

VCL Master Residual Value S.A.
Société Anonyme

AUDITED ANNUAL ACCOUNTS
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2019

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VCL Master Residual Value S.A.

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VCL Master Residual Value S.A.**DIRECTORS' REPORT**

The Board of Directors of VCL Master Residual Value S.A. (the "**Company**") herewith submits its report for the year ending 31 December 2019.

General

The Company is a securitisation company within the meaning of the Luxembourg Law of March 22, 2004 on securitisation ("**Securitisation Law**") and has as its corporate purpose the securitisation of car lease receivables.

The Company may, in accordance with the terms of the Securitisation Law, and in particular its article 5, create one or more compartments. Each compartment shall, unless otherwise provided for in the resolution of the Board of Directors creating such compartment, correspond to a distinct part of the assets and liabilities in respect of the corresponding funding.

Summary of activities**Compartment 1**

On 21 February 2014 the Company has created one compartment named Compartment 1 ("**C1**"). The C 1 has purchased a pool of expectancy rights (the "**Expectancy Rights**" or "**Permitted Assets**") resulting from Volkswagen Leasing GmbH transferring vehicles as security to VCL Master S.A. acting on behalf of its C1.

The purchase of the Expectancy Rights has been financed by the issue of Floating Rate Notes (the "**Notes**") and subordinated loan.

On 25 September 2018 the Company transferred the assets and liabilities of C1 to Compartment 2 ("**C2**"). In 2019, C1 did not have any activities.

Compartment 2

On 3 November 2015 the Company has created one additional compartment named Compartment 2 ("**C2**"). The C2 has purchased a pool of expectancy rights (the "**Expectancy Rights**" or "**Permitted Assets**") resulting from Volkswagen Leasing GmbH transferring vehicles as security to VCL Master S.A. acting on behalf of his Compartment 2.

The Expectancy Rights have been purchased as follows:

Portfolio	Compartment	Value at initial purchase (in EUR)	Purchase price (in EUR)
Expectancy Rights	C2	833,516,156	779,373,476

The underlying car lease contracts are mainly for the leasing of vehicles originated by Volkswagen Leasing GmbH via the Volkswagen group dealership network (which, inter alia, comprises of Volkswagen, Audi, SEAT, Skoda and Volkswagen Nutzfahrzeuge) throughout Germany and are entered into with both private and business customers.

The purchase of the Expectancy Rights has been financed by the issue of Floating Rate Notes (the "**Notes**") and subordinated loans as follows:

Portfolio	Compartment	Notes (in EUR)	Initial maturity	Subordinated loan (in EUR)
Expectancy Rights	C2	562,600,000	2022	245,916,156

The Notes are backed by substantially all of the assets allocated to C2 consisting primarily of the Company's right, title and interest in the Expectancy Rights and in the Final repayment Receivables which have been transferred to the Company.

The subordinated loan has been granted to the Company by Volkswagen Bank GmbH for the purpose of credit enhancement and it ranks junior to the Notes.

The Company has entered into swap agreements for each class of Notes to hedge the interest rate risk deriving from the scheduled periodic payments payable by the Lessees of the vehicles to the Company and the floating rate interest payments owed by the company under the Notes.

Both the Notes and the subordinated loan are limited recourse obligations of the Issuer to pay only those amounts which are actually available to it, being essentially the amounts received under the Expectancy Rights.

VCL Master Residual Value S.A.

DIRECTORS' REPORT (CONTINUED)

Summary of activities (continued)

Portfolio of Permitted Assets

During the year 2019, the Expectancy Rights principal held by the C2 increased by nil (EUR 1,510,992,571 in 2018) by way of additional issuances (Tap Up) and by EUR 3,392,211,815 (EUR 1,463,143,525 in 2018) by way of reinvestment of funds collected (Top Up). The Expectancy Rights principal was also decreased by EUR 3,157,480,681 (EUR 1,611,160,012 in 2018) by way of payments collected from Volkswagen Leasing GmbH and by EUR 4,398,638 (nil in 2018) of assets repurchased from Volkswagen Leasing GmbH. The Discounted Expectancy Rights Balance of C2 means the present value of the remaining residual value represented by the Expectancy Rights, calculated using the Expectancy Rights Discount Rate being 4.338% per annum.

Subordinated loan

During the year 2019, the C2 has been granted an additional amount of nil (EUR 1,053,112,811 in 2018). Unpaid interest for the amount of EUR 45,647,133 (EUR 23,040,739 in 2018) was capitalised to the subordinated loan nominal balance.

On 25 September 2018, the subordinated loan held by C1 was merged with C2.

Floating Rate Notes

As at 31 December 2019, the C2 has issued Notes for a total amount of EUR 721,200,000 (EUR 2,433,300,000 in 2018) and had EUR 721,200,000 redemption of Notes (nil in 2018). The Notes are listed in Luxembourg Stock Exchange.

On 25 September 2018, the Notes Issued by C1 were transferred to C2 for a total amount of EUR 1,416,000,000.

Corporate Governance

The Board duly notes that, based on Article 52 of the law of 23 July 2016 concerning the audit profession (the "**Audit Law**"), the Company is classified as a public-interest entity and is required to establish an audit committee.

However, the Company's sole business is to act as issuer of asset-backed securities as defined in point (5) of Article 2 of Commission regulation (EC) N° 809/2004. Therefore, it is exempted from the audit committee obligation based on Article 52 (5) c).

The Company has concluded that the establishment of a dedicated audit committee or an administrative or supervisory body entrusted to carry out the function of an audit committee is not appropriate for the nature and extent of the Company's business which consists merely of an interest in assets to which the limited recourse Notes issued are linked. Furthermore, the Company operates in a strictly defined regulatory environment (e.g. Securitisation Law, CSSF supervision, listing on EU-regulated market) and is subject to respective governance mechanisms.

Voting rights

Each issued share holds one vote in a Meeting of Shareholders. No special voting rights exist, nor does the Sole Shareholder has any special right of control.

Acquisition of own shares

The Company may, to the extent and under the terms permitted by law, purchase its own shares. During the year ended 31 December 2019 the Company has not purchased any of its own shares.

Research and development activities

The Company was neither involved nor participated in any kind of research or development activities in the year ended 31 December 2019.

Branches and participations of the Company

The Company does not have any branches or participations.

Board of Directors

The Company is managed by a Board of Directors comprising at least three members. The Directors, whether shareholders or not, are appointed for a period not exceeding six years by the sole Shareholder, who may at any time remove them.

The Board of Directors is vested with the powers to perform all acts of administration and disposition in compliance with the corporate objects of the Company. The Company will be bound in any circumstances by the joint signatures of two members of the Board of Directors unless special decisions have been reached concerning the authorised signature in case of delegation of powers or proxies.

Effective as of 4 February 2019, Mr I. Valikoff resigned from his position as Director of the Company and was replaced by Mrs. S. E. Gill (previously called Mrs Schmidt).

VCL Master Residual Value S.A.

DIRECTORS' REPORT (CONTINUED)

Internal control and risk management procedures

The Board of Directors is responsible for managing the Company and carefully managing the Company's system of internal control and risk management. Its members are jointly accountable for the management of the Company and ensure that the statutory and legal requirements and obligations of the Company are met and complied with.

Related business risks

Credit risk:

The Company may be exposed to a credit risk with third parties with whom it trades and may also bear the risk of settlement default.

Counterparty risk:

Some of the assets and derivatives will expose the Company to the risk of Counterparty default.

Interest rate risk:

The Receivables bear interest at fixed rates while the Notes and the subordinated loan will bear interest at floating rates based on 1-month EURIBOR. The Company will hedge afore-described interest rate risk related to the Notes and will use payments made by the SWAP counterparties to make payments on the Notes on each Payment date. The subordinated loan is not covered by such Swap transactions. The Board of Directors considers however that the Excess spread of the Structure would cover any movements in 1-month EURIBOR.

The liquidity risk, market risk, currency risk and the price risk are not defined as the Directors of the Company believe that these risks are not applicable for the Company or are not deemed as principal risks to the Company as a whole.

Subsequent events

During the first quarter of 2020, COVID-19, an infectious disease caused by the Coronavirus has widespread across the world, resulting in thousands of casualties and economic instability. At the approval date of these annual accounts, the long-term consequences of the pandemic are unknown but it will likely affect the financial markets performance and industries as whole. However, at this date, there is no significant increase at the defaulted receivables balances. The Company is in its full capacity to continue its usual operations and the Board will continue to monitor the situation as well as potential impacts on the Company.

No other event has occurred subsequent to the year-end which would have a material impact on the annual accounts as at 31 December 2019.

Future outlook

No material changes in activities are contemplated for the year 2020.

Luxembourg, 31 July 2020



Mrs Z.H. Cammans
Director



Mrs M. Mussai-Ramassur
Director



Audit report

To the Board of Directors of
VCL Master Residual Value S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of VCL Master Residual Value S.A. (the “Company”) as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

What we have audited

The Company’s annual accounts comprise:

- the balance sheet as at 31 December 2019;
 - the profit and loss account for the year then ended; and
 - the notes to the annual accounts, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the annual accounts” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Existence and Valuation of lease receivables</i></p> <p>The purpose of the Company is to purchase a portfolio of car lease receivables of customers from Volkswagen Leasing GmbH (“the originator” and the “asset servicer”). The acquisition of the lease receivables is financed by the issuances of granted listed notes. The leasing portfolio is purchased from the originator at a discounted value to cover potential losses of these receivables. There is a risk of non-payment if the customers fail to meet payment instalments. Refer to Note 2.2.2 for the accounting policy.</p> <p>The selection and collection process of the lease receivables purchased from the originator is not conducted by the Company itself but by a third party, the asset servicer. Thus, reconciliation processes over lease receivables and accounting records implemented by the asset servicer are critical to ensure lease receivable balances are complete and accurate.</p> <p>Taking into account that the total financial fixed assets as at 31 December 2019 amounted to 7,972,048,328EUR (See Note 3), we have identified this as a key audit matter of our audit.</p>	<p>The lease receivables purchased by the Company are part of the full lease portfolio of the originator. Our audit procedures to cover the existence of the lease receivables included:</p> <ul style="list-style-type: none"> • We performed detailed procedures to gain an understanding of the controls in respect of the existence of the lease receivables adopted by the asset servicer; • We performed reconciliation of the information of lease receivables in the annual accounts from the source systems; • In order to check reliance of the asset servicer’s information, we performed a sample testing of lease receivables and obtained supporting loan contracts. <p>As the audit of the valuation of each individual lease receivables is not appropriate, we have reviewed and tested the internal control system of the originator with regards to the valuation of the lease receivables in which no issues were noted.</p> <p>In order to test the Company’s assessment on the valuation of the lease receivables, we performed detailed procedures in order to assess the recoverability of the lease receivables and we concluded that as at 31 December 2019 the Company’s leasing receivables valuation disclosed in the annual accounts is in line with the accounting policies.</p> <p>As at 31 December 2019, the existence and the valuation of the Company’s lease receivables are properly reviewed with no exceptions noted.</p>



Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the directors' report including the Corporate Governance Statement but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.



Report on other legal and regulatory requirements

The directors' report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the directors' report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" of the Company by the Board of Directors on 31 July 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 31 July 2020

Electronically signed by:
Günter Simon

A handwritten signature in cursive script that reads 'Simon'.

Günter Simon

Annual Accounts Helpdesk :

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RCSL Nr. : B184029

Matricule : 2014 2200 873

eCDF entry date :

BALANCE SHEET

Financial year from ⁰¹ 01/01/2019 **to** ⁰² 31/12/2019 (in ⁰³ EUR)

VCL Master Residual Value S.A.

22-24, Boulevard Royal
L-2449 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____	109 <u>7.972.048.328,00</u>	110 <u>7.741.715.832,00</u>
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B184029

Matricule : 2014 2200 873

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible assets in the course of construction	1133	133	134
III. Financial assets	1135 2.2.2	135 7.972.048.328,00	136 7.741.715.832,00
1. Shares in affiliated undertakings	1137	137	138
2. Loans to affiliated undertakings	1139	139	140
3. Participating interests	1141	141	142
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Investments held as fixed assets	1145 3	145 7.972.048.328,00	146 7.741.715.832,00
6. Other loans	1147	147	148
D. Current assets	1151	151 515.961.450,00	152 453.011.925,00
I. Stocks	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work in progress	1157	157	158
3. Finished goods and goods for resale	1159	159	160
4. Payments on account	1161	161	162
II. Debtors	1163 2.2.3, 4	163 293.063.470,00	164 230.090.550,00
1. Trade debtors	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171	171	172
a) becoming due and payable within one year	1173	173	174
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183	183 293.063.470,00	184 230.090.550,00
a) becoming due and payable within one year	1185	185 293.063.470,00	186 230.090.550,00
b) becoming due and payable after more than one year	1187	187	188

RCSL Nr. : B184029

Matricule : 2014 2200 873

	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____ <u>5</u>	197 _____ <u>222.897.980,00</u>	198 _____ <u>222.921.375,00</u>
E. Prepayments	1199 _____ <u>2.2.6</u>	199 _____ <u>14.407,00</u>	200 _____
TOTAL (ASSETS)		201 _____ <u>8.488.024.185,00</u>	202 _____ <u>8.194.727.757,00</u>

RCSL Nr.: B184029

Matricule : 2014 2200 873

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
	1301 _____	301 <u>31.000,00</u>	302 <u>31.000,00</u>
I. Subscribed capital	1303 _____ <u>6</u>	303 <u>31.000,00</u>	304 <u>31.000,00</u>
II. Share premium account	1305 _____	305 _____	306 _____
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 _____	310 _____
1. Legal reserve	1311 _____ <u>7</u>	311 _____	312 _____
2. Reserve for own shares	1313 _____	313 _____	314 _____
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves, including the fair value reserve	1429 _____	429 _____	430 _____
a) other available reserves	1431 _____	431 _____	432 _____
b) other non available reserves	1433 _____	433 _____	434 _____
V. Profit or loss brought forward	1319 _____	319 _____	320 _____
VI. Profit or loss for the financial year	1321 _____	321 _____	322 _____
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
B. Provisions	1331 _____ <u>2.2.10,8</u>	331 <u>37.477,00</u>	332 <u>41.024,00</u>
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 _____	336 _____
3. Other provisions	1337 _____	337 <u>37.477,00</u>	338 <u>41.024,00</u>
C. Creditors	1435 _____ <u>2.2.8</u>	435 <u>8.487.955.708,00</u>	436 <u>8.194.655.733,00</u>
1. Debenture loans	1437 _____	437 <u>5.159.255.263,00</u>	438 <u>5.159.113.508,00</u>
a) Convertible loans	1439 _____	439 _____	440 _____
i) becoming due and payable within one year	1441 _____	441 _____	442 _____
ii) becoming due and payable after more than one year	1443 _____	443 _____	444 _____
b) Non convertible loans	1445 _____ <u>9</u>	445 <u>5.159.255.263,00</u>	446 <u>5.159.113.508,00</u>
i) becoming due and payable within one year	1447 _____	447 <u>2.071.582.294,00</u>	448 <u>834.430.954,00</u>
ii) becoming due and payable after more than one year	1449 _____	449 <u>3.087.672.969,00</u>	450 <u>4.324.682.554,00</u>
2. Amounts owed to credit institutions	1355 _____	355 _____	356 _____
a) becoming due and payable within one year	1357 _____	357 _____	358 _____
b) becoming due and payable after more than one year	1359 _____	359 _____	360 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B184029

Matricule: 2014 2200 873

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361 _____	361 _____	362 _____
a) becoming due and payable within one year	1363 _____	363 _____	364 _____
b) becoming due and payable after more than one year	1365 _____	365 _____	366 _____
4. Trade creditors	1367 _____	367 _____	368 _____
a) becoming due and payable within one year	1369 _____	369 _____	370 _____
b) becoming due and payable after more than one year	1371 _____	371 _____	372 _____
5. Bills of exchange payable	1373 _____	373 _____	374 _____
a) becoming due and payable within one year	1375 _____	375 _____	376 _____
b) becoming due and payable after more than one year	1377 _____	377 _____	378 _____
6. Amounts owed to affiliated undertakings	1379 _____ 10	379 _____ 3.328.451.923,00	380 _____ 3.035.102.853,00
a) becoming due and payable within one year	1381 _____	381 _____ 2.408.067.335,00	382 _____ 1.195.647.459,00
b) becoming due and payable after more than one year	1383 _____	383 _____ 920.384.588,00	384 _____ 1.839.455.394,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385 _____	385 _____	386 _____
a) becoming due and payable within one year	1387 _____	387 _____	388 _____
b) becoming due and payable after more than one year	1389 _____	389 _____	390 _____
8. Other creditors	1451 _____	451 _____ 248.522,00	452 _____ 439.372,00
a) Tax authorities	1393 _____	393 _____ 10.172,00	394 _____ 19.546,00
b) Social security authorities	1395 _____	395 _____	396 _____
c) Other creditors	1397 _____ 11	397 _____ 238.350,00	398 _____ 419.826,00
i) becoming due and payable within one year	1399 _____	399 _____ 238.350,00	400 _____ 419.826,00
ii) becoming due and payable after more than one year	1401 _____	401 _____	402 _____
D. Deferred income	1403 _____	403 _____	404 _____
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 _____ 8.488.024.185,00	406 _____ 8.194.727.757,00

The notes in the annex form an integral part of the annual accounts

Annual Accounts Helpdesk :

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RCSL Nr. : B184029

Matricule : 2014 2200 873

eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from ⁰¹ 01/01/2019 **to** ⁰² 31/12/2019 (in ⁰³ EUR)

VCL Master Residual Value S.A.

22-24, Boulevard Royal
L-2449 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701 _____	701 _____	702 _____
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____ 12	713 _____ 1.859,00	714 _____
5. Raw materials and consumables and other external expenses	1671 _____	671 _____ -82.146.406,00	672 _____ -67.129.868,00
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____ 13	603 _____ -82.146.406,00	604 _____ -67.129.868,00
6. Staff costs	1605 _____	605 _____	606 _____
a) Wages and salaries	1607 _____	607 _____	608 _____
b) Social security costs	1609 _____	609 _____	610 _____
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 _____	656 _____
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 _____ 14	621 _____ -211.020.683,00	622 _____ -176.007.815,00

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721 <u>354.629.857,00</u>	722 <u>283.921.301,00</u>
a) derived from affiliated undertakings	1723 <u>15</u>	723 <u>354.629.857,00</u>	724 <u>283.921.301,00</u>
b) other income not included under a)	1725	725	726
11. Other interest receivable and similar income	1727	727 <u>1.689.774,00</u>	728
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731 <u>16</u>	731 <u>1.689.774,00</u>	732
12. Share of profit or loss of undertakings accounted for under the equity method	1663	663	664
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	665	666
14. Interest payable and similar expenses	1627 <u>17</u>	627 <u>-63.152.504,00</u>	628 <u>-40.777.670,00</u>
a) concerning affiliated undertakings	1629	629 <u>-46.039.919,00</u>	630 <u>-27.911.425,00</u>
b) other interest and similar expenses	1631	631 <u>-17.112.585,00</u>	632 <u>-12.866.245,00</u>
15. Tax on profit or loss	1635	635 <u>3.008,00</u>	636
16. Profit or loss after taxation	1667	667 <u>4.905,00</u>	668 <u>5.948,00</u>
17. Other taxes not shown under items 1 to 16	1637	637 <u>-4.905,00</u>	638 <u>-5.948,00</u>
18. Profit or loss for the financial year	1669	669 <u>0,00</u>	670 <u>0,00</u>

VCL Master Residual Value S.A.

NOTES TO THE ANNUAL ACCOUNTS

Note 1 - General information

The Company is a Luxembourg public limited liability company incorporated in Luxembourg on 28 January 2014 for an unlimited period of time under the legal form of "Société Anonyme" having its corporate office at 22-24, Boulevard Royal, L-2449 Luxembourg, Grand-Duchy of Luxembourg. The Company is registered at the Registre du Commerce et Sociétés of Luxembourg City under number B 184.029.

The accounting period of the Company begins on the 1st of January 1st and terminates on the 31st of December.

The purpose of the Company is the Securitisation, within the meaning of the Luxembourg Law of 22 March 2004 on Securitisations (hereinafter the "**Securitisation Law**"), of Expectancy Rights (the "**Permitted Assets**"). The Company may enter into any agreement and perform any action necessary or useful for the purposes of securitising Permitted Assets, including, without limitation, disposing of its assets in accordance with the relevant agreements.

The Company may only carry out the above activities if and to the extent that they are compatible with the Securitisation Law.

The Company may, in accordance with the terms of the Securitisation Law, and in particular its article 5, create one or more compartments. Each compartment shall, unless otherwise provided for in the resolution of the Board of Directors creating such compartment, correspond to a distinct part of the assets and liabilities in respect of the corresponding funding.

The Company is included in the consolidated accounts of Volkswagen AG, forming the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. The registered office of that company is located at Berliner Ring 2, 38440 Wolfsburg, (HRB Nr. 100484) and the consolidated accounts are available at the same address.

In addition, the Company is included in the consolidated accounts of Volkswagen Financial Services AG, forming the smallest body of undertakings included in the body of undertakings referred to in the above-mentioned paragraph of which the Company forms a part as a subsidiary undertaking.

The registered office of that company is located at Gifhorner Str. 57, 38112 Braunschweig, (HRB Nr. 1858) and the consolidated accounts are available at the same address.

Capitalised terms not defined within these audited annual accounts are defined in the respective Transaction Documents of each compartment of the Company.

Note 2 - Summary of significant accounting principles

2.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the law of December 19, 2002, as amended (the "**Amended Law**") determined and applied by the Board of Directors.

The preparation of annual accounts required the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Comparative figures of captions "Other creditors", "Other provisions" and "Non convertible loans" as at 31 December 2018 have been modified to enable comparability with the figures presented as at 31 December 2019.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Formation expenses

The formation expenses of the Company are directly charged to the profit and loss account of the year in which they are incurred.

2.2.2 Financial assets

Permitted Assets included in financial assets are recorded at their acquisition price. In case of a durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. In case of repayments above discounted value, these payments are accounted as a gain.

VCL Master Residual Value S.A.

NOTES TO THE ANNUAL ACCOUNTS

Note 2 - Summary of significant accounting principles (continued)

2.2.3 Debtors

Other debtors are recorded at their nominal value. They are subject to value adjustments where their recoverability is either uncertain or compromised. These value adjustments are not continued if the reason for which the value adjustments were made has ceased to apply.

2.2.4 Derivative financial instruments

The Company may enter into derivative financial instruments such as swaps in order to reduce its exposure coming from the floating rate of the Notes against the fixed rate of the Permitted Assets. The interests linked to derivatives instruments are recorded on accrual basis at the closing date. Commitments relating to swap transactions are recorded in the off-balance sheet accounts (see note 22).

2.2.5 Foreign currency translation

The Company maintains its books and records in EUR.

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. Cash, short-term debtors and creditors are translated on the basis of the exchange rates effective at balance sheet date. The exchange gains and losses are thus recorded in the profit and loss account. Other assets and liabilities are translated separately at the lower or the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at balance sheet date. Solely the unrealised exchange losses are recorded in the profit and loss account. The exchange gains and losses are recorded in the profit and loss account at the moment of realisation.

Where there is an economic link between an asset and liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account whereas the net unrealised exchange gains are not recognised.

2.2.6 Prepayments

This asset item includes expense received during the financial year but relating to a subsequent financial year.

2.2.7 Notes issued

Notes issued are stated at par value less any repayments made to their principal.

2.2.8 Creditors

Where the amount repayable on account is greater than the amount received, the difference may be accounted for in the profit and loss account when the debt is issued.

2.2.9 Interest receivable and payable

Interest receivable and payable are recorded on an accrual basis.

2.2.10 Provisions

Provisions are intended to cover charges which at the balance sheet date are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

2.2.11 Equalisation provision

Losses during the year as a result from sales, default, lower market values or cost may cause a partial reduction on the assets. Such shortfalls will first be borne by the Subordinated Lender in inverse order of the priority of payments.

Consequently, a provision for decrease in value will be made and deducted from the amount repayable of the subordinated loan and booked in the profit and loss account as "Other operating income".

Similarly, in case of profit made during the year, the Equalisation provision booked in the profit and loss as "Other operating expense" would result into an additional liability towards the Originator.

VCL Master Residual Value S.A.**NOTES TO THE ANNUAL ACCOUNTS****Note 3 - Financial assets****Investments held as fixed assets**

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
<u>Permitted Assets</u>		
Opening balance	7,741,715,832	6,289,807,126
Additions for the year	3,392,211,815	5,870,876,902
Reimbursements for the year	(3,161,879,319)	(4,418,968,196)
Closing balance	<u>7,972,048,328</u>	<u>7,741,715,832</u>

On 25 September 2018 Portfolio of Permitted Assets held by C1 was transferred to C2 for a total value of EUR 2,161,971,941. The purchase price for C2 has been valued at 2,275,340,373.

During the year 2019, the Expectancy Rights principal held by the C2 increased by nil (EUR 1,510,992,571 in 2018) by way of additional issuances (Tap Up) and by EUR 3,392,211,815 (EUR 1,463,143,525 in 2018) by way of reinvestment of funds collected (Top Up). The Expectancy Rights principal was also decreased by EUR 3,157,480,681 (EUR 1,611,160,012 in 2018) by way of payments collected from Volkswagen Leasing GmbH and by EUR 4,398,638 (nil in 2018) of assets repurchased from Volkswagen Leasing GmbH. The Discounted Expectancy Rights Balance of C2 means the present value of the remaining residual value represented by the Expectancy Rights, calculated using the Expectancy Rights Discount Rate being 4.338% per annum.

Interest income for the year ended 31 December 2019 for C2, amounted to EUR 354,629,857 (EUR 218,606,341 in 2018) for the Compartment 2 (see note 36).

As at 31 December 2019, no value adjustment is recorded in the annual accounts in respect of financial fixed assets given the absence of durable depreciation.

Note 4 - Debtors

This amount stands mainly for the receivable due from Volkswagen Leasing GmbH for the December 2019 collection of the Permitted Assets, which is due in January 2020.

Note 5 - Cash at bank and in hand

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
Capital account	28,440	28,719
Distribution account	512	23,628
Cash collateral account	222,868,800	222,868,800
Accumulation account	228	228
Total cash at bank and in hand	<u>222,897,980</u>	<u>222,921,375</u>

Note 6 - Subscribed capital

As at 31 December 2019, the subscribed capital amounts to EUR 31,000 and is divided into 3,100 shares fully paid-up with a par value of EUR 10 each. The authorised capital amounts to EUR 31,000.

Note 7 - Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Note 8 - Provisions

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
<u>Other provisions</u>		
Audit fees	36,402	40,000
Tax advisory fees	1,075	1,024
Total other provisions	<u>37,477</u>	<u>41,024</u>

VCL Master Residual Value S.A.**NOTES TO THE ANNUAL ACCOUNTS****Note 9 - Non convertible loans**

	31/12/2019	31/12/2018
	EUR	EUR
<u>Becoming due and payable within one year</u>		
Interest on Notes A	130,971	50,236
Interest on Notes B	124,292	63,272
Notes A - redemption within one year	1,825,638,107	831,974,670
Notes B - redemption within one year	245,688,924	2,342,776
Total becoming due and payable within one year	<u>2,071,582,294</u>	<u>834,430,954</u>
<u>Becoming due and payable after more than one year</u>		
Notes A	2,480,261,893	3,473,925,330
Notes B	607,411,076	850,757,224
Total becoming due and payable after more than one year	<u>3,087,672,969</u>	<u>4,324,682,554</u>
Total non convertible loans	<u>5,159,255,263</u>	<u>5,159,113,508</u>

Floating Rate Notes Series A

	31/12/2019	31/12/2018
	EUR	EUR
Balance as at the beginning of the year	4,305,900,000	3,443,700,000
Issued during the year	553,400,000	2,055,900,000
Redemption during the year	(553,400,000)	(1,193,700,000)
Balance as at 31 December	<u>4,305,900,000</u>	<u>4,305,900,000</u>
Thereof scheduled for redemption within one year	1,825,638,107	831,974,670
Becoming due and payable after more than one year	<u>2,480,261,893</u>	<u>3,473,925,330</u>

Floating Rate Notes Series B

	31/12/2019	31/12/2018
	EUR	EUR
Balance as at the beginning of the year	853,100,000	698,000,000
Issued during the year	167,800,000	377,400,000
Redemption during the year	(167,800,000)	(222,300,000)
Balance as at 31 December	<u>853,100,000</u>	<u>853,100,000</u>
Thereof scheduled for redemption within one year	245,688,924	2,342,776
Becoming due and payable after more than one year	<u>607,411,076</u>	<u>850,757,224</u>

On 25 September 2019, C2 issued additional Notes (series A 2019-1 and series B 2019-1) and increased the Notes series A 2015-3 and series B 2015-1, B 2016-3, B 2018-2, bearing a floating rate of one month Euribor plus 0.67% for Series A and bearing a floating rate of one month Euribor plus 1.50% for Series B. On the same day, C2 proceeded to the full redemption of the Notes series A 2017-1, A 2018-3 and series B 2015-2, B 2018-3.

Payments on the Notes are made monthly in arrears on the 25th of each month. The Notes mature in 2026.

The floating rate interest on the Notes is swapped to a fixed rate of 0.1185% for Series A and of 0.8776% for Series B (see note 22).

The Notes are substantially backed by all of the assets of the Company consisting primarily of the Company's right, title and interest in the Expectancy Rights and in the Final Repayment Receivables which have been transferred to the Company.

All series of Notes are listed on the Luxembourg Stock Exchange. Notes Series B rank junior to Notes Series A.

VCL Master Residual Value S.A.**NOTES TO THE ANNUAL ACCOUNTS****Note 10 - Amounts owed to affiliated undertakings**

	31/12/2019	31/12/2018
	EUR	EUR
<u>Becoming due and payable within one year</u>		
Overcollateralisation payable	977,823,738	730,613,223
Accrued interest on subordinated loan	920,449	527,662
Servicer fees	6,862,711	6,619,110
Advanced payments	239,946	384,912
Subordinated loan - redemption within one year	1,422,220,491	457,502,552
Total becoming due and payable within one year	<u>2,408,067,335</u>	<u>1,195,647,459</u>
<u>Becoming due and payable after more than one year</u>		
Subordinated loan	920,384,588	1,839,455,394
Total becoming due and payable after more than one year	<u>920,384,588</u>	<u>1,839,455,394</u>
Total amounts owed to affiliated undertakings	<u>3,328,451,923</u>	<u>3,035,102,853</u>

Overcollateralisation payable represents the difference between the Aggregate Discounted Expectancy Rights Balance minus the Outstanding Expectancy Rights Funding Amounts, the Equalisation provision and period-end payable towards Volkswagen Leasing GmbH.

The advanced payments mainly relate to the amounts paid in advance by Volkswagen Leasing GmbH with regards to collections of Expectancy Rights.

	31/12/2019	31/12/2018
	EUR	EUR
<u>Subordinated loan</u>		
Balance as at the beginning of the year	2,296,957,946	1,627,530,842
Issued during the year	-	1,053,112,811
Redemption during the year	-	(406,726,446)
Interest capitalised during the year	45,647,133	23,040,739
Balance as at 31 December	<u>2,342,605,079</u>	<u>2,296,957,946</u>
Thereof scheduled for redemption within one year	1,422,220,491	457,502,552
Becoming due and payable after more than one year	<u>920,384,588</u>	<u>1,839,455,394</u>

Note 11 - Other creditors

	31/12/2019	31/12/2018
	EUR	EUR
<u>Becoming due and payable within one year</u>		
Interest on Swaps	-	121,779
Other creditors	238,350	298,047
Total other creditors - becoming due and payable within one year	<u>238,350</u>	<u>419,826</u>

Note 12 - Other operating income

	31/12/2019	31/12/2018
	EUR	EUR
Equalisation provision	1,859	-
Total other operating income	<u>1,859</u>	<u>-</u>

Note 13 - Other external expenses

	31/12/2019	31/12/2018
	EUR	EUR
Servicer fees	80,694,977	65,318,594
Bank charges	1,313,187	1,500,120
Rating agency fees	80,644	152,968
Maintenance fees	27,891	65,716
Audit fees	20,387	40,004
Trustee services	7,524	39,943
Tax advisory fees	1,126	1,112
Other miscellaneous operating charges	670	10,475
Custodian fees	-	936
Total other external expenses	<u>82,146,406</u>	<u>67,129,868</u>

VCL Master Residual Value S.A.**NOTES TO THE ANNUAL ACCOUNTS****Note 14 - Other operating expenses**

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
Equalisation provision	211,020,602	176,007,815
Penalties and fines	81	-
Total other operating expenses	<u><u>211,020,683</u></u>	<u><u>176,007,815</u></u>

Equalisation provision represents payments obligations towards Volkswagen Leasing GmbH out of any surplus of cash-flows in accordance with the Order of Priority as defined in the Trust Agreement.

Note 15 - Income from other investments and loans forming part of the fixed assets

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
<u>Derived from affiliated undertakings</u>		
Interest income from Permitted Assets	354,629,857	283,921,301
Total derived from affiliated undertakings	<u><u>354,629,857</u></u>	<u><u>283,921,301</u></u>

Note 16 - Other interest receivable and similar income

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
<u>Other interest and similar income</u>		
Interest receivable on Swaps	1,689,773	-
Other miscellaneous interest	1	-
Total other interest and similar income	<u><u>1,689,774</u></u>	<u><u>-</u></u>

Note 17 - Interest payable and similar expenses

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
<u>Concerning affiliated undertakings</u>		
Interest payable on subordinated loan	46,039,919	27,911,425
Total concerning affiliated undertakings	<u><u>46,039,919</u></u>	<u><u>27,911,425</u></u>
<u>Other interest and similar expenses</u>		
Interest charges on Class A Notes	4,777,157	3,600,058
Interest charges on Class B Notes	5,721,220	4,202,565
Interest payable on Swaps	6,614,208	5,063,622
Total other interest and similar expenses	<u><u>17,112,585</u></u>	<u><u>12,866,245</u></u>
Total interest payable and similar expenses	<u><u>63,152,504</u></u>	<u><u>40,777,670</u></u>

Note 18 - Taxes

The Company is subject to the tax regulations applicable to securitisation companies in Luxembourg.

Note 19 - Staff

The Company did not employ any staff during the year under review.

Note 20 - Emoluments granted to the Members of the Board of Directors

No emoluments have been granted to any member of the Board of Directors, nor have any obligations arisen or been entered into by the Company in respect of retirement pensions for former members of the Board of Directors.

Note 21 - Loans or advances granted to the Members of the Board of Directors

No loans or advances have been granted to any member of the Board of Directors.

Note 22 - Off balance sheet commitments

The Company entered into Swap Agreements to hedge the Company's interest rate risk derived from floating interest rate on the Notes issued (see also note 9). Settlement of the Swaps is performed on the 25th day of each month. On 25 September 2019, all swap contracts for C2 have been renewed. The termination date of the Swap contracts is March 2026.

VCL Master Residual Value S.A.**NOTES TO THE ANNUAL ACCOUNTS****Note 22 - Off balance sheet commitments (continued)**

The interest rate swaps for C2 can be detailed as follows:

<u>Swaps on Note A series</u>	<u>Curr</u>	<u>Nominal amount</u>	<u>Spread interest rate received</u>	<u>Interest rate Paid</u>
Compartment 2 - Class A 2015-1 swap - ING	EUR	414,100,000	0.6700%	0.1185%
Compartment 2 - Class A 2015-2 swap - ING	EUR	448,700,000	0.6700%	0.1185%
Compartment 2 - Class A 2015-3 swap - ING	EUR	550,000,000	0.6700%	0.1185%
Compartment 2 - Class A 2015-4 swap - ING	EUR	496,800,000	0.6700%	0.1185%
Compartment 2 - Class A 2015-5 swap - ING	EUR	400,000,000	0.6700%	0.1185%
Compartment 2 - Class A 2015-6 swap - ING	EUR	222,600,000	0.6700%	0.1185%
Compartment 2 - Class A 2016-1 swap - ING	EUR	441,500,000	0.6700%	0.1185%
Compartment 2 - Class A 2016-2 swap - ING	EUR	50,000,000	0.6700%	0.1185%
Compartment 2 - Class A 2016-4 swap - ING	EUR	373,600,000	0.6700%	0.1185%
Compartment 2 - Class A 2018-1 swap - ING	EUR	218,100,000	0.6700%	0.1185%
Compartment 2 - Class A 2018-2 swap - ING	EUR	309,200,000	0.6700%	0.1185%
Compartment 2 - Class A 2018-4 swap - ING	EUR	100,000,000	0.6700%	0.1185%
Compartment 2 - Class A 2018-5 swap - ING	EUR	27,900,000	0.6700%	0.1185%
Compartment 2 - Class A 2019-1 swap - ING	EUR	253,400,000	0.6700%	0.1185%
	EUR	<u>4,305,900,000</u>		
<u>Swaps on Note B series</u>				
Compartment 2 - Class B 2015-1 swap - ING	EUR	110,900,000	1.5000%	0.8776%
Compartment 2 - Class B 2015-3 swap - ING	EUR	166,400,000	1.5000%	0.8776%
Compartment 2 - Class B 2016-1 swap - ING	EUR	68,800,000	1.5000%	0.8776%
Compartment 2 - Class B 2016-3 swap - ING	EUR	307,100,000	1.5000%	0.8776%
Compartment 2 - Class B 2017-1 swap - ING	EUR	74,400,000	1.5000%	0.8776%
Compartment 2 - Class B 2018-1 swap - ING	EUR	52,800,000	1.5000%	0.8776%
Compartment 2 - Class B 2018-2 swap - ING	EUR	33,300,000	1.5000%	0.8776%
Compartment 2 - Class B 2019-1 swap - ING	EUR	39,400,000	1.5000%	0.8776%
	EUR	<u>853,100,000</u>		
Total	EUR	<u><u>5,159,000,000</u></u>		

The interest rate received for each swap consists of 1 month Euribor plus the spread as mentioned above.

As at 31 December 2019, the Swaps have a nominal value of EUR 5,159,000,000 for C2 (5,159,000,000 for C2 in 2018) .

The total interest payable on swaps amounted to nil (EUR 1,459,176 in 2018) for C1 and EUR 6,614,208 (EUR 3,604,446 in 2018) for C2 (see note 38).

The total interest receivable on swaps amounted to nil (nil in 2018) for C1 and EUR 1,689,773 (nil in 2018) for C2 (see note 37).

VCL Master Residual Value S.A.

NOTES TO THE ANNUAL ACCOUNTS

Note 23 - Balance sheet as at 31 December 2019 per compartment

	Compartment 1		Compartment 2		General compartment		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
ASSETS								
A. Fixed assets	-	-	7,972,048,328	7,741,715,832	-	-	7,972,048,328	7,741,715,832
Financial assets								
Investments held as fixed assets	-	-	7,972,048,328	7,741,715,832	-	-	7,972,048,328	7,741,715,832
B. Current assets	-	180,030	515,933,010	452,803,176	31,000	31,000	515,964,010	453,014,206
Debtors								
Other debtors								
- becoming due and payable within one year	-	156,913	293,063,470	229,933,637	-	-	293,063,470	230,090,550
- becoming due and payable within one year from another compartment	-	-	-	-	2,560	2,281	2,560	2,281
Cash at bank and in hand	-	23,117	222,869,540	222,869,539	28,440	28,719	222,897,980	222,921,375
C. Prepayments	-	-	14,407	-	-	-	14,407	-
Total Assets	-	180,030	8,487,995,745	8,194,519,008	31,000	31,000	8,488,026,745	8,194,730,038
CAPITAL, RESERVES AND LIABILITIES								
A. Capital and reserves	-	-	-	-	31,000	31,000	31,000	31,000
Subscribed capital	-	-	-	-	31,000	31,000	31,000	31,000
B. Provisions	-	20,512	37,477	20,512	-	-	37,477	41,024
Other provisions	-	20,512	37,477	20,512	-	-	37,477	41,024
C. Creditors	-	159,518	8,487,958,268	8,194,498,496	-	-	8,487,958,268	8,194,658,014
Debenture loans								
Non convertible loans								
- becoming due and payable within one year	-	-	2,071,582,294	834,430,954	-	-	2,071,582,294	834,430,954
- becoming due and payable after more than one year	-	-	3,087,672,969	4,324,682,554	-	-	3,087,672,969	4,324,682,554
Amounts owed to affiliated undertakings								
- becoming due and payable within one year	-	144,966	2,408,067,335	1,195,502,493	-	-	2,408,067,335	1,195,647,459
- becoming due and payable after more than one year	-	-	920,384,588	1,839,455,394	-	-	920,384,588	1,839,455,394
Other creditors								
- Tax authorities	-	10,271	10,172	9,275	-	-	10,172	19,546
- becoming due and payable within one year	-	2,000	238,350	417,826	-	-	238,350	419,826
- becoming due and payable within one year against another compartment	-	2,281	2,560	-	-	-	2,560	2,281
Total capital, reserves and Liabilities	-	180,030	8,487,995,745	8,194,519,008	31,000	31,000	8,488,026,745	8,194,730,038

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NOTES TO THE ANNUAL ACCOUNTS

Note 24 - Profit and loss account for the year from 1 January 2019 to 31 December 2019 per compartment

	Compartment 1		Compartment 2		General compartment		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR		EUR	EUR	EUR	EUR	EUR	EUR
Other operating income	1,859	-	-	-	-	-	1,859	-
Other external expenses	(1,859)	(15,591,817)	(82,144,547)	(51,538,051)	-	-	(82,146,406)	(67,129,868)
Other operating expenses	-	(41,454,122)	(211,020,683)	(134,553,693)	-	-	(211,020,683)	(176,007,815)
Income from other investments and loans forming part of the fixed assets	-	65,314,960	354,629,857	218,606,341	-	-	354,629,857	283,921,301
- derived from affiliated companies	-	65,314,960	354,629,857	218,606,341	-	-	354,629,857	283,921,301
- other income	-	-	-	-	-	-	-	-
Other interest receivable and similar income	-	-	1,689,774	-	-	-	1,689,774	-
- derived from affiliated companies	-	-	-	-	-	-	-	-
- other interest and similar income	-	-	1,689,774	-	-	-	1,689,774	-
Interest payable and similar expenses	-	(8,266,047)	(63,152,504)	(32,511,623)	-	-	(63,152,504)	(40,777,670)
- concerning affiliated undertakings	-	(4,619,570)	(46,039,919)	(23,291,855)	-	-	(46,039,919)	(27,911,425)
- other interest and similar expenses	-	(3,646,477)	(17,112,585)	(9,219,768)	-	-	(17,112,585)	(12,866,245)
Tax on profit or loss	-	(300)	3,008	(300)	-	-	3,008	(600)
Wealth Tax	-	(2,674)	(4,905)	(2,674)	-	-	(4,905)	(5,348)
Profit or loss for the financial year	-	-	-	-	-	-	-	-

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NOTES TO THE ANNUAL ACCOUNTS

Note 25 - Notes to the annual accounts per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets per compartment						
<u>Permitted Assets</u>						
Balance as at the beginning of the year	-	2,186,407,750	7,741,715,832	4,103,399,376	7,741,715,832	6,289,807,126
Additional purchases	-	621,400,434	3,392,211,815	2,974,136,095	3,392,211,815	3,595,536,529
Reimbursement during the year	-	(645,836,243)	(3,161,879,319)	(1,611,160,012)	(3,161,879,319)	(2,256,996,255)
Transfer from C1 to C2	-	(2,161,971,941)	-	2,275,340,373	-	113,368,432
Balance as at 31 December	-	-	7,972,048,328	7,741,715,832	7,972,048,328	7,741,715,832

Note 26 - Debtors per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Other debtors	-	156,913	292,975,352	229,933,637	292,975,352	230,090,550
Accrued swap receivable	-	-	86,052	-	86,052	-
Tax receivable	-	-	2,066	-	2,066	-
Total debtors	-	156,913	293,063,470	229,933,637	293,063,470	230,090,550

Note 27 - Cash at bank and in hand per compartment

	Compartment 1		Compartment 2		General compartment		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Capital account	-	-	-	-	28,440	28,719	28,440	28,719
Distribution account	-	23,117	512	511	-	-	512	23,628
Cash collateral account	-	-	222,868,800	222,868,800	-	-	222,868,800	222,868,800
Accumulation account	-	-	228	228	-	-	228	228
Total cash at bank and in hand	-	23,117	222,869,540	222,869,539	28,440	28,719	222,897,980	222,921,375

Note 28 - Other provisions per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Audit fees	-	20,000	36,402	20,000	36,402	40,000
Tax advisory fees	-	512	1,075	512	1,075	1,024
Total other provisions	-	20,512	37,477	20,512	37,477	41,024

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NOTES TO THE ANNUAL ACCOUNTS

Note 29 - Non convertible loans per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Becoming due and payable within one year</u>						
Interest on Notes A	-	-	130,971	50,236	130,971	50,236
Interest on Notes B	-	-	124,292	63,272	124,292	63,272
Notes A - redemption within one year	-	-	1,825,638,107	831,974,670	1,825,638,107	831,974,670
Notes B - redemption within one year	-	-	245,688,924	2,342,776	245,688,924	2,342,776
Total becoming due and payable within one year	-	-	2,071,582,294	834,430,954	2,071,582,294	834,430,954
<u>Becoming due and payable after more than one year</u>						
Notes A	-	-	2,480,261,893	3,473,925,330	2,480,261,893	3,473,925,330
Notes B	-	-	607,411,076	850,757,224	607,411,076	850,757,224
Total becoming due and payable after more than one year	-	-	3,087,672,969	4,324,682,554	3,087,672,969	4,324,682,554
Total non convertible loans	-	-	5,159,255,263	5,159,113,508	5,159,255,263	5,159,113,508

Floating Rate Notes Series A

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at the beginning of the year	-	1,193,700,000	4,305,900,000	2,250,000,000	4,305,900,000	3,443,700,000
Issued during the year	-	-	553,400,000	2,055,900,000	553,400,000	2,055,900,000
Redemption during the year	-	(1,193,700,000)	(553,400,000)	-	(553,400,000)	(1,193,700,000)
Balance as at 31 December	-	-	4,305,900,000	4,305,900,000	4,305,900,000	4,305,900,000
Thereof scheduled for redemption within one year	-	-	1,825,638,107	831,974,670	1,825,638,107	831,974,670
Becoming due and payable after more than one year	-	-	2,480,261,893	3,473,925,330	2,480,261,893	3,473,925,330

Floating Rate Notes Series B

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at the beginning of the year	-	222,300,000	853,100,000	475,700,000	853,100,000	698,000,000
Issued during the year	-	-	167,800,000	377,400,000	167,800,000	377,400,000
Redemption during the year	-	(222,300,000)	(167,800,000)	-	(167,800,000)	(222,300,000)
Balance as at 31 December	-	-	853,100,000	853,100,000	853,100,000	853,100,000
Thereof scheduled for redemption within one year	-	-	245,688,924	2,342,776	245,688,924	2,342,776
Becoming due and payable after more than one year	-	-	607,411,076	850,757,224	607,411,076	850,757,224

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NOTES TO THE ANNUAL ACCOUNTS

Note 30 - Amounts owed to affiliated undertakings

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Becoming due and payable within one year</u>						
Overcollateralisation payable	-	-	977,823,738	730,613,223	977,823,738	730,613,223
Accrued interest on Subordinated Loan	-	-	920,449	527,662	920,449	527,662
Servicer fees	-	-	6,862,711	6,619,110	6,862,711	6,619,110
Advanced payments	-	144,966	239,946	239,946	239,946	384,912
Subordinated Loan - redemption within one year	-	-	1,422,220,491	457,502,552	1,422,220,491	457,502,552
Total becoming due and payable within one year	-	144,966	2,408,067,335	1,195,502,493	2,408,067,335	1,195,647,459
<u>Becoming due and payable after more than one year</u>						
Subordinated Loan	-	-	920,384,588	1,839,455,394	920,384,588	1,839,455,394
Total becoming due and payable after more than one year	-	-	920,384,588	1,839,455,394	920,384,588	1,839,455,394
Total amounts owed to affiliated undertakings	-	144,966	3,328,451,923	3,034,957,887	3,328,451,923	3,035,102,853

Subordinated Loan

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Changes during the year/period</u>						
Balance as at the beginning of the year	-	406,726,446	2,296,957,946	1,220,804,396	2,296,957,946	1,627,530,842
Issued during the year	-	-	-	1,053,112,811	-	1,053,112,811
Redemption during the year	-	(406,726,446)	-	-	-	(406,726,446)
Interest capitalised during the year	-	-	45,647,133	23,040,739	45,647,133	23,040,739
Balance as at 31 December	-	-	2,342,605,079	2,296,957,946	2,342,605,079	2,296,957,946
Thereof scheduled for redemption within one year	-	-	1,422,220,491	457,502,552	1,422,220,491	457,502,552
Becoming due and payable after more than one year	-	-	920,384,588	1,839,455,394	920,384,588	1,839,455,394

Note 31 - Tax authorities

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
VAT payable	-	10,271	10,172	9,275	10,172	19,546
Total tax authorities	-	10,271	10,172	9,275	10,172	19,546

Note 32 - Other creditors per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Becoming due and payable within one year</u>						
Interest on Swaps	-	-	-	121,779	-	121,779
Other creditors	-	2,000	238,350	296,047	238,350	298,047
Total other creditors - becoming due and payable within one year	-	2,000	238,350	417,826	238,350	419,826

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Note 33 - Other operating income per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Overcollateralisation income	1,859	-	-	-	1,859	-
Total other operating income	1,859	-	-	-	1,859	-

Note 34 - Other external expenses per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Service fees	-	15,056,678	80,694,977	50,261,916	80,694,977	65,318,594
Bank charges	279	395,874	1,312,908	1,104,246	1,313,187	1,500,120
Rating agency fees	410	58,606	80,234	94,362	80,644	152,968
Maintenance fees	-	39,454	27,891	26,262	27,891	65,716
Audit fees	-	20,002	20,387	20,002	20,387	40,004
Trustee services	1,170	19,890	6,354	20,053	7,524	39,943
Tax advisory fees	-	556	1,126	556	1,126	1,112
Other miscellaneous external charges	-	757	670	9,718	670	10,475
Custodian fees	-	-	-	936	-	936
Total other external expenses	1,859	15,591,817	82,144,547	51,538,051	82,146,406	67,129,868

Note 35 - Other operating expenses per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
Overcollateralisation expense	-	41,454,122	211,020,602	134,553,693	211,020,602	176,007,815
Penalties and fines	-	-	81	-	81	-
Total other operating expenses	-	41,454,122	211,020,683	134,553,693	211,020,683	176,007,815

Note 36 - Income from other investments and loan forming part of the fixed assets per compartment

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Derived from affiliated undertakings</u>						
Interest income from Permitted Assets	-	65,314,960	354,629,857	218,606,341	354,629,857	283,921,301
Total derived from affiliated undertakings	-	65,314,960	354,629,857	218,606,341	354,629,857	283,921,301

Note 37 - Other interest receivable and similar income

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Other interest and similar income</u>						
Interest receivable on Swaps	-	-	1,689,773	-	1,689,773	-
Other miscellaneous interest	-	-	1	-	1	-
Total other interest and similar income	-	-	1,689,774	-	1,689,774	-

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Note 38 - Interest payable and similar expenses

	Compartment 1		Compartment 2		Total compartment	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Concerning affiliated undertakings</u>						
Interest payable on Subordinated Loan	-	4,619,570	46,039,919	23,291,855	46,039,919	27,911,425
Total concerning affiliated undertakings	-	4,619,570	46,039,919	23,291,855	46,039,919	27,911,425
<u>Other interest and similar expenses</u>						
Interest charges on Notes A	-	1,148,969	4,777,157	2,451,089	4,777,157	3,600,058
Interest charges on Notes B	-	1,038,332	5,721,220	3,164,233	5,721,220	4,202,565
Interest payable on Swaps	-	1,459,176	6,614,208	3,604,446	6,614,208	5,063,622
Total other interest and similar expenses	-	3,646,477	17,112,585	9,219,768	17,112,585	12,866,245
Total interest payable and similar expenses	-	8,266,047	63,152,504	32,511,623	63,152,504	40,777,670

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NOTES TO THE ANNUAL ACCOUNTS

Note 39 - Subsequent events

During the first quarter of 2020, COVID-19, an infectious disease caused by the Coronavirus has widespread across the world, resulting in thousands of casualties and economic instability. At the approval date of these annual accounts, the long-term consequences of the pandemic are unknown but it will likely affect the financial markets performance and industries as whole. However, at this date, there is no significant increase at the defaulted receivables balances. The Company is in its full capacity to continue its usual operations and the Board will continue to monitor the situation as well as potential impacts on the Company.

No other event has occurred subsequent to the year-end which would have a material impact on the annual accounts as at 31 December 2019.

Luxembourg, 31 July 2020



Mrs Z.H. Cammans
Director



Mrs M. Mussai-Ramassur
Director