

Morningstar DBRS Confirms Credit Ratings on Outstanding Series Issued by VCL Master Netherlands B.V.

AUTO

DBRS Ratings GmbH (Morningstar DBRS) confirmed the following credit ratings (together, the Class A notes) on the notes issued by VCL Master Netherlands B.V. (the Issuer):

- Series 2016-2, Class A notes at AAA (sf)
- Series 2016-3, Class A notes at AAA (sf)
- Series 2016-4, Class A notes at AAA (sf)
- Series 2016-5, Class A notes at AAA (sf)
- Series 2016-6, Class A notes at AAA (sf)
- Series 2021-1, Class A notes at AAA (sf)

The credit ratings on the notes address the timely payment of interest and the ultimate payment of principal on or before the legal final maturity date of the notes in March 2032.

AMENDMENT

The credit rating confirmations follow a review of the transaction upon the execution of a renewal that includes:

- Updated margins on all series of notes;
- New swap counterparty (DZ Bank AG Deutsche Zentral-Genossenschaftsbank (DZ Bank)) and updated swap agreements for all series of notes;
- A 12-month extension of the revolving period for the notes through to November 2025; and
- A 12-month extension of the legal maturity date for all series of notes through to March 2032.

The Issuer is a private company with limited liability incorporated under the laws of the Netherlands as a special-purpose entity, specifically for the purpose of the securitisation programme, which was established on 26 May 2016. The programme represents issuance of up to EUR 1.5 billion of Class A notes and Class B notes (the Notes) under which the Issuer may from time to time issue asset-backed floating-rate notes during the revolving period. The Notes are ultimately backed by receivables related to lease instalments and residual values related to auto lease agreements granted by Volkswagen Pon Financial Services B.V. (the Seller or VWPFS), a subsidiary of Volkswagen AG, to commercial or private lessees in the Netherlands. VWPFS also services the receivables (the Servicer).

As of the October 2024 payment date, the receivables portfolio had an outstanding discounted balance of EUR 1.2 billion.

CREDIT RATING RATIONALE

Morningstar DBRS' credit ratings are based on the following analytical considerations:

- The transaction's structure, including the form and sufficiency of available credit enhancement to withstand stressed cash flow assumptions and repay the Issuer's financial obligations according to the terms under which the Notes are issued.

- The credit quality of the Seller's portfolio, the concentration characteristics of the collateral, its historical performance and Morningstar DBRS projected behaviour under various stress scenarios.
- VWPFS's capabilities with respect to originations, underwriting, servicing, and its position in the market and financial strength.
- The operational risk review of VWPFS, which Morningstar DBRS deems to be an acceptable Servicer.
- The transaction parties' financial strength with regard to their respective roles.
- The consistency of the transaction's legal structure with Morningstar DBRS' "Legal Criteria for European Structured Finance Transactions" methodology.
- The consistency of the transaction's hedging structure with Morningstar DBRS' "Derivative Criteria for European Structured Finance Transactions" methodology.
- The sovereign rating on the Kingdom of the Netherlands currently rated AAA with a Stable trend by Morningstar DBRS.

PORTFOLIO ASSUMPTIONS AND KEY DRIVERS

Morningstar DBRS updated its RV loss assumption for AAA (sf) level to 37.7% and maintained its base case PD and LGD assumptions at 2.1% and 36.0%, respectively, based on updated historical net loss and delinquency data received from VWPFS.

The transaction benefits from liquidity support in the form of a cash collateral account funded to its target amount of EUR 12.9 million, equal to 1.35% 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.

U.S. Bank Europe DAC (USB, formerly Elavon Financial Services DAC) acts as the account bank for the transaction. Based on Morningstar DBRS' private credit rating on USB, 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 USB to be consistent with the credit rating assigned to the notes, as described in Morningstar DBRS' "Legal Criteria for European Structured Finance Transactions" methodology.

DZ Bank acts as the hedging counterparty for the transaction. Morningstar DBRS' public Long Term Critical Obligations Rating of AA on DZ Bank is consistent with the first credit rating threshold as described in Morningstar DBRS' "Derivative Criteria for European Structured Finance Transactions" methodology.

Morningstar DBRS' credit ratings on the applicable classes address the credit risk associated with the identified financial obligations in accordance with the relevant transaction documents. Where applicable, a description of these financial obligations can be found in the transactions' respective press releases at issuance.

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 methodology applicable to the credit rating is: "Master European Structured Finance Surveillance Methodology" (6 August 2024), <https://dbrs.morningstar.com/research/437540>.

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

Morningstar DBRS has applied the principal methodology 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 continues to consider potential portfolio migration based on replenishment criteria set forth in the transaction legal documents.

Morningstar DBRS has conducted a review of the transaction's legal documents provided in the context of the renewal. A review of any other transaction legal documents was not conducted as the legal documents have remained unchanged since the most recent credit rating action.

For a more detailed discussion of the sovereign risk impact on Structured Finance credit ratings, please refer to "Appendix C: The Impact of Sovereign Credit 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 VWFPS, legal documentation provided by the Issuer's legal counsel, and the following historical performance data relating to receivables provided by VWFPS directly or through its agent, ING Bank N.V.:

- Static monthly cumulative gross loss data from January 2014 to August 2024;
- Static monthly cumulative net loss data from January 2014 to August 2024;
- Dynamic monthly loss data from January 2014 to August 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 rating analysis.

Morningstar DBRS considers the data and information available to it for the purposes of providing these credit ratings 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 27 November 2023, when Morningstar DBRS confirmed its credit ratings on the outstanding Class A notes at AAA (sf).

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 ratings, Morningstar DBRS

considered the following stress scenarios, as compared to the parameters used to determine the credit ratings (the base case):

- Probability of default (PD) rate used: PD of 12.5% at the AAA (sf) stress level, a 25%, and 50% increase on the base case PD was tested.
- Recovery rates (RR) used: RR of 38.7% at the AAA (sf) stress level, a 25% and 50% decrease in the base case recovery rate was tested.
- Residual Value (RV) Loss rate: 37.7% at the AAA (sf) stress level, a 25% and 50% increase in the RV Loss was tested.

Class A Risk Sensitivity:

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

Lead Analyst: Baran Cetin, Senior Analyst

Rating Committee Chair: Alfonso Candelas, Associate Managing Director

Initial Rating Dates:

For the Series 2016-2, Class A notes; Series 2016-3, Class A notes; Series 2016-4, Class A notes; Series 2016-5, Class A notes; and Series 2016-6, Class A notes: 4 May 2016

For the Series 2021-1, Class A notes: 25 November 2021

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

-- Master European Structured Finance Surveillance Methodology (6 August 2024), <https://dbrs.morningstar.com/research/437540>

-- 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>

-- Operational Risk Assessment for European Structured Finance Originators and Servicers (18 September 2024), <https://dbrs.morningstar.com/research/439571>.

-- Interest Rate Stresses for European Structured Finance Transactions (24 September 2024), <https://dbrs.morningstar.com/research/439913>

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

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

-- Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (13 August 2024), <https://dbrs.morningstar.com/research/437781>.

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/439604>.

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 Netherlands B.V.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
25-Nov-24	Series 2016-2, Class A	Confirmed	AAA (sf)	--	EU U
25-Nov-24	Series 2016-3, Class A	Confirmed	AAA (sf)	--	EU U
25-Nov-24	Series 2016-4, Class A	Confirmed	AAA (sf)	--	EU U
25-Nov-24	Series 2016-5, Class A	Confirmed	AAA (sf)	--	EU U
25-Nov-24	Series 2016-6, Class A	Confirmed	AAA (sf)	--	EU U
25-Nov-24	Series 2021-1, Class A	Confirmed	AAA (sf)	--	EU U

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