

April 28, 2020

Rated entity:

EUR Floating Rate Asset Backed Class A Notes [with ISIN: XS1956112038] and EUR Floating Rate Asset Backed Class B Notes [with ISIN: XS1956112970] issued by VCL Multi-Compartment S.A., acting for and on behalf of its Compartment 28

Rating:

EUR Floating Rate Asset Backed Class A notes: AAA_{sf}

EUR Floating Rate Asset Backed Class B notes: AA_{sf}

Rating outlook / watch:

Outlook stable

Rating summary:

Creditreform Rating (CRA) has confirmed the ratings of the Class A and B Notes of VCL Multi-Compartment S.A., acting for and on behalf of its Compartments 28 (VCL 28) as follows:

VCL 28 EUR Floating Rate Asset Backed notes:

Class	Amount	Rating / Outlook
Class A	530,517,168.20	AAA _{sf} / stable
Class B	19,000,000.00	AA _{sf} / stable

The transaction is a securitization of German auto lease receivables, originated by Volkswagen Leasing GmbH (VWL).

Closing of VCL 28 took place in April 2019. As of April 2020, the outstanding discounted balance amounts to EUR 590.18m with a share of 0.46% of the outstanding discounted balance being delinquent two months or more. The cumulative net loss ratio is 0.03% of the initial discounted receivables balance. Currently, the Class A and B Notes represent 89.89% and 3.22% of the outstanding discounted receivables balance, respectively. Credit enhancement to the notes is provided by a Subordinated Loan (5.30%), overcollateralization (1.59%), and a cash reserve amounting to 1.69% of the outstanding discounted receivables balance. Since the closing the total credit enhancement level of the Class A Notes increased from 7.10% to 11.80%, while the credit enhancement level of the Class B Notes increased from 5.20% to 8.58%.

To size the credit risk of the remaining portfolio and derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating used data provided by VWL as well as proprietary data. Following the analysis of historical data, CRA set the total expected net losses at 4.58% (AAA_{sf}) and 2.90% (AA_{sf}). These scenario-specific assumptions were tested in CRA's proprietary cash flow model, which was tailored to reflect the structure of VCL 28 and to assess the issuer's ability to service its debt in a full and timely manner.

The rating action has taken into account the increased credit enhancement levels for the Class A and B Notes and the overall portfolio performances as of the end of March 2020, including a low level of the cumulative net loss ratio.

Primary key rating driver:

- + VCL 28 securitizes only the finance portion of the leases; residual values are not securitized by the Issuer
- + Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer, including non-petition provisions
- + Downgrade collateral and replacement provisions mitigate counterparty risk exposure w.r.t. the Swap Counterparty and Account Bank
- No specified back-up servicer, even though contractual provisions enable the replacement of the servicer
- Potentially indirect negative impact of Volkswagen AG diesel emission manipulations on future (portfolio) recovery performance
- Increased macroeconomic uncertainty and potential market decline due to the coronavirus crisis may have adverse effect on VWL's ABS strategy and future portfolio performance

Rating sensitivities:

Best-case scenario: In this scenario, we stressed (ceteris paribus) the base case default rate by an amount of -25% and the base case recovery rate by an amount of +25%, resulting in a rating of AAA_{sf} and AA_{sf} for the Class A and B Notes, respectively.

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

ESG-criteria:

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

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

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

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

January 15, 2019 / April 23, 2020 / January 21, 2025

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

Initial rating date:

April 23, 2019

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

Philip Michaelis (Lead) – Senior Analyst

Jan Löckenhoff (PAC) – Senior Analyst

Name & address of legal entity:

Creditreform Rating AG, Hellersbergstraße 11, 41460 Neuss, Germany

Status of solicitation:

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

With Rated Entity or Related Third Party Participation: Yes

With Access to Internal Documents: Yes

With Access to Management: Yes

Rating methodology / Version / Date of application / Link:

Rating Methodology Auto ABS Securitizations, Version 1.4, July 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/Rating_Methodology_Auto_ABS_Securitizations.pdf)

Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/Technical_Documentation_Portfolio_Loss_Distributions.pdf)

Rating Criteria and Definitions, Version 1.3, January 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf)

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

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

Regulatory requirements:

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

Conflict of Interests

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

Rules on the Presentation of Credit Ratings and Rating Outlooks

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

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

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