricole Corporate and Investment Bank (CACIB), ING Bank N.V. (ING), and Skandinaviska Enskilda Banken AB (SEB). Morningstar DBRS rates ING and SEB publicly, while it maintains a private credit rating on CACIB. The swap agreements contain downgrade provisions that are consistent with Morningstar DBRS' criteria.

Morningstar DBRS' credit rating on the notes addresses the credit risk associated with the identified financial obligations in accordance with the relevant transaction documents.

Morningstar DBRS' credit ratings do not address nonpayment risk associated with contractual payment obligations contemplated in the applicable transaction documents that are not financial obligations.

Morningstar DBRS' long-term credit ratings provide opinions on risk of default. Morningstar DBRS considers risk of default to be the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which a long-term obligation has been issued.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings at <https://dbrs.morningstar.com/research/437781>.

Morningstar DBRS analysed the transaction structure in Intex DealMaker.

Notes:

All figures are in euros unless otherwise noted.

The principal methodologies applicable to the credit rating are Master European Structured Finance Surveillance Methodology (6 August 2024; <https://dbrs.morningstar.com/research/437540>) and Rating European Consumer and Commercial Asset-Backed Securitisations (18 September 2024; <https://dbrs.morningstar.com/research/439583>).

Other methodologies referenced in this transaction are listed at the end of this press release.

Morningstar DBRS has applied the principal methodologies consistently and conducted a review of the transaction in accordance with the principal methodology.

An asset and a cash flow analysis were both conducted. Due to the inclusion of a revolving period in the transaction, the analysis considers potential portfolio migration based on replenishment criteria set forth in the transaction legal documents.

For a more detailed discussion of the sovereign risk impact on Structured Finance credit ratings, please refer to Appendix C: The Impact of Sovereign Ratings on Other Morningstar DBRS Credit Ratings of the Global Methodology for Rating Sovereign Governments at: <https://dbrs.morningstar.com/research/436000>.

The sources of data and information used for these credit ratings include monthly investor reports provided by VWL, legal documentation provided by the Issuer's legal counsel, and the following historical performance data provided by VWL directly or through the arranger, CACIB:

- Static monthly cumulative net loss data from April 2014 to March 2024, provided on a total portfolio basis;
- Dynamic monthly loss data from March 2006 to March 2024; and
- Dynamic monthly delinquency data from January 2014 to June 2024.

Morningstar DBRS did not rely upon third-party due diligence in order to conduct its analysis.

At the time of the initial credit ratings, Morningstar DBRS was supplied with third-party assessments. However, this did not impact the credit rating analysis.

Morningstar DBRS considers the data and information available to it for the purposes of providing this credit rating to be of satisfactory quality.

Morningstar DBRS does not audit or independently verify the data or information it receives in connection with the credit rating process.

The last credit rating action on this transaction took place on 25 September 2023, when Morningstar DBRS assigned AAA (sf) credit ratings to the Series 2023-1, and the Series 2023-2, Class A Notes, and assigned an AA (low) (sf) credit rating to the Series 2023-1, Class B Notes. Morningstar DBRS also confirmed the credit ratings on the outstanding Class A Notes at AAA (sf), and the credit ratings on the outstanding Class B Notes at AA (low) (sf).

The lead analyst responsibilities for this transaction have been transferred to Pascale Kallas.

Information regarding Morningstar DBRS credit ratings, including definitions, policies, and methodologies, is available on <https://dbrs.morningstar.com>.

Sensitivity Analysis: To assess the impact of changing the transaction parameters on the credit rating, Morningstar DBRS considered the following stress scenarios as compared with the parameters used to determine the credit rating (the base case):

- PD rates used: Base-case PD of 1.1%, a 25% and 50% increase in the base-case PD was tested.
- LGD rates used: LGD of 61.6% at the AAA (sf) stress level and 56.8% at the AA (low) (sf) stress level, a 25% and 50% increase in the base case LGD was tested.
- Residual Value (RV) Loss rate: 37.7% at the AAA (sf) stress level and 30.9% at the AA (low) (sf) stress level. In both scenarios, a 25% and 50% increase in RV Loss was tested.

Class A Notes Risk Sensitivity:

- 25% increase in PD and LGD, expected credit rating of AAA (sf)
- 50% increase in PD and LGD, expected credit rating of AAA (sf)
- 25% increase in RV Loss, expected credit rating of AAA (sf)
- 50% increase in RV Loss, expected credit rating of AA (sf)
- 25% increase in PD and LGD and 25% increase in RV Loss, expected credit rating of AA (high) (sf)
- 25% increase in PD and LGD and 50% increase in RV Loss, expected credit rating of AA (low) (sf)
- 50% increase in PD and LGD and 25% increase in RV Loss, expected credit rating of AA (sf)
- 50% increase in PD and LGD and 50% increase in RV Loss, expected credit rating of A (high) (sf)

Class B Notes Risk Sensitivity:

- 25% increase in PD and LGD, expected credit rating of AA (low) (sf)
- 50% increase in PD and LGD, expected credit rating of AA (low) (sf)
- 25% increase in RV Loss, expected credit rating of A (high) (sf)
- 50% increase in RV Loss, expected credit rating of A (low) (sf)
- 25% increase in PD and LGD and 25% increase in RV Loss, expected credit rating of A (high) (sf)
- 25% increase in PD and LGD and 50% increase in RV Loss, expected credit rating of A (low) (sf)
- 50% increase in PD and LGD and 25% increase in RV Loss, expected credit rating of A (sf)
- 50% increase in PD and LGD and 50% increase in RV Loss, expected credit rating of BBB (high) (sf)

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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Initial Rating Date: 26 September 2016

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The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

-- Rating European Structured Finance Transactions Methodology (18 September 2024),

<https://dbrs.morningstar.com/research/439581>

-- Legal Criteria for European Structured Finance Transactions (28 June 2024),

<https://dbrs.morningstar.com/research/435165>

-- Master European Structured Finance Surveillance Methodology (6 August 2024),

<https://dbrs.morningstar.com/research/437540>

-- Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (13 August 2024),

<https://dbrs.morningstar.com/research/437781>

-- Operational Risk Assessment for European Structured Finance Originators and Servicers (18 September 2024),

<https://dbrs.morningstar.com/research/439571>

-- Rating European Consumer and Commercial Asset-Backed Securitizations (18 September 2024), <https://dbrs.morningstar.com/research/439583>

-- Interest Rate Stresses for European Structured Finance Transactions (28 June 2024), <https://dbrs.morningstar.com/research/435278>

-- Derivative Criteria for European Structured Finance Transactions (6 September 2024),

<https://dbrs.morningstar.com/research/439043>

A description of how Morningstar DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at: <https://dbrs.morningstar.com/research/278375>.

For more information on this credit or on this industry, visit <https://dbrs.morningstar.com> or contact us at info-DBRS@morningstar.com.

Ratings

VCL Master Residual Value S.A., acting with respect to its Compartment 2

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
25-Sep-24	Series 2015-1, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2015-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2015-3, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2015-4, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2015-5, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2015-6, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2016-1, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2016-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2016-4, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2018-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2018-4, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2018-5, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2021-1, Class A Notes	New Rating	AAA (sf)	--	EU U
25-Sep-24	Series 2021-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2023-1, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2023-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
25-Sep-24	Series 2024-1, Class A Notes	New Rating	AAA (sf)	--	EU U
25-Sep-24	Series 2024-2, Class A Notes	New Rating	AAA (sf)	--	EU U
25-Sep-24	Series 2015-1, Class B Notes	Confirmed	AA (low) (sf)	--	EU U
25-Sep-24	Series 2016-3, Class B Notes	Confirmed	AA (low) (sf)	--	EU U
25-Sep-24	Series 2018-2, Class B Notes	Confirmed	AA (low) (sf)	--	EU U

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
25-Sep-24	Series 2020-1, Class B Notes	Confirmed	AA (low) (sf)	--	EU U
25-Sep-24	Series 2023-1, Class B Notes	Confirmed	AA (low) (sf)	--	EU U
25-Sep-24	Series 2015-3, Class B Notes	Disc.- Repaid	Discontinued	--	EU
25-Sep-24	Series 2022-1, Class A Notes	Disc.- Repaid	Discontinued	--	EU

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