

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

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DBRS Ratings GmbH (DBRS Morningstar) assigned a AAA (sf) rating to the Series 2022-1, Class A Notes issued by VCL Master Residual Value S.A., acting with respect to its Compartment 2 (the Issuer).

DBRS Morningstar also confirmed the ratings on the outstanding Class A Notes issued by the Issuer and upgraded the ratings on the outstanding Class B Notes as follows:

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

Lastly, the AAA (sf) rating on the Series 2019-1, Class A Notes was discontinued following the full repayment of the notes on the 26 September 2022 payment date.

The 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 2029.

The rating actions described above follow a review of the transaction upon the execution of an amendment agreement that includes:

- Tap issuances on nine series of existing Class A Notes and eight series of existing Class B Notes;
- Updated margins on all series of notes;
- New swap counterparty and updated swap agreements for all series of notes;
- Change of the cash collateral account required amount from an amortising to a fixed target;

- Change in the definition of the Available Distribution Amount to exclude the release of the Buffer Release Amount upon the occurrence of a Credit Enhancement Increase Condition;
- A 12-month extension of the revolving period for the notes through to September 2023; and
- A 12-month extension of the legal maturity date for all series of notes through to September 2029.

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 9.0 billion. As of the September 2022 payment date, the receivables portfolio had an outstanding discounted balance of EUR 11.4 billion.

The ratings are based on DBRS Morningstar's review of the following analytical considerations:

- Portfolio performance, in terms of delinquencies and defaults;
- The programme's capital structure, including form and sufficiency of available credit enhancement;
- Relevant credit enhancement in the form of subordination, overcollateralisation, and a fully funded liquidity reserve;
- Credit enhancement levels that are sufficient to support DBRS Morningstar's projected cumulative net losses under various stressed cash flow assumptions for the notes;
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms in which they have invested;
- VWL's capabilities with regard to origination, underwriting, servicing, and its financial strength;
- The transaction parties' financial strength with regard to their respective roles;
- The credit quality of the collateral and historical and projected performance of the seller's portfolio;
- DBRS Morningstar's sovereign rating on Germany, currently rated AAA with a Stable trend;
- The consistency of the transaction's legal structure with DBRS Morningstar's "Legal Criteria for European Structured Finance Transactions" methodology and the presence of legal opinions addressing the assignment of the assets to the Issuer; and
- The consistency of the transaction's hedging agreements with DBRS Morningstar's "Derivative Criteria for European Structured Finance Transactions" methodology.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

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

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at: <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings> (17 May 2022).

DBRS Morningstar analysed the transaction structure in Intex DealMaker.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the ratings is "Rating European Consumer and Commercial Asset-Backed Securitizations" (29 October 2021).

Other methodologies referenced in this transaction are listed at the end of this press release. These may be found at: <https://www.dbrsmorningstar.com/about/methodologies>.

DBRS Morningstar 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 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 ratings, please refer to “Appendix C: The Impact of Sovereign Ratings on Other DBRS Morningstar Credit Ratings” of the “Global Methodology for Rating Sovereign Governments” at: <https://www.dbrsmorningstar.com/research/401817/global-methodology-for-rating-sovereign-governments>.

The DBRS Morningstar Sovereign group releases baseline macroeconomic scenarios for rated sovereigns. DBRS Morningstar analysis considered impacts consistent with the baseline scenarios as set forth in the following report: <https://www.dbrsmorningstar.com/research/384482/baseline-macroeconomic-scenarios-application-to-credit-ratings>.

The sources of data and information used for these ratings include historical performance data relating to receivables provided by VWL directly or through its agent, Credit Agricole Corporate and Investment Bank; monthly investor reports provided by VWL; and legal documentation provided by the Issuer’s legal counsel.

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

DBRS Morningstar was supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS Morningstar considers the data and information available to it for the purposes of providing these ratings to be of satisfactory quality.

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

The last rating action on this transaction took place on 27 September 2021, when DBRS Morningstar confirmed the ratings on the outstanding Class A Notes at AAA (sf), confirmed the ratings on the outstanding Class B Notes at A (high) (sf), and assigned a rating of AAA (sf) on the Series 2021-2, Class A Notes.

Information regarding DBRS Morningstar ratings, including definitions, policies, and methodologies, is available on www.dbrsmorningstar.com.

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

- Probability of default (PD) rates used: Base Case PD of 1.4%, a 25.0% and 50.0% increase on the base case PD was tested;
- Losses given default (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% decrease in the base case LGD was tested.
- Residual Value (RV) Loss rate: 40% at the AAA (sf) stress level and 32% at the A (high) (sf) stress level. In both scenarios, a 25% and 50% increase in RV Loss was tested.
- The risk sensitivity overview below illustrates the ratings expected if the PD, LGD, and RV Loss Rate increase by a certain percentage over the base case assumption. For example, if the PD and LGD increase by 50%, the rating on the Class A Notes would be expected to decrease to AA (high) (sf), ceteris paribus. If the RV Loss Rate increases by 50%, the rating on the Class A Notes would be expected to decrease to A (high) (sf), ceteris paribus. Furthermore, if the PD and LGD both increase by 50%, and the RV Loss Rate increases by 50%, the rating on the Class A Notes would be expected to decrease to A (sf), ceteris paribus.

Class A Notes Risk Sensitivity:

- 25% increase in PD and LGD, expected rating of AAA (sf)

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

Class B Notes Risk Sensitivity:

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

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml>. DBRS Morningstar understands further information on DBRS Morningstar historical default rates may be published by the Financial Conduct Authority (FCA) on its webpage: <https://www.fca.org.uk/firms/credit-rating-agencies>.

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

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The rating methodologies used in the analysis of this transaction can be found at:

<https://www.dbrsmorningstar.com/about/methodologies>.

- Rating European Consumer and Commercial Asset-Backed Securitisations (29 October 2021), <https://www.dbrsmorningstar.com/research/387042/rating-european-consumer-and-commercial-asset-backed-securitisations>.
- Master European Structured Finance Surveillance Methodology (19 May 2022), <https://www.dbrsmorningstar.com/research/397033/master-european-structured-finance-surveillance-methodology>.
- Rating European Structured Finance Transactions Methodology (15 July 2022), <https://www.dbrsmorningstar.com/research/399899/rating-european-structured-finance-transactions-methodology>.
- Legal Criteria for European Structured Finance Transactions (22 July 2022), <https://www.dbrsmorningstar.com/research/400166/legal-criteria-for-european-structured-finance-transactions>.
- Derivative Criteria for European Structured Finance Transactions (20 September 2021), <https://www.dbrsmorningstar.com/>

[research/384624/derivative-criteria-for-european-structured-finance-transactions](https://www.dbrsmorningstar.com/research/384624/derivative-criteria-for-european-structured-finance-transactions).

-- Operational Risk Assessment for European Structured Finance Servicers (15 September 2022), <https://www.dbrsmorningstar.com/research/402774/operational-risk-assessment-for-european-structured-finance-servicers>.

-- Operational Risk Assessment for European Structured Finance Originators (15 September 2022), <https://www.dbrsmorningstar.com/research/402773/operational-risk-assessment-for-european-structured-finance-originators>

-- Interest Rate Stresses for European Structured Finance Transactions (22 September 2022), <https://www.dbrsmorningstar.com/research/402943/interest-rate-stresses-for-european-structured-finance-transactions>.

-- DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (17 May 2022), <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

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

For more information on this credit or on this industry, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

Ratings

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

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
26-Sep-22	Series 2015-1, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2015-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2015-3, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2015-4, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2015-5, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2015-6, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2016-1, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2016-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2016-4, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2018-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2018-4, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2018-5, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2021-2, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Sep-22	Series 2022-1, Class A Notes	New Rating	AAA (sf)	--	EU U
26-Sep-22	Series 2015-1, Class B Notes	Upgraded	AA (low) (sf)	--	EU U

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
26-Sep-22	Series 2015-3, Class B Notes	Upgraded	AA (low) (sf)	--	EU U
26-Sep-22	Series 2016-3, Class B Notes	Upgraded	AA (low) (sf)	--	EU U
26-Sep-22	Series 2018-2, Class B Notes	Upgraded	AA (low) (sf)	--	EU U
26-Sep-22	Series 2020-1, Class B Notes	Upgraded	AA (low) (sf)	--	EU U
26-Sep-22	Series 2019-1, Class A Notes	Disc.- Repaid	Discontinued	--	EU

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