Creditreform Rating

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Press Release

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

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After the renewal of the transaction, 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 (VCLM RV C2), as follows:

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

Series	Amount	Rating/ Outlook
A 2015-1	414,100,000	AAA_{sf}/ stable
A 2015-2	448,700,000	AAA_{sf}/ stable
A 2015-3	550,000,000	AAA_{sf}/ stable
A 2015-4	496,800,000	AAA_{sf}/ stable
A 2015-5	400,000,000	AAA_{sf}/ stable
A 2015-6	222,600,000	AAA_{sf}/ stable
A 2016-1	441,500,000	AAA_{sf}/ stable
A 2016-2	50,000,000	AAA_{sf}/ stable
A 2016-4	373,600,000	AAA_{sf}/ stable
A 2018-1	218,100,000	AAA_{sf}/ stable
A 2018-2	309,200,000	AAA_{sf}/ stable
A 2018-4	100,000,000	AAA_{sf}/ stable
A 2018-5	27,900,000	AAA_{sf}/ stable

Series	Amount	Rating/ Outlook
A 2019-1	253,400,000	AAA_{sf}/ stable

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

Series	Amount	Rating/ Outlook
B 2015-1	110,900,000	$A+_{sf}$/ stable
B 2015-3	166,400,000	$A+_{sf}$/ stable
B 2016-1	68,800,000	not rated
B 2016-3	307,100,000	$A+_{sf}$/ stable
B 2017-1	74,400,000	not rated
B 2018-1	52,800,000	$A+_{sf}$/ stable
B 2018-2	33,300,000	$A+_{sf}$/ stable
B 2019-1	39,400,000	not rated

VCLM RV C2 is a platform for VW Leasing GmbH (VWL) to securitise the residual value portion of German auto lease receivables. VCLM RV C2, has currently issued 14 series of asset backed floating rate Class A Notes und eight series of asset backed floating rate Class B Notes. The transaction features a revolving period of 6 month within the Issuer will purchase new expectancy rights for revolving series. Note that Series A 2019-1 and B 2019-1 were newly issued on 25 September 2019. At the same time Creditreform Rating has discontinued the ratings on note series A 2017-1, A 2018-3, B 2015-2 and B 2018-3 due to the full redemption of the notes. Furthermore, CRA has discontinued the ratings on note series B 2016-1 and B 2017-1 and has not assigned ratings to the note series B 2019-1 upon request of the mandator. The compartment may from time to time issue further series of Class A and Class B Notes.

VCLM RV C2 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 and overcollateralization will provide credit enhancement to the rated Class A notes series (current total CE 47.14%) and Class B notes (current total CE 36.67%). In addition, a cash reserve, currently amounting to 2.74% of the expectancy rights balance, is available to provide credit enhancement to the Class A and B Notes.

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 37.30% and 32.07% 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.

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 0.87% and the base case recovery rate at 65%.

CRA decided to maintain a conservative approach in selecting the appropriate scenario-specific stress multiples at x7.71 and x5.29 in an AAA_{sf} and $A+_{sf}$ scenario, respectively.

Moreover, CRA set the recovery haircuts at 48.45% (AAA_{sf}) and 38.81% ($A+_{sf}$), taking into account transaction-specific features such as observed volatility and established recovery procedures as well as potential market value risks. This resulted in total expected net losses of 4.44% (AAA_{sf}) and 2.76% ($A+_{sf}$). 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 VCLM RV C2 and to test the transactions' ability of paying interest and ultimate payment principal at final maturity.