S&P Global
Ratings

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VCL Master Residual Value S.A., Compartment 3 Senior Schuldschein Loan 2026-3 Assigned Rating; Other Ratings Affirmed

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Ratings

Class	Rating*	Current amount (mil. €)	Maximum commitment amount (mil. €)	Minimum available credit enhancement (%)§	Interest†	Legal final maturity
Rating assigned						
Senior Schuldschein loan 2026-3	AAA (sf)	0.1	500.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
Ratings affirmed						
A 2026-1	AAA (sf)	540.2	3,200.0	43.4	3.1365%	March 27, 2034
A 2026-2	AAA (sf)	378.6	378.6	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
A 2026-3	AAA (sf)	349.2	349.2	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
A 2026-4	AAA (sf)	260.0	260.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
A 2026-5	AAA (sf)	500.0	500.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
A 2026-6	AAA (sf)	300.0	300.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
A 2026-7	AAA (sf)	780.0	780.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
Senior Schuldschein loan 2026-1	AAA (sf)	100.0	100.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
Senior Schuldschein loan 2026-2	AAA (sf)	499.9	500.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
B 2026-1	AA- (sf)	221.6	620.0	31.5	3.6565%	March 27, 2034

Ratings

Class	Rating*	Current amount (mil. €)	Maximum commitment amount (mil. €)	Minimum available credit enhancement (%)§	Interest†	Legal final maturity
B 2026-2	AA- (sf)	333.5	333.5	31.5	One-month EURIBOR plus 1.27%	March 27, 2034
Junior Schuldschein loan 2026-1	AA- (sf)	150.0	150.0	31.5	One-month EURIBOR plus 1.27%	March 27, 2034
Unrated instruments						
A 2026-8	NR	1,000.0	1,000.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
A 2026-9	NR	150.0	150.0	43.4	One-month EURIBOR plus 0.76%	March 27, 2034
B 2026-3	NR	94.4	94.4	31.5	One-month EURIBOR plus 1.27%	March 27, 2034
B 2026-4	NR	40.0	40.0	31.5	One-month EURIBOR plus 1.27%	March 27, 2034
B 2026-5	NR	200.0	200.0	31.5	One-month EURIBOR plus 1.27%	March 27, 2034

*Our ratings address timely payment of interest and ultimate principal. The senior Schuldschein loans rank pari passu with the class A notes and the junior Schuldschein loan ranks pari passu with the class B notes. § Reflects the documented minimum figures and includes subordination, overcollateralization, and a cash reserve. †Subject to a floor of zero. EURIBOR--Euro interbank offered rate. NR--Not rated.

Overview

- We assigned our ‘AAA (sf)’ rating to VCL Master Residual Value S.A., Compartment 3’s senior Schuldschein loan 2026-3. At the same time, we affirmed our ratings on the remaining senior and junior instruments.
- The transaction is a securitization of a portfolio of German auto lease residual values, which Volkswagen Leasing GmbH (VW Leasing) originated.

FRANKFURT (S&P Global Ratings) Aug. 25, 2026--S&P Global Ratings today assigned its ‘AAA (sf)’ rating to VCL Master Residual Value S.A., Compartment 3’s senior Schuldschein loan 2026-3. At the same time, we affirmed our ratings on the remaining senior and junior instruments (see list).

The senior Schuldschein loans rank pari passu with the class A notes. The class A notes and senior Schuldschein loans are referred to as senior instruments. The junior Schuldschein loan ranks pari passu with the class B notes. They are referred to as junior instruments. The senior instruments rank senior to the junior instruments. Senior and junior instruments are referred to as instruments.

VCL Master Residual Value, Compartment 3 is a securitization of a portfolio of German auto lease residual values, which Volkswagen Leasing GmbH (VW Leasing) originated. VW Leasing is the initial servicer, with no backup servicer.

The portfolio is currently in the revolving phase, which will end in March 2027 unless it is extended. On any payment date during the revolving period, the issuer may issue a new series of instruments or increase the size of the outstanding ones, subject to maintaining the initial required credit enhancement for both the senior and junior instruments.

The initial required credit enhancement or target overcollateralization amounts for both the senior and junior instruments remain unchanged since our previous review at 43.40% and 31.50%, respectively. A combination of subordination, initial and additional overcollateralization, and a cash reserve provides credit enhancement to the instruments.

The following changes to the program were introduced on the August 2026 interest payment date:

- ING Bank N.V. is an additional swap counterparty.
- Two unrated instruments (class A 2026-9 and class B 2026-5) have been issued alongside the rated senior Schuldschein loan 2026-3. These all benefit from a swap with ING Bank.

Rating Rationale

Operational risk

We reviewed VW Leasing's origination, underwriting, collections, and risk management practices.

We note that due to internal reorganization and changes to third-party service providers, there is currently a backlog in contracts, which have been declared as defaulted but not yet processed. This has led to an increase in delinquencies and a future partial rollover into net losses. So, we have incorporated this in our credit and cash flow assumptions. VW Leasing considers the situation temporary and expects it to be resolved by the end of the year.

We consider VW Leasing's practices to be in line with the broader market and our criteria for assessing operational risk (see "Related Criteria"). Our operational risk criteria do not cap the maximum achievable ratings on the instruments.

Credit risk

We have kept our base-case gross loss assumptions unchanged at 1.85%. The net loss base case remains at 0.50%. The multiples remain unchanged at 4.9x for 'AAA' and 3.4x for 'AA-'. The base recovery rate remains at 73%, and the haircuts are unchanged at 50% for 'AAA' and 36.7% for 'AA-'. In our surveillance of the VCL Master and VCL term transactions, we observed an increase in reported defaults, primarily due to more stringent reporting of defaults. VW Leasing states that most of these lessees subsequently become current. Additionally, there is a backlog in processing the contracts described in the servicing section. We believe our credit assumptions remain sufficiently conservative to accommodate a potential increase in net losses associated with the resolution of these defaulted contracts.

Table 1

Credit assumptions

Rating level	Net loss base-case	Recovery rate base-case	Gross loss base-case	Multiple	Recovery haircut	Stressed recovery rate	Applied net loss
AAA	0.5%	73%	1.9%	4.9x	50.0%	36.5%	5.8%
AA-	0.5%	73%	1.9%	3.4x	36.7%	46.2%	3.4%

The portfolio includes residual values, which are subject to market value decline risk. Residual value loss remains unchanged at 41.2% at 'AAA' and 30.1% at 'AA-'.

Cash flow analysis

We have assessed the transaction's documented payment structure and assumed the notes will have the minimum required credit enhancement in our cash flow analysis. The issuer can extend the transaction's revolving period several times. Once the revolving period ends, the transaction amortizes sequentially until certain overcollateralization targets for the senior and junior instruments are reached. However, the amortization between the senior and junior instruments and the subordinated loan switches to pro rata amortization from sequential if certain conditions are fulfilled, or when class-specific target overcollateralization levels are reached.

We have run sensitivity analyses simulating a 12-month delay in the recession and a six-month extension of the recovery period to reflect the potential effect of the current backlog in processing defaulted contracts.

Our analysis indicates that the minimum available credit enhancement for the senior instruments is sufficient to withstand the credit and cash flow stresses that we apply at 'AAA'. The junior instruments are able to withstand our stresses at a higher rating level than that currently assigned. However, we affirmed our 'AA- (sf)' ratings on the junior instruments due to the transaction's revolving nature and the ongoing frequent issuance of new series.

Counterparty risk

Our ratings on the instruments also consider whether the replacement mechanisms implemented in the transaction documents adequately mitigate the transaction’s counterparty risk exposure. We have analyzed these risks by applying our counterparty criteria (see "Related Criteria"). Our ratings on the instruments reflect that the documentation is in line with our counterparty criteria.

Legal risk

We consider the issuer to be bankruptcy remote, in line with our legal criteria (see "Related Criteria"). We have received a transaction legal opinion, which provides assurance that the structure achieves a valid and effective sale of assets, and we believe that the sale of the assets would survive the seller's insolvency.

Sovereign risk

Under our structured finance sovereign risk criteria, the maximum differential between the rating on the security and the rating on the sovereign depends on the asset sensitivity to country risk and the sovereign rating. We view the asset sensitivity to the country risk as low, and our long-term unsolicited sovereign rating on Germany is 'AAA'. Consequently, our sovereign risk criteria do not cap our ratings on the rated notes.

Forward-Looking View

In our analysis, we considered the following economic data and their baseline effect on collateral credit quality in determining our credit assumptions (see "Related Research").

Table 2

Economic factors

	2026f	2027f	2028f
Real GDP (y/y growth, %)	0.4	1.1	1.4
Unemployment rate (annual average, %)	3.9	3.5	3.2
CPI inflation (%)	3.1	2.4	1.8

Sources: National Statistics offices, Eurostat, S&P Global Ratings. f--Forecast. y/y--Year on year. CPI--Consumer price index.

We consider the transaction's resilience to additional stresses to some key variables, in particular residual value losses, defaults and recoveries, to determine our forward-looking view.

In our view, lessees' ability to pay their monthly instalments on auto leases will be highly correlated to macroeconomic conditions, particularly the unemployment rate and, to a lesser extent, consumer price inflation and interest rates. Our current unemployment forecast for Germany is 3.9% in 2026, 3.5% in 2027, and 3.2% in 2028. Our forecast for inflation in Germany is 3.1% in 2026, which we expect to decrease to 2.4% and 1.8% in in 2027 and 2028, respectively.

Furthermore, a decline in second-hand car values typically lowers realized recoveries and increases residual value losses. Although used car prices may decline moderately in Germany in 2026, we do not expect them to fall significantly.

Given our current macroeconomic forecast and forward-looking view of Germany's auto market, our sensitivity scenarios consider, all else being equal, the hypothetical effect on our credit ratings of:

- An increased gross default base case of up to 30%;
- A maximum haircut of 30% to the recovery rate base case; and
- An increase in market value decline residual value loss of up to 15%.

We therefore ran eight scenarios with increased gross defaults and/or reduced expected recoveries, as shown in the table below.

Table 3

Sensitivity analysis

(%)	Base run	1	2	3	4	5	6	7	8
Default rate base-case increase	-	10	30	-	-	10	30	10	30
Recovery rate base-case decrease	-	-	-	10	30	10	10	30	30
Increase in MVD	-	-	-	5	15	5	5	15	15
Gross default rate	1.85	2.04	2.41	1.85	1.85	2.04	2.41	2.04	2.41
Recovery rate	73.00	73.00	73.00	65.70	51.10	65.70	65.70	51.10	51.10
RV loss at 'AAA'	41.20	41.20	41.20	43.26	47.38	43.26	43.26	47.38	47.38

Downgrade notches

No change	One	Two	Three or more

Class of notes	Initial rating	1	2	3	4	5	6	7	8
A	AAA	AAA	AAA	AAA	AA+	AAA	AAA	AA+	AA+
B	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	A+

MVD--Market value decline. RV--Residual value.

Source: S&P Global Ratings.

The results of the above sensitivity analysis indicate a deterioration of no more than one notch for the 'AAA' rated instruments, which is in line with the credit stability considerations in our rating definitions. Transaction features such as initial subordination levels and a liquidity reserve enhance the stability of the ratings under each scenario.

Related Criteria

- Criteria | Structured Finance | General: Methodology For Rating Structured Finance Securities Above The Sovereign, April 10, 2026
- Criteria | Structured Finance | General: Counterparty Risk Methodology, July 25, 2025
- Criteria | Structured Finance | Legal: Asset Isolation And Special-Purpose Entity Methodology, May 29, 2025
- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, July 26, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013

- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- European Auto ABS Index Report Q1 2026, May 7, 2026
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, April 24, 2026
- New Issue: VCL Master Residual Value S.A., Compartment 3, March 25, 2026
- S&P Global Ratings Definitions, Dec. 16, 2025
- Sovereign Risk Indicators, Dec. 11, 2025
- S&P Global Ratings' Approach To GloBE Or Pillar II Tax Liabilities In European Structured Finance Transactions, April 19, 2024
- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.