

# VCL Multi-Compartment S.A. Compartment VCL 40 German Auto ABS Notes Assigned Preliminary Ratings

September 4, 2023

## Preliminary ratings

Class	Prelim. rating	Prelim. amount (mil. €)
A	AAA (sf)	709.50
B	AA (sf)	16.50
Subordinated loan	NR	17.70

NR--Not rated.

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## Overview

- We assigned our preliminary ratings to VCL Multi-Compartment S.A., Compartment VCL 40's class A and B notes.
- VCL 40's notes will securitize a portfolio of German auto lease receivables, originated by Volkswagen Leasing GmbH to its mostly retail customer base.

FRANKFURT (S&P Global Ratings) Sept. 4, 2023--S&P Global Ratings today assigned its preliminary credit ratings to VCL Multi-Compartment S.A., Compartment VCL 40's (VCL 40) class A and B notes. At closing, VCL 40 will also be granted an unrated subordinated loan.

Our preliminary ratings address the timely payment of interest and the ultimate payment of principal on the class A and B notes.

VCL 40's notes will securitize a portfolio of German auto lease receivables, which Volkswagen Leasing GmbH (VW Leasing) originated to its mostly retail customer base in the ordinary course of business. The lease receivables arise from fixed-term, level payment lease contracts, with payments due monthly. The residual values of the leased vehicles corresponding to the lease receivables will not be sold to VCL 40, so no direct residual value risk is present in this transaction.

The transaction is static (i.e., it has no replenishment period), and the notes will start to amortize immediately after closing. Amortization will begin sequentially, but will switch to pro rata after further overcollateralization has built up, assuming no performance triggers are breached.

A combination of subordination, overcollateralization, and a cash reserve will provide credit

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enhancement to the rated notes. VCL 40 will benefit from excess spread if a servicer replacement event occurs or the cumulative net loss ratio exceeds 1.6%. There is no principal deficiency ledger mechanism in place.

A fixed-to-floating interest rate swap agreement with a suitable counterparty, in line with our counterparty criteria, will mitigate the risk of potential interest rate mismatches between the fixed-rate assets and floating-rate liabilities.

All the receivables to be securitized were previously refinanced through the existing warehousing facility, VCL Master S.A. Compartment 1.

The transaction's capital structure is slightly different compared with that of VCL Multi-Compartment S.A., Compartment VCL 38 (VCL 38), which we rated in March 2023 (see "Related Research"). The cash reserve in VCL 40 will amortize at 1.2% of the aggregate discounted receivables balance as of the end of the relevant monthly period. This is subject to a floor amount of the lesser of (i) €7.5 million, and (ii) the aggregate outstanding principal amount of the class A and B notes as of the end of the relevant monthly period. VCL 38's cash reserve equaled 1.1% of the initial aggregate discounted receivables balance.

### Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

## Related Research

- European Auto ABS Index Report Q2 2023, Aug. 10, 2023
- Economic Outlook Eurozone Q3 2023, June 26, 2023
- S&P Global Ratings Definitions, June 9, 2023
- VCL Multi-Compartment S.A. Compartment VCL 38 German Auto ABS Notes Assigned Ratings, March 27, 2023
- European ABS Outlook 2023, Jan. 12, 2023
- Asset Price Risks: European Auto ABS Appear Resilient To A Potential Fall In Used Car Prices, Nov. 29, 2022
- Credit FAQ: Understanding Pro Rata Amortization Profiles In EMEA ABS Transactions, Nov. 24, 2022
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, Sept. 23, 2022
- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- How Much Is Enough? Information Quality Standards For The EMEA RMBS And ABS Rating Process, Jan. 8, 2019
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance, May 12, 2009

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