

DBRS Morningstar Takes Rating Actions on VCL Master S.A., acting with respect to its Compartment 1

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DBRS Ratings GmbH (DBRS Morningstar) assigned a AAA (sf) rating to the Series 2020-1, Class A Notes issued by VCL Master S.A., acting with respect to its Compartment 1 (the Issuer).

DBRS Morningstar concurrently confirmed the following ratings previously assigned to the notes issued by the Issuer:

- Series 2010-2, Class A Notes at AAA (sf)
- Series 2011-2, Class A Notes at AAA (sf)
- Series 2012-2, Class A Notes at AAA (sf)
- Series 2012-3, Class A Notes at AAA (sf)
- Series 2012-4, Class A Notes at AAA (sf)
- Series 2013-1, Class A Notes at AAA (sf)
- Series 2015-1, Class A Notes at AAA (sf)
- Series 2017-1, Class A Notes at AAA (sf)
- Series 2017-3, Class A Notes at AAA (sf)
- Series 2018-1, Class A Notes at AAA (sf)
- Series 2014-1, Class B Notes at AA (sf)
- Series 2014-3, Class B Notes at AA (sf)
- Series 2018-1, Class B Notes at AA (sf)

Additionally, the ratings on the following series of notes were discontinued following their redemption in full on the 25 September 2020 payment date:

- Series 2010-4, Class A Notes
- Series 2012-1, Class A Notes
- Series 2017-2, Class A Notes
- Series 2014-4, Class B Notes

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 2027.

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

- Issuance of new Class A Notes under Series 2020-1;
- Tap issuance of Series 2011-2, Class A Notes; Series 2012-2, Class A Notes; Series 2012-3, Class A Notes; Series 2017-3, Class A Notes; and Series 2014-1, Class B Notes;
- Repayment of the Series 2010-4, Class A Notes; Series 2012-1, Class A Notes; Series 2017-2, Class A Notes; and Series 2014-4, Class B Notes;
- Updated margins on all series of notes;

- New hedging agreements for all series of notes;
- A 12-month extension of the revolving period for the notes through to September 2021;
- A 12-month extension of the legal maturity date for all series of notes through to September 2027;
- An update to the credit enhancement increase condition.

The Issuer is a securitisation of lease receivables related to motor vehicle lease contracts originated by Volkswagen Leasing GmbH (VWL) in Germany. The residual values are not securitised.

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 to the notes;
- Credit enhancement in the form of subordination, overcollateralisation, and a fully funded liquidity reserve;
- Credit enhancement levels are sufficient to support the expected cumulative net loss assumption projected under various stress scenarios at the AAA (sf) and AA (sf) rating levels for the series of Class A Notes and Class B Notes, respectively;
- The ability of the structure to withstand stressed cash flow assumptions and repay investors according to the terms in which they have invested;
- The programme counterparties' capabilities with regard to originations, underwriting, servicing, and its financial strength;
- DBRS Morningstar conducted an operational risk review of VWL and deems it to be an acceptable servicer;
- The credit quality and industry diversification of the collateral and historical and projected performance of the seller's portfolio;
- The sovereign rating of the Federal Republic of Germany, currently rated AAA with a Stable trend by DBRS Morningstar;
- Current economic environment and an assessment of sustainable performance, as a result of the Coronavirus Disease (COVID-19) outbreak;
- The consistency of the transaction's legal structure with DBRS Morningstar's "Legal Criteria for European Structured Finance Transactions" methodology and presence of legal opinions addressing the assignment of the assets to the Issuer;
- The consistency of the transaction's hedging agreements with DBRS Morningstar's "Derivative Criteria for European Structured Finance Transactions" methodology.

DBRS Morningstar analysed the transaction structure in Intex DealMaker.

The Coronavirus Disease (COVID-19) and the resulting isolation measures have caused an economic contraction, leading to sharp increases in unemployment rates and income reductions for many borrowers. DBRS Morningstar anticipates that delinquencies may arise in the coming months for many ABS transactions, some meaningfully. The ratings are based on additional analysis and, where appropriate, additional stresses to expected performance as a result of the global efforts to contain the spread of the coronavirus. For this transaction, DBRS Morningstar stressed the expected recovery rates and conducted additional sensitivity analysis to determine that the transaction benefits from sufficient liquidity support to withstand high levels of payment holidays or payment moratoriums in the portfolio.

On 16 April 2020, the DBRS Morningstar Sovereign group released a set of macroeconomic scenarios for the 2020-22 period in select economies. These scenarios were last updated on 10 September 2020. For details, see the following commentaries: <https://www.dbrsmorningstar.com/research/366542/global-macroeconomic-scenarios-september-update> and <https://www.dbrsmorningstar.com/research/359903/global-macroeconomic-scenarios-application-to-credit-ratings>. The DBRS Morningstar analysis considered impacts consistent with the moderate scenario in the referenced reports.

On 8 May 2020, DBRS Morningstar published a commentary outlining how the coronavirus crisis is likely to affect the DBRS Morningstar-rated ABS transactions in Europe. For more details please see <https://www.dbrsmorningstar.com/research/360734/european-abs-transactions-risk-exposure-to-coronavirus-covid-19-effect> and <https://www.dbrsmorningstar.com/research/362712/european-structured-finance-covid-19-credit-risk-exposure-roadmap>.

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/357883>.

For more information regarding structured finance rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/358308>.

ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>.

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” (3 September 2020). 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 continues to be based on the worst-case replenishment criteria set forth in the transaction legal documents.

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>.

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/364527/global-methodology-for-rating-sovereign-governments>.

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 25 September 2019, when DBRS Morningstar confirmed the ratings of the Class A Notes at AAA (sf) and the Class B Notes at AA (sf).

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

To assess the impact of changing the transaction parameters on the ratings, DBRS Morningstar considered the following stress

scenarios, as compared to the parameters used to determine the ratings (the base case):

- Probability of default (PD) rate used: Base Case PD of 1.40%, a 25% and 50% increase on the base case PD was tested;
- Losses given default (LGD) rates used: LGD of 63% at the AAA (sf) stress level and 53% at the AA (sf) stress level, a 25% and 50% decrease in the Base Case LGD was tested.
- The risk sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base case assumption. For example, if the LGD increases by 50%, the rating of the Class A Notes would be expected to decrease to AA (high) (sf), ceteris paribus. If the PD increases by 50%, the rating of the Class A Notes would be expected to decrease to AA (high) (sf), ceteris paribus. Furthermore, if both the PD and LGD increase by 50%, the rating of the Class A notes would be expected to decrease to AA (sf), ceteris paribus.

Class A Notes risk sensitivity:

- 25% increase in LGD, expected rating of AAA (sf)
- 50% increase in LGD, expected rating of AA (high) (sf)
- 25% increase in PD, expected rating of AAA (sf)
- 50% increase in PD, expected rating of AA (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of AA (high) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of AA (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of AA (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of AA (sf)

Class B Notes risk sensitivity:

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

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see:

<https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings GmbH are subject to EU and U.S. regulations only.

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Initial Rating Date: 26 September 2016

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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 (3 September 2020), <https://www.dbrsmorningstar.com/research/366294/rating-european-consumer-and-commercial-asset-backed-securitisations>.
- Master European Structured Finance Surveillance Methodology (22 April 2020), <https://www.dbrsmorningstar.com/research/359884/master-european-structured-finance-surveillance-methodology>.
- Rating European Structured Finance Transactions Methodology (21 July 2020), <https://www.dbrsmorningstar.com/research/364305/rating-european-structured-finance-transactions-methodology>.
- Legal Criteria for European Structured Finance Transactions (11 September 2019), <https://www.dbrsmorningstar.com/research/350234/legal-criteria-for-european-structured-finance-transactions>.
- Derivative Criteria for European Structured Finance Transactions (24 September 2020), <https://www.dbrsmorningstar.com/research/367092/derivative-criteria-for-european-structured-finance-transactions>.
- Operational Risk Assessment for European Structured Finance Servicers (28 February 2020), <https://www.dbrsmorningstar.com/research/357429/operational-risk-assessment-for-european-structured-finance-servicers>.
- Operational Risk Assessment for European Structured Finance Originators (28 February 2020), <https://www.dbrsmorningstar.com/research/357430/operational-risk-assessment-for-european-structured-finance-originators>.
- Interest Rate Stresses for European Structured Finance Transactions (10 October 2019), <https://www.dbrsmorningstar.com/research/351557/interest-rate-stresses-for-european-structured-finance-transactions>.

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 S.A., acting with respect to its Compartment 1

Date Issued	Debt Rated	Action	Rating	Trend	Issued
25-Sep-20	Series 2010-2, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2011-2, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2012-2, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2012-3, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2012-4, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2013-1, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2015-1, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2017-1, Class A Notes	Confirmed	AAA (sf)	--	
25-Sep-20	Series 2017-3, Class A Notes	Confirmed	AAA (sf)	--	

Date Issued	Debt Rated	Action	Rating	Trend	Issued
25-Sep-20	Series 2018-1, Class A Notes	Confirmed	AAA (sf)	--	EU
25-Sep-20	Series 2014-1, Class B Notes	Confirmed	AA (sf)	--	EU
25-Sep-20	Series 2014-3, Class B Notes	Confirmed	AA (sf)	--	EU
25-Sep-20	Series 2018-1, Class B Notes	Confirmed	AA (sf)	--	EU
25-Sep-20	Series 2010-4, Class A Notes	Disc.- Repaid	Discontinued	--	EU
25-Sep-20	Series 2012-1, Class A Notes	Disc.- Repaid	Discontinued	--	EU
25-Sep-20	Series 2014-4, Class B Notes	Disc.- Repaid	Discontinued	--	EU
25-Sep-20	Series 2017-2, Class A Notes	Disc.- Repaid	Discontinued	--	EU

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