Creditreform Rating

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Press Release

Creditreform Rating assigns ratings to German auto lease securitisation VCL 28

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

EUR Floating Rate Asset Backed notes:

Class	Amount	Rating / Outlook
Class A	941,000,000	AAA_{sf} / stable
Class B	19,000,000	$AA-_{sf}$ / stable

The transaction is a securitisation of German auto lease receivables, originated by Volkswagen Leasing GmbH (VWL). To size the credit risk of the portfolio and derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating used data provided by VWL as well as internal data bases. VCL 28 is a static pool and securitises only the finance portion of the leases; residual values are not securitized by the Issuer. A combination of subordinated loan and overcollateralization will provide credit enhancement to the rated Class A Notes (5.90%) and Class B Notes (4.00%). In addition, a cash reserve, initially amounting to 1.20% of the lease receivables balance, is available to provide credit enhancement to the Class A and B Notes.

VWL will credit to the Cash Collateral Account certain amounts, which will be available to mitigate commingling risks, trade tax and VAT tax risks, and cover the Issuer´s exposure to VWL. To mitigate commingling risk, the structure obliges the Servicer to advance the aggregate value of all lease payments due in the next monthly period if minimum ratings of VWFS are no longer satisfied.

Downgrade collateral and replacement provisions mitigate counterparty risk exposures with respect to the Swap counterparty and Account Bank. Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer.

To size the credit risk of the portfolio and derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating used data provided by VWL as well as proprietary data. Following the analysis of historical data, CRA set the base case gross loss rate at 1.62% and the base case recovery rate at 65%. However, the CRA Portfolio and Benchmark Analysis showed an overall lower portfolio credit risk. Accounting for potentially unexpected economic deterioration which may result in the future, Creditreform Rating decided to maintain an additional conservative margin in its analyses.

CRA selects default multiples at x5.62 (AAAsf) and x4.29 (AA-sf). Moreover, CRA set recovery haircuts at 45.34% (AAAsf) and 37.88% (AA-sf), taking into account transaction-specific features such as observed volatility and established recovery procedures, as well as potential market value risks. This resulted in total expected net losses of 5.85% (AAAsf) and 4.14% (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.