Creditreform Rating

Anne Blümel
Public Relations

Hellersbergstraße 11, 41460 Neuss
Phone 0 21 31 / 1 09 - 3523
Telefax 0 21 31 / 1 09 – 83523
Mobile: 0162 / 2722929
E-Mail a.bluemel@creditreform-rating.de
Internet www.creditreform-rating.de

Press Release

Creditreform Rating has assigned ratings to German auto lease securitisation VCL Master Residual Value S.A., Compartment 2

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Creditreform Rating has assigned ratings to the Class A and Class B notes series of VCL Master Residual Value S.A., acting for and on behalf of its Compartment 2 (VCL RV2), as follows:

EUR Floating Rate Asset Backed Class A notes series (current outstanding amount):

Series	Amount	Rating
A 2015-1	352,300,000	AAA_{sf}
A 2015-2	448,700,000	AAA_{sf}
A 2015-3	250,000,000	AAA_{sf}
A 2015-4	493,700,000	AAA_{sf}
A 2015-5	267,300,000	AAA_{sf}
A 2015-6	222,600,000	AAA_{sf}
A 2016-1	272,600,000	AAA_{sf}
A 2016-2	50,000,000	AAA_{sf}
A 2016-4	373,600,000	AAA_{sf}
A 2017-1	300,000,000	AAA_{sf}
A 2018-1	121,000,000	AAA_{sf}
A 2018-2	309,200,000	AAA_{sf}

EUR Floating Rate Asset Backed Class B notes series (current outstanding amount):

Series	Amount	Rating
B 2015-1	74,500,000	A+$_{sf}$
B 2015-2	127,900,000	A+$_{sf}$
B 2015-3	166,400,000	A+$_{sf}$
B 2016-1	45,000,000	A+$_{sf}$
B 2016-3	196,500,000	A+$_{sf}$
B 2017-1	74,400,000	A+$_{sf}$
B 2018-1	13,300,000	A+$_{sf}$

VCL RV2 is a platform for VW Leasing GmbH (VWL) to securitise the residual value portion of German auto lease receivables. VCL Master Residual Value, Compartment 2, has currently issued twelve series of asset backed floating rate Class A Notes und seven series of asset backed floating rate Class B Notes. The transaction features a revolving period of 12 month within the Issuer will purchase new expectancy rights for revolving series. Note that Series A 2018-1, A 2018-2 and B 2018-1 were newly issued on 25 September 2018. The compartment may from time to time issue further series of Class A and Class B Notes.

VCL RV2 securitises only the residual value portion of the leases; finance portions of the lease contracts are not securitized by the Issuer. A combination of subordinated loan, overcollateralization and a cash reserve will provide credit enhancement to the rated Class A notes series (current total CE 48.81%) and Class B notes (current total CE 37.92%).

The transaction is subject to the risks of obligors' defaults and used car market values' deterioration. CRA used data of residual value forecasts and historical data of sale proceeds to determine an expected RV loss of 37.42% and 32.27% in an AAA$_{sf}$ and A+$_{sf}$ rating scenario, respectively, taking into account a stable recovery procedure, a moderate RV setting strategy of VWL and increased market value risks related to the manipulation of EA189 diesel emissions.

To size the credit risk of the portfolio and derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating used data provided by VWL as well as internal data-bases. Following the analysis of historical data, CRA set the base case gross loss rate at 0.86% and the base case recovery rate at 65%.

The CRA Portfolio and Benchmark Analysis showed a lower portfolio credit risk compared to historical benchmarks. However, CRA decided to maintain a conservative approach in selecting the appropriate scenario-specific stress multiples at x8.10 and x5.28 in an AAA_{sf} and $A+_{sf}$ scenario, respectively.

Moreover, CRA set the recovery haircuts at 43.03% (AAA_{sf}) and 34.47% ($A+_{sf}$), taking into account transaction-specific features such as observed volatility and established recovery procedures as well as potential market value risks caused by the manipulation of EA189 diesel emissions. This resulted in total expected net losses of 6.96% (AAA_{sf}) and 4.54% ($A+_{sf}$). These scenario-specific assumptions about residual value risk and credit risk were tested in CRA's proprietary cash flow model, which was tailored to reflect the structure of VCL RV2 and to test the transactions' ability of paying interest and ultimate payment principal at final maturity.