

April 27, 2020

**Rated entity / Rating / Rating Outlook:**

EUR Floating Rate Asset Backed Class A and Class B Notes as following, issued by VCL Master S.A., acting with respect to its Compartment 1

Series	ISIN	Note Balance Before Tap Issuance (EUR)	Note Balance After Tap Issuance (EUR)	Rating / Outlook
Class A 2010-2	XS0480715548	164,900,000	213,500,000	AAAsf / stable
Class A 2010-4	XS0480716199	2,500,000	2,500,000	AAAsf / stable
Class A 2011-2	XS0646441575	41,500,000	53,600,000	AAAsf / stable
Class A 2012-1	XS0857704976	83,000,000	107,300,000	AAAsf / stable
Class A 2012-2	XS0857705353	83,000,000	107,300,000	AAAsf / stable
Class A 2012-3	XS0857705866	55,400,000	71,600,000	AAAsf / stable
Class A 2012-4	XS0857706161	166,600,000	215,200,000	AAAsf / stable
Class A 2013-1	XS0950403229	55,400,000	71,600,000	AAAsf / stable
Class A 2015-1	XS1309693643	295,000,000	375,900,000	AAAsf / stable
Class A 2017-1	XS1577438135	41,500,000	53,600,000	AAAsf / stable
Class A 2017-2	XS1675945494	55,400,000	71,600,000	AAAsf / stable
Class A 2017-3	XS1675945577	203,800,000	268,500,000	AAAsf / stable
Class A 2018-1	XS1894806360	44,200,000	57,100,000	AAAsf / stable
Class B 2014-1	XS1112835910	16,000,000	20,500,000	AA-sf / stable
Class B 2014-3	XS1112837379	15,800,000	20,300,000	AA-sf / stable
Class B 2014-4	XS1112837882	100,000	100,000	AA-sf / stable
Class B 2018-1	XS1894834818	3,500,000	4,500,000	AA-sf / stable

**Rating summary:**

Following a tap issuance on April 27, 2020, Creditreform Rating (CRA) confirms the ratings of all Series of Class A and B Notes listed as above, issued by VCL Master S.A., acting for and on behalf of its Compartment 1 (VCL Master).

The outstanding note volume will increase by EUR 387.1m. The credit enhancements of the Series of Class A and B Notes remain above the minimum credit enhancements, which Creditreform Rating assumed in its initial rating analysis (current total CE after the tap issuance are 11.67% and 9.23% for Class A and Class B Notes, respectively).

To size the credit risk of the portfolio and to derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating uses data provided by Volkswagen Leasing GmbH (VWL) as well as internal databases. Following an updated analysis of historical data, CRA set the total expected net losses at 6.49% (AAA<sub>sf</sub>) and 4.69% (AA<sub>sf</sub>). These scenario-specific assumptions were tested in CRA's proprietary cash flow model, which was tailored to reflect the structure of VCL Master and to assess the issuer's ability to service its debt in a full and timely manner.

Therefore, the ratings of the existing Series of Class A and Class B Notes are not affected by the tap issuance.

**Primary key rating driver:**

- + VCL securitizes only the finance portion of the leases; residual values are not securitized by the Issuer
- + Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer, including non-petition provisions
- + Downgrade collateral and replacement provisions mitigate counterparty risk exposure w.r.t. the Swap Counterparty and Account Bank
- Legal documentation does not foresee a back-up servicer
- Extended 12-month revolving period until September 2020 may affect portfolio quality
- Term takeouts increase the share of delinquent contracts in the portfolio
- Potentially indirect negative impact of Volkswagen AG diesel emission manipulations on future (portfolio) recovery performance
- Increased macroeconomic uncertainty and potential market decline due to the coronavirus crisis may have adverse effect on VWL's ABS strategy and future portfolio performance

**Rating sensitivities:**

Best-case scenario: In this scenario, we stressed (ceteris paribus) the base case default rate by an amount of -25% and the base case recovery rate by an amount of +25%, resulting in a rating of AAA<sub>sf</sub> for Class A Notes and AA<sub>sf</sub> for Class B Notes.

Worst-case scenario: In this scenario, a severe 100% stress is applied to the base case default rate in combination with a 50% stress on the base case recovery rate, resulting in a rating of BBB<sub>sf</sub> for Class A Notes and BB<sub>sf</sub> for Class B Notes. In our view, this rating would represent a scenario with higher default correlation and market decline in a stressed pandemic scenario.

**ESG-criteria:**

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing the rating object. Overall, ESG factors have a less significant impact on the current ratings of the Class A and B notes. Nevertheless, CRA identifies macroeconomic factors (particularly with regard to potential changes in consumer behaviour) to have a high significant impact. Increased macroeconomic uncertainty and potential market decline due to the coronavirus crisis may have adverse effect on VWL's ABS strategy and future portfolio performance. Governance is relevant to the ratings with respect to counterparty risk, but downgrade collateral and replacement provisions mitigate counterparty risk exposure with respect to the Swap Counterparty and Account Bank. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

<https://www.creditreform-rating.de/de/regulatory-requirements/>

**Date of inception / disclosure to rated entity / maximum validity:**

July 22, 2016 / April 23, 2020 / September 25, 2026

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

**Initial rating date:**

September 23, 2016

**Lead-analyst – position / Person approving (PAC):**

Philip Michaelis (Lead) – Senior Analyst

Stephan Giebler (PAC) – Senior Analyst

**Name & address of legal entity:**

Creditreform Rating AG, Hellersbergstraße 11, 41460 Neuss, Germany

**Status of solicitation:**

The rating is a solicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: Yes

With Access to Internal Documents: Yes

With Access to Management: Yes

**Rating methodology / Version / Date of application / Link:**

Rating Methodology Auto ABS Securitizations, Version 1.4, July 2018 ([https://www.creditreform-rating.de/pub/media/global/page\\_document/Rating\\_Methodology\\_Auto\\_ABS\\_Securitizations.pdf](https://www.creditreform-rating.de/pub/media/global/page_document/Rating_Methodology_Auto_ABS_Securitizations.pdf))

Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018 ([https://www.creditreform-rating.de/pub/media/global/page\\_document/Technical\\_Documentation\\_Portfolio\\_Loss\\_Distributions.pdf](https://www.creditreform-rating.de/pub/media/global/page_document/Technical_Documentation_Portfolio_Loss_Distributions.pdf))

Rating Criteria and Definitions, Version 1.3, January 2018 ([https://www.creditreform-rating.de/pub/media/global/page\\_document/CRAG\\_Rating\\_Criteria\\_and\\_Definitions\\_v1\\_3\\_01-2018.pdf](https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf))

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

<https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html>

## **Regulatory requirements:**

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

## Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

## Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity. To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants
2. Transaction documents
3. Issuing documents
4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.