

VCL Master S.A., Compartment 1 Ratings Affirmed Following Review

September 27, 2021

Overview

- We have affirmed our ratings on the existing classes of A and B notes outstanding under the VCL Master S.A., Compartment 1 program.
- VCL Master S.A., Compartment 1 is a securitization of a portfolio of German auto lease receivables, which Volkswagen Leasing GmbH (VW Leasing) originated.

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FRANKFURT (S&P Global Ratings) Sept. 27, 2021--S&P Global Ratings today affirms its 'AAA (sf)' and 'A+ (sf)' ratings on VCL Master S.A., Compartment 1's outstanding class A and B notes, respectively.

VCL Master S.A., Compartment 1 is a securitization of a portfolio of German auto lease receivables, which Volkswagen Leasing GmbH (VW Leasing) originated. VW Leasing is the initial servicer, and no back-up servicer was appointed at closing.

Each year, noteholders individually have the option to renew the revolving period for an additional 12 months. As part of the annual renewal, the note coupons and interest rate swaps are repriced, the legal maturity dates are extended, and other structural features, such as minimum required credit enhancement levels, may be amended to reflect changes in the collateral characteristics. In our view, these amendments do not affect the outstanding ratings as we deem these offers to be opportunistic, rather than distressed (see "Rating Implications Of Exchange Offers And Similar Restructurings, Update," published May 12, 2009). We have therefore affirmed our ratings on the class A and B notes.

Compared with the annual renewal in September 2020, the initial required credit enhancement levels on the notes have changed. The required credit enhancement is now 9.4% for the class A notes, down from 9.5% in September 2020, and is now 6.8% for the class B notes, down from 6.9% in September 2020.

A combination of subordination, initial and additional overcollateralization, and a cash reserve provides credit enhancement to the rated notes. The transaction does not have a principal deficiency ledger mechanism or any excess spread before the insolvency of the seller.

The class A notes rank senior to the class B notes, and each class of notes ranks pari passu among themselves. Under the transaction documents, amortization is sequential, but switches to pro rata once the class-specific overcollateralization target levels are reached, assuming no specific triggers have been breached. The notes may switch to sequential payment again, once certain

credit enhancement increase conditions have been met. If the servicer were to become insolvent at any point in the transaction's life, the notes would permanently switch to sequential amortization.

Related Criteria

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- 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 | ABS: Methodology And Assumptions For European Auto ABS, Oct. 15, 2015
- Criteria | Structured Finance | ABS: Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- 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: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009
- Criteria | Structured Finance | ABS: European Consumer Finance Criteria, March 10, 2000

Related Research

- European Auto ABS Index Report Q2 2021, Sept. 23, 2021
- Economic Snapshots Indicate Europe Responding Quickly To The Grand Reopening, July 9, 2021
- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, March 26, 2021
- S&P Global Ratings Definitions, Jan. 5, 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
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top

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Five Macroeconomic Factors, Dec. 16, 2016

- Global 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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