

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

**AUDITED ANNUAL ACCOUNTS**  
**FOR THE FINANCIAL YEAR**  
**ENDED 31 DECEMBER 2018**

**Address:**  
22-24 Boulevard Royal  
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 year ending 31 December 2018.

#### 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 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 its 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.

On 25 September 2018 the Company transferred the assets and liabilities of Compartment 1 ("C1") to Compartment 2 ("C2").

##### Portfolio of Permitted Assets

During the year 2018, the Expectancy Rights principal held by the Compartment 1 increased by EUR 621,400,434 (EUR 649,360,566 in 2017) by way of reinvestment of funds collected (Top Up). The Expectancy Rights principal decreased by EUR 645,836,243.65 (EUR 1,124,194,291 in 2017) by way of payments collected from Volkswagen Leasing GmbH.

On 25 September 2018 Portfolio of Permitted Assets held by Compartment 1 was merged with Compartment 2 for a total value of EUR 2,161,971,941.05. The purchase price for Compartment 2 has been valued at 2,275,340,372.96

##### Subordinated loan

During the year 2018, Compartment 1 has redeemed an amount of EUR 406,726,446 (EUR 373,551,852 in 2017) on the Subordinated Loan principal. Unpaid interest was nil (EUR 216,061 in 2017).

On 25 September 2018 Subordinated loan held by Compartment 1 was merged with Compartment 2.

## VCL Master Residual Value S.A.

### 1. DIRECTORS' REPORT

#### Summary of activities (continued)

##### Floating Rate Notes

As at 31 December 2018, Compartement 1 did not issue any Notes (EUR 79,900,000 in 2017) , but redeemed an amount of EUR 1,416,000,000 on the principal of the Notes (EUR 272,818,012 in 2017). The Notes are listed in Luxembourg Stock Exchange.

On 25 September 2018, the Notes Issued by Compartement 1 were merged with Compartement 2.

##### Compartement 2

On 3 November 2015 the Company has created one additional compartment named Compartement 2 ("C2"). The Compartement 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 Compartement 1. On 25 September 2018, Compartement 1 has been merged into Compartement 2.

The Expectancy Rights have been purchased as follows:

Portfolio	Compartement	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	Compartement	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 2018, the Expectancy Rights principal held by the Compartement 2 increased by EUR 1,510,992,571 (EUR 161,258,539 in 2017) by way of additional issuances (Tap Up) and by EUR 1,463,143,525 (EUR 150,232,520 in 2017) by way of reinvestment of funds collected (Top Up). It has been also increased by EUR 2,275,340,372.96 by way of merge from Compartement 1 to Compartement 2 on September, 25th 2019. The Expectancy Rights principal was also decreased by EUR 1,611,160,012 (EUR 156,887,636 in 2017) 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.

On 25 September 2018 Portfolio of Permitted Assets held by Compartement 1 was merged with Compartement 2.

##### Subordinated loan

During the year 2018, the Compartement 2 has been granted an additional amount of EUR 1,053,112,811 (EUR 265,661,193 in 2017). Unpaid interest for the amount of EUR 23,040,739 (EUR 24,678,998 in 2017) was capitalised to the Subordinated Loan nominal balance.

On 25 September 2018 Subordinated loan held by Compartement 1 was merged with Compartement 2.

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

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

Summary of activities (continued)

#### Floating Rate Notes

As at 31 December 2018, the Compartment 2 has issued Notes for a total amount of EUR 2,433,300,000 (EUR 951,000,000 in 2017). No redemption of Notes has occurred during the year (EUR 343,300,000 in 2017). The Notes are listed in Luxembourg Stock Exchange.

On 25 September 2018, the Notes Issued by Compartement 1 were merged with Compartment 2 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 2018 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 2018.

#### **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.

As at 01 January 2018, Ms Z.H. Cammans, Ms. C. Pirrie and Mr. A.Nelke were appointed as Directors of the Company. Effective as of 7 June 2018, Mr. Nelke has resigned from his position as Director of the Company and has been replaced by Mrs. M. Mussai-Ramassur with effective date of 25 July 2018. Effective as of 30 August 2018, Mrs C. Pirrie has resigned from her position as Director of the Company and has been replaced by Mr. I.Valkoff with the effective date of 14 September 2018.

#### **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.

VCL Master Residual Value S.A.

**1. DIRECTORS' REPORT**

**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**

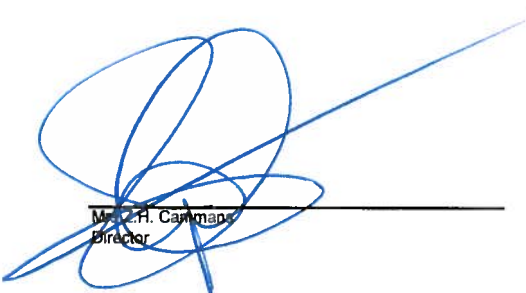
Effective as of 4 February 2019, Mr I. Valkoff resigned from his position as Director of the Company and was replaced by Mrs. S. E. Gill (previously called Mrs Schmidt).

No other event has occurred subsequent to the year-end which would have a material impact on the annual accounts as at 31 December 2018.

**Future outlook**

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

Luxembourg, 31 July 2019



Mr. H. Carman  
Director



Mrs M. Mussel-Ramassur  
Director



Mrs S. E. Gill  
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**

### **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 2018, 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 2018;
- 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 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 agréés" 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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*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg  
T: +352 494848 1, F: +352 494848 2900, [www.pwc.lu](http://www.pwc.lu)*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



**Key audit matter**

**How our audit addressed the Key audit matter**

*Existence and Valuation of lease receivables*

The purpose of the Company is to purchase a portfolio of car lease receivables of customers from Volkswagen Financial Services AG ("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.

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.

Taking into account that the total financial fixed assets as at 31 December 2018 amounted to EUR 7,741,715,832 (See Note 3), we have identified this as a key audit matter of our audit.

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:

- 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.

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.

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 2018 the Company's leasing receivables valuation disclosed in the annual accounts are in line with the accounting policies.

As at 31 December 2018, the existence and the valuation of the Company's lease receivables are properly reviewed with no exceptions noted.





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**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual 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.

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**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 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 15 June 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

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### **Other matter**

The Corporate Governance Statement includes, when applicable, 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, 31 July 2019

  
Günter Simon

**Annual Accounts Helpdesk :**

Tel. : (+352) 247 88 494  
 Email : centralebilans@statec.etat.lu

RCSL Nr. : B184029

Matricule : 2014 2200 873

eCDF entry date :

**BALANCE SHEET**

Financial year from <sup>01</sup> 01/01/2018 to <sup>02</sup> 31/12/2018 (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	7.741.715.832,00	6.289.807.126,00
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
<b>III. Financial assets</b>		<b>7.741.715.832,00</b>	<b>6.289.807.126,00</b>
1. Shares in affiliated undertakings	1135	135	136
2. Loans to affiliated undertakings	1137	137	138
3. Participating interests	1139	139	140
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1141	141	142
5. Investments held as fixed assets	1143	143	144
6. Other loans	1145	145	146
	1147	147	148
<b>D. Current assets</b>		<b>453.011.925,00</b>	<b>533.826.995,00</b>
<b>I. Stocks</b>			
1. Raw materials and consumables	1151	151	152
2. Work in progress	1153	153	154
3. Finished goods and goods for resale	1155	155	156
4. Payments on account	1157	157	158
<b>II. Debtors</b>		<b>230.090.550,00</b>	<b>149.544.058,00</b>
1. Trade debtors	1159	159	160
a) becoming due and payable within one year	1161	161	162
b) becoming due and payable after more than one year	1163	163	164
2. Amounts owed by affiliated undertakings	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
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	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
4. Other debtors	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
a) becoming due and payable within one year	1183	183	184
b) becoming due and payable after more than one year	1185	185	186
a) becoming due and payable within one year	1187	187	188
b) becoming due and payable after more than one year			

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
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	1192 <b>5</b>	197 <b>222.921.375,00</b>	198 <b>384.282.937,00</b>
E. Prepayments	1199	199	200
<b>TOTAL (ASSETS)</b>		<b>201 <u>8.194.727.757,00</u></b>	<b>202 <u>6.823.634.121,00</u></b>

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

RCSL Nr.: B184029

Matricule: 2014 2200 873

**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
I. Subscribed capital	1301 <u>6</u>	31.000,00	31.000,00
II. Share premium account	1303	31.000,00	31.000,00
III. Revaluation reserve	1305		
IV. Reserves	1307		
1. Legal reserve	1309		
2. Reserve for own shares	1311		
3. Reserves provided for by the articles of association	1313		
4. Other reserves, including the fair value reserve	1315		
a) other available reserves	1429		
b) other non available reserves	1431		
V. Profit or loss brought forward	1433		
VI. Profit or loss for the financial year	1319		
VII. Interim dividends	1321		
VIII. Capital investment subsidies	1323		
<b>B. Provisions</b>	1325		
1. Provisions for pensions and similar obligations	1331	43.024,00	25.642,00
2. Provisions for taxation	1333		
3. Other provisions	1335	43.024,00	25.642,00
<b>C. Creditors</b>	1337 <u>8</u>		
1. Debenture loans	1435	8.194.653.733,00	6.823.577.479,00
a) Convertible loans	1437	5.159.000.000,00	4.141.700.000,00
i) becoming due and payable within one year	1439		
ii) becoming due and payable after more than one year	1441		
b) Non convertible loans	1443		
i) becoming due and payable within one year	1445	5.159.000.000,00	4.141.700.000,00
ii) becoming due and payable after more than one year	1447	834.317.446,00	763.366.506,00
2. Amounts owed to credit institutions	1449	4.324.682.554,00	3.378.333.494,00
a) becoming due and payable within one year	1355		
b) becoming due and payable after more than one year	1357		
	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 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	<b>10</b>	379
a) becoming due and payable within one year	1381	<b>3.035.102.853,00</b>	380
b) becoming due and payable after more than one year	1383	<b>2.681.271.681,00</b>	382
a) becoming due and payable within one year	1381	<b>1.195.647.459,00</b>	382
b) becoming due and payable after more than one year	1383	<b>1.839.455.394,00</b>	384
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	452
a) Tax authorities	1391	<b>550.880,00</b>	452
b) Social security authorities	1395	<b>19.546,00</b>	394
c) Other creditors	1397	<b>531.334,00</b>	396
i) becoming due and payable within one year	1399	<b>531.334,00</b>	398
ii) becoming due and payable after more than one year	1401	<b>11</b>	400
<b>D. Deferred income</b>	1403	403	404
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>	405	<b>8.194.727.757,00</b>	406
			<b>6.823.634.121,00</b>

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



Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494  
Email : centralebilans@statec.etat.lu

RCSL Nr.: B184029

Matricule : 2014 2200 873

eCDF entry date :

**PROFIT AND LOSS ACCOUNT**

Financial year from 01 01/01/2018 to 02 31/12/2018 (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
<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 <b>-67.129.868,00</b>	672 <b>-66.727.510,00</b>
a) Raw materials and consumables	1601	601	602
b) Other external expenses	1603 <b>12</b>	603 <b>-67.129.868,00</b>	604 <b>-66.727.510,00</b>
<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 <b>-176.007.815,00</b>	622 <b>-158.602.012,00</b>

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	283.921.301,00	281.777.349,00
a) derived from affiliated undertakings	1723 14	283.921.301,00	281.777.349,00
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	-40.777.670,00	-56.443.011,00
a) concerning affiliated undertakings	1629	-27.911.425,00	-36.702.002,00
b) other interest and similar expenses	1631	-12.866.245,00	-19.741.009,00
<b>15. Tax on profit or loss</b>	1635	635	636
<b>16. Profit or loss after taxation</b>	1667	5.948,00	4.816,00
<b>17. Other taxes not shown under items 1 to 16</b>	1637	-5.948,00	-4.816,00
<b>18. Profit or loss for the financial year</b>	1669	0,00	0,00

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

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 (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 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.

## 5. 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. In case of hedging of an asset or liability which is not recorded at fair value, unrealised gains or losses are deferred until the realised gains or losses on the hedged item are realised. 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

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.

VCL Master Residual Value S.A.

5. NOTES TO THE ANNUAL ACCOUNTS

Note 3 - Financial assets (continued)

Note 3 - Financial assets

	31/12/2018	31/12/2017
	EUR	EUR
<u>Permitted Assets</u>		
Opening balance	6,289,807,126	6,610,037,428
Initial purchases during the year	-	-
Additions for the year	5,870,876,903	90,851,625
Reimbursements for the year	(4,418,968,193)	(1,281,081,927)
Closing balance	<u>7,741,715,832</u>	<u>6,289,807,126</u>

During the year 2018, the Expectancy Rights principal held by the Compartment 1 increased by EUR 621,400,434 (EUR 649,360,566 in 2017) by way of reinvestment of funds collected (Top Up). The Expectancy Rights principal decreased by EUR 645,836,243.65 (EUR 1,124,194,291 in 2017) by way of payments collected from Volkswagen Leasing GmbH.

On 25 September 2018 Portfolio of Permitted Assets held by Compartment 1 was merged with Compartment 2 for a total value of EUR 2,161,971,941.05. The purchase price for Compartment 2 has been valued at 2,275,340,372.96

Interest income for the year ended 31 December 2018 amounted to EUR 65,314,960 (EUR 103,845,810 in 2017) for the Compartment 1 (see note 32).

During the year 2018, the Expectancy Rights principal held by the Compartment 2 increased by EUR 1,510,992,571 (EUR 161,258,539 in 2017) by way of additional issuances (Tap Up) and by EUR 1,463,143,525 (EUR 150,232,520 in 2017) by way of reinvestment of funds collected (Top Up). It has been also increased by EUR 2,275,340,372.96 by way of merge from Compartment 1 to Compartment 2 on September, 25th 2019. The Expectancy Rights principal was also decreased by EUR 1,611,160,012 (EUR 156,887,636 in 2017) 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.

As at 31 December 2018, 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 2018 collection of the Permitted Assets, which is due in January 2019.

Note 5 - Cash at bank and in hand

	31/12/2018	31/12/2017
	EUR	EUR
<u>Cash at bank</u>		
Capital account	28,719	29,334
Distribution account	23,628	40,437
Cash collateral account	222,868,800	178,953,566
Accumulation account	228	205,259,600
Total	<u>222,921,375</u>	<u>384,282,937</u>

VCL Master Residual Value S.A.

5. NOTES TO THE ANNUAL ACCOUNTS

Note 6 - Subscribed capital

As at 31 December 2018, 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

	<u>31/12/2018</u>	<u>31/12/2017</u>
	EUR	EUR
<b><u>Other provisions</u></b>		
Audit fees	40,000	23,700
Tax advisory fees	1,024	936
Other Accruals	2,000	1,006
Total	<u>43,024</u>	<u>25,642</u>

Note 9 - Non convertible loans

	<u>31/12/2018</u>	<u>31/12/2017</u>
	EUR	EUR
<b><u>Floating Rate Notes Series A</u></b>		
Opening balance	3,443,700,000	3,126,791,738
Additions for the year	2,055,900,000	870,800,000
Disposals for the year (coming from the merge of C1 to C2)	(1,193,700,000)	(553,891,738)
Closing balance	<u>4,305,900,000</u>	<u>3,443,700,000</u>
Thereof scheduled for redemption within one year	831,974,670	718,847,699
Becoming due and payable after more than one year	<u>3,473,925,330</u>	<u>2,724,852,301</u>

**Floating Rate Notes Series B**

	<u>31/12/2018</u>	<u>31/12/2017</u>
	EUR	EUR
Opening balance	698,000,000	600,126,274
Additions for the year	377,400,000	160,100,000
Disposals for the year (coming from the merge of C1 to C2)	(222,300,000)	(62,226,274)
Closing balance	<u>853,100,000</u>	<u>698,000,000</u>
Thereof scheduled for redemption within one year	2,342,776	44,518,807
Becoming due and payable after more than one year	<u>850,757,224</u>	<u>653,481,193</u>

On 25 September 2017, Compartment 1 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, Compartment 2 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 September 2018, Compartment 2 issued additional Notes (series A 2018-1/2 and series B 2018-1/2) and on 27 December 2018, Compartment 2 issued additional Notes (series A 2018-3/4/5 and series B 2018-3), bearing a floating rate of one month Euribor plus 0.45% for Series A and bearing a floating rate of one month Euribor plus 0.90% for Series B. Payments on the Notes are made monthly in arrears on the 25th of each month. The Notes mature in 2025.

The floating rate interest on the Notes is swapped to a fixed rate of 0.24% and of 0.2413% for Series A and of 0.6938% and 0.72 % 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. Series B rank junior to A series.

## 5. NOTES TO THE ANNUAL ACCOUNTS

## Note 10 - Amounts owed to affiliated undertakings

	31/12/2018	31/12/2017
Becoming due and payable before one year	EUR	EUR
Overcollateralisation payable	730,613,223	905,507,679
Accrued interest on Subordinated Loan	527,662	368,656
Servicer fees	6,619,110	5,240,507
Advanced payments	384,912	384,912
Other amounts payable	-	142,239,085
Subordinated Loan	457,502,552	591,573,237
<b>Total</b>	<b>1,195,647,459</b>	<b>1,645,314,076</b>

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.

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

Subordinated Loan

	31/12/2018	31/12/2017
Subordinated Loan, changes during the year	EUR	EUR
Opening balance	1,627,530,842	1,710,526,442
Additions for the year	1,053,112,811	265,661,193
Disposals for the year	(406,726,446)	(373,551,852)
Interest capitalised during the year	23,040,739	24,895,059
<b>Closing balance</b>	<b>2,296,957,946</b>	<b>1,627,530,842</b>
Thereof scheduled for redemption/payment within one year	457,502,552	591,573,237
<b>Due and payable after more than one year</b>	<b>1,839,455,394</b>	<b>1,035,957,605</b>

The Subordinated Loan has been granted to the Company for the purpose of credit enhancement and it ranks junior to the Notes.

## Note 11 - Other creditors

	31/12/2018	31/12/2017
	EUR	EUR
Interest on Class A Notes	50,236	62,657
Interest on Class B Notes	63,272	61,172
Interest on Swaps	121,779	79,471
Other creditors	296,047	379,358
<b>Total</b>	<b>531,334</b>	<b>582,658</b>

## Note 12 - Other external expenses

	31/12/2018	31/12/2017
	EUR	EUR
Custodian fees	936	936
Maintenance fees	65,716	46,000
Servicer fees	65,318,594	64,946,173
Rating agency fees	152,968	164,399
Trustee services	39,943	36,434
Other miscellaneous operating charges	10,475	23,348
Audit fees	40,004	23,704
Tax advisory fees	1,112	866
Bank charges	1,500,120	1,485,650
<b>Total</b>	<b>67,129,868</b>	<b>66,727,510</b>

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## 5. NOTES TO THE ANNUAL ACCOUNTS

**Note 13 - Other operating expenses**

	<u>31/12/2018</u>	<u>31/12/2017</u>
	EUR	EUR

Equalisation provision	<u>176,007,815</u>	<u>158,602,012</u>
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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**

	<u>31/12/2018</u>	<u>31/12/2017</u>
	EUR	EUR

Derived from affiliated undertakings

Interest income from Permitted Assets	<u>283,921,301</u>	<u>281,777,349</u>
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**Note 15 - Interest payable and similar expenses**

	<u>31/12/2018</u>	<u>31/12/2017</u>
	EUR	EUR

Concerning affiliated undertakings

Interest payable on Subordinated Loan	<u>27,911,425</u>	<u>36,702,003</u>
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Other interest and similar expenses

	<u>31/12/2018</u>	<u>31/12/2017</u>
	EUR	EUR

Interest charges on Class A Notes	3,600,058	11,989,191
Interest charges on Class B Notes	4,202,565	6,920,373
Interest payable on Swaps	5,063,622	831,445

<b>Total</b>	<u><b>12,866,245</b></u>	<u><b>19,741,009</b></u>
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### Note 16 - Taxes

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

### 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

### 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 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 2018, all swap contracts for C1 and C2 have been renewed. The termination date of the Swap contracts is 25 September 2025.



## 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:

	Curr	Nominal amount	Spread interest rate received	Interest rate Paid
<u>Swaps on Note A series</u>				
Compartment 2 - Class A swap - DZ	EUR	414,100,000	0.4500%	0.2400%
Compartment 2 - Class A swap - DZ	EUR	448,700,000	0.4500%	0.2400%
Compartment 2 - Class A swap - ING	EUR	250,000,000	0.4500%	0.2400%
Compartment 2 - Class A swap - ING	EUR	496,800,000	0.4500%	0.2400%
Compartment 2 - Class A swap - ING	EUR	400,000,000	0.4500%	0.2400%
Compartment 2 - Class A swap - CA	EUR	222,600,000	0.4500%	0.2400%
Compartment 2 - Class A swap - SEB	EUR	441,500,000	0.4500%	0.2400%
Compartment 2 - Class A swap - ING	EUR	50,000,000	0.4500%	0.2400%
Compartment 2 - Class A swap - DZ	EUR	373,600,000	0.4500%	0.2400%
Compartment 2 - Class A swap - ING	EUR	300,000,000	0.4500%	0.2400%
Compartment 2 - Class A swap - DZ	EUR	218,100,000	0.4500%	0.2400%
Compartment 2 - Class A swap - CA	EUR	309,200,000	0.4500%	0.2400%
Compartment 2 - Class A swap - DZ	EUR	253,400,000	0.4500%	0.2413%
Compartment 2 - Class A swap - DZ	EUR	100,000,000	0.4500%	0.2413%
Compartment 2 - Class A swap - DZ	EUR	27,900,000	0.4500%	0.2413%
	EUR	<u>4,305,900,000</u>		
<u>Swaps on Note B series</u>				
Compartment 2 - Class B swap - DZ	EUR	83,200,000	0.9000%	0.7200%
Compartment 2 - Class B swap - DZ	EUR	132,400,000	0.9000%	0.7200%
Compartment 2 - Class B swap - CA	EUR	166,400,000	0.9000%	0.7200%
Compartment 2 - Class B swap - DZ	EUR	68,800,000	0.9000%	0.7200%
Compartment 2 - Class B swap - DZ	EUR	214,200,000	0.9000%	0.7200%
Compartment 2 - Class B swap - SEB	EUR	74,400,000	0.9000%	0.7200%
Compartment 2 - Class B swap - SEB	EUR	52,800,000	0.9000%	0.7200%
Compartment 2 - Class B swap - DZ	EUR	25,500,000	0.9000%	0.6936%
Compartment 2 - Class B swap - DZ	EUR	35,400,000	0.9000%	0.6936%
	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 2018, the Swaps have a nominal value of EUR 5,159,000,000 for Compartment 2 (EUR 1,416,000,000 for Compartment 1 and 2,725,700,000 for Compartment 2 in 2017).

The total interest payable on swaps amounted to EUR 1,459,176 (EUR 435,337 in 2017) for C1 and EUR 3,604,446 (EUR 396,108 in 2017) for C2 (see note 32).

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Note 21 - Balance sheet as at 31 December 2018 per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
<b>ASSETS</b>				
<b>A. Fixed assets</b>	-	2,186,407,750	7,741,715,832	4,103,399,376
Financial assets				
Investments held as fixed assets	-	2,186,407,750	7,741,715,832	4,103,399,376
<b>B. Current assets</b>	208,749	249,886,903	452,803,176	283,940,092
Debtors				
Other debtors				
- becoming due and payable within one year	156,913	116,842,127	229,933,637	32,701,931
Cash at bank and in hand	51,836	133,044,776	222,869,539	251,238,161
<b>Total Assets</b>	<b>208,749</b>	<b>2,436,294,653</b>	<b>8,194,519,008</b>	<b>4,387,339,468</b>
<b>LIABILITIES</b>				
<b>A. Capital and reserves</b>	31,000	31,000	-	-
Subscribed capital	31,000	31,000	-	-
<b>B. Provision</b>	22,512	12,821	20,512	12,821
Other provision	22,512	12,821	20,512	12,821
<b>C. Creditors</b>	155,237	2,436,250,832	8,194,498,496	4,387,326,647
Debtenture loans				
Non convertible loans				
- becoming due and payable within one year	-	229,504,236	834,317,446	533,862,270
- becoming due and payable after more than one year	-	1,186,495,764	4,324,682,554	2,191,837,730
Amounts owed to affiliated undertakings				
- becoming due and payable within one year	144,966	865,322,339	1,195,502,493	779,991,737
- becoming due and payable after more than one year	-	154,721,094	1,839,455,394	881,236,511
Other creditors				
- Tax authorities	10,271	12,194	9,275	10,946
- becoming due and payable within one year	-	195,205	531,334	387,453
<b>Total Liabilities</b>	<b>208,749</b>	<b>2,436,294,653</b>	<b>8,194,519,008</b>	<b>4,387,339,468</b>

Note 22 - Profit and loss account for the year from 1 January 2018 to 31 December 2018 per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Other operating expenses	(41,454,122)	(60,165,443)	(134,553,693)	(98,436,569)
Other external expenses	(15,591,617)	(24,746,147)	(51,538,051)	(41,981,363)
Income from other investments and loans forming part of the fixed assets	65,314,960	103,845,810	218,606,341	177,931,539
- derived from affiliated companies	65,314,960	103,845,810	218,606,341	177,931,539
- other income	-	-	-	-
Interest payable and similar expenses	(8,266,047)	(18,931,812)	(32,511,623)	(37,511,199)
- concerning affiliated undertakings	(4,619,570)	(11,977,110)	(23,291,855)	(24,724,892)
- other interest and similar expenses	(3,646,477)	(6,954,702)	(9,219,768)	(12,786,307)
Wealth Tax	(2,974)	(2,408)	(2,974)	(2,408)
Profit or loss for the financial year	-	-	-	-

Note 23 - Notes to the annual accounts per compartment

Fixed assets per compartment	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Permitted Assets	EUR	EUR	EUR	EUR
Balance as at the beginning of the year	2,186,407,750	2,661,241,475	4,103,399,376	3,948,795,953
Additional purchases	621,400,434	649,360,566	2,974,136,095	311,491,059
Reimbursement during the year	(645,836,243)	(1,124,194,291)	(1,611,160,012)	(158,887,636)
Transfer due to merge C1 to C2	(2,161,971,941)	-	2,275,340,373	-
Balance as at 31 December	-	2,186,407,750	7,741,715,832	4,103,399,376

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Note 24 - Debtors per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Other debtors	156,913	116,842,127	229,933,637	32,701,931
<b>Total</b>	<b>156,913</b>	<b>116,842,127</b>	<b>229,933,637</b>	<b>32,701,931</b>

Note 25 - Cash at bank, cash in postal cheque accounts, cheques and cash in hand per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Capital account	28,719	29,334	-	-
Distribution account	23,117	40,219	511	218
Cash collateral account	-	61,203,326	222,868,800	117,750,240
Accumulation account	-	71,771,897	228	133,487,703
<b>Total</b>	<b>51,836</b>	<b>133,044,776</b>	<b>222,869,539</b>	<b>251,238,161</b>

Note 26 - Non subordinated debts per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
<b>Floating Rate Notes Series A</b>				
Balance as at the beginning of the year	1,193,700,000	1,380,991,738	2,250,000,000	1,745,800,000
Issued during the year	-	66,600,000	2,055,900,000	804,200,000
Redemption during the year	(1,193,700,000)	(253,891,738)	-	(300,000,000)
	-	1,193,700,000	4,305,900,000	2,250,000,000
Thereof scheduled for redemption within one year	-	229,504,236	831,974,670	469,343,463
Becoming due and payable after more than one year	-	964,195,764	3,473,925,330	1,760,656,537

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
<b>Floating Rate Notes Series B</b>				
Balance as at the beginning of the year	222,300,000	227,926,274	475,700,000	372,200,000
Issued during the year	-	13,300,000	377,400,000	146,800,000
Redemption during the year	(222,300,000)	(18,926,274)	-	(43,300,000)
	-	222,300,000	853,100,000	475,700,000
Thereof scheduled for redemption within one year	-	-	2,342,776	44,518,807
Becoming due and payable after more than one year	-	222,300,000	850,757,224	431,181,193

Amounts owed to affiliated undertakings

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
<b>Becoming due and payable within one year</b>				
Overcollateralisation payable	-	516,590,556	730,613,223	388,917,123
Accrued interest on Subordinated Loan	-	92,110	527,662	276,546
Service fees	-	1,848,668	6,619,110	3,391,839
Advanced payments	144,966	144,966	239,946	239,946
Other amounts payable	-	94,640,687	-	47,598,398
Subordinated Loan	-	252,005,352	457,502,552	339,567,885
<b>Total</b>	<b>144,966</b>	<b>865,322,339</b>	<b>1,195,502,493</b>	<b>779,991,737</b>

Subordinated Loan

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
<b>Changes during the year/period</b>				
Balance as at the beginning of the year	406,726,446	780,062,237	1,220,804,396	930,464,205
Issued during the year	-	-	1,053,112,811	265,661,193
Redemption during the year	(406,726,446)	(373,551,852)	-	-
Interest capitalised during the year	-	216,061	23,040,739	24,678,998
	-	406,726,446	2,296,957,946	1,220,804,396
Thereof scheduled for redemption within one year	-	252,005,352	457,502,552	339,567,885
Becoming due and payable after more than one year	-	154,721,094	1,839,455,394	881,236,511

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Note 27 - Other provisions per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Audit fees	20,000	11,850	20,000	11,850
Tax advisory fees	512	468	512	468
Other Accruals	2,000	503	-	503
<b>Total</b>	<b>22,512</b>	<b>12,821</b>	<b>20,512</b>	<b>12,821</b>

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
VAT payable	10,271	12,194	9,275	10,946
<b>Total</b>	<b>10,271</b>	<b>12,194</b>	<b>9,275</b>	<b>10,946</b>

Note 28- Other creditors per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Interest on Class A Notes	-	21,719	50,236	40,938
Interest on Class B Notes	-	19,482	63,272	41,690
Interest on Swaps	-	30,020	121,779	49,451
Other creditors	-	123,984	296,047	255,374
<b>Total</b>	<b>-</b>	<b>195,205</b>	<b>531,334</b>	<b>387,453</b>

Note 29 - Other external expenses per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Maintenance fees	39,454	23,000	26,262	23,000
Custodian fees	-	468	936	468
Service fees	15,056,678	23,939,380	50,261,916	41,006,793
Audit fees	20,002	11,852	20,002	11,852
Rating agency fees	58,606	65,787	94,362	98,612
Trustee services	19,890	22,815	20,053	13,619
Other miscellaneous external charges	757	11,316	9,718	12,032
Tax advisory fees	556	433	556	433
Bank charges	395,874	671,096	1,104,246	814,554
<b>Total</b>	<b>15,591,817</b>	<b>24,746,147</b>	<b>51,538,051</b>	<b>41,981,363</b>

Note 30 - Other operating expenses per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Overcollateralisation expense	41,454,122	60,165,443	134,553,693	98,436,569
<b>Total</b>	<b>41,454,122</b>	<b>60,165,443</b>	<b>134,553,693</b>	<b>98,436,569</b>

Note 31 - Income from other investments and loan forming part of the fixed assets per compartment  
Derived from affiliated undertakings

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Interest income from Permitted Assets	65,314,960	103,845,810	218,606,341	177,931,539

Interest payable and similar expenses

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
<u>Concerning affiliated undertakings</u>				
Interest payable on Subordinated Loan	4,619,570	11,977,111	23,291,855	24,724,892

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Note 32 - Other interest and similar expenses per compartment

	Compartment 1		Compartment 2	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR	EUR	EUR	EUR
Interest charges on Class A Notes	1,148,969	4,277,622	2,451,089	7,711,569
Interest charges on Class B Notes	1,038,332	2,241,743	3,164,233	4,678,630
Interest payable on Swaps	1,459,176	435,337	3,604,446	396,108
Total	3,646,477	6,954,702	9,219,768	12,786,307

Note 33 - Related parties

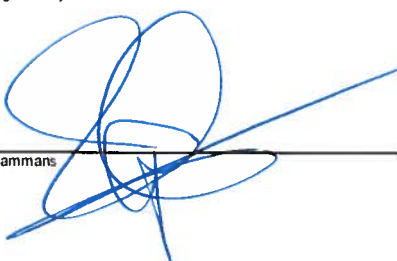
There are no other related parties transactions other than the ones disclosed in Notes 3, 4, 10, 12, 13, 14 and 15 of these annual accounts.

Note 34 - Subsequent events

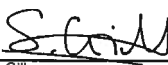
Effective as of 4 February 2019, Mr I. Valikoff resigned from his position as Director of the Company and was replaced by Mrs. S. E. Gill (previously called Mrs Schmidt).

No other event has occurred subsequent to the year-end which would have a material impact on the annual accounts as at 31 December 2018.

Luxembourg, 31 July 2019

  
Mrs Z.H. Cammans  
Director

  
Mrs M. Mussa-Ramassur  
Director

  
Mrs S. E. Gill  
Director