DBRS Morningstar Confirms Ratings on VCL Master Residual Value S.A., acting with respect to its Compartment 2

DBRS Ratings GmbH (DBRS Morningstar) confirmed its ratings of AAA (sf) and A (high) (sf) on the Class A Notes and Class B Notes (the Notes), respectively, issued by VCL Master Residual Value S.A., acting with respect to its Compartment 2 (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 2018-1, 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 2019-1, Class A Notes at AAA (sf)
- Series 2015-1, Class B Notes at A (high) (sf)
- Series 2015-3, Class B Notes at A (high) (sf)
- Series 2016-3, Class B Notes at A (high) (sf)
- Series 2018-1, Class B Notes at A (high) (sf)
- Series 2018-2, Class B Notes at A (high) (sf)

DBRS Morningstar does not rate the Series 2016-1, Class B, Series 2017-1, Class B, and Series 2019-1, Class B Notes issued by the Issuer.

The ratings address the timely payment of interest and ultimate payment of principal on or before the legal final maturity date of the Notes in September 2026.

The confirmations follow a review of the transaction upon the execution of a programme renewal that included:

- Increased programme size from EUR 6.0 billion to EUR 8.0 billion and increased maximum issuance amounts on the Notes;
- Updated note margins on the Notes;
- Updated swap pricing on the Notes;
-- A six-month extension of the revolving period for all series of notes through to September 2020; and
-- A six-month extension of the legal maturity date for all series of notes through to September 2026.

The Issuer is a securitisation of residual values deriving from motor vehicle lease contracts originated by Volkswagen Leasing GmbH (VWL) in Germany.

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 (CE) to the Notes;
-- CE in the form of subordination, overcollateralization, and a fully funded liquidity reserve;
-- CE levels are sufficient to support the expected cumulative net loss assumption projected under various stress scenarios at the AAA (sf) and A (high) (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 at its premises in Braunschweig, Germany 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;
-- 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’s cash flow structure in Intex DealMaker.

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.

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.

Notes:
All figures are in euros unless otherwise noted.

The principal methodology applicable to the ratings is “Rating European Consumer and Commercial Asset-Backed Securitisations” (13 January 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 on www.dbrs.com at: http://www.dbrrsmorningstar.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 Credit Ratings” of the “Global Methodology for Rating Sovereign Governments” at: https://www.dbrrsmorningstar.com/research/350410/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 actions on this transaction took place on 25 September 2019, when DBRS Morningstar assigned a rating of AAA (sf) to the Series 2019-1, Class A Notes, confirmed ratings on existing Notes, and discontinued the ratings on six series of notes.

Information regarding DBRS Morningstar ratings, including definitions, policies and methodologies, is available on www.dbrrsmorningstar.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;
-- Loss given default (LGD) rates used: LGD of 60% at the AAA (sf) stress level and 48% at the A (high) (sf) stress level, a 25% and 50% increase in the 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.

Class A Notes Risk Sensitivity:
-- A hypothetical increase of the PD and LGD rates by 25%, ceteris paribus, would lead to a decrease of the Class A Notes to AA (high) (sf);
-- A hypothetical increase of the PD and LGD rates by 50%, ceteris paribus, would lead to a decrease of the Class A Notes to AA (high) (sf);
-- A hypothetical increase of the RV Loss rate by 25%, ceteris paribus, would lead to a decrease of the Class A Notes to BBB (high) (sf);
-- A hypothetical increase of the RV Loss rate by 50%, ceteris paribus, would lead to a decrease of the Class A Notes to BB (low) (sf);
-- A hypothetical increase of the RV Loss rate by 25%, and a hypothetical increase of the PD and LGD rates by 25%, ceteris paribus, would lead to a decrease of the Class A Notes to AA (low) (sf);
-- A hypothetical increase of the RV Loss rate by 25%, and a hypothetical increase of the PD and LGD rates by 50%, ceteris paribus, would lead to a decrease of the Class A Notes to A (high) (sf);
-- A hypothetical increase of the RV Loss rate by 50%, and a hypothetical increase of the PD and LGD rates by 25%, ceteris paribus, would lead to a decrease of the Class A Notes to BB (low) (sf);  
-- A hypothetical increase of the RV Loss rate by 50% and a hypothetical increase of the PD and LGD rates by 50%, ceteris paribus, would lead to a decrease of the Class A Notes to BBB (sf).

Class B Notes Risk Sensitivity:

-- A hypothetical increase of the PD and LGD rates by 25%, ceteris paribus, would lead to a decrease of the Class B Notes to A (sf);  
-- A hypothetical increase of the PD and LGD rates by 50%, ceteris paribus, would lead to a decrease of the Class B Notes to A (sf);  
-- A hypothetical increase of the RV Loss rate by 25%, ceteris paribus, would lead to a decrease of the Class B Notes to BB (high) (sf);  
-- A hypothetical increase of the RV Loss rate by 50%, ceteris paribus, would lead to a decrease of the Class B Notes to B (high) (sf);  
-- A hypothetical increase of the RV Loss rate by 25%, and a hypothetical increase of the PD and LGD rates by 25%, ceteris paribus, would lead to a decrease of the Class B Notes to BB (sf);  
-- A hypothetical increase of the RV Loss rate by 25%, and a hypothetical increase of the PD and LGD rates by 50%, ceteris paribus, would lead to a decrease of the Class B Notes to BB (sf);  
-- A hypothetical increase of the RV Loss rate by 50%, and a hypothetical increase of the PD and LGD rates by 25%, ceteris paribus, would lead to a decrease of the Class B Notes to B (sf);  
-- A hypothetical increase of the RV Loss rate by 50% and a hypothetical increase of the PD and LGD rates by 50%, ceteris paribus, would lead to a decrease of the Class B Notes to B (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://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

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

Lead Analyst: Daniel Rakhamimov, Senior Analyst  
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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: http://www.dbrsmorningstar.com/about/methodologies.

A description of how DBRS Morningstar analyses structured finance transactions and how the methodologies are collectively applied can be found at: http://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

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