MOODY'S INVESTORS SERVICE

CREDIT OPINION
27 June 2022

New Issue

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Closing Date
27 June 2022

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VCL Multi-Compartment S.A., Compartment VCL 36

New Issue - New ABS auto lease securitisation in Germany by Volkswagen Leasing GmbH

Capital structure

Exhibit 1
Definitive ratings

Series	Rating	Amount (million)	% of assets	Legal final maturity	Coupon	Subordination(*)	Reserve fund(**)	Total credit enhancement (***)
Class A	Aaa (sf)	€ 705.00	94.00%	Feb 2028	1mE + 0.60%	6.00%	0.75%	6.75%
Class B	A1 (sf)	€ 16.50	2.20%	Feb 2028	1mE + 1.25%	3.80%	0.75%	4.55%
Subordinated loan	NR	€ 21.71	2.89%					
Total liability		€ 743.20	99.09%					
Over-collateralisation		€ 6.80	0.91%					
Total portfolio		€ 750.01	100.00%					

* At closing.
** As a percentage of the initial outstanding discounted portfolio balance.
*** No benefit attributed to the excess spread.
Sources: VCL Multi-Compartment S.A., Compartment VCL 36 prospectus and Moody's Investors Service

Summary

VCL Multi-Compartment S.A., Compartment VCL 36 (VCL 36) is a static cash securitisation of auto lease receivables extended to obligors in Germany by Volkswagen Leasing GmbH (VWL, A3/P-2), which is owned by Volkswagen Financial Services AG (VW FS, A3/P-2). The servicer is VWL.

Our analysis focused, among other factors, on an evaluation of the underlying portfolio of receivables; the historical performance of the total book and the past asset backed securities (ABS) transactions; the credit enhancement provided by subordination and the cash reserve; the liquidity support available in the transaction by way of principal to pay interest and the cash reserve; and the legal and structural aspects of the transaction.

Our cumulative loss expectation for the asset pool is 0.8% and the portfolio credit enhancement (PCE) is 6.5%.

Credit strengths

- ***Granular portfolio composition*:** The securitised portfolio is highly granular, with the largest and 20 largest lessees accounting for 0.19% and 1.23% of the pool, respectively. The portfolio also benefits from good geographical diversification. (See "Asset description - Assets as of the cut-off date - Pool characteristics")
- ***Static structure:*** The structure does not include a revolving period during which additional portfolios may be sold to the special-purpose vehicle (SPV). This feature limits portfolio performance volatility caused by an additional portfolio purchase. (See "Securitisation structure description")
- ***Financial strength of VWL:*** VWL is rated A3/P-2 with a stable outlook (30 March 2021) and acts as the originator and servicer of the transaction. The company's sound credit profile limits deal exposure to operational issues, specifically, the likelihood of interruption in portfolio servicing during the lifetime of the deal is limited. Furthermore, VW FS is the largest captive leasing company in Europe and has extensive experience in the origination and servicing of leasing portfolios (See "Asset description - Assets as of the cut-off date - originator and servicer")
- ***Securitisation experience***: VW FS has gained securitisation experience over the last 25 years from its subsidiary VWL and former subsidiary VW Bank GmbH. (See "Asset description - Assets as of the cut-off date - originator and servicer")
- ***Credit enhancement:*** The transaction benefits from several sources of credit enhancement provided through subordination of the notes, a subordinated loan, initial over-collateralisation and the building up of additional over-collateralisation if net loss triggers are in breach. The reserve fund provides limited additional credit enhancement because until the legal final maturity it is only available to pay interest and senior fees. (See "Securitisation structure description - Detailed description of the structure - Cash reserve")
- ***Performance of previous transactions:*** The previous VCL transactions rated by us have generally performed in line with or better than our expectations. (See "Asset analysis - Comparables - Prior transactions")

Credit challenges

- ***Strong links with VWL*:** VWL acts as the originator and servicer of the transaction. There is no backup servicer facilitator or backup servicer in place before a servicer termination event like servicer insolvency occurs. Additionally, VWL's role as the seller in the transaction and its ability to honour its commitments under the repurchase obligation upon a breach of warranties and guarantees made under the sale of receivables introduce a credit link to VWL. (See "Securitisation structure description")
- ***Commingling risk*:** The commingling risk on collections is mitigated by the rating of the servicer at closing, the monthly sweep of collections to the issuer account, a requirement to advance expected collections before each collection period upon a downgrade of VW FS below Baa1 and the automatic termination of collection authority upon servicer insolvency. (See "Asset analysis - Primary asset analysis - Commingling risk")
- ***Compliance with the German insolvency code (Insolvenzordnung)(InsO)*:** According to Sec. 108 (1)(2) of the German InsO, lease receivables have to be refinanced within a short period after origination to remain valid and enforceable for the issuer in case of an originator insolvency. Legal risk increases because of the fact that the maximum interim period exceeds three months at the pool cut-off date by up to around 21 days to complete the portfolio transfer for the initial secured refinancing of lease receivables in the securitised portfolio. The risk is mitigated by the clear limit and the short additional period; the obvious intention of the originator to use securitisation for lease refinancing; and the relatively high rating of the originator VWL. (See "Securitisation structure analysis - Additional structural analysis - Asset transfer, true sale and bankruptcy remoteness")

- ***Service components in lease contracts:*** A significant portion of lease contracts in the securitised pool (75.0%) have standard service components attached to them. Although cash flows for services are not securitised, this may lead to lessee contract termination risk or lessee set-off risk in case services are not provided. However, this risk is mitigated by a number of factors, including the strong incentive to continue services in a servicer insolvency scenario because of the German post-insolvency restructuring regime. In addition, the enforcement of such lessee rights is uncertain. (See "Securitisation structure analysis - Additional structural analysis - Service components in lease contracts")
- ***Negative interest rate on the issuer account bank*: ** The interest rate on the bank account where collections, the reserve fund and the risk reserve are held is not floored at 0%. Hence, given the negative interest rate environment, the account could yield a fee to be paid to the account bank. We have modelled stressed scenarios of negative interest rates and assessed its impact on the ratings of the notes. (See "Asset analysis - Primary asset analysis - Negative interest rate on issuer account bank risk")

ESG considerations

We consider overall environmental, social, and governance (ESG) risk moderate for securitisations backed by auto leases. Our credit analysis of the transaction, which considers ESG risk, includes the risks to vehicles' recovery values from changes in carbon emissions regulations, the social and demographic trends that affect the obligors in ABS backed by auto leases and the low exposure to severe weather events or other environmental factors. In addition, governance risk is largely mitigated by the structure of the transaction and our consideration of the transaction parties. Please refer to our Cross-Sector Rating Methodology: General Principles for Assessing Environmental, Social and Governance Risks, published on 19 October 2021, which explains our general principles for assessing ESG risks in our credit analysis globally.

- ***Environmental:*** This transaction has moderate exposure to substantial environmental risks; however, the potential consequences, mitigated by the short transaction tenor, are not likely to be significant to the credit quality of the notes. (See "Asset analysis - Additional asset analysis – ESG - Environmental considerations")
- ***Social:*** Social risk is generally low in auto ABS transactions. Technological obsolescence, shifting demand patterns and changes in government policy mean that some segments will experience greater volatility in auto sales, recovery levels, and residual values, but the short tenor of the transaction mitigates the risk from long-term trends. In addition, the diversity of the obligors in lease pools should help protect the transaction from the risk of any one region or industry downturn. (See "Asset analysis - Additional asset analysis – ESG - Social considerations")
- ***Governance:*** Governance risks for this transaction are low based on the presence of transaction features such as risk retention, comprehensive agreed-upon procedures (AUPs) report, servicing oversight and R&W enforcement. (See "Securitisation structure analysis - Additional structural analysis – ESG - Governance considerations")

Key characteristics

The exhibit below describes the main asset characteristics of the securitised portfolio. WA stands for weighted average and WAL for weighted average life.

Exhibit 2

Asset characteristics

Seller/originator:	Volkswagen Leasing GmbH (VWL, A3/P-2)
Servicer(s):	VWL (A3/P-2)
Receivables:	Lease instalments from leases granted to retail and corporate customers resident in Germany to finance the purchase of new and used vehicles
Total amount:	€ 750,012,247.5
Length of revolving period in years:	Static
Number of contracts:	82,897
Number of lessees:	68,122
New vehicle (as % of total pool):	93.1%
Used vehicle (as % of total pool):	4.4%
Demo vehicle (as % of total pool):	2.6%
Type of obligors (as % of total pool):	Retail: 81.7%; Corporate: 18.3%
WA remaining term in years:	2.7
WA seasoning in years	0.6
WAL of portfolio in years (excl. prepayments):	1.4
WA portfolio interest rate:	N/A
Delinquency status:	All lease receivables are current as of cut-off date
Loss rate observed	Whole book cumulative weighted average net loss between Jan 2012 - Dec 2021: 0.2%
Recovery rate observed:	Not provided
Delinquencies:	Whole book delinquency ratio between 2010-2021: 0.5% (61-90 days)
Cumulative loss rate (modelled):	0.8%, which is below peer group in the EMEA Auto ABS market
Recovery rate (modelled):	N/A
Aaa portfolio credit enhancement (PCE):	6.5%, which is below peer group in the EMEA Auto ABS market (with a CoV of 62.9%)

Sources: VCL Multi-Compartment S.A., Compartment VCL 36 prospectus and Moody's Investors Service

The exhibit below shows the counterparties associated with the transaction. N/A stands for those counterparties that do not apply to the transaction.

Exhibit 3

Securitisation structure characteristics

Transaction parties	At closing
Issuer:	VCL Multi-Compartment S.A., Compartment VCL 36
Back-up servicer(s):	N/A
Back-up servicer facilitator(s):	N/A
Cash manager:	The Bank of New York Mellon (Aa2/P-1; Aa1(cr)/P-1(cr)), acting through its Frankfurt branch
Back-up cash manager:	N/A
Calculation agent/computational agent:	The Bank of New York Mellon (Aa2/P-1; Aa1(cr)/P-1(cr)), acting through its London branch
Back-up calculation agent/computational agent:	N/A
Swap counterparty:	Skandinaviska Enskilda Banken AB (Aa3/P-1; Aa2(cr)/P-1(cr))
Issuer account bank:	The Bank of New York Mellon (Aa2/P-1; Aa1(cr)/P-1(cr)), acting through its Frankfurt branch
Collection account bank:	N/A
Paying agent:	The Bank of New York Mellon (Aa2/P-1; Aa1(cr)/P-1(cr)), acting through its London branch
Data protection/security trustee:	Data Custody Agent Services B.V. Intertrust Trustees GmbH
Issuer administrator:	Circumference FS (Luxembourg) S.A.
Corporate servicer provider:	Circumference FS (Luxembourg) S.A.
Arranger:	Credit Agricole Corporate and Investment Bank (Aa3/P-1; Aa2(cr)/P-1(cr))
Joint lead managers:	Commerzbank AG (A1/P-1 deposit rating; A1(cr)/P-1(cr)) Credit Agricole Corporate and Investment Bank (Aa3/P-1; Aa2(cr)/P-1(cr)) Landesbank Baden-Württemberg (Aa3/P-1 deposit rating; Aa3(cr)/P-1(cr))
Managers:	Mizuho Securities Europe GmbH MUFG Securities (Europe) N.V. (A1, issuer rating) Santander Corporate & Investment Banking
Custodian:	The Bank of New York Mellon (Aa2/P-1; Aa1(cr)/P-1(cr)), acting through its London branch
Liabilities, credit enhancement and liquidity	
Annualised excess spread at closing:	0.00%
Credit enhancement/reserves:	Amortising reserve fund representing 0.75% of initial discounted portfolio balance Initial over-collateralisation Subordination of the notes
Form of liquidity:	Cash reserve, principal to pay interest mechanism
Number of months liquidity based on Moody's assumptions:	3.6 months
Interest payments:	Monthly in arrears on each payment date
Principal payments:	Pass-through on each payment date
Payment dates:	21st calendar day of each month First payment date: 21st July 2022
Hedging arrangements:	Fixed-to-floating rate swap

Sources: VCL Multi-Compartment S.A., Compartment VCL 36 prospectus and Moody's Investors Service

Asset description

The securitised assets are made up of monthly paying auto leases that VWL has granted, mainly to retail customers (81.7%) and corporate lessees (18.3%) residing in Germany.

Of the contracts, 75.0% include service packages. These service packages may include maintenance and repair services, fuel cards, insurance and other client services. The payments related to maintenance and other services are not part of the securitised amounts in this transaction.

The data and information on the portfolio set out in this report are based on the securitised portfolio as of 31 May 2022.

Assets as of the cut-off date

Pool characteristics

The balance of the securitised portfolio amounts to €750,012,247.5 for a total of 82,897 contracts. The portfolio is collateralised by around 93.1% new cars, 4.4% used cars and 2.6% demonstration vehicles, whereby the vast majority of vehicles relate to the VW brands. Portfolio cash flows result from 100% fixed lease instalment cash flows.

Two broad contract types are securitised: closed calculation contracts (99.97%) and open calculation contracts (0.03%). Closed calculation contracts allow the lessee to use the car and an agreed service package for a fixed price. The lessee will not receive any profit from lower actual service costs or if the vehicle sells at contract termination for a higher value than expected. Open calculation contracts include a possible refund component, if the actual cost of running the fleet is lower than the initially estimated costs. Maintenance service costs and actual vehicle sale proceeds are incorporated into the refund calculation at the end of a lease contract.

As is common for German auto lease contracts, the seller, as the lessor, assigns the security title registration of the vehicle to the issuer and the vehicle is registered under the name of the lessor/seller. Further characteristics can be summarised as follows:

» The lease agreement provides for the payment of fixed equal monthly instalments.

» The maximum maturity is up to 60 months; generally, the maturity is between 13 and 48 months. Extensions are generally not allowed.

» Prepayments are possible; a prepayment penalty will be applied.

» The servicer can grant payment holidays up to a period of six months, depending on the creditworthiness of the customer.

The exhibit below summarises additional information of the portfolio.

Exhibit 4

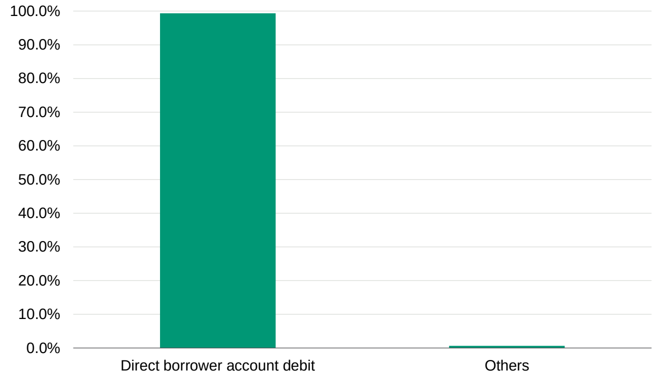
Additional information on asset characteristics

Average outstanding discounted balance	€9,047.5
Number of dealers	N/A
Geographic concentration	
Largest region	North Rhine-Westphalia (22.9%)
2nd largest region	Bavaria (17.6%)
3rd largest region	Baden-Wuerttemberg (15.0%)
Manufacturer distribution	
1st largest manufaturer	Volkswagen (33.3%)
2nd largest manufactuer	Audi (29.0%)
3rd largest manufacturer	Skoda (15.8%)
Obligor concentration	
Single obligor (group) concentration	0.19%
Top 5 obligor (group) concentration	0.52%
Top 10 obligor (group) concentration	0.79%
Top 20 obligor (group) concentration	1.23%

Source: VWL

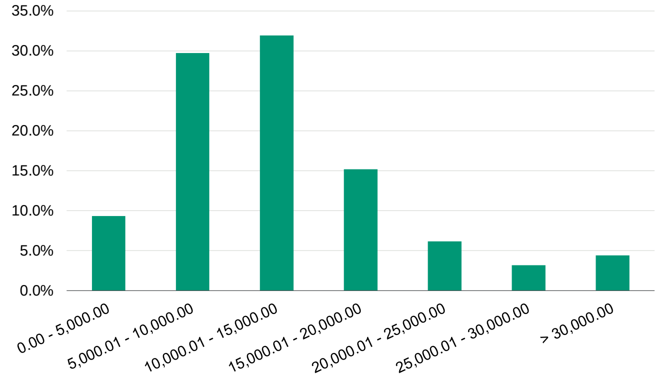
The exhibits below describe the portfolio breakdown by payment type and outstanding discounted balance.

Exhibit 5
Portfolio breakdown by payment type



Source: VWL

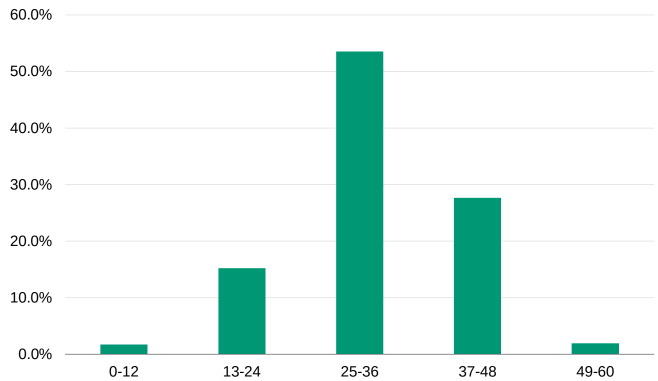
Exhibit 6
Portfolio breakdown by outstanding discounted balance



Source: VWL

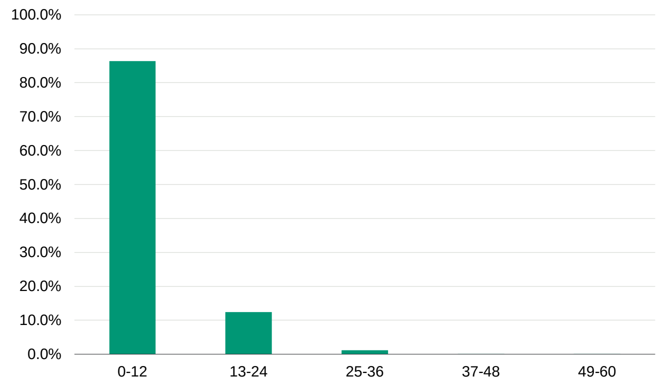
The exhibits below show the portfolio breakdown by remaining term and seasoning.

Exhibit 7
Portfolio breakdown by remaining term in months



Source: VWL

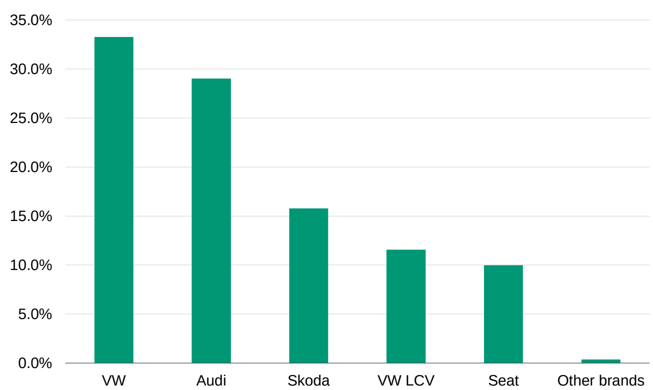
Exhibit 8
Portfolio breakdown by seasoning in months



Source: VWL

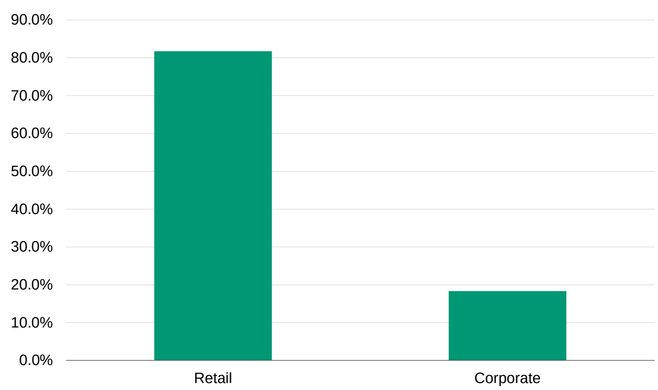
The exhibits below show the portfolio breakdown by car brand and customer type.

Exhibit 9
Portfolio breakdown by car brand



Source: VWL

Exhibit 10
Portfolio breakdown by customer type

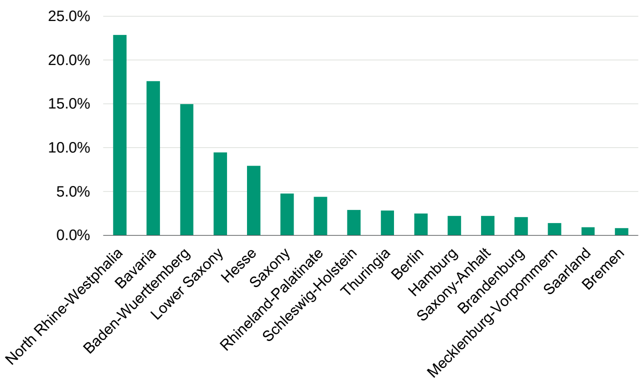


Source: VWL

The exhibits below show the geographical and the industry sector distribution of the securitised portfolio.

Exhibit 11

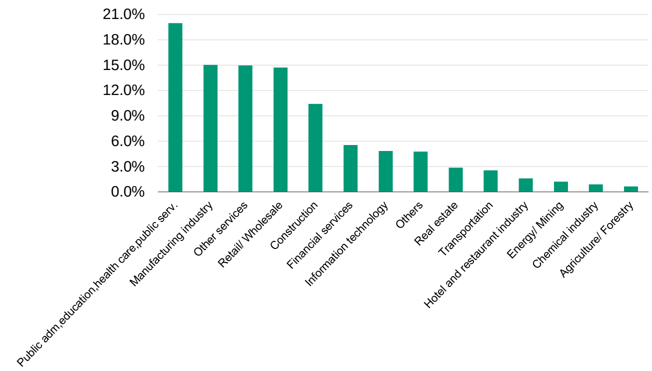
Portfolio breakdown by region



Source: VWL

Exhibit 12

Portfolio breakdown by industry sector

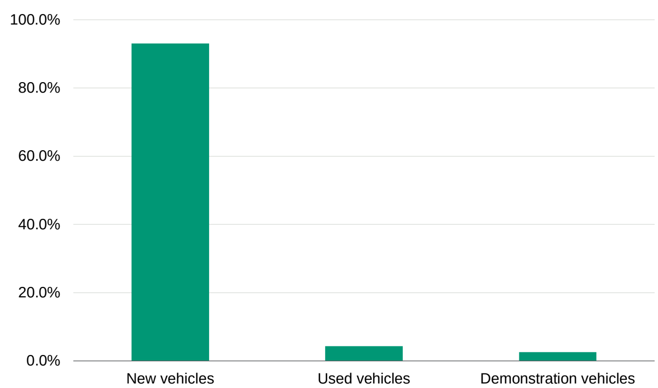


Source: VWL

The exhibits below show the portfolio breakdown by vehicle status and engine type.

Exhibit 13

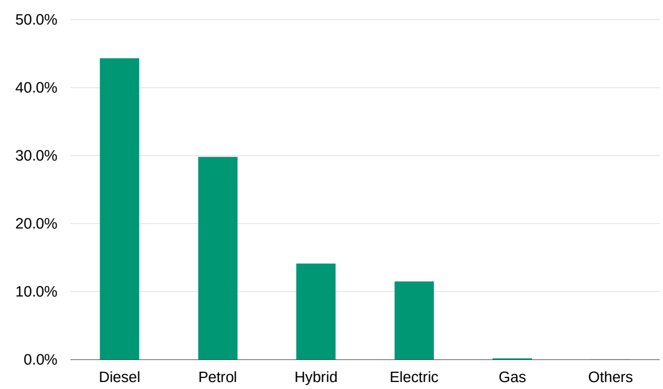
Portfolio breakdown by vehicle status



Source: VWL

Exhibit 14

Portfolio breakdown by engine type



Source: VWL

Originator and servicer

In September 2020, we met with VWL, a wholly owned subsidiary of VW FS. VWL acts as a servicer in the VCL 36 transaction.

VWL is responsible for the leasing business of the Volkswagen Group in Germany, with five branches in Braunschweig (Audi Leasing, SEAT Leasing, Skoda Leasing, Ducati Leasing and AutoEuropa Leasing); one branch in Warsaw, Poland; and three branches in Italy (Milan, Verona and Bolzano). VWL cooperates with around 3,700 dealerships of the Volkswagen Group.

In terms of 60-90-day delinquencies, the historical performance of VCL transactions rated between 2016 and 2021 compares positively with that of its peer group German auto lease ABS transactions, with 60-90-day delinquencies peaking at around 0.6% of the current pool balance and losses at around 0.2% of the original pool balance at around two and a half years after closing.

The origination process is highly automated. A scoring system is in place to assess the borrower's credit risk, which takes into consideration, among other things, external credit bureau information, in some cases from two different bureaus; internal payment behaviour in case of a repeat customer; customer's debt history; and fraud information. The underwriting process is in line with the market standards.

Both private retail customers and commercial retail customers are scored by a numeric system of 16 risk classes, going from 1 to 15 and a separate class D as the worst score for defaulted customers. For corporate customers, which are customers that have entered into a master framework agreement with VWL, the leasing application will be manually assessed by at least two credit officers.

Collection management is organised centrally from an internal collection centre. Collection procedures rely almost exclusively on direct debit, which accounts for around 99% of payments in this pool. The collection process and early arrears management are highly automated. Repossessed leased vehicles are sold to dealers, or through VW FS' used vehicles centre.

VWL is subject to regular internal and external audits by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

The exhibit below summarises the main characteristics of the originator's background.

Exhibit 15

Originator profile, servicer profile and operating risks

Date of operations review:	May 2022
Originator background	
Rating:	A3/P-2
Financial institution group outlook for sector:	Stable
Ownership structure:	Wholly owned by Volkswagen Financial Services AG (A3/P-2), ultimately owned by Volkswagen AG (A3/P-2)
Asset size:	EUR 47,647million (as per Dec-21)
% of total book securitised (excl. this transaction):	N/A
Transaction as % of total book:	N/A
% of transaction retained:	5%
Servicer background	
Rating:	A3/P-2
Regulated by:	German Supervisory Authority for Banking Business (BaFin)
Total number of receivables serviced:	1,814 thousand (as per Dec-21)
Number of staff:	1035 (as per Dec-21)

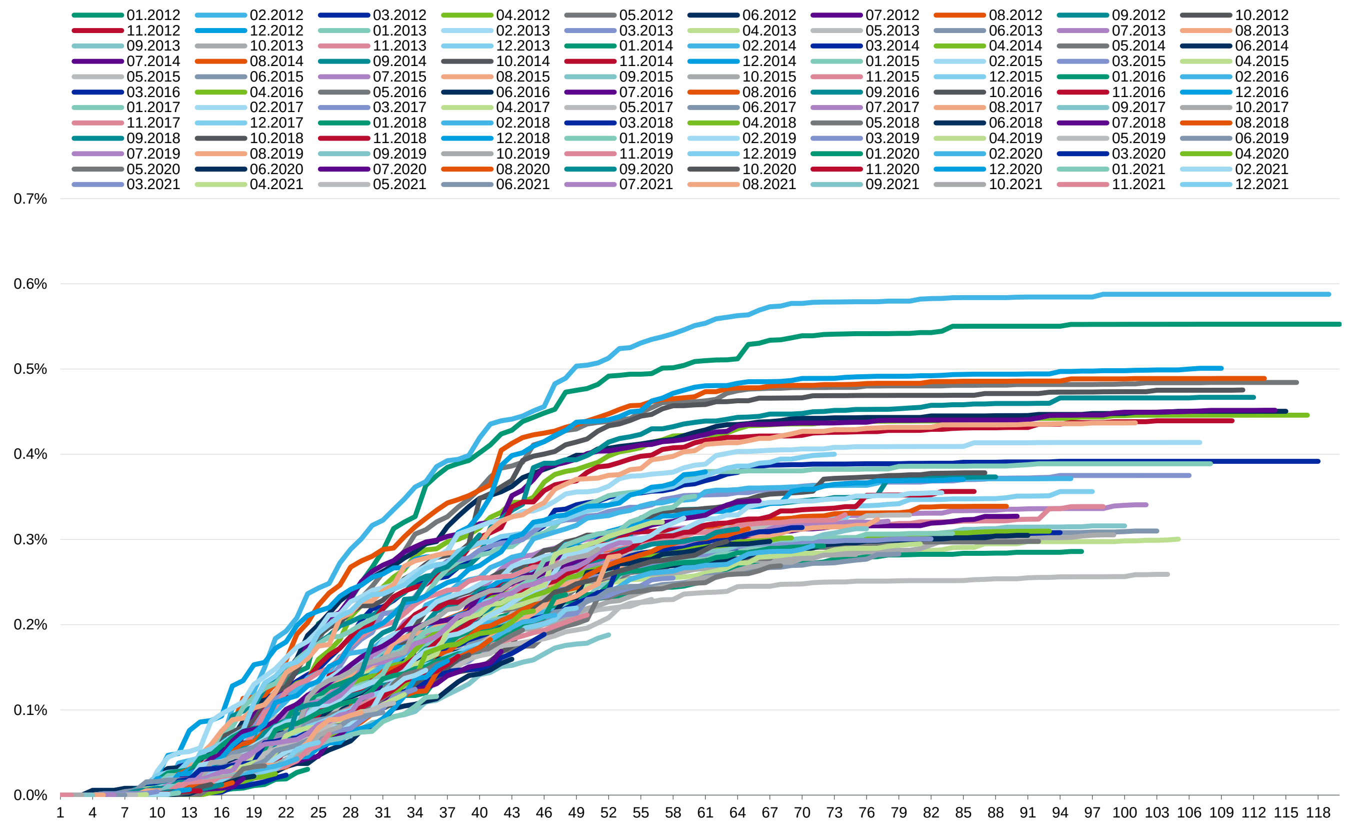
Sources: VWL

The originator provided us with performance data on its whole leasing portfolio. However, we have not received recovery data. Loss data spans over a period from January 2012 to December 2021. Dynamic delinquency data has also been provided from 2010 to 2021. The quantity and quality of data received are adequate compared with transactions that have achieved high investment-grade ratings in this sector in other European countries. The WA remaining term of the leases is about 32.5 months, with a maximum of 57 months.

The exhibit below shows cumulative net losses since origination for the originator's whole book.

Exhibit 16

Annual vintage average loss curves - Auto lease book of VWL (01/2012 - 12/2021)



Source: VWL

Eligibility criteria

The key eligibility criteria are as follows:

» The lease contracts are legally valid and binding agreements

» Purchased lease receivables are denominated, payable in euro and assignable

» Purchased lease receivables are free of defences, whether pre-emptory or otherwise for the agreed term of the lease contract as well as free from rights of third parties and that the lessees in particular have no set-off claim

» The status and enforceability of the purchased lease receivables is not impaired because of warranty claims or any other rights of the lessees

» None of the lessees is an affiliate of Volkswagen AG, Familie Porsche Stuttgart and Familie Piech Salzburg Gruppe

» No purchased lease receivable is overdue

- Terminations of the lease contracts have not occurred and are not pending
- The lease contracts shall be governed by the laws of Germany
- The lease contracts have been entered into exclusively with lessees who are either corporate entities with a registered office in Germany or private individuals and have their residence in Germany
- As on the cut-off date, at least two lease instalments have been paid in respect of each of the lease contracts and that the lease contracts require substantially equal monthly payments to be made within 12-60 months of the date of origination of the lease contract
- The total amount of lease receivables with one and the same lessee will not exceed 0.5% of the aggregate discounted receivables balance in respect of any single lessee as at the cut-off date
- Percentage of the discounted receivables balance generated under the lease contracts for non-VW group vehicles will not exceed 5.0% of the aggregate cut-off date discounted receivables balance
- The acquisition of the leased vehicles by VWL is financed in compliance with the requirements of sec. 108 (1), second sentence of the German insolvency code (InsO)
- No insolvency proceedings according to the applicable insolvency law have been initiated against any of the lessees during the term of the lease contracts up to the last day of the month preceding the closing date
- The purchased lease receivables do not include a credit impaired lessee or a lessee who is unlikely to pay its obligations or who is past due more than 90 days
- The lease receivables assigned do not represent a separately conducted business or business segment of VWL
- None of the lessees has exercised its right of revocation, if any

Asset analysis

Primary asset analysis

Our analysis of the credit quality of the assets includes an examination of the lease loss distribution of the securitised pool, based on our assumptions and historical data.

Lease loss distribution

The first step in the analysis was to define a loss distribution of the pool of leases to be securitised. Because of the large number of leases, we used a continuous distribution to approximate the loss distribution: the lognormal distribution. The probability loss distribution associates a probability with each potential future loss scenario for the portfolio. Hence, this distribution has been applied to numerous loss scenarios on the asset side to derive the level of losses on the notes.

The two main parameters that determine the shape of the loss distribution: the mean loss and the PCE. The expected loss captures our expectations of performance considering the current economic outlook, while the PCE captures the loss we expect the portfolio to suffer in the event of a severe recession scenario. We generally derive these parameters from the historical data; we may make adjustments based on further analytical elements, such as performance trends, differences in portfolio composition or changes in servicing practices, among others.

Derivation of lease loss rate expectation

The portfolio expected loss of 0.8% is below the EMEA auto lease ABS average and is based on our assessment of the lifetime expectation for the pool.

We primarily based our analysis on the historical cohort performance data that the originator provided for a portfolio that is representative of the securitised portfolio. We also evaluated other European market trends, benchmark lease transactions and other qualitative considerations. We stressed the results from the historical data analysis to account for the fact that the provided historical data does not allow an analysis of recovery performance in an economic distressed environment, and the possible consequence on pool performance in a declining economic climate.

Derivation of PCE

The PCE of 6.5% is lower than the EMEA auto lease ABS average. The PCE has been defined following the analysis of data variability, as well as by benchmarking this portfolio with past and similar transactions. Factors that affect the potential variability of a pool's credit losses are historical data variability; the quantity, quality and relevance of historical performance data; originator and servicer quality; certain pool characteristics, such as asset concentration; and certain structural features.

Commingling risk

VWL collects all payments under the leases in this pool into a collection account under its name. In the event of a servicer bankruptcy, commingling losses may arise. Commingling risk on collections is mitigated by the rating of the servicer at closing, a monthly sweep of collections to the issuer account, a requirement to advance expected collections before each collection period upon a downgrade of VW FS below Baa1 and the automatic termination of collection authority upon servicer insolvency.

Set-off risk

There is no set-off risk from customer deposits or employees in the transaction. VWL does not have a deposit business, and employee contracts are not eligible for the transaction. A significant portion of lease contracts in the securitised pool have standard service components attached to them. Although cash flows for services are not securitised, this may lead to lessee set-off risk in case services are not provided. We assume, however, in an insolvency scenario because of a restructuring for the servicer in Germany, there is a strong incentive to continue services. In addition, the enforcement of such lessee rights is uncertain.

Negative interest rate on issuer account bank risk

The interest rate on the bank account where collections, the reserve fund and the risk reserve are held is not floored at 0%. Hence, given the negative interest rate environment, the account could yield a fee to be paid to the account bank. We have directly modelled this risk and assessed its impact on the ratings on the notes.

Ancillary legal risk

Trade tax risk: There remains some uncertainty around trade tax obligations for the lease receivables in the securitised portfolio. The risk reserve, which covers a number of claims the issuer may have against VWL, has been sized to cover the maximum estimated tax risk exposure arising under the German trade tax and VAT tax risk. We analysed stressed scenarios and assessed its impact on the risk reserve. Because the sizeable risk reserve is fully funded and non-amortising, the impact of legal risks is deemed not significant with respect to the run-off of risks the risk reserve is sized to cover.

Comparables

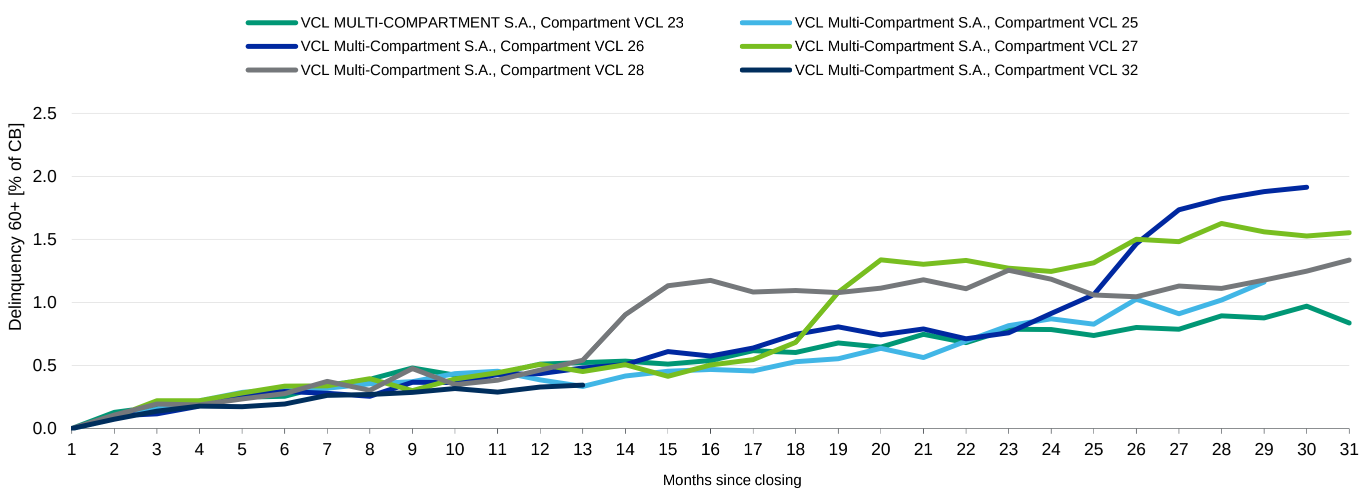
Prior transactions

The performance of the originator's precedent transactions in this sector is within or better than our expectations.

The exhibits below show the performance of precedent transactions originated by VWL.

Exhibit 17

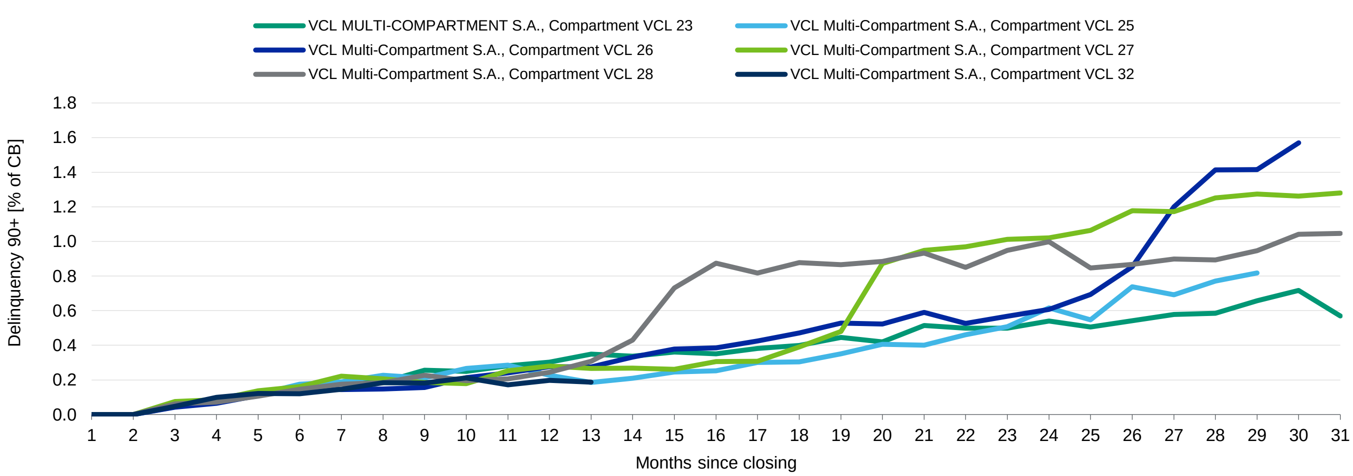
60-day delinquencies - Seasoning by deal



Sources: Moody's Investors Service and periodic investor/servicer reports

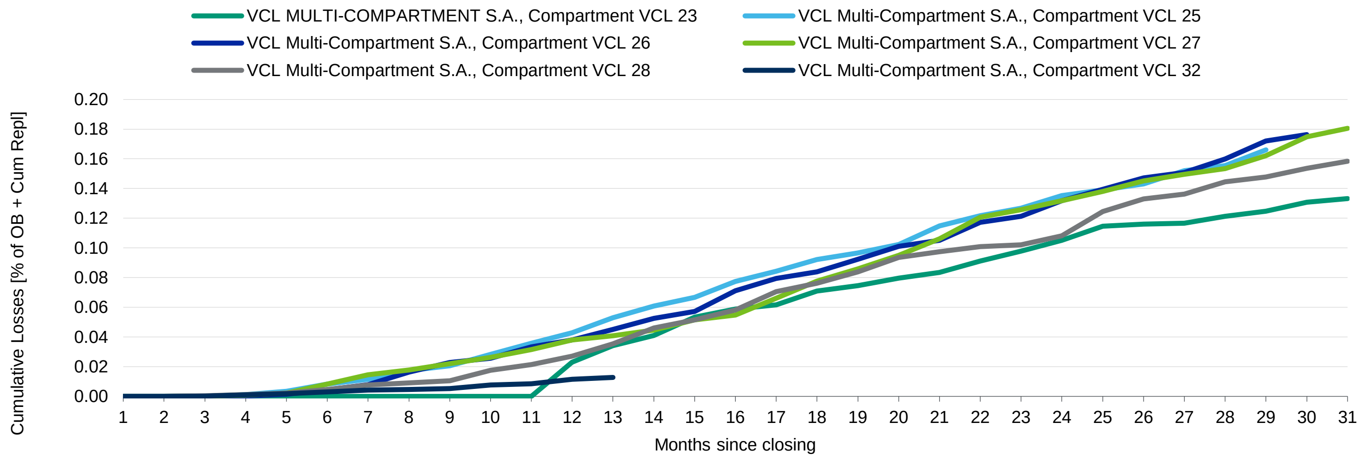
Exhibit 18

90-day delinquencies - Seasoning by deal



Sources: Moody's Investors Service and periodic investor/servicer reports

Exhibit 19
Cumulative losses - Seasoning by deal



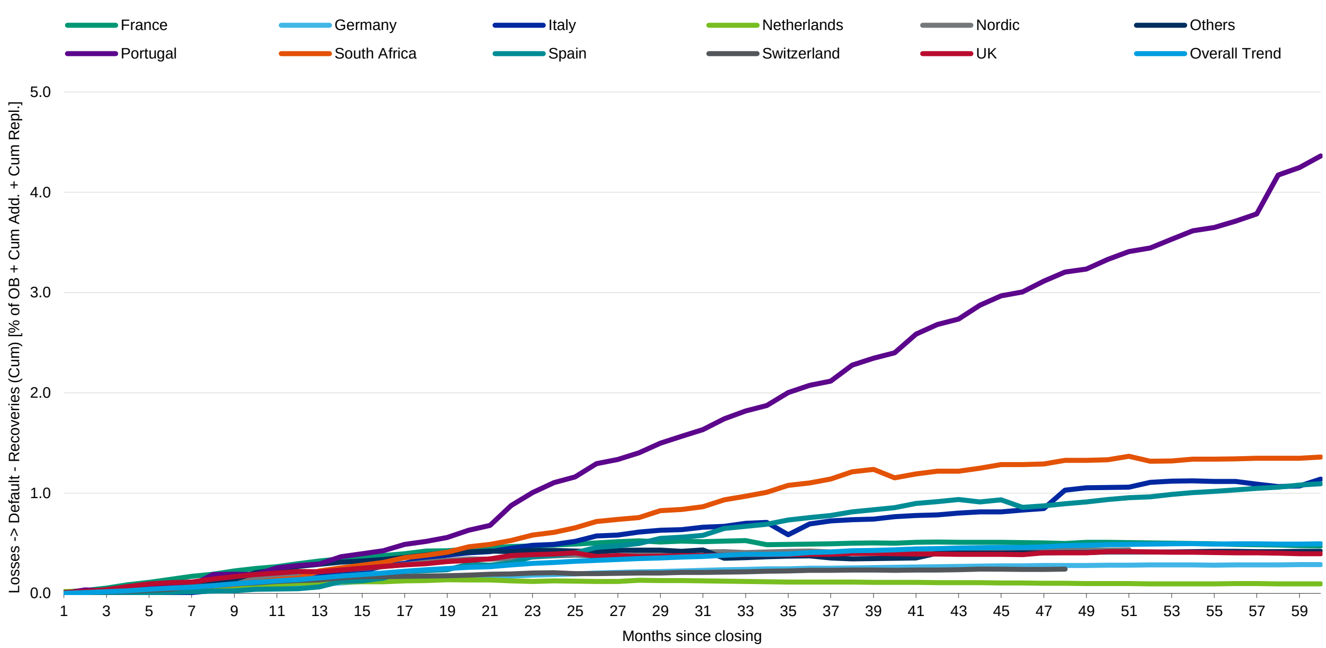
Sources: Moody's Investors Service and periodic investor/servicer reports

Transactions of other sellers/servicers

For benchmarking purposes, the charts below include cumulative losses in German auto lease ABS that we rate. However, the performance shown can be affected by several factors, such as the seasoning of the securitised leases, the age of the transaction, pool-specific characteristics and the length of the revolving period.

The exhibits below show the performance of comparable transactions among originators in Europe.

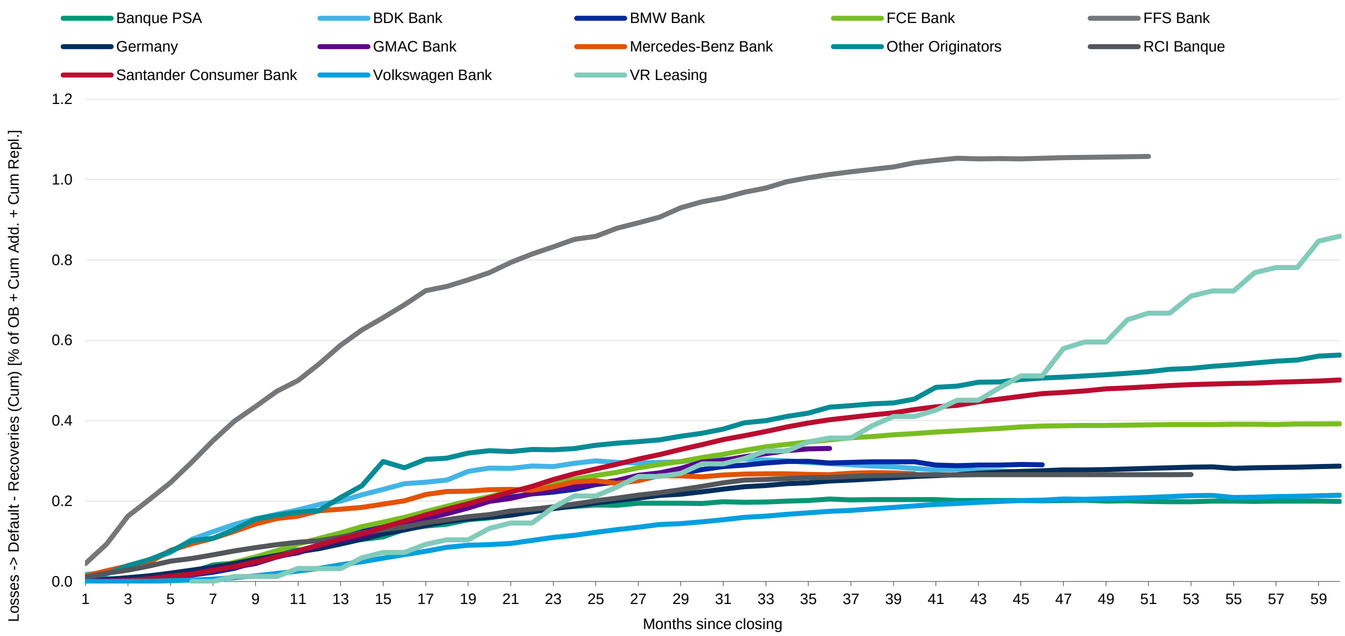
Exhibit 20
EMEA auto loan and auto lease ABS losses - Seasoning by domicile



Sources: Moody's Investors Service and periodic investor/servicer reports

Exhibit 21

German auto loan and auto lease ABS losses - Seasoning by originator



Sources: Moody's Investors Service and periodic investor/servicer reports

The exhibit below shows a benchmark table including the portfolio characteristics of comparable transactions in Germany.

Exhibit 22

Comparable transactions - Asset characteristics

Deal name	VCL Multi-Compartment S.A., Compartment VCL 36	VCL Multi-Compartment S.A., Compartment VCL 32	PBD Germany Auto Lease Master S.A., Compartment 2021-1	Red & Black Auto Germany 3 UG (haftungsbeschrankt)	Asset-Backed European Securitisation Transaction Twenty-One B.V.	Bumper DE S.A., 2019-1
Country	Germany	Germany	Germany	Germany	Germany	Germany
Closing date or rating review date (dd/mm/yyyy)	27/06/2022	25/03/2021	28/06/2021	25/03/2015	08/12/2021	24/10/2019
Currency of rated issuance	EUR	EUR	EUR	EUR	EUR	EUR
Rated notes volume (excluding NR and equity)	721,500,000.0	962,500,000.0	600,000,000.0	888,000,000.0	469,100,000.0	640,706,094.1
Originator/servicer	Volkswagen Leasing GmbH	Volkswagen Leasing GmbH	PSA Bank Deutschland GmbH	Bank Deutsches Kraftfahrzeuggewerbe GmbH	FCA Bank Deutschland GmbH	LeasePlan Deutschland GmbH
Captive finance company?	Yes	Yes	Yes	No	Yes	No
Long-term rating	A3	A3	NR	NR	NR	NR
Short-term rating	P2	P2	NR	NR	NR	NR
Securitised pool balance (total pool)	750,012,247.5	1,000,013,155.8	600,000,000.0	959,999,999.0	484,195,487.2	705,882,352.0
Average principal balance	9,047.5	8,159.6	14,372.0	10,389.0	11,033.0	20,910.0
WA loan to value (original LTV)	N/A	N/A	78.0%	87.0%	67.8%	N/A
Share of total pool >90% original LTV	N/A	N/A	0.0%	N/A	4.6%	N/A
Auto loan receivables %	0.0%	0.0%	0.0%	100.0%	39.1%	0.0%
Auto lease receivables %	100.0%	100.0%	100.0%	0.0%	60.9%	100.0%
RV receivables %	0.0%	0.0%	71.8%	N/A	N/A	58.0%
Portion of (fully) amortising contracts %	100.0%	100.0%	100.0%	53.8%	60.9%	100.0%
Portion of bullet / balloon contracts %	0.0%	0.0%	0.0%	46.2%	39.1%	0.0%
Portion of pure bullet / balloon payments %	0.0%	0.0%	0.0%	40.8%	22.2%	0.0%
Average size of balloon payment (as % of initial pool balance)	0.0%	0.0%	N/A	N/A	19.0%	N/A
Method of payment - direct debit (minimum payment)	99.3%	99.1%	100.0%	100.0%	100.0%	N/A
WA portfolio interest rate (initial pool)	N/A	N/A	4.5%	4.5%	5.0%	2.9%
Minimum yield for additional portfolios p.a.	Static	Static	4.0%	N/A	5.0%	N/A
WAL of total pool initially (in years)	1.4	1.3	1.5	2.6	1.4	1.7
WA original term (in years)	3.3	3.3	3.3	4.9	4.2	3.6
WA seasoning (in years)	0.6	0.8	1.5	0.7	1.4	1.4
WA remaining term (in years)	2.7	2.5	1.8	4.2	2.7	2.0
No. of contracts	82,897	123,724	41,747	92,404	43,886	33,758
No. of obligors	68,122	N/A	37,825	91,180	40,781	4,394
Single obligor (group) concentration %	0.19%	0.16%	0.02%	0.02%	0.10%	2.00%
Top 5 obligor (group) concentration %	0.52%	0.47%	0.11%	0.07%	0.40%	9.02%
Top 10 obligor (group) concentration %	0.79%	0.73%	0.21%	0.12%	0.60%	14.02%
Top 20 obligor (group) concentration %	1.23%	1.15%	0.41%	0.20%	0.80%	23.22%
Private obligors %	81.7%	83.3%	47.7%	87.0%	39.9%	0.0%
Name largest manufacturer / brand	Volkswagen	Audi	Peugeot	Hyundai	Land Rover	Ford
Name 2nd largest manufacturer / brand	Audi	Volkswagen	Citroen	Ford	Fiat	Volkswagen
Name 3rd largest manufacturer / brand	Skoda	Skoda	DS	Opel	Jaguar	Audi
Size % largest manufacturer / brand	33.3%	33.1%	56.2%	32.5%	36.6%	22.0%
Size % 2nd largest manufacturer / brand	29.0%	32.3%	39.3%	18.7%	27.0%	14.0%
Size % 3rd largest manufacturer / brand	15.8%	14.9%	4.6%	18.1%	14.1%	13.0%
New vehicles %	93.1%	91.1%	96.2%	24.2%	87.8%	100.0%
Name largest region	North Rhine-Westphalia	North Rhine-Westphalia	Nordrhein-Westfalen	North Rhine Westphalia	NordrheinWestfalen	North Rhine-Westphalia
Name 2nd largest region	Bavaria	Bavaria	Baden-Württemberg	Bavaria	Bayern	Baden-Wuerttemberg
Name 3rd largest region	Baden-Wuerttemberg	Baden-Wuerttemberg	Bayern	Baden-Wuerttemberg	BadenWürttemberg	Hessen
Size % largest region	22.9%	22.6%	25.0%	18.0%	20.0%	30.0%
Size % 2nd largest region	17.6%	17.2%	17.0%	16.1%	19.2%	19.0%
Size % 3rd largest region	15.0%	14.9%	12.7%	14.3%	17.3%	18.0%
Number of dealers	N/A	N/A	797	N/A	360	N/A

Sources: VCL Multi-Compartment S.A., Compartment VCL 36 prospectus and Moody's Investors Service

Exhibit 23
Comparable transactions - Asset assumptions

Deal name	VCL Multi-Compartment S.A., Compartment VCL 36	VCL Multi-Compartment S.A., Compartment VCL 32	PBD Germany Auto Lease Master S.A., Compartment 2021-1	Red & Black Auto Germany 3 UG (haftungsbeschrankt)	Asset-Backed European Securitisation Transaction Twenty-One B.V.	Bumper DE S.A., 2019-1
Gross default / net loss definition modelled	6 months	6 months	5 months	4 months	8 months	3 months
Data available for each subpool?	No	No	Yes	N/A	Yes	N/A
Period covered by vintage data (in years)	10.0	11.0	10.5	10.0	17.0	6.0
Type of default / loss distribution	Lognormal	Lognormal	Lognormal	Lognormal	Lognormal	Inverse Normal
Model running on defaults/losses	Losses	Losses	Defaults	Defaults	Losses	Defaults
Mean gross default/net loss rate - initial pool	0.8%	1.0%	2.5%	2.8%	2.5%	3.8%
Mean gross default/net loss rate - replenished pool	N/A	N/A	2.5%	N/A	2.5%	3.8%
Mean net loss rate (calculated or modelled)	0.8%	1.0%	1.4%	1.7%	2.5%	1.9%
CoV (implied)	62.9%	54.6%	56.4%	53.0%	45.3%	65.3%
Default timing curve	Sine (6-11-34)	Sine (6-11-32)	Sine (5-12-36)	Sine(4-21-64)	Sine (8-14-42)	Sine (3-13-38)
Mean recovery rate	0.0%	0.0%	45.0%	40.0%	0.0%	50.0%
Recovery lag (in months)	WA recovery lag of 0 months	WA recovery lag of 0 months	WA recovery lag of 19 months	5% at month 3; 15% at month 6; 20% at month 12,;20% at month 18; 20% at month 20; 20% at month 36	WA recovery lag of 0 months	WA recovery lag of 19 months
Portfolio credit enhancement (PCE)	6.5%	6.5%	9.5%	10.0%	13.0%	15.0%
PCE calibrated to	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Conditional prepayment rate (CPR)	2.5% first 18 months; 7.5% thereafter	2.5% first 18 months; 7.5% thereafter	5.0% first 18 months; 10.0% thereafter	5% for the first 18 months, 12.5% thereafter	5.0% first 18 months; 10.0% thereafter	2% first 18 months; 7% thereafter
Seasoning as modelled (in months)	N/A	N/A	N/A	N/A	N/A	N/A
Stressed fees modelled	1.03%	1.03%	1.00%	1.00% outstanding balance	1.00%	1.03%
PDL definition	Defaults	Defaults	Defaults	Defaults	Losses	Defaults
Assumed portfolio yield p.a. - initial pool	5.7%	5.7%	4.5%	3.8%	5.0%	5.0%
Assumed portfolio yield p.a. - additional pool	N/A	N/A	4.0%	N/A	5.0%	5.0%
Index rate assumed in 1st period	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
RV risk modelled?	No	No	Yes	No	No	Yes
RV haircut (Aaa (sf))	N/A	N/A	38.5%	N/A	N/A	38.5%

Sources: VCL Multi-Compartment S.A., Compartment VCL 36 prospectus and Moody's Investors Service

Additional asset analysis

Origination/servicing quality

The main strengths of the servicer in this transaction are VWL's experience as an originator in the German car leasing market and its role as a market leader in its home market. In addition, VWL is the captive originator of a strong vehicle manufacturer.

ESG - Environmental considerations

The environmental risk for ABS backed by auto leases is moderate. Our analysis of the transaction, which takes into consideration ESG risk, includes the risks to vehicles' recovery values from changes in carbon emissions regulations. The risk is somewhat mitigated, however, by the short tenor of the transaction. Most auto leases pools can withstand severe weather events such as hurricanes and tornadoes because the obligors are spread over a large geographical footprint resulting in very low exposure to any one severe weather event.

ESG - Social considerations

Social risk is generally low in auto ABS transactions. Technological obsolescence, shifting demand patterns and changes in government policy mean that some segments will experience greater volatility in auto sales, recovery levels, and residual values, but the short tenor of the transaction mitigates the risk from long-term trends. In addition, the geographical borrower diversification of the pool should mitigate the risk of any one region's or industry's economic decline.

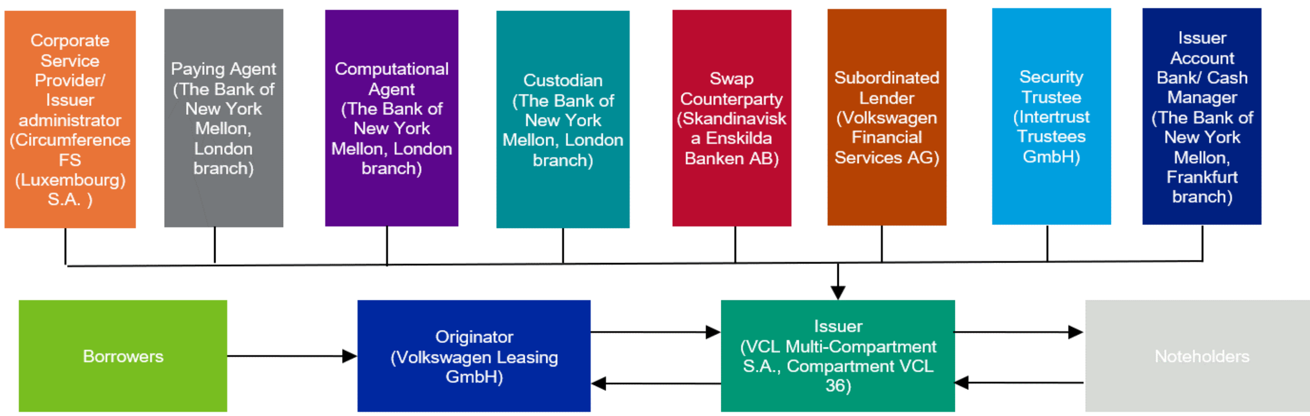
Securitisation structure description

The issuer is an SPV incorporated under the laws of Luxembourg as a limited liability company (société anonyme). The compartment is in all legal aspects relevant for the transaction and separate from all other compartments of the SPV. Interest on the notes is paid monthly.

Structural diagram

Below is a structural diagram of the transaction, illustrating the relationship between the issuer, VCL 36, and the other transaction parties.

Exhibit 24
Structural diagram



Source: VCL Multi-Compartment S.A., Compartment VCL 36 prospectus

Detailed description of the structure

The transaction structure is a senior subordinated structure with a reserve fund. Additionally, notes issued by the issuer benefits from over-collateralisation (because the pool amount is greater than aggregated funded liabilities).

Credit enhancement

Credit enhancement in the transaction includes a cash reserve, subordination of the notes and over-collateralisation.

Allocation of payments/waterfall

On each payment date, the issuer's available funds (that is, interest and principal on the lease receivables, available amounts from the reserve fund account — except reserve amortisation amounts — and net swap receipts under the Class A and Class B notes interest rate swaps) will be applied in the following simplified order of priority:

1. Senior expenses/tax
2. Swap payments
3. Accrued and unpaid interest on Class A notes
4. Accrued and unpaid interest on Class B notes
5. Cash collateral account until the required reserve amount is reached
6. In a German trade tax increase event, to the cash collateral account until the required reserve amount is reached
7. Principal payments in modified pro rata order (subject to cumulative net loss triggers) until repaid in full to Class A and Class B notes

8. Subordinated swap payments due and payable under the swap agreement
9. Accrued and unpaid interest on the subordinated loan
10. Principal payment on the subordinated loan until repaid in full
11. Remaining excess to VWL by way of a final success fee.

Cash collateral account amortisation amount is only applied to the priority of payments and will repay the notes if one of the credit enhancement triggers has been breached. Otherwise, these amounts will directly repay the subordinated loan.

Cash reserve

» The cash reserve is funded at 0.75% of the portfolio balance at closing.

» Amortising to the lesser of 0.75% of the portfolio balance at closing and the outstanding balance of Classes A and B notes, effectively with no hard floor level in place.

» It is available to cover losses on the notes only at legal final maturity or when the aggregate discounted balance of the portfolio is reduced to zero.

» The cash reserve is also available for liquidity during the life of the transaction.

» The reserve fund will be replenished after the interest payment of the Class A and B notes using the available funds in the cash flow waterfall.

» Before the legal final maturity date and unless credit enhancement triggers are breached or there is a servicer insolvency event, the cash reserve amortisation amounts flow directly to the sponsor and cannot be used to cover any payment shortfalls.

» Reserve fund amortisation in the absence of a floor exposes Class B notes to credit losses in certain portfolio loss scenarios. Once the portfolio is nearly fully amortised, the reserve fund might not be sufficient to cover senior fees or note coupon payments, or both. Such shortfalls would next be drawn from the remaining principal receipts, potentially leading to credit losses on Class B notes. We have taken this into account in our cash flow modelling.

Over-collateralisation

» The transaction benefits from over-collateralisation.

» Over-collateralisation is created by defining a lower portfolio purchase price than the net present value of the auto lease receivables portfolio.

» Class A and Class B notes amortise on a sequential basis until the target collateralisation levels (subordination + over-collateralisation) of 12.25% for Class A notes and 7.50% for Class B notes are reached.

» Target collateralisation levels will increase upon portfolio performance triggers (see the Performance triggers section).

» Once target collateralisation levels are reached, both classes of notes will amortise on a pro rata basis to maintain target collateralisation levels. Amortisation will switch back to being on a sequential basis if target collateralisation levels have changed because of a trigger breach.

Liquidity

» Principal to pay interest mechanism.

» The reserve fund is a further source of liquidity.

Performance triggers

Class A and Class B notes required over-collateralisation levels increase to 14.0% and 8.25%, respectively, if the Level 1 credit enhancement increase condition is breached. The Level 1 credit enhancement increase condition will be in effect if:

» the cumulative net loss ratio exceeds 0.5% on any payment date before, and including, September 2023, or 1.15% on any payment date after, but excluding, the payment date September 2023 until, and including, the payment date falling in June 2024.

The waterfall switches to sequential until full redemption of Classes A and B if the Level 2 Credit Enhancement Increase Condition is breached. The Level 2 Credit Enhancement Increase Condition will be in effect if:

» the cumulative net loss ratio exceeds 1.6% on any payment date.

Cumulative net loss ratio: Sum of the discounted receivables balances of all purchased receivables (including lease receivables which were not received on time and lease receivables remaining to be paid in the future) divided by aggregate discounted receivables balance as on the cut off date.

Servicer-related triggers

The appointment of the servicer is terminated if the following events occur:

» Insolvency of the servicer

» Failure to perform significant obligations, if not remedied within five business days

» Failure to make payments due, if not remedied within five business days

» Misrepresentation of warranties not remedied within 60 days.

Other counterparty rating triggers

The issuer account bank will be replaced if its short-term bank deposit rating falls below P-1 or its long-term bank deposit rating falls below Baa1.

Excess spread

All assigned receivables are purchased at a discounted rate of 5.7%. However, part of the resulting portfolio yield 3.2% (the buffer release rate) is paid directly to VWL and is not available for the transaction priority of payments, leaving the transaction with a portfolio yield of around 2.5% during the first payment period. The buffer release rate will be recalculated on a monthly basis, such that the transaction will target a nil excess spread after payment, having deducted senior fees (estimates of ongoing servicing costs), plus spreads on the rated notes and swap rate.

Interest rate mismatch

The securitised pool consists of 100% fixed-rate lease receivables, whereas the notes are floating-interest-rate liabilities. As a result, the issuer is subject to a fixed-floating interest rate mismatch (that is, the risk that the interest rate on the notes will differ from the interest rate payable on the portfolio).

To mitigate the fixed-floating interest rate mismatch, the issuer has entered into interest rate swap agreements with Skandinaviska Enskilda Banken AB for Class A and Class B notes. Under the swap agreement:

» The issuer pays a fixed rate on Class A and Class B notes

» The swap counterparty pays one-month Euribor plus spread of Class A and Class B notes, respectively

» The notional is the outstanding note balance of Class A and Class B notes, respectively

» The transfer and collateral posting triggers are to be set at Baa3(cr) and A3(cr), respectively.

Asset transfer/true sale/bankruptcy remoteness

The purchase of the lease asset portfolio is financed by the issuance of Classes A and B notes, and a subordinated loan. The purchase is a true sale of the lease receivables under German law, dealer residual value receivables, vehicles and ancillary rights to the issuer for the benefit of the noteholders.

The issuer is an SPV incorporated under the laws of Luxembourg as a limited liability company (société anonyme).

Cash manager

The Bank of New York Mellon (Aa2/P-1; Aa1(cr)/P-1(cr)) acting through Frankfurt branch, acts as an independent cash manager in the transaction. The cash manager's main responsibilities are making payments according to the waterfall and drawing on the cash reserve and other sources of liquidity. The cash manager will make cash flow calculations on each monthly payment date. Events that could lead to termination of the cash manager include insolvency and a failure to perform significant obligations (if not remedied).

There is no backup cash manager appointed at closing.

Replacement of the servicer

There is no backup servicer or backup servicer facilitator appointed at closing.

We assume in a restructuring insolvency scenario for the servicer in Germany and also see a strong incentive to continue services in a servicer insolvency.

Securitisation structure analysis

Primary structural analysis

We base our primary analysis of the transaction structure on the loss distribution of the portfolio to derive our cash flow model.

Tranching of the notes

We used a lognormal distribution to describe the loss distribution of the portfolio. We used this distribution in the cash flow model to ultimately derive the level of losses on the notes under each default scenario.

We considered the allocation of cash flow that the collateral generates to each of the parties within the transaction, and the extent to which the structural features of the transaction might themselves provide additional credit protection to investors or alternatively act as a further source of risk in addition to the intrinsic risk of the lease assets. We have analysed the strength of triggers to reduce the exposure of the portfolio to the originator/servicer bankruptcy.

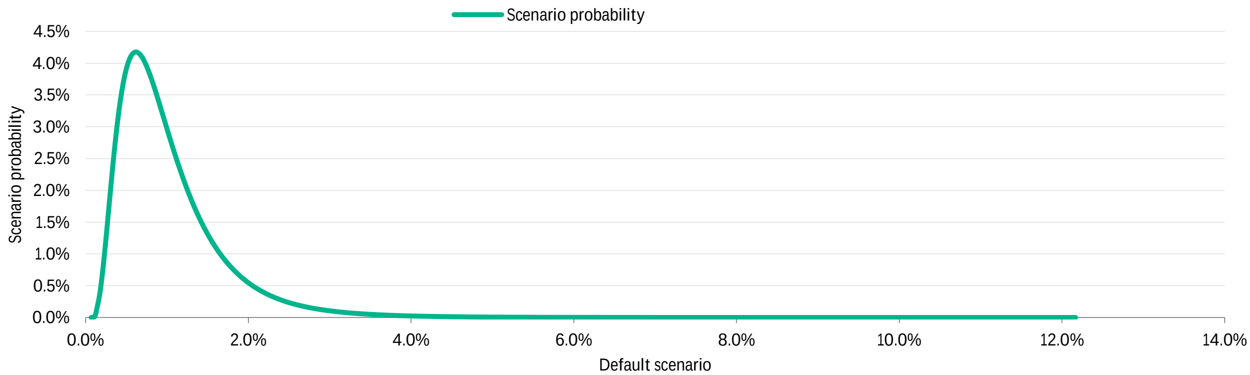
As a first step towards determining the theoretical rating of the notes, we used an expected loss methodology that reflects the probability of default for the notes multiplied by the severity of the loss expected for the notes.

To allocate losses to the notes in accordance with their priority of payment and relative size, we used a cash flow model (ABSROM) that reproduces most of the deal-specific characteristics.

We have already described the main input parameters of the model. The result of weighting the loss severity and the average life of the notes in each loss scenario output (the result of inputting each default scenario into ABSROM) with its probability of occurrence is the expected loss and the expected average life of the notes, respectively. We then compare both values to Moody’s idealised expected loss table.

Exhibit 25

Lognormal loss distribution



Source: Moody's Investors Service

Timing of losses

In our base case scenario, the timing of losses curve assumed is sine, with the first loss occurring with a six-month lag (according to the transaction definition), a peak at month 11 and the last loss at month 34.

Loss definition

The definition of a written-off lease receivable in this transaction is one which has been reduced by recoveries and finally written off by VWL in its capacity as a servicer, in accordance with its customary accounting practice in effect from time to time.

Upon the termination of a contract, the delinquent debtor has 14 days to render the payment of the entire claim amount or, alternatively, to deliver the vehicle to the premises of a Volkswagen Group dealer. This process is supported by an outbound team contacting the defaulted debtors and trying to agree with them either to pay the entire claim amount or to retransfer the vehicle to VWL or a Volkswagen Group dealer.

In the event of noncompliance, a vehicle-repossession request is issued to an external repossession company. Repossession of the vehicle usually occurs around the 91st day after the first unpaid instalment was due. After repossession of the vehicle, it takes on an average around 30 days until the vehicle is sold. Thus, generally around 121 days pass between the date on which payment of the first unpaid instalment is due and the date on which the debtor's account is settled.

If the recoveries from the sale of the vehicle are not sufficient to satisfy the outstanding claim against the lessee, an execution of a levy on property is initiated on around the 177th day. If such a levy on property proves unsuccessful, that is, if a settlement of outstanding claims is not achieved, the claim is written off as irrecoverable.

The exhibit below shows a benchmark table including the structural features of comparable transactions in Germany.

Exhibit 26

Comparable transactions - Structural features

Deal name	VCL Multi-Compartment S.A., Compartment VCL 36	VCL Multi-Compartment S.A., Compartment VCL 32	PBD Germany Auto Lease Master S.A., Compartment 2021-1	Red & Black Auto Germany 3 UG (haftungsbeschrankt)	Asset-Backed European Securitisation Transaction Twenty-One B.V.	Bumper DE S.A., 2019-1
Revolving period (in years)	Static	Static	1 year	0.0	2 years	1 year
Size of credit RF (as % of rated notes)	0.78%	1.20%	0.50%	1.08%	0.50%	0.42%
RF amortisation floor (as % of initial total pool)	0.75%	1.00%	0.30%	Non-amortising	0.05%	0.31%
Set-off risk?	No	No	Yes	Yes	No	No
Set-off mitigant	other	other	other	Seller will compensate	Reserve funded at closing	other
Set-off Amount	N/A	N/A	N/A	N/A	N/A	N/A
Commingling risk?	Yes	Yes	Yes	Yes	Yes	Yes
Commingling mitigant	other	other	other	Guarantee	other	Reserve funded upon rating trigger
Back-up servicer appointed if servicer rated below	N/A	N/A	upon insolvency	Baa3	N/A	Baa3
Back-up servicer name	N/A	N/A	N/A	No BUS	N/A	None at closing
Back-up servicer facilitator	N/A	N/A	Circumference FS (Luxembourg) S.A.	Yes	Intertrust Management B.V.	Circumference FS (Luxembourg) S.A.
Swap in place?	Yes	Yes	Yes	Yes	Yes	Yes
Swap counterparty long-term rating	Aa3	Aa2	A2	A1	NR	A1
Swap counterparty short-term rating	P-1	P-1	P-1	P-1	NR	P-1
Swap counterparty	SEB AB	SEB AB	Banco Santander S.A.	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	FCA Bank Deutschland GmbH	ABN AMRO Bank N.V.
Swap counterparty cr	Aa2(cr)	Aa2(cr)	A3(cr)	N/A	NR	Aa3(cr)
Type of swap	Fixed-Floating	Fixed-Floating	other	Fixed-floating	Fixed-Floating	Fixed-Floating
Size of Aaa(sf) rated class	94.00%	94.1%	77.3%	92.5%	82.6%	70.8%
Aa1(sf) rated class	0.00%	0.0%	0.0%		4.3%	0.0%
Aa2(sf) rated class	0.00%	0.0%	3.9%	-	0.0%	0.0%
Aa3(sf) rated class	0.00%	0.0%	0.0%	-	4.2%	6.2%
A(sf) rated class	2.20%	2.2%	5.3%	-	3.2%	0.0%
Baa(sf) rated class	0.00%	0.0%	3.5%	-	2.6%	0.0%
Ba(sf) rated class	0.00%	0.0%	6.6%	-	0.0%	0.0%
B(sf) rated class	0.00%	0.0%	2.0%	-	0.0%	0.0%
Initial over-collateralisation	0.91%	0.5%	0.0%	N/A	0.0%	0.0%
Reserve fund as % of inital total pool	0.75%	1.2%	0.5%	1.0%	0.5%	0.4%
Annualised net excess spread as modelled	0.00%	0.0%	2.4%	3.7%	3.3%	3.5%
PCE/EL multiple	8.1	6.5	6.9	6.0	5.2	7.8

Sources: VCL Multi-Compartment S.A., Compartment VCL 36 prospectus and Moody's Investors Service

Additional structural analysis

Asset transfer, true sale and bankruptcy remoteness

The purchase of lease receivables is an effective true sale under German law and the issuer a bankruptcy remote entity. Our assessment is based on the analysis of the transaction documentation and takes into account the legal opinion provided by the transaction counsel.

A significant part of the lease portfolio is purchased above par. In case of prepayments, VWL will compensate the issuer for negative differences between the portfolio discount rate and the interest rate on the prepaid lease contract. Under the relevant German InsO, the administrator has, under certain circumstances, the right to elect to continue or to reject a lease contract if that is in the best interests of the bankrupt company. If the administrator has this power of election, then, upon bankruptcy of the originator, the issuer will lose its interest on receivables regardless of whether or not the administrator chooses to reject the leases. If the administrator elects to continue the lease, new leases will be deemed to arise between the insolvent lessor and the lessees in place of the original leases. However, this risk is fully mitigated if the lease is refinanced with a third-party in compliance with Sec. 108(1)(2) of the German InsO because the administrator does not have the power to elect to continue or reject the leases under Sec. 103 InsO.

According to Sec. 108(1)(2) InsO, lease receivables have to be refinanced within a short period of time after the lease asset is purchased (although it does not define the time frame). For VCL 36, the interim financing period before the initial secured refinancing is at maximum up to three months at the initial pool cut-off days plus around 21 days for lease receivables in the securitised portfolio. We are of the opinion that interim periods above three months need to be assessed in more detail. The legal risk is reduced because of the relatively short additional period (the eligibility criteria limit the initial interim financing period before the initial secured refinancing), the credit quality of the originator, and the fact that securitisation has been a known source of refinancing for VWL over the last few years. Hence, other creditors of VWL are aware of frequent lease portfolio transfers for secured refinancing purposes, and they may be less likely to challenge the application of Sec. 108(1)(2) InsO as an exception to Sec 103 InsO in the event of VWL's insolvency.

Cash reserve

At closing, the reserve fund is funded at 0.75% of the initial discounted balance of the portfolio. It amortises to the lesser of 0.75% of the initial discounted balance of the portfolio and the outstanding balance of Classes A and B notes. The reserve is available to cover losses on the notes only at legal final maturity or when the aggregate discounted balance of the portfolio is reduced to zero. Moreover, before the legal final maturity date and unless credit enhancement triggers are breached or there is a servicer insolvency event, the reserve fund amortisation amounts flow directly to the sponsor and cannot be used to cover any payment shortfalls.

Reserve fund amortisation in the absence of a floor exposes Class B notes to credit losses in certain portfolio loss scenarios. Once the portfolio is nearly fully amortised, the reserve fund might not be sufficient to cover senior fees or note coupon payments, or both. Such shortfalls would next be drawn from the remaining principal receipts, potentially leading to credit losses on Class B notes. We have taken this into account in our cash flow modelling.

Commingling risk

Commingling risk on collections is mitigated by the rating of the servicer at closing, a monthly sweep of collections to the issuer account, a requirement to advance expected collections before each collection period upon a downgrade of VW FS below Baa1 and the automatic termination of collection authority upon servicer insolvency.

Set-off risk

There is no set-off risk from customer deposits or employees in the transaction. VWL does not have a deposit business, and employee contracts are not eligible for the transaction.

Ancillary legal risk

The risk reserve, which covers a number of claims the issuer may have against VWL, is sized to cover the maximum estimated tax risk exposure arising under the German trade tax and VAT tax risk.

Service components in lease contracts

A significant portion of lease contracts in the securitised pool (75.0%) have standard service components attached to them. On average, the payments on these additional service components are 10.1% in relation to the lease payments. Although cash flows for services are not securitised, this may lead to lessee contract termination risk or lessee set-off risk in case services are not provided. We assume in an insolvency scenario, a restructuring scenario for the servicer in Germany and also see a strong incentive to continue services in a servicer insolvency. In addition, the enforcement of such lessee rights is uncertain. The risk is sufficiently mitigated, and we have not stressed for it in our cash flow analysis.

ESG - Governance considerations

This securitisation's governance risk is low and is typical of other auto ABS in the market. Strong ABS governance relates to transaction features that promote the integrity of the operations of the transaction for the benefit of investors as well as the data provided to investors. The following are some of the governance considerations related to the transaction:

» **Risk retention**: This transaction is subject to the European risk retention requirements, which require the sponsor to hold at least 5% of the credit risk of the transaction.

» **AUPs**: An independent due diligence firm reviewed a sample of the portfolio and will provide an AUP report for data integrity matters. This increases our confidence that the data that we and investors relied on is accurate.

» **Servicing oversight:** The servicer is rated A3/P-2 but has independent control and audit functions as well as internal credit policies and servicing procedures in relation to the granting of auto leases.

» **Bankruptcy remoteness**: We expect to receive legal opinions to the effect that in the event of a bankruptcy or insolvency proceeding with respect to key transaction parties, the securitised auto leases would not be treated as part of the estate of such party. Also, the SPV is a special-purpose entity and is independently owned and managed. SPV directors are not incentivised by applicable bankruptcy law to file for bankruptcy.

Methodology and monitoring

We will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's client service desk.

Data quality: The transaction will provide a finalised investor report and discuss it with a Moody's analyst. This report will include all the necessary information for us to monitor the transaction.

Data availability: The servicer will provide the investor report. The transaction documentation will set out a timeline for the investor report. The timeline for the investor reports is provided in the transaction documentation. The priority of payment section is published on the interest payment date. The completed report is published on the 16th calendar day of each month or if it is not a business day then the next succeeding business day. The frequency of the publication of the investor report is monthly, and the frequency of the interest payment date is monthly. Investor reports are publicly available on the Volkswagen Financial Services AG website.

Originator links: The originator acts as a servicer. Therefore, the performance of the pool will be linked to the quality of servicing the lease receivables, collection on delinquencies and conducting recoveries upon default. No backup servicer was appointed at closing. The servicer also collects payments from lessees, which are swept to the issuer account only on a monthly basis, creating some link with the originator in case of insolvency. Mitigants to this exposure are described in detail in the commingling risk section.

Significant influences: In addition to the counterparty issues noted, the following factors may have a significant impact on the subject transaction's ratings:

» A significant increase in the company's insolvency rate in Germany as a result of a deterioration in the country's economy beyond stresses already applied

» A significant increase in the unemployment rate in Germany as a result of a deterioration in the country's economy beyond stresses already applied

Modelling assumptions

The sensitivity to variation in some of the modelling assumptions may have been considered in the analysis.

Exhibit 27

Modelling assumptions

Expected default:	0.8%
PCE:	6.5%
Coefficient of variation (CoV):	62.9%
Timing of defaults/losses:	Sine (6-11-34)
Recovery rate:	N/A
Recovery lag:	N/A
Conditional prepayment rate (CPR):	2.5% first 18 months; 7.5% thereafter
Fees (as modelled):	1.03%, with a floor of €100,000
PDL definition:	Defaults
Amortisation profile:	Scheduled amortisation of the assets
Country ceiling:	Aaa
Margin compression:	N/A
Interest on cash:	Index -0.9%
Commingling risk modelled?	No
Excess spread (model output)*:	0.00%

* The annualised excess spread in a zero-default scenario based on the first payment period value using Moody's stressed asset yield and fees assumptions.

Source: Moody's Investors Service

Moody's related publications

For a more detailed explanation of our approach to this type of transaction as well as similar transactions, please refer to the following reports:

Methodology used:

» Moody's Global Approach to Rating Auto Loan- and Lease-Backed ABS, September 2021

New issue reports:

» PBD Germany Auto Lease Master S.A., Compartment 2021-1, November 2021 (1311557)

» Asset-Backed European Securitisation Transaction Twenty-One B.V., August 2021 (1297945)

» VCL Multi-Compartment S.A., Compartment VCL 32, March 2021 (1272995)

» Bumper DE S.A., 2019-1, October 2021 (1199437)

» Red & Black Auto Germany 3 UG (haftungsbeschrankt), March 2015 (SF399584)

Special comments:

» Global Structured Finance Collateral Performance Review - Excel Data, June 2022 (SF220325)

» Auto loan and lease ABS - EMEA: Performance Update - Excel, March 2022 (1329667)

» Structured finance – Europe: Vulnerability to inflation varies across portfolios, overall impact limited, April 2022 (1317159)

» Auto ABS – EMEA: Sector update – Q1 2022: Economic growth will suffer and inflation forecasts are raised, March 2022

Please note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix 1: Summary of the originator's underwriting policies and procedures

Exhibit 28

Originator's underwriting policies and procedures

Originator Ability	At Closing
Sales and Marketing Practices	
Origination Channels:	3,500 dealers
Origination Volumes:	N/A
Average Length of Relationship Between Dealer and Originator:	N/A
Underwriting Procedures	
% of Loans Automatically Underwritten:	N/A
% of Loans Manually Underwritten:	N/A
Ratio of Loans Underwritten per FTE* per Day:	N/A
Average Experience in Underwriting or Tenure with Company:	N/A
Approval Rate:	N/A
Percentage of Exceptions to Underwriting Policies:	N/A
Underwriting Policies	Scorecards validated on an ongoing basis
Source of Credit History Checks:	Internal databases, external databases: Schufa, Burgel, Creditreform
Methods Used to Assess Borrowers' Repayments Capabilities:	Affordability calculation
Income Taken into Account in Affordability Calculations:	Net Income
Other Borrower's Exposures (i.e. other debts) Taken in Account in Affordability Calculations:	All outstanding plus information received from credit bureaus (e.g. Schufa) regarding other obligations
Method Used for Income Verification:	Payslips of at least 1 month (not older than two months)
Maximum Loan Size:	Depending on vehicle
Average Deposit Required:	N/A
Credit Risk Management	
Reporting Line of Chief Risk Officer:	To the corresponding management/executive boards and supervisory boards
*FTE: Full Time Employee	

Originator Stability:	At Closing
Quality Controls and Audits:	
Responsibility of Quality Assurance:	Team Leader, Risk Management validates scorecards (incl. Underwriting policy and overrides)
Number of Files per Underwriter per Month Being Monitored:	N/A
Management Strength and Staff Quality	
Average Turnover of Underwriters:	N/A
Training of New Hires and Existing Staff:	Formalised underwriting introduction program & ongoing training
Technology	
Frequency of Disaster Recovery Plan Test:	N/A

Source: VWL

Appendix 2: Summary of the servicer's collection procedures

Exhibit 29

Servicer's collection procedures

Servicer Ability	At Closing
Loan Administration	
Entities Involved in Loan Administration:	Head Office is responsible in Germany, international branches have sole responsibility
Early Stage Arrears Practices	Contact via telephone to receive promise to pay or to solve problems with direct debit (e.g. wrong account number).
Entities involved in Early Stage Arrears:	Head Office is responsible in Germany, international branches have sole responsibility.
Definition of Arrears	
Arrears Strategy for 1-29 Days Delinquent:	Activity start after 1 day past due: a call is made. 12th days past due a letter is sent.
Arrears Strategy for 30 to 59 Days Delinquent:	24 days past due a letter is sent 36 days past due (after the second payment is missed) a letter is sent. Frequency of attempt until reaching the borrower: daily (Power Dialer in use). Earliest possible date to terminate the contract: 53 days.
Arrears Strategy for 60 to 89 Days Delinquent:	Repossession of the vehicle. Negotiation: promise to pay, arrangement. Only if the relative is acting as guarantor they will try to contact them.
Data Enhancement in Case Borrower is Not Contactable:	Strategies to obtain correct/updated contact details: use of credit bureaus, phone books, investigation agencies
Loss Mitigation and Asset Management Practices	
Transfer of a Loan to the Late Stage Arrears Team:	After termination or in case of customer insolvency.
Entities Involved in Late Stage Arrears:	Head Office is responsible in Germany (international branches have sole responsibility). Provider in use for repossession of the vehicle.
Ratio of Loans per Collector (FTE):	N/A
Time from First Default to Litigation /Sale:	Approx. 6 months from first default to litigation.
Average Recovery Rate (on Vehicle):	N/A
Channel Used to Sell Repossessed Vehicles:	Internal Department: Internet based tendering procedure, based on estimation of motor vehicle expert, at least 3 bids of dealers.
Average Total Recovery Rate (after vehicle sale):	N/A

Servicer Stability	At Closing
Management and Staff	
Average Experience in Servicing or Tenure with Company:	On average 10 years experience.
Training of New Hires Specific to the Servicing Function (i.e.	Work with experienced collector.
Quality Control and Audit	
Responsibility of Quality Assurance:	Sub-department leader, team leader.

Source: VWL

REPORT NUMBER 1331038

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