

**VCL Master Residual Value S.A.  
Société Anonyme**

**AUDITED ANNUAL ACCOUNTS  
FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2017**

**Address:**  
22-24 Avenue du X septembre  
L-2449 Luxembourg

**RCS Luxembourg : B 184029**

**VCL Master Residual Value S.A.**

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## VCL Master Residual Value S.A.

### 1. DIRECTORS' REPORT

The Board of Directors of VCL Master Residual Value S.A. (the "Company") herewith submits its report for the period ending 31 December 2017.

#### 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

On 21 February 2014 the Company has created one compartment named Compartment 1 ("C1"). The Compartment 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 his Compartment 1.

The Expectancy Rights have been purchased as follows:

Portfolio	Compartment	Value at initial purchase (in EUR)	Purchase price (in EUR)
Expectancy Rights	C1	373,106,912	350,702,176

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 Loan as follows:

Portfolio	Compartment	Notes (in EUR)	Initial maturity	Subordinated Loan (in EUR)
Expectancy Rights	C1	216,400,000	2020	145,511,696

The Notes are backed by substantially all of the assets allocated to C1 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.

#### Portfolio of Permitted Assets

During the year 2017, the Expectancy Rights principal held by the Compartment 1 was only increased by EUR 649,360,566 (EUR 606,691,527 in 2016) by way of reinvested of funds collected (Top Up). The Expectancy Rights principal was also decreased by EUR 1,124,194,291 (EUR 760,714,944 in 2016) by way of payments collected from Volkswagen Leasing GmbH. The Discounted Expectancy Rights Balance of C1 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 2017, the Compartment 1 has redeemed an amount of EUR 373,551,852 (EUR 75,175,756 in 2016) on the Subordinated Loan principal. Unpaid interest for an amount of EUR 216,061 (EUR 2,803,716 in 2016) has added to the Subordinated Loan nominal balance.

#### Floating Rate Notes

As at 31 December 2017, the Compartment 1 has issued Notes for a total amount of EUR 79,900,000 (NIL in 2016) and has redeemed an amount of EUR 272,818,012 on the principal of the Notes (EUR 232,126,283 in 2016). The Notes are listed in Luxembourg Stock Exchange.

## VCL Master Residual Value S.A.

### 1. DIRECTORS' REPORT

#### Summary of activities (continued)

On 3 November 2015 the Company has created one additional compartment named Compartment 2 ("C2"). The Compartment 2 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 1.

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.

#### Portfolio of Permitted Assets

During the year 2017, the Expectancy Rights principal held by the Compartment 2 was increased by EUR 161,258,539 (EUR 2,662,278,197 in 2016) by way of additional issuances (Tap Up) and by EUR 150,232,520 (EUR 31,804,754 in 2016) by way of reinvestment of funds collected (Top Up). The Expectancy Rights principal was also decreased by EUR 156,887,636 (EUR 2,603,796 in 2016) by way of payments collected 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 2017, the Compartment 2 has been granted an additional amount of EUR 265,661,193 (EUR 680,182,874 in 2016) and no redemption of Subordinated Loan principal has occurred (EUR 12,136,852 in 2016). Unpaid interest for an amount of EUR 24,678,998 (EUR 15,725,137 in 2016) has been added to the Subordinated Loan nominal balance.

#### Floating Rate Notes

As at 31 December 2017, the Compartment 2 has issued Notes for a total amount of EUR 951,000,000 (EUR 1,555,400,000 in 2016) and has redeemed an amount of EUR 343,300,000 on the principal of the Notes (no redemption on the principal of the Notes has occurred in 2016). The Notes are listed in Luxembourg Stock Exchange.

#### 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.

## **VCL Master Residual Value S.A.**

### **1. DIRECTORS' REPORT**

#### **Acquisition of own shares**

The Company may, to the extent and under the terms permitted by law, purchase its own shares. During the period ended 31 December 2017 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 period ended 31 December 2017.

#### **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.

At incorporation date Mrs Z.H. Cammans, Mrs P.J.S. Dunselman and Mrs. P. Kotwani-Khitri were appointed as Directors of the Company. On 29 December 2014, Mrs P. Kotwani - Khiti has resigned from her position as Director of the Company and has been replaced by Mrs C. Pirrie with effective date 1st of January 2015. Effective as of 27 April 2017, Mrs P.J.S. Dunselman has resigned from her position as Director of the Company. Effective as of 15 June 2017, Mr. A. Neike has been appointed as Director of the Company in replacement of Mrs P.J.S. Dunselman.

#### **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.

The Board has the overall responsibility for the Company's system of internal control and for achieving its effectiveness. This system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company operates a management structure with clear delegated authority levels and clear functional reporting lines and accountability. All relevant decisions are subject to appropriate authorisation procedures. The Board monitors financial and operational performance and compliance controls on a continuing basis and identifies and responds to business risks as they arise.

#### **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**

As from 19 March 2018, the address of the registered office of the Company has been transferred from 52-54 Avenue du X Septembre, L-2550 Luxembourg to 22-24 Boulevard Royal, L-2449 Luxembourg.

On 7 June 2018, Mr A. Nelke has resigned from the position as Director of the Company and has been replaced by Mrs C. Lampis with effective date 12th of June 2018.

No other event has occurred subsequent to the year-end which would have a material impact on the annual accounts as at 31 December 2017.

**VCL Master Residual Value S.A.**

**1. DIRECTORS' REPORT**

**Future outlook**

No material changes in activities are contemplated for the year 2018.

Luxembourg, 15 June 2018

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Mrs Z.H. Cammann  
Director

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Mrs C. Lamps  
Director

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Mrs C. Pirrie  
Director



## **Audit report**

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

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### **Report on the audit of the annual accounts**

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#### *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 2017, 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 2017;
  - 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.
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#### *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 those Regulation, Law and standards 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 Regulation (EU) No 537/2014.

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#### *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, and include the most significant assessed risks of material misstatement (whether or not due to fraud). 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.

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R.C.S. Luxembourg B65 477 - TVA LU25482518*



## Key audit matter

## How our audit addressed the Key audit matter

### *Valuation of lease receivables*

The purpose of the Company is to purchase a portfolio of car lease receivables of German customers from Volkswagen Financial Services AG (the originator). The acquisition of the lease receivables is financed by the issuances of granted 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. Taking into account that the total financial fixed assets as at 31 December 2017 amounted to EUR 6,289,807,126 (See Note 3) and the loss provisioning ratio is derived on historical default ratios which is considered complex, we have identified this as a key audit matter.

The lease receivables purchased by the Company are part of the full lease portfolio of VWFS AG. As the audit of the valuation of each individual lease receivables is not appropriate, we have reviewed and tested the internal control system of VWFS AG with regards to the valuation of the lease receivables in which no issues were noted.

In order to test the Company's assessment on provisions for bad debts, we recomputed the loss provisioning and we concluded that as at 31 December 2017 the Company's leasing receivables valuation disclosed in the annual accounts are in line with the accounting policies.

### *Other information*

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Directors' report and 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.





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*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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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 7 January 2015 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

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#### *Other matter*

The Corporate Governance Statement includes the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) 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.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 15 June 2018

A handwritten signature in blue ink, appearing to read 'Günter Simon', is written over a light blue circular stamp.

Günter Simon

**Annual Accounts Helpdesk :**

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RCSL Nr. : B184029

Matricule : 2014 2200 873

eCDF entry date :

**BALANCE SHEET**

**Financial year from** <sup>01</sup> 01/01/2017 **to** <sup>02</sup> 31/12/2017 (in <sup>03</sup> EUR )

VCL Master Residual Value S.A.

22-24, Boulevard Royal  
 L-2449 Luxembourg

**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
<b>B. Formation expenses</b>	1107 _____	107 _____	108 _____
<b>C. Fixed assets</b>	1109 _____	109 <b>6.289.807.126,00</b>	110 <b>6.610.037.428,00</b>
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

RC SL 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	6.289.807.126,00	6.610.037.428,00
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	6.289.807.126,00	6.610.037.428,00
6. Other loans	1147	147	148
<b>D. Current assets</b>	1151	533.826.995,00	272.993.455,00
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	149.544.058,00	97.447.602,00
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	149.544.058,00	97.447.602,00
a) becoming due and payable within one year	1185	149.544.058,00	97.447.602,00
b) becoming due and payable after more than one year	1187	187	188

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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>384.282.937,00</u>	198 <u>175.545.853,00</u>
E. Prepayments	1199	199	200
<b>TOTAL (ASSETS)</b>		201 <u>6.823.634.121,00</u>	202 <u>6.883.030.883,00</u>

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Matricule : 2014 2200 873

**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>	1301	<u>31.000,00</u>	<u>31.000,00</u>
I. Subscribed capital	1303 <b>6</b>	<u>31.000,00</u>	<u>31.000,00</u>
II. Share premium account	1305		
III. Revaluation reserve	1307		
IV. Reserves	1309		
1. Legal reserve	1311		
2. Reserve for own shares	1313		
3. Reserves provided for by the articles of association	1315		
4. Other reserves, including the fair value reserve	1429		
a) other available reserves	1431		
b) other non available reserves	1433		
V. Profit or loss brought forward	1319		
VI. Profit or loss for the financial year	1321		
VII. Interim dividends	1323		
VIII. Capital investment subsidies	1325		
<b>B. Provisions</b>	1331	<u>25.642,00</u>	<u>27.357,00</u>
1. Provisions for pensions and similar obligations	1333		
2. Provisions for taxation	1335		
3. Other provisions	1337 <b>8</b>	<u>25.642,00</u>	<u>27.357,00</u>
<b>C. Creditors</b>	1435	<u>6.823.577.479,00</u>	<u>6.882.972.526,00</u>
1. Debenture loans	1437	<u>4.141.700.000,00</u>	<u>3.726.918.012,00</u>
a) Convertible loans	1439		
i) becoming due and payable within one year	1441		
ii) becoming due and payable after more than one year	1443		
b) Non convertible loans	1445 <b>9</b>	<u>4.141.700.000,00</u>	<u>3.726.918.012,00</u>
i) becoming due and payable within one year	1447	<u>763.366.506,00</u>	<u>352.951.237,00</u>
ii) becoming due and payable after more than one year	1449	<u>3.378.333.494,00</u>	<u>3.373.966.775,00</u>
2. Amounts owed to credit institutions	1355		
a) becoming due and payable within one year	1357		
b) becoming due and payable after more than one year	1359		

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 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 2.681.271.681,00	380 3.155.811.931,00
a) becoming due and payable within one year	1381	381 1.645.314.076,00	382 1.737.149.854,00
b) becoming due and payable after more than one year	1383	383 1.035.957.605,00	384 1.418.662.077,00
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	451 605.798,00	452 242.583,00
a) Tax authorities	1393	393 23.140,00	394 12.832,00
b) Social security authorities	1395	395	396
c) Other creditors	1397	397 582.658,00	398 229.751,00
i) becoming due and payable within one year	1399	11 399 582.658,00	400 229.751,00
ii) becoming due and payable after more than one year	1401	401	402
D. Deferred income	1403	403	404
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 6.823.634.121,00	406 6.883.030.883,00

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 <sup>01</sup> 01/01/2017 to <sup>02</sup> 31/12/2017 (in <sup>03</sup> EUR )

VCL Master Residual Value S.A.

22-24, Boulevard Royal  
 L-2449 Luxembourg

**PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 _____	701 _____	702 _____
<b>2. Variation in stocks of finished goods and in work in progress</b>	1703 _____	703 _____	704 _____
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	1705 _____	705 _____	706 _____
<b>4. Other operating income</b>	1713 _____	713 _____	714 _____
<b>5. Raw materials and consumables and other external expenses</b>	1671 _____	671 <u>-66.727.510,00</u>	672 <u>-51.238.459,00</u>
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____ <b>12</b>	603 <u>-66.727.510,00</u>	604 <u>-51.238.459,00</u>
<b>6. Staff costs</b>	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 _____
<b>7. Value adjustments</b>	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 _____
<b>8. Other operating expenses</b>	1621 _____ <b>13</b>	621 <u>-158.602.012,00</u>	622 <u>-125.770.729,00</u>

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
<b>9. Income from participating interests</b>	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	281.777.349,00	225.308.845,00
a) derived from affiliated undertakings	1723 14	281.777.349,00	225.308.845,00
b) other income not included under a)	1725	725	726
<b>11. Other interest receivable and similar income</b>	1727	727	728
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731	731	732
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>	1663	663	664
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665	665	666
<b>14. Interest payable and similar expenses</b>	1627 15	-56.443.011,00	-48.296.420,00
a) concerning affiliated undertakings	1629	-36.702.002,00	-30.066.025,00
b) other interest and similar expenses	1631	-19.741.009,00	-18.230.395,00
<b>15. Tax on profit or loss</b>	1635 16	635	-3.237,00
<b>16. Profit or loss after taxation</b>	1667	4.816,00	668 0,00
<b>17. Other taxes not shown under items 1 to 16</b>	1637 16	-4.816,00	638
<b>18. Profit or loss for the financial year</b>	1669	669 0,00	670 0,00

## **VCL Master Residual Value S.A.**

### **5. 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.

##### **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 fixed assets**

Permitted Assets included in financial fixed assets are recorded at their discounted nominal value. 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 fixed 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.

###### **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.

## VCL Master Residual Value S.A.

### 5. NOTES TO THE ANNUAL ACCOUNTS

#### Note 2 - Summary of significant accounting principles (continued)

##### 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 20).

##### 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 Accruals and deferred income

This liability item includes income 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 Debts

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.

#### Note 3 - Financial assets

	31/12/2017	31/12/2016
<u>Permitted Assets</u>	EUR	EUR
Opening balance	6,610,037,428	4,034,561,353
Additions for the year	960,851,625	3,338,794,815
Reimbursements for the year	(1,281,081,927)	(763,318,740)
Closing balance	<u>6,289,807,126</u>	<u>6,610,037,428</u>

In February 2014 Compartment 1 has acquired the Expectancy Rights to the leased vehicles related to the lease contracts purchased initially by VCL Master S.A., Compartment 1. The Expectancy Rights correspond to the property of the residual value of the leased cars. The Company acquires automatically full legal title to the leased vehicles related to the purchased Expectancy Rights upon expiration of the related lease contracts.

On 21 February 2014, Compartment 1 acquired from Volkswagen Leasing GmbH a portfolio of Permitted Assets valued at EUR 373,106,912 following a discount on its nominal value of 4.338 per cent per annum on the basis of a 360/360 day year. This portfolio was purchased for a price of EUR 350,702,176 calculated as the discounted nominal amount, less (i) an amount of EUR 22,404,736 for overcollateralisation purposes, and less (ii) an amount of EUR 11,209,520 for the endowment of the cash collateral account.

## VCL Master Residual Value S.A.

### 5. NOTES TO THE ANNUAL ACCOUNTS

#### Note 3 - Financial assets (continued)

During the year 2017, the Expectancy Rights principal held by the Compartment 1 was only increased by EUR 649,360,566 (EUR 606,691,527 in 2016) by way of reinvested of funds collected (Top Up). The Expectancy Rights principal was also decreased by EUR 1,124,194,291 (EUR 760,714,944 in 2016) by way of payments collected from Volkswagen Leasing GmbH. The Discounted Expectancy Rights Balance of C1 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 2017 amounted to EUR 103,845,810 (EUR 128,311,371 in 2016) for the Compartment 1 (see note 23).

In November 2015 Compartment 2 has acquired the Expectancy Rights to the leased vehicles related to the lease contracts purchased initially by VCL Master SA, Compartment 1. The Expectancy Rights correspond to the property of the residual value of the leased cars.

On 25 November 2015, Compartment 2 acquired from Volkswagen Leasing GmbH a portfolio of Permitted Assets valued at EUR 833,516,156 following a discount on its nominal value of 4.3308 per cent per annum on the basis of a 360/360 day year. This portfolio was purchased for a price of EUR 779,373,476 calculated as the discounted nominal amount, less (i) an amount of EUR 54,142,680 for overcollateralisation purposes, and less (ii) an amount of EUR 29,142,680 for the endowment of the cash collateral account.

During the year 2017, the Expectancy Rights principal held by the Compartment 2 was increased by EUR 161,258,539 (EUR 2,662,278,197 in 2016) by way of additional issuances (Tap Up) and by EUR 150,232,520 (EUR 31,804,754 in 2016) by way of reinvestment of funds collected (Top Up). The Expectancy Rights principal was also decreased by EUR 156,887,636 (EUR 2,603,796 in 2016) by way of payments collected 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 2017 amounted to EUR 177,931,538 (EUR 96,997,474 in 2016) for the Compartment 2 (see note 23).

Acquisition of the Permitted Assets was financed by the issue of Permanent Global Floating Rate Notes and through receipt of Subordinated Loans (see also notes 9 and 10).

As at 31 December 2017, 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 2017 collection of the Permitted Assets, which is due in January 2018.

#### Note 5 - Cash at bank and in hand

##### Cash at bank

	31/12/2017	31/12/2016
	EUR	EUR
Capital account	29,334	29,804
Distribution account	40,437	39,120
Cash collateral account	178,953,566	162,763,102
Accumulation account	205,259,600	12,713,827
Total	<u>384,282,937</u>	<u>175,545,853</u>

#### Note 6 - Subscribed capital

As at 31 December 2017, 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 - Provision

##### Other provisions

	31/12/2017	31/12/2016
	EUR	EUR
Audit fees	23,700	23,700
Tax advisory fees	936	1,007
Other Accruals	1,006	2,650
Total	<u>25,642</u>	<u>27,357</u>

**VCL Master Residual Value S.A.**

**5. NOTES TO THE ANNUAL ACCOUNTS**

**Note 9 - Non convertible loans**

	<b>31/12/2017</b>	<b>31/12/2016</b>
	<u>EUR</u>	<u>EUR</u>
<b>Floating Rate Notes Series A</b>		
Opening balance	3,126,791,738	2,048,344,295
Additions for the year	870,800,000	1,283,200,000
Disposals for the year	(553,891,738)	(204,752,557)
Closing balance	<u>3,443,700,000</u>	<u>3,126,791,738</u>
Thereof scheduled for redemption within one year	718,847,699	347,324,963
Becoming due and payable after more than one year	<u><u>2,724,852,301</u></u>	<u><u>2,779,466,775</u></u>

	<b>31/12/2017</b>	<b>31/12/2016</b>
	<u>EUR</u>	<u>EUR</u>
<b>Floating Rate Notes Series B</b>		
Opening balance	600,126,274	355,300,000
Additions for the year	160,100,000	272,200,000
Disposals for the year	(62,226,274)	(27,373,726)
Closing balance	<u>698,000,000</u>	<u>600,126,274</u>
Thereof scheduled for redemption within one year	44,518,807	5,626,274
Becoming due and payable after more than one year	<u><u>653,481,193</u></u>	<u><u>605,752,548</u></u>

On 25 September 2017, the Compartment 1 has issued additional Notes (series B 2017-1), bearing a floating rate of one month Euribor plus 1.00 % for Series B. Payments on the Notes are made monthly in arrears on the 25th of each month. The Notes mature in 2024.

On 25 September 2017, the Compartment 2 has issued additional Notes (series A 2017-1 and series B 2017-1), bearing a floating rate of one month Euribor plus 0.50 % for Series A and bearing a floating rate of one month Euribor plus 1.00 % for Series B. Payments on the Notes are made monthly in arrears on the 25th of each month. The Notes mature in 2024.

On 25 May 2016, the Compartment 2 has issued additional Notes (series A 2016-1 and series B 2016-1), bearing a floating rate of one month Euribor plus 0.80% (previously 0.90%) for Series A and bearing a floating rate of one month Euribor plus 1.50% (previously 1.70%) for Series B. Payments on the Notes are made monthly in arrears on the 25th of each month. The Notes mature in 2023.

On 25 October 2016, the Compartment 2 has issued additional Notes (series A 2016-2/3/4 and series B 2016-2/3/4), bearing a floating rate of one month Euribor plus 0.80% for Series A and bearing a floating rate of one month Euribor plus 1.50% for Series B. Payments on the Notes are made monthly in arrears on the 25th of each month. The Notes mature in 2023.

The floating rate interest on the Notes has been swapped to a fixed rate of 0.25% for Series A and 0.75 % for Series B (see note 20).

The Notes are backed by substantially 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. B series rank junior to A series.

**Note 10 - Amounts owed to affiliated undertakings**

	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>Becoming due and payable before one year</b>		
	<u>EUR</u>	<u>EUR</u>
Overcollateralisation payable	905,507,679	722,615,187
Accrued interest on Subordinated Loan	368,656	423,992
Servicer fees	5,240,507	4,936,492
Advanced payments	384,912	383,791
Other amounts payable	142,239,085	716,926,024
Subordinated Loan	591,573,237	291,864,365
Total	<u><u>1,645,314,076</u></u>	<u><u>1,737,149,851</u></u>

Overcollateralisation payable represents the difference between the Aggregate Discounted Expectancy Rights Balance minus the Outstanding Expectancy Rights Funding Amounts 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.

Other amounts payable are mainly composed by the amount due to Volkswagen Leasing GmbH regarding further acquisition of assets.

**VCL Master Residual Value S.A.**

**5. NOTES TO THE ANNUAL ACCOUNTS**

**Note 10 - Amounts owed to affiliated undertakings (continued)**

**Subordinated Loan**

	<b>31/12/2017</b>	<b>31/12/2016</b>
	EUR	EUR
<u>Subordinated Loan, charges during the year</u>		
Opening balance	1,710,526,442	1,099,127,323
Additions for the year	265,661,193	680,182,874
Disposals for the year	(373,551,852)	(87,312,608)
Interest capitalised during the year	24,895,059	18,528,853
Closing balance	<u>1,627,530,842</u>	<u>1,710,526,442</u>
Thereof scheduled for redemption/payment within one year	591,573,237	291,864,365
Due and payable after more than one year	<u>1,035,957,605</u>	<u>1,418,662,077</u>

**Note 11 - Other creditors**

	<b>31/12/2017</b>	<b>31/12/2016</b>
	EUR	EUR
Interest on Class A Notes	62,657	143,231
Interest on Class B Notes	61,172	75,103
Interest on Swaps	79,471	11,417
Other creditors	379,358	-
	<u>582,658</u>	<u>229,751</u>

**Note 12 - Other external expenses**

	<b>31/12/2017</b>	<b>31/12/2016</b>
	EUR	EUR
Custodian fees	936	936
Maintenance fees	46,000	46,250
Servicer fees	64,946,173	50,106,648
Rating agency fees	164,399	98,999
Trustee services	36,434	23,415
Other miscellaneous operating charges	23,348	46,224
Audit fees	23,704	25,008
Legal/notary fees	-	10,951
Tax advisory fees	866	1,006
Bank charges	1,485,650	879,022
Total	<u>66,727,510</u>	<u>51,238,459</u>

**Note 13 - Other operating expenses**

	<b>31/12/2017</b>	<b>31/12/2016</b>
	EUR	EUR
Equalisation provision	<u>158,602,012</u>	<u>125,770,729</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 14 - Income from other investments and loans forming part of the fixed assets**

**Derived from affiliated undertakings**

	<b>31/12/2017</b>	<b>31/12/2016</b>
	EUR	EUR
Interest income from Permitted Assets	<u>281,777,349</u>	<u>225,308,845</u>

**Note 15 - Interest payable and similar expenses**

**Concerning affiliated undertakings**

	<b>31/12/2017</b>	<b>31/12/2016</b>
	EUR	EUR
Interest payable on Subordinated Loan	<u>36,702,002</u>	<u>30,066,025</u>

**VCL Master Residual Value S.A.**

**5. NOTES TO THE ANNUAL ACCOUNTS**

**Note 15 - Interest payable and similar expenses (continued)**

	31/12/2017	31/12/2016
<u>Other interest and similar expenses</u>	EUR	EUR
Interest charges on Class A Notes	11,989,191	9,037,009
Interest charges on Class B Notes	6,920,373	4,907,653
Interest payable on Swaps	831,445	4,285,733
<b>Total</b>	<b>19,741,009</b>	<b>18,230,395</b>

**Note 16 - Taxes**

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the Securitisation Law.

**Note 17 - Staff**

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

**Note 18 - 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 19 - 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 20 - Off balance sheet commitments**

The Company has 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. From 23 September 2015, all swap contracts for C1 have been renewed. C2 entered into swaps contacts on 25 November 2015. The termination date of the Swap contracts for C1 and C2 is 25 September 2022.

The interest rate swaps for Compartment 1 can be detailed as follows:

	Curr	Nominal amount	Spread interest rate received	Interest rate Paid
<u>Swaps on Note A series</u>				
Compartment 1 - Class A swap - ING	EUR	182,300,000	0.5000%	0.2700%
Compartment 1 - Class A swap - ING	EUR	121,000,000	0.5000%	0.2700%
Compartment 1 - Class A swap - ING	EUR	72,600,000	0.5000%	0.2700%
Compartment 1 - Class A swap - ING	EUR	309,200,000	0.5000%	0.2700%
Compartment 1 - Class A swap - ING	EUR	48,600,000	0.5000%	0.2700%
Compartment 1 - Class A swap - ING	EUR	72,600,000	0.5000%	0.2700%
Compartment 1 - Class A swap - ING	EUR	193,700,000	0.5000%	0.2700%
Compartment 1 - Class A swap - ING	EUR	193,700,000	0.5000%	0.2700%
	EUR	<u>1,193,700,000</u>		
<u>Swaps on Note B series</u>				
Compartment 1 - Class B swap - ING	EUR	44,500,000	1.0000%	0.7800%
Compartment 1 - Class B swap - ING	EUR	31,100,000	1.0000%	0.7800%
Compartment 1 - Class B swap - ING	EUR	44,600,000	1.0000%	0.7800%
Compartment 1 - Class B swap - ING	EUR	88,800,000	1.0000%	0.7800%
Compartment 1 - Class B swap - ING	EUR	13,300,000	1.0000%	0.7800%
	EUR	<u>222,300,000</u>		
<b>Total</b>	EUR	<u><u>1,416,000,000</u></u>		

**VCL Master Residual Value S.A.**

**5. NOTES TO THE ANNUAL ACCOUNTS**

**Note 20 - Off balance sheet commitments (continued)**

The interest rate swaps for Compartment 2 can be detailed as follows:

	<u>Curr</u>	<u>Nominal amount</u>	<u>Spread interest rate received</u>	<u>Interest rate Paid</u>
<u>Swaps on Note A series</u>				
Compartment 2 - Class A swap - ING	EUR	170,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	255,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	250,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	300,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	250,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	150,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	200,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	50,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	325,000,000	0.5000%	0.2500%
Compartment 2 - Class A swap - ING	EUR	<u>300,000,000</u>	0.5000%	0.2500%
		<u>2,250,000,000</u>		
<u>Swaps on Note B series</u>				
Compartment 2 - Class A swap - ING	EUR	30,000,000	1.0000%	0.7500%
Compartment 2 - Class A swap - ING	EUR	39,100,000	1.0000%	0.7500%
Compartment 2 - Class A swap - ING	EUR	166,400,000	1.0000%	0.7500%
Compartment 2 - Class A swap - ING	EUR	45,000,000	1.0000%	0.7500%
Compartment 2 - Class A swap - ING	EUR	151,900,000	1.0000%	0.7500%
Compartment 2 - Class A swap - ING	EUR	<u>43,300,000</u>	1.0000%	0.7500%
	EUR	<u>475,700,000</u>		
Total		<u><u>2,725,700,000</u></u>		

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

As at 31 December 2017, the Swaps have a nominal value of EUR 1,416,000,000 for Compartment 1 (EUR 1,608,918,012 in 2016) and EUR 2,725,700,000 for Compartment 2 (EUR 2,116,100,000 in 2016).

The total interest payable on swaps amounted to EUR 435,337 (EUR 3,801,287 in 2016) for C1 and EUR 396,108 (2016: EUR 484,446) for C2 (see note 23).



**VCL Master Residual Value S.A.**
**Note 21 - Balance sheet as at 31 December 2017 per compartment**

	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
<b>ASSETS</b>				
<b>A. Fixed assets</b>	<b>2,186,407,750</b>	<b>2,661,241,475</b>	<b>4,103,399,376</b>	<b>3,948,795,953</b>
Financial assets				
Investments held as fixed assets	2,186,407,750	2,661,241,475	4,103,399,376	3,948,795,953
<b>B. Current assets</b>	<b>249,886,903</b>	<b>156,340,987</b>	<b>283,940,092</b>	<b>116,652,468</b>
Debtors				
Other debtors				
- becoming due and payable within one year	116,842,127	85,005,461	32,701,931	12,442,141
Cash at bank and in hand	133,044,776	71,335,526	251,238,161	104,210,327
<b>Total Assets</b>	<b>2,436,294,653</b>	<b>2,817,582,462</b>	<b>4,387,339,468</b>	<b>4,065,448,421</b>
<b>LIABILITIES</b>				
<b>A. Capital and reserves</b>	<b>31,000</b>	<b>31,000</b>	<b>-</b>	<b>-</b>
Subscribed capital	31,000	31,000	-	-
<b>B. Provision</b>	<b>12,821</b>	<b>12,354</b>	<b>12,821</b>	<b>15,003</b>
Other provision	12,821	12,354	12,821	15,003
<b>C. Creditors</b>	<b>2,436,250,832</b>	<b>2,817,539,108</b>	<b>4,387,326,647</b>	<b>4,065,433,418</b>
Debtenture loans				
Non convertible loans				
- becoming due and payable within one year	229,504,236	352,951,237	533,862,270	-
- becoming due and payable after more than one year	1,186,495,764	1,255,966,775	2,191,837,730	2,118,000,000
Amounts owed to affiliated undertakings				
- becoming due and payable within one year	865,322,339	720,321,226	779,991,737	1,016,828,628
- becoming due and payable after more than one year	154,721,094	488,197,872	881,236,511	930,464,205
Other creditors				
- Tax authorities	12,194	5,969	10,946	6,863
- becoming due and payable within one year	195,205	96,029	387,453	133,722
<b>Total Liabilities</b>	<b>2,436,294,653</b>	<b>2,817,582,462</b>	<b>4,387,339,468</b>	<b>4,065,448,421</b>

**Note 22 - Profit and loss account for the year from 1 January 2017 to 31 December 2017 per compartment**

	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
Other operating expenses	(60,165,443)	(77,661,927)	(98,436,569)	(48,108,802)
Other external expenses	(24,746,147)	(28,960,002)	(41,981,363)	(22,278,457)
Income from other investments and loans forming part of the fixed assets	<b>103,845,810</b>	<b>128,311,371</b>	<b>177,931,539</b>	<b>96,997,474</b>
- derived from affiliated companies	103,845,810	128,311,371	177,931,539	96,997,474
- other income	-	-	-	-
Interest payable and similar expenses	<b>(18,931,812)</b>	<b>(21,687,810)</b>	<b>(37,511,199)</b>	<b>(26,608,610)</b>
- concerning affiliated undertakings	(11,977,110)	(12,933,309)	(24,724,892)	(17,132,716)
- other interest and similar expenses	(6,954,702)	(8,754,501)	(12,786,307)	(9,475,894)
Wealth Tax	(2,408)	(1,632)	(2,408)	(1,605)
Profit or loss for the financial year	-	-	-	-

**Note 23 - Notes to the annual accounts per compartment**

	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
<b>Fixed assets</b>				
<b>Permitted Assets</b>				
Balance as at the beginning of the year	2,661,241,475	2,815,264,892	3,948,795,953	1,219,296,461
Additional purchases	649,360,566	606,691,527	311,491,059	2,732,103,288
Reimbursement during the year	(1,124,194,291)	(760,714,944)	(156,887,636)	(2,603,796)
Balance as at 31 December	<b>2,186,407,750</b>	<b>2,661,241,475</b>	<b>4,103,399,376</b>	<b>3,948,795,953</b>

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Note 23 - Notes to the annual accounts per compartment (continued)

Debtors	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
Other debtors	116,842,127	85,005,461	32,701,931	12,442,141
<b>Total</b>	<b>116,842,127</b>	<b>85,005,461</b>	<b>32,701,931</b>	<b>12,442,141</b>

Cash at bank, cash in postal cheque accounts, cheques and cash in hand	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
Capital account	29,334	29,804	-	-
Distribution account	40,219	40,220	218	(1,100)
Cash collateral account	61,203,326	71,265,502	117,750,240	91,497,600
Accumulation account	71,771,897	-	133,487,703	12,713,827
<b>Total</b>	<b>133,044,776</b>	<b>71,335,526</b>	<b>251,238,161</b>	<b>104,210,327</b>

Non subordinated debts	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
<b>Floating Rate Notes Series A</b>				
Balance as at the beginning of the year	1,380,991,738	1,585,744,295	1,745,800,000	462,600,000
Issued during the year	66,600,000	-	804,200,000	1,283,200,000
Redemption during the year	(253,891,738)	(204,752,557)	(300,000,000)	-
	1,193,700,000	1,380,991,738	2,250,000,000	1,745,800,000
Thereof scheduled for redemption within one year	229,504,236	347,324,963	489,343,463	-
Becoming due and payable after more than one year	964,195,764	1,033,666,775	1,760,656,537	1,745,800,000

Floating Rate Notes Series B	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
Balance as at the beginning of the year	227,926,274	255,300,000	372,200,000	100,000,000
Issued during the year	13,300,000	-	146,800,000	272,200,000
Redemption during the year	(18,926,274)	(27,373,726)	(43,300,000)	-
	222,300,000	227,926,274	475,700,000	372,200,000
Thereof scheduled for redemption within one year	-	5,626,274	44,518,807	-
Becoming due and payable after more than one year	222,300,000	222,300,000	431,181,193	372,200,000

Amounts owed to affiliated undertakings

Becoming due and payable within one year	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
Overcollateralisation payable	516,590,556	425,817,898	388,917,123	296,797,289
Accrued interest on Subordinated Loan	92,110	193,341	276,546	230,652
Service fees	1,848,668	2,280,296	3,391,839	2,656,197
Advanced payments	144,966	144,966	239,946	238,826
Other amounts payable	94,640,687	20,360	47,598,398	716,905,664
Subordinated Loan	252,005,352	291,864,365	339,567,885	-
<b>Total</b>	<b>865,322,339</b>	<b>720,321,226</b>	<b>779,991,737</b>	<b>1,016,828,628</b>

Subordinated debts

Changes during the year/period	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
Balance as at the beginning of the year	780,062,237	852,434,277	930,464,205	246,693,046
Issued during the year	-	-	265,661,193	680,182,874
Redemption during the year	(373,551,852)	(75,175,756)	-	(12,136,852)
Interest capitalised during the year	216,061	2,803,716	24,678,998	15,725,137
	406,726,446	780,062,237	1,220,804,396	930,464,205
Thereof scheduled for redemption within one year	252,005,352	291,864,365	339,567,885	-
Becoming due and payable after more than one year	154,721,094	488,197,872	881,236,511	930,464,205

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Note 23 - Notes to the annual accounts per compartment (continued)

	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
<b>Other provision</b>				
Audit fees	11,850	11,850	11,850	11,850
Tax advisory fees	468	504	468	503
Other Accruals	503	-	503	2,650
<b>Total</b>	<b>12,821</b>	<b>12,354</b>	<b>12,821</b>	<b>15,003</b>
<b>Tax authorities</b>				
VAT payable	12,194	5,969	10,946	6863
<b>Total</b>	<b>12,194</b>	<b>5,969</b>	<b>10,946</b>	<b>6,863</b>
<b>Other creditors</b>				
Interest on Class A Notes	21,719	59,627	40,938	83,604
Interest on Class B Notes	19,482	28,330	41,690	46,773
Interest on Swaps	30,020	8,072	49,451	3,345
Other creditors	123,984	-	255,374	
<b>Total</b>	<b>195,205</b>	<b>96,029</b>	<b>387,453</b>	<b>133,722</b>
<b>Other external expenses</b>				
Maintenance fees	23,000	22,000	23,000	24,250
Custodian fees	468	468	468	468
Servicer fees	23,939,380	28,191,113	41,006,793	21,915,535
Audit fees	11,852	11,852	11,852	13,156
Rating agency fees	65,787	41,944	98,612	57,055
Trustee services	22,815	11,715	13,619	11,700
Other miscellaneous external charges	11,316	13,373	12,032	32,851
Legal/Notary fees	-	3,931	-	7,020
Tax advisory fees	433	503	433	503
Bank charges	671,096	663,103	814,554	215,919
<b>Total</b>	<b>24,746,147</b>	<b>28,960,002</b>	<b>41,981,363</b>	<b>22,278,457</b>
<b>Other operating expenses</b>				
Overcollateralisation expense	60,165,443	77,661,927	98,436,569	48,108,802
<b>Total</b>	<b>60,165,443</b>	<b>77,661,927</b>	<b>98,436,569</b>	<b>48,108,802</b>
<b>Income from other investments and loan forming part of the fixed assets</b>				
<b>Derived from affiliated undertakings</b>				
Interest income from Permitted Assets	103,845,810	128,311,371	177,931,539	96,997,474
<b>Interest payable and similar expenses</b>				
<b>Concerning affiliated undertakings</b>				
Interest payable on Subordinated Loan	11,977,110	12,933,309	24,724,692	17,132,716

VCL Master Residual Value S.A.

Note 23 - Notes to the annual accounts per compartment (continued)

	Compartment 1		Compartment 2	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	EUR	EUR	EUR	EUR
<b>Other interest and similar expenses</b>				
Interest charges on Class A Notes	4,277,622	3,173,465	7,711,569	5,863,544
Interest charges on Class B Notes	2,241,743	1,779,749	4,678,630	3,127,904
Interest payable on Swaps	435,337	3,801,287	396,108	484,446
Total	6,954,702	8,754,501	12,786,307	9,475,894

Note 24 - Subsequent events

As from 19 March 2018, the address of the registered office of the Company has been transferred from 52-54 Avenue du X Septembre, L-2550 Luxembourg to 22-24 Boulevard Royal, L-2449 Luxembourg

On 7 June 2018, Mr A. Nelke has resigned from the position as Director of the Company and has been replaced by Mrs C. Lampis with effective date 12th of June 2018.

No other event has occurred subsequent to the year-end which would have a material impact on the annual accounts as at 31 December 2017.

Luxembourg, 15 June 2018

Mr Z.H. Lampis  
Director

Mrs C. Lampis  
Director

Mrs C. Pirie  
Director