Rating Report

VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 33

DBRS Morningstar
June 2021

Contents

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Ratings and Issuer's Liabilities

Debt	Par Amount (EUR)[1, 2]	Initial Subordination[3]	Coupon[4]	Rating	Rating Action	Rating Action Date
Class A Notes ISIN: XS2338902278	941,000,000	5.90%	One-month Euribor + 0.70%	AAA (sf)	Provisional Rating – Finalised	25 June 2021
Class B Notes ISIN: XS2338903169	21,500,000	3.75%	One-month Euribor + 0.74%	AA (low) (sf)	Provisional Rating – Finalised	25 June 2021
Subordinated Loan	33,005,760		One-month Euribor + 0.88%	Not Rated	Not Applicable	Not Applicable
Overcollateralisation	4,500,000	-	-	Not Rated	Not Applicable	Not Applicable

Notes: The ratings address the timely distribution of interest and the ultimate repayment of principal by the final legal maturity date.
1. As at the issue date.
2. All figures are based on the final portfolio.
3. Subordination is expressed in terms of portfolio overcollateralisation (OC) and does not include the Cash Collateral Account. The Cash Collateral Account is initially funded through a mechanism of deferral or discount of the payment of the portfolio purchase price.
4. The coupons on the Class A Notes, Class B Notes, and Subordinated Loan are floored at zero.

Issuer's Assets	Initial Amount (EUR)[1]	Size (% of Portfolio)
Final Portfolio[1]	1,000,005,760	100%
Cash Reserve[2]	12,000,000	1.20%
VWL Risk Reserve[2]	11,000,000	-

1. As at the Final Portfolio valuation date, i.e., 31 May 2021.
2. On the issue date, the Seller funds the Cash Collateral Account with an initial General Cash Collateral Amount corresponding to 1.20% of the portfolio outstanding principal (with respect to the final portfolio: EUR 12,000,000), through a mechanism of discount of the purchase price, and will deposit into the Cash Collateral Account the VWL Risk Reserve (EUR 11,000,000) to cover potential German trade tax risk.

DBRS Ratings GmbH (DBRS Morningstar) finalised its provisional ratings on the Class A Notes and Class B Notes (the Rated Notes) issued by VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 33 (the Issuer or VCL Compartment 33). The Issuer has been incorporated as a public company with limited liability (société anonyme) under the laws of the Grand Duchy of Luxembourg and established on 16 September 2009 for the purpose of issuing asset-backed securities as permitted under the laws of Luxembourg.

Portfolio Summary

Total Discounted Balance	EUR 1,000,005,760
Number of Contracts	122,884
Of which Retail	104,344
Of which Corporate	18,540
Number of New Vehicles	109,775
Number of Used/Demonstration Vehicles	13,109
Average Outstanding Discounted Balance	EUR 8,138
Weighted-Average Original Term (Months)	39.7
Weighted-Average Remaining Term (Months)	30.9

Transaction Parties

Roles	Counterparty	Rating[1]
Issuer:	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 33	N/A
Originator/Seller:	Volkswagen Leasing GmbH	Private Rating
Servicer:	Volkswagen Leasing GmbH	Private Rating
Account Bank/Cash Administrator:	The Bank of New York Mellon, Frankfurt Branch	Private Rating
Swap Counterparty:	Skandinaviska Enskilda Banken AB	A (high), Stable
Paying Agent/Calculation Agent/Interest Determination Agent:	The Bank of New York Mellon, London Branch	Private Rating
Corporate Services Provider:	Circumference FS (Luxembourg) S.A.	N/A
Security Trustee:	Intertrust Trustees GmbH	N/A
Expectancy Rights Trustee:	Wilmington Trust (London) Limited	N/A
Subordinated Lender:	Volkswagen Financial Services AG	N/A
Data Protection Trustee:	Data Custody Agent Services B.V.	N/A
Arranger:	UniCredit Bank AG	Private Rating

1. Ratings refer to Long-Term Issuer Ratings or Long-Term Senior Unsecured Debt Ratings unless otherwise specified.

Relevant Dates

Term	Description
Closing Date	25 June 2021
Final Portfolio Cut-Off Date	31 May 2021
Payment Date	21st of each month
First Payment Date	21 July 2021
Monthly Period	Calendar month immediately prior to each Payment Date
Interest Period	The period from and including one interest payment date to (but excluding) the next payment date; provided that the initial interest period shall be the period from (and including) the issue date to (but excluding) first payment date.
Final Legal Maturity Date	21 April 2027

Rating Considerations

Notable Features

- The transaction represents the issuance of Class A Notes and Class B Notes backed by approximately EUR 1,000,005,760 of receivables related to auto lease contracts granted by Volkswagen Leasing GmbH (VWL) to borrowers in Germany. The transaction represents ongoing issuance of auto leases originated by VWL in the Federal Republic of Germany.
- The transaction represents the securitisation of automotive lease contracts; however, the residual value portion of the lease contracts are not securitised.
- There is no revolving period as the transaction begins to amortise immediately from the issue date.
- All underlying contracts are fixed rate while floating-rate notes have been issued. Interest rate risk is mitigated through an interest rate swap.
- The lease contracts are fixed-interest rate leases governed by German law.
- The discount rate applied to the gross receivables balance to calculate the purchase price is fixed at 5.7%. This considers the transaction’s liability costs plus a buffer of 4.5%. This buffer is payable to VWL prior to an insolvency event and deducted from the available distribution amount prior to the order of priority. There is no excess spread available to support the payment of interest or principal on the notes.
- The transaction has a mixed sequential/pro rata amortisation structure. Initially, all collections from the lease receivables will pay down the Class A Notes (in accordance with the relevant priority of payments). Once the Class A overcollateralisation (OC) percentage (which includes subordination) reaches 12.25%, the Class B Notes begin to amortise. Once the Class B OC percentage reaches 7.5%, collections to the Class A and B principal are allocated on a pro rata basis unless specified triggers are breached as outlined in the transaction documents.

Strengths

- The Cash Collateral Account includes a liquidity reserve that is made available to the priority of payments to cover the payment of senior expenses, swap payments, and Class A and Class B interest prior to being restored to a target amount initially set at 1.2% of the aggregate discounted receivables balance, floored at 1.0% of the cut-off discounted receivables balance.
- VWL is a well-established captive finance servicer in Germany. VCL Compartment 33’s portfolio characteristics in terms of portfolio mix are very similar to previous transactions rated by DBRS Morningstar, which have demonstrated stable performance.
- DBRS Morningstar was provided with detailed monthly vintage information covering the past 10 years of cumulative net loss (CNL) performance. Based on this information, it was possible for DBRS Morningstar to estimate its expected probability of default (PD) and loss given default (LGD) assumptions. The static data showed stable and low credit loss performance trends.
- Although the purchased leased receivables are subject to residual value risk, the residual value portion of the receivables are not securitised; therefore, the Issuer is not directly exposed to residual value risk.
- VWL is a subsidiary of Volkswagen Financial Services AG (VWFS), which is Volkswagen AG’s (VW) captive finance company. VW has an Issuer Rating of A (low) with a Negative trend assigned by DBRS Morningstar on 11 August 2020.

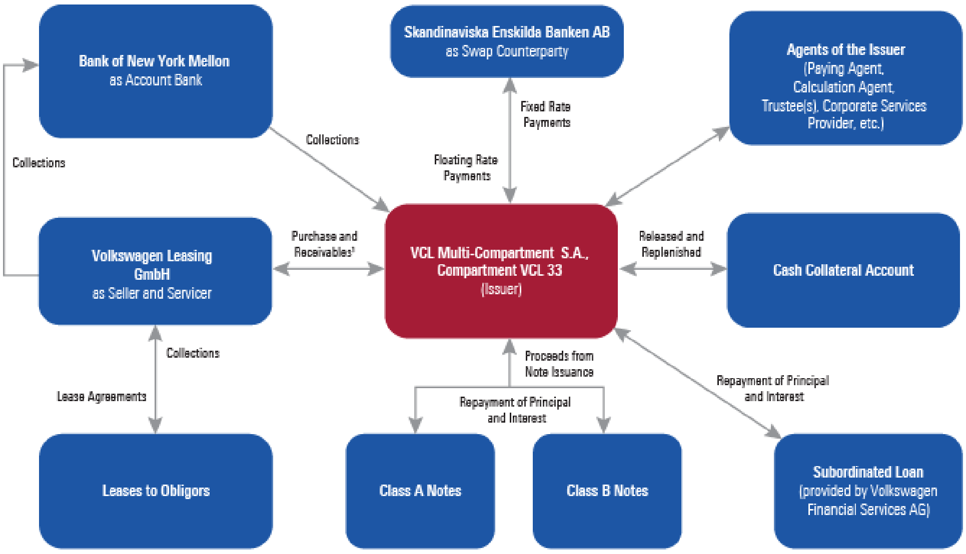
Challenges and Mitigating Factors

- Despite the lease receivables being transferred at a discount rate of at least 5.7016%, any excess is returned to VWL through the Buffer Release Amount as described in the transaction waterfall (subject to VWL not being insolvent).
  Mitigant: The Buffer Release Rate mechanism has been considered by DBRS Morningstar when modelling the transaction.
- The servicer collects payments on its own accounts and, thus, collections may be commingled within the servicer's estate in case of insolvency.
  Mitigant: Following specified rating trigger downgrades related to VW, VWL is obliged to post monthly collateral for the respective monthly period.
- Because of the mixed sequential/pro rata structure of the transaction, there may be circumstances when the Class B Notes are amortising while the Class A Notes are still outstanding.
  Mitigant: DBRS Morningstar has modelled a back-loaded scenario to factor in this effect within its cash-flow analysis.
- The credit performance of the portfolio may be negatively affected by the Coronavirus Disease (COVID-19) pandemic. Approximately 83% of receivables relate to leases granted to small businesses. Some customers may operate in certain sectors that may be more susceptible to the impacts of the coronavirus pandemic.
  Mitigant: DBRS Morningstar has applied adjustments to its recovery assumptions to consider possible exposure to specific industry segments by benchmarking similar leases portfolios in Germany. Furthermore, DBRS Morningstar understands that none of the receivables, as at the closing date, are subject to an ongoing payment holiday.

Transaction Summary

Currency	Issuer's assets and liabilities are denominated in euros (EUR).	
Relevant Jurisdictions	Lease contracts and associated receivables are governed by the laws of Germany. Furthermore, each transaction document is also governed by the laws of Germany. The Issuer is incorporated under the laws of the Grand Duchy of Luxembourg.	
Interest Rate Hedging	Interest rate swaps are in place at closing.	
Basis Risk Hedging	N/A	
General Reserve	The liquidity reserve component of the Cash Collateral Account (known as the General Cash Collateral Amount) provides liquidity support to the Class A and Class B Notes. The reserve can be used to cover interest deficiencies in the priority of payments.	
	Initial Amount	EUR 12,000,000 Corresponding to 1.2% of the aggregate discounted receivables balance.
	Target Amount	1.2% of the aggregate discounted receivables balance.
	Floor	1.0% of the aggregated cut-off discounted receivables balance.
	Amortisation	Yes

The transaction structure is summarised below:



Source: VWL and DBRS Morningstar.
1. Receivables currently held by VCL Master S.A., acting for and on behalf of its Compartment 1 pursuant to the receivables purchase agreement.

Counterparty Assessment

Account Bank

The Bank of New York Mellon (BNYM, Frankfurt Branch) has been appointed as the Issuer's account bank for the transaction. DBRS Morningstar privately rates BNYM and has concluded that BNYM meets DBRS Morningstar's minimum criteria to act in its capacity and the transaction contains downgrade provisions relating to the account bank consistent with DBRS Morningstar's criteria.

Hedging Counterparties

Skandinaviska Enskilda Banken AB (SEB) has been appointed the swap counterparty for the transaction. DBRS Morningstar assigned a Long-Term Issuer Rating of A (high) with a Stable trend to SEB on 19 March 2021. The swap counterparty meets DBRS Morningstar's minimum criteria to act in such capacity. The transaction contains downgrade provisions relating to the swap counterparty that are consistent with DBRS Morningstar's criteria.

Set-Off Risk

VWL is not an authorised deposit taker, so set-off risk is not applicable in this form. The only set-off risk that arises in the transaction comes from potential set-off rights that the lessee may possess against the corresponding lease receivable. This is subject to:

- The claim being in existence at the time of the assignment of the receivable to the Issuer; or
- The claim being in existence after the assignment of the receivable, but without the lessee knowing about the claim.

In this instance, VWL are obliged to buy back any receivables with set-off rights. Furthermore, the eligibility criteria outlined in the transaction documents outline the exclusion of any receivable which possesses set-off claims.

Commingling Risk

The servicer is permitted to transfer collections on a monthly basis, subject to the occurrence of a rating-dependent downgrade event. If DBRS Morningstar´s rating of VW falls below BBB (high), the servicer can continue to transfer collections on a monthly basis only if it posts monthly collateral into the distribution account, otherwise the servicer is required to transfer collections to the Issuer within one business day of receipt.

DBRS Morningstar has analysed this structure in line with its *Legal Criteria for European Structured Finance Transactions* methodology and concluded that the current ratings are commensurate with the resulting commingling risk exposure, taking into account that VWL as the servicer is allowed to commingle up to two months of collections and considering the credit strength of Volkswagen AG and its subsidiaries.

Servicing of the Portfolio and Collections

VWL has been appointed to service the purchased lease receivables in accordance with the servicing agreement agreed between itself and the Issuer. DBRS Morningstar privately rates VWL, and has concluded that VWL meets DBRS Morningstar's minimum criteria to act as a primary servicer at the rating assigned to the rated notes.

The servicer has been appointed by the Issuer to collect payments from lessees and other proceeds related to the receivables (collections). Available collections include all payments received from customers by the servicer in respect of the purchased receivables, including (1) interest collections, (2) principal collections, (3) insurance proceeds, (4) vehicle sale proceeds and (5) recoveries. The servicer receives an annualised servicing fee equal to 1.0% per annum multiplied by the aggregate discounted principal balance as at the first day of the preceding monthly period.

Additional sources of funds available to the Issuer are represented by: (1) the liquidity component of the Cash Collateral Account, (2) net swap receipts due from the swap counterparty, (3) repurchased amounts and (4) other amounts, including any interest earned on the Issuer's account.

The servicer is mandated by the Issuer to collect principal, interest, enforcement proceeds, and insurance proceeds on the purchased lease receivables, and receives payments by borrowers into its collection accounts held and maintained with independent third-party banks in its own name. The transaction documentation requires VWL to deposit collections to the Issuer's accounts (held and maintained with the account bank) on the payment date, given that the monthly remittance condition is in place. If the monthly remittance condition is not in place, VWL will be required to do a daily sweep of collections, or post collateral into the distribution account.

The available collections must be disbursed by the Issuer, as per the terms of the transaction documents, on specified dates (the payment dates). Available collections processed on a given payment date are payments related to a specific monthly period ended prior to the payment date (the collection period) and amounts collected, but referred to the following collection period should only be processed on the relevant payment date.

Transaction Structure

Funding of the Reserves

The Cash Collateral Account consists of two components. The General Cash Collateral Amount provides liquidity support to cover senior expenses, swap payments, and interest on the Rated Notes. Separately, the VWL Risk Reserve is available to the Issuer upon the occurrence of a German trade tax event and also to cover any rights and claims the issuer may have against VWL in relation to the transaction documents.

The Cash Collateral Account is funded by VWL on the issue date. Cash is made available through a mechanism of deferral or discount of the payment of the portfolio purchase price.

Available Distribution Amount

Amounts available for the priority of payments include:

- Collections;
- The Issuer's portion of proceeds from the realisation of leased vehicles;
- Payments from the Cash Collateral Account;
- Net swap receipts;
- Investment earnings on the distribution account.
- Repurchase price received from VWL, if any.

The Buffer Release Amount (payable to VWL prior to an insolvency event) is then deducted from the available distribution amount.

Priority of Payments

The transaction benefits from a single waterfall applicable on each payment date. Prior to an event of default of the Issuer (Foreclosure Event), distributions from the Available Distribution Amount are made in accordance with the priority of payments (Order of Priority) outlined in the transaction documents, and summarised below:

1. Taxes and expenses;
2. Net swap payments to the hedging counterparties (except termination payments to a defaulting swap counterparty);
3. Interest on the Class A Notes;
4. Interest on the Class B Notes;
5. Replenishment of the Cash Collateral Account to its target of 1.2% of the outstanding notes, floored at 1.0% of the original outstanding balance of the portfolio;
6. On the occurrence of the German trade tax increase event, related payment into the Cash Collateral Account;
7. Principal on the outstanding balance of the Class A Notes, up to the Class A Targeted Note Balance;
8. Principal on the outstanding balance of the Class B Notes, up to the Class B Targeted Note Balance;

9. Payments to the swap counterparty under the swap agreement (to the extent not paid under item 2 above);
10. Accrued and unpaid interest on the subordinated loan;
11. Principal payments on the subordinated loan (until reduced to zero); and
12. Remaining excess to VWL.

Principal Redemption Amounts and Excess Spread

The Class A Principal Payment Amount is calculated as the amount required to reduce the Class A Notes outstanding to the relevant Target OC level, provided that a Level 2 Credit Enhancement Increase Condition has not occurred. Otherwise, this is equal to the outstanding amount of the Class A Notes.

The Class B Principal Payment Amount is calculated as the amount required to reduce the Class B Notes outstanding to the relevant Target OC level, provided that a Level 2 Credit Enhancement Increase Condition has not occurred. Otherwise, this is equal to the outstanding amount of the Class B Notes.

The repayment of the notes is determined by each class' respective Target OC value, which are:

Target OC	Prior to a Level 1 Credit Enhancement Increase Event	Following a Level 1 Credit Enhancement Increase Event	Following a Level 2 Credit Enhancement Increase Event
Class A	12.25%	14.00%	100%
Class B	7.50%	8.25%	100%

A Level 1 Credit Enhancement Increase Condition is in effect if the Cumulative Net Loss Ratio:

- Exceeds 0.5% on any payment date up to and including September 2022; or
- Exceeds 1.15% on any payment date after (and excluding) September 2022 up to (and including) June 2023.

A Level 2 Credit Enhancement Increase Condition is in effect if the Cumulative Net Loss Ratio exceeds 1.6% for any payment date.

As the Buffer Release Amount (payable to VWL prior to an insolvency event) is deducted from the available distribution amount prior to the order of priority, there is no excess spread available to support the payment of interest or principal of the notes.

Event of Default

The Issuer will switch to a post-enforcement priority of payments in the case that:

- With respect to the Issuer, an insolvency event occurs; or
- The Issuer defaults in the payment of any interest on the most senior class of notes when the same becomes due and payable, and such default continues for a period of five business days; or
- The Issuer defaults in the payment of principal of any note on the legal maturity date.

The available distribution amount will then be allocated as per below order of priority:

1. Senior issuer's expenses;
2. Net swap payments, including any termination payment payable to the swap counterparty except when the swap counterparty is the defaulting party;
3. Interest on the Class A Notes;
4. Class A principal until repaid in full;
5. Interest on the Class B Notes;
6. Class B principal until repaid in full; and
7. Junior items.

As the accelerated priority of payments is applicable in case of Issuer's insolvency, it is not usually relevant in any rating scenario.

Optional Redemption

The Seller has the option to repurchase all of the outstanding assigned receivables on any payment date when the aggregate discounted principal amount outstanding of all receivables is less than 10% of the initial aggregate discounted principal balance.

Origination and Servicing

DBRS Morningstar conducted an operational review of VWL auto finance operations in Braunschweig, Germany via remote update in April 2021. VWL is a wholly owned subsidiary of VWFS, which itself is wholly owned by the Volkswagen Group (the Group or Volkswagen). DBRS considers VWL's German origination and servicing practices to be consistent with those observed among other auto finance companies.

VWL was founded in 1966 and is headquartered in Braunschweig, Germany. VWL is part of VWFS, which is responsible for coordinating the worldwide financial services activities of the Group. VWFS provides banking, leasing, insurance, and other services to its retail, wholesale and fleet customers.

As an operating subsidiary of VWFS, VWL looks to provide their customers with everything they need to achieve financial and mobile flexibility. The product offerings range from the financing of new and pre - owned cars of Group and non - Group brands, to wholesale financing and direct banking. Within this business model, VWL also supports the sale of the products of the Group and its brands. In addition, dealers receive valuable support from VWL in the form of diverse training measures and extensive marketing support.

VWFS is a 100% owned subsidiary of Volkswagen AG and is responsible for coordinating the worldwide financial services activities of the Group.

DBRS Morningstar assigned a private rating to VWL and publicly rated the parent entity, Volkswagen AG, at A (low) with a Negative trend on 11 August 2020.

Collateral Summary

The lease receivables assigned to the Issuer by the Seller consist of fixed-term, level-payment lease contracts granted by VWL to private and corporate borrowers residing in Germany for the purpose of leasing new, ex-demonstration, or used cars or light commercial vehicles (together, the motor vehicles). The receivables are claims against lessees in respect of principal, interest, and administration fees (including statutory claims being commercially equivalent to principal and interest); however, the final optional instalment is excluded. The lease contracts are fixed-interest rate leases governed by German law and secured by security title (Sicherungseigentum) over the financed vehicles, which is transferred to the Issuer on the issue date. The majority of the lease contracts are originated by Volkswagen, Audi, SEAT, Skoda, and Volkswagen Nutzfahrzeuge dealers. Approximately 99% of the vehicles represent these brands.

VWL offers two types of lease contracts to both retail and corporate clients: open-end lease contracts, where there is no guaranteed, fixed residual value by the dealers and the lessee bears the risk of loss (or profit) when the car is re-marketed at the end of the contract; and closed-end lease contracts where the residual value is predetermined and fixed by the dealer, subject to vehicle mileage outlined in the contractual conditions. If the vehicle mileage is above or under the contracted mileage, the residual value will be adjusted accordingly and the lessee will either be charged or refunded.

The collateral portfolio is static and no further additions or changes to the portfolio are allowed after the issuance of the notes; however, VWL may, in specific cases, repurchase individual receivables because of a breach of representations and warranties or the creation of a lien on a receivable, among others.

On or about the issue date, VWL assigned a pool of receivables to the Issuer, who will pay the purchase price of the portfolio with the proceeds of subscription of the notes and the funds provided by the subordinated lender.

Eligibility Criteria

Receivables assigned on the closing date meet certain criteria specified in the transaction documents. Some of the relevant criteria required for assignment are summarised below:

1. The leased receivables are denominated and payable in euros;
2. The leased vehicles are existing and the lessee resides in Germany;
3. The lease receivables are free from rights of third parties and the lessees have no set-off claim;
4. No lease receivables are overdue and there is no pending termination of the lease contract;
5. At least two instalments have been paid for each lease contract;
6. The lease contract pays substantially equal monthly payments to be made within 12 months to 60 months of the date of origination;
7. The total amount of leased receivables assigned resulting from the contracts with one and the same lessee will not exceed 0.5% of the aggregate discounted receivables balance;
8. More than 95% of the leased vehicles are Volkswagen, Audi, SEAT, Skoda, or Volkswagen Nutzfahrzeuge vehicles;

9. Receivables are not related to special offers specifically directed to employees of the Seller or its affiliates;
10. Receivables are not related to lessees that are unlikely to pay, or are past due more than 90 days, or are credit-impaired or against which insolvency proceedings have been initiated
11. The lease receivables have not been subject to forbearance amendments which had been agreed between VWL and the lessees to limit the impact of the Coronavirus (COVID-19) pandemic.

Lease contracts that are subject to the provisions of the German Civil Code on consumer financing comply in all material aspects with the requirements of such provisions and, in particular, contain orderly instructions with respect to the right of revocation of the leases. VWL warrants and guarantees that the purchased lease receivables are originated in the ordinary course of the business of VWL pursuant to lease granting standards which also apply to leases which will not be securitised.

Pool Characteristics

DBRS Morningstar has analysed the collateral portfolio selected by VWL as at 31 May 2021. The main characteristics of the portfolio are summarised below:

VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 33

Outstanding Discounted Receivables Balance	EUR 1,000,005,760
Total Number of Contracts	122,884
Average Outstanding Discounted Balance	EUR 8,138
Average Outstanding Nominal Balance	EUR 8,770
Discount Rate	5.7016%
WA Original Term (Months)	39.7
WA Remaining Term (Months)	30.9
WA Seasoning (Months)	8.8

	(% of Outstanding Discounted Balance)
Vehicle Brand	
VW	33.8%
Audi	31.0%
VW Light Commercial Vehicles	12.2%
Skoda	14.7%
SEAT	7.9%
Other Brands	0.5%

Customer Type	(% of Outstanding Discounted Balance)
Private	21.0%
Commercial	79.0%

Customer Concentration	(% of Outstanding Discounted Balance)
Top 1	0.2%
Top 3	0.4%
Top 10	0.9%
Top 20	1.4%
Geographic Mix (Top Three Regions)	**(% of Outstanding Discounted Balance)**
North Rhine-Westphalia	22.8%

Bavaria	17.3%
Baden-Wuerttemberg	14.9%

Top Five Industries	**(% of Outstanding Discounted Balance)**
Public administration, education, health care, public serv.	19.7%
Manufacturing industry	16.2%
Other services	14.7%
Retail/Wholesale	14.8%
Construction	10.9%

Exhibit 1 Distribution by Vehicle Brand (EUR)

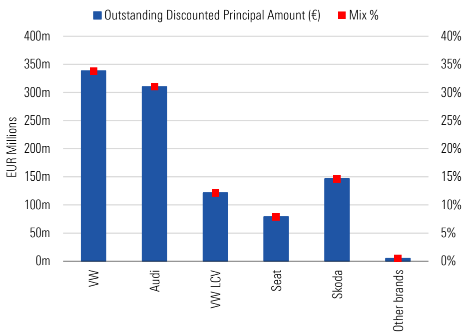
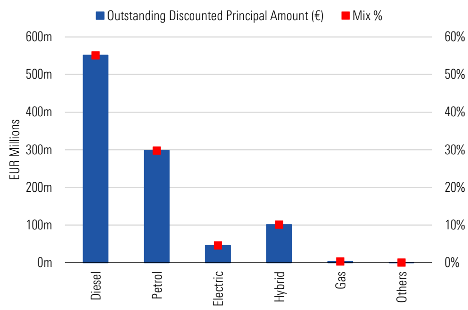


Exhibit 2 Distribution by Engine Type (EUR)



Source: VWL and DBRS Morningstar.

Exhibit 3 Distribution by Outstanding Principal (EUR)

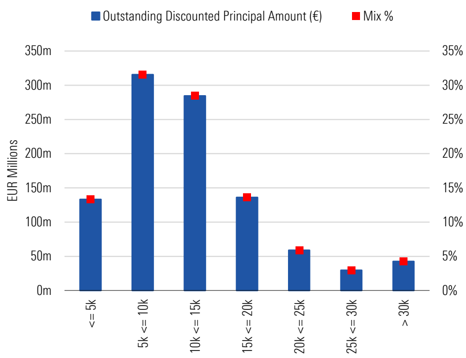
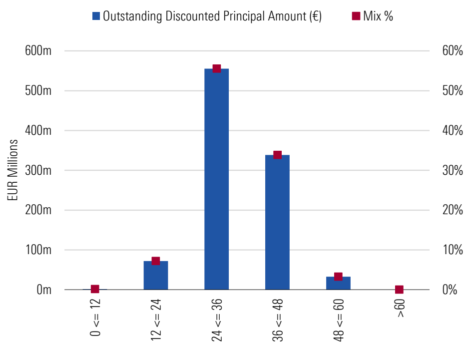


Exhibit 4 Distribution by Original Term (Months)



Source: VWL and DBRS Morningstar.

Exhibit 5 Distribution by Seasoning (Months)

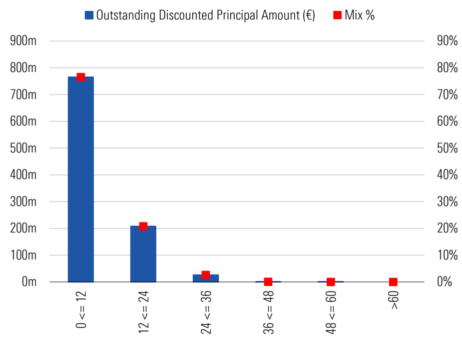
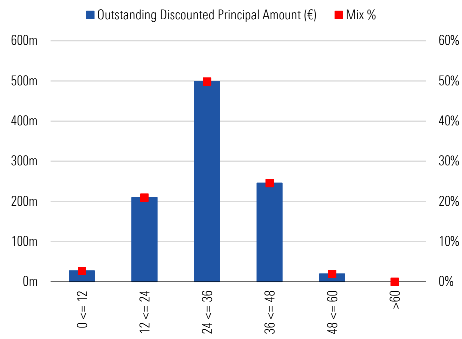


Exhibit 6 Distribution by Remaining Maturity (Months)



Source: VWL DBRS Morningstar.

In comparison with other auto lease portfolios assessed by DBRS Morningstar in Germany, the following are noted:

- The portfolio comprises almost entirely new vehicles, which is in line with what is typically observed in other German captive lease portfolios rated by DBRS Morningstar;
- Audi and VW vehicles make up over two-thirds of the portfolio with luxury cars, such as the Audi A6 and the VW Passat, contributing to nearly a quarter of the portfolio.
- The portfolio has limited seasoning; less than 25% of the portfolio has more than 12 months' account history. DBRS Morningstar considers the weighted-average seasoning of 8.8 months to be consistent with other German auto lease portfolios in transactions it rates.

Rating Analysis

The ratings are based on DBRS Morningstar's review of the following analytical considerations:

- Transaction capital structure, proposed ratings, and form and sufficiency of available credit enhancement.
- Relevant credit enhancement in the form of subordination, reserve funds, and overcollateralisation. Credit enhancement levels are sufficient to support DBRS Morningstar's projected cumulative net loss assumption under various stressed cash flow assumptions for the Rated Notes.
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms under which they have invested. For this transaction, the ratings address the payment of timely interest on a monthly basis and principal by the legal final maturity date.
- VWL's capabilities with regard to originations, underwriting, servicing, and its financial strength.
- DBRS Morningstar conducted an operational risk review of VWL's premises in Braunschweig and deems it to be an acceptable servicer.
- The transaction parties' financial strength with regard to their respective roles.
- The credit quality and industry diversification of the collateral and historical and projected performance of the Seller's portfolio.
- The sovereign rating of the Federal Republic of Germany, currently at AAA with a Stable trend.
- The consistency of the transaction's legal structure with DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology and the presence of legal opinions that address the true sale of the assets to the Issuer.

Portfolio Performance Data

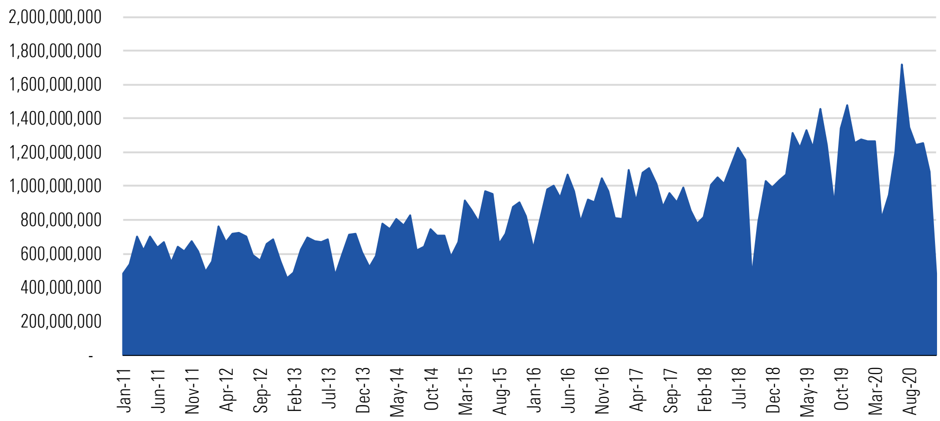
DBRS Morningstar received the following sets of data from VWL:

- Static CNL data going back to January 2011 and up to December 2020; data was provided on a total portfolio basis.
- Total portfolio level delinquency data from January 2011 to December 2020.
- Summarised stratification tables for the final pool as at 31 May 2021.
- A theoretical amortisation of the selected pool.

In addition, DBRS Morningstar sourced publicly available information regarding comparable VCL predecessor transactions and used this information to support the analysis and to allow for an extended data history.

Origination and Outstanding Balances

Exhibit 7 Origination Volume (EUR)



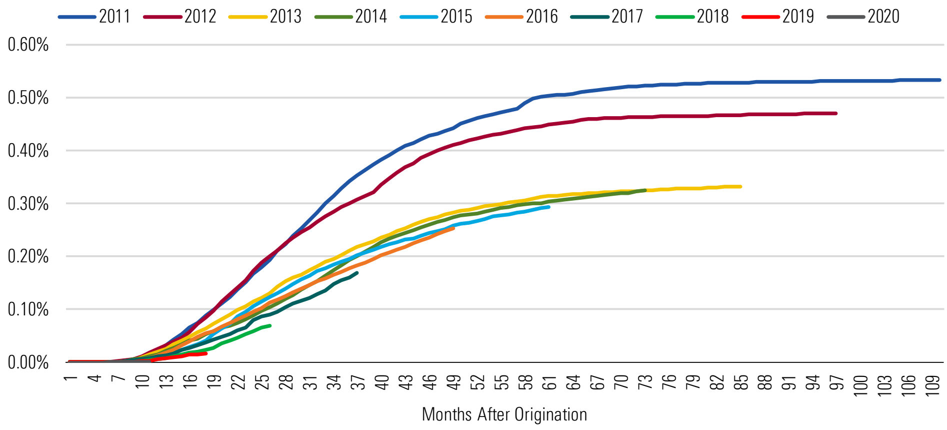
Source: VWL and DBRS Morningstar.

DBRS Morningstar has observed a broadly consistent origination volume over the past five years with a slight upward trend. In line with the broader growth of new vehicle registrations in Germany, VWL's originations increased between 2013 and 2019 and subsequently experienced a drop in 2020, driven by the lockdown measures and the wider impact on demand because of the coronavirus pandemic.

Vintage Default and Recoveries

Net losses have remained consistent on a dynamic basis since an initial spike in 2011 and this can be further evidenced below by the stable static performance.

Exhibit 8 Net Loss - Total Portfolio



Source: VWL and DBRS Morningstar.

The default definition applied relates to the contract termination date (in accordance with the servicer's collections practices). DBRS Morningstar derived gross loss and recovery assumptions from the net loss data based on performance data from prior and existing VCL transactions alongside relevant benchmarks.

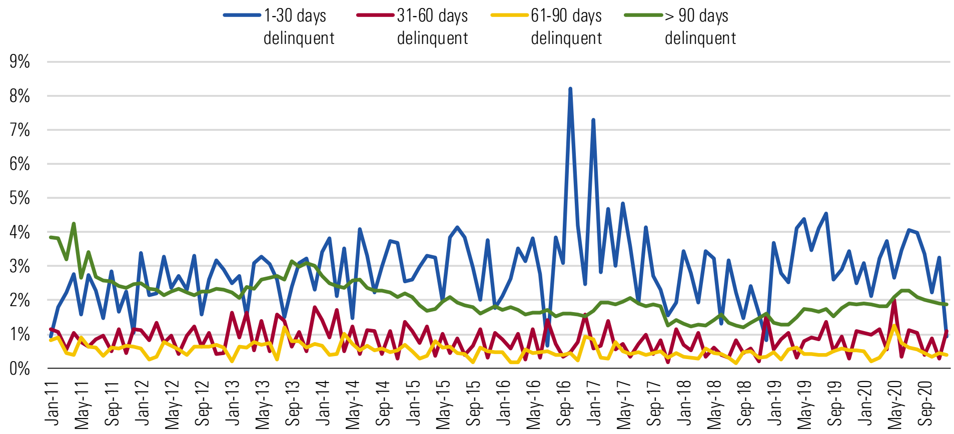
DBRS Morningstar notes the following from the vintage CNL data received:

- Performance has been very stable over the last six years with successive vintages following very similar default distributions.
- Newer vintages have slightly outperformed prior years and the performance observed for the most current vintages continues this trend.

Delinquencies

At a total portfolio level, the overall performance measured in instalments overdue has remained comparatively stable. DBRS Morningstar considers that this trend has been mainly driven by the benign economic environment in Germany where unemployment levels have steadily fallen between 2008 and 2019, and moderately increased because of the coronavirus during 2020 and 2021.

Exhibit 9 Delinquencies



Source: VWL and DBRS Morningstar.

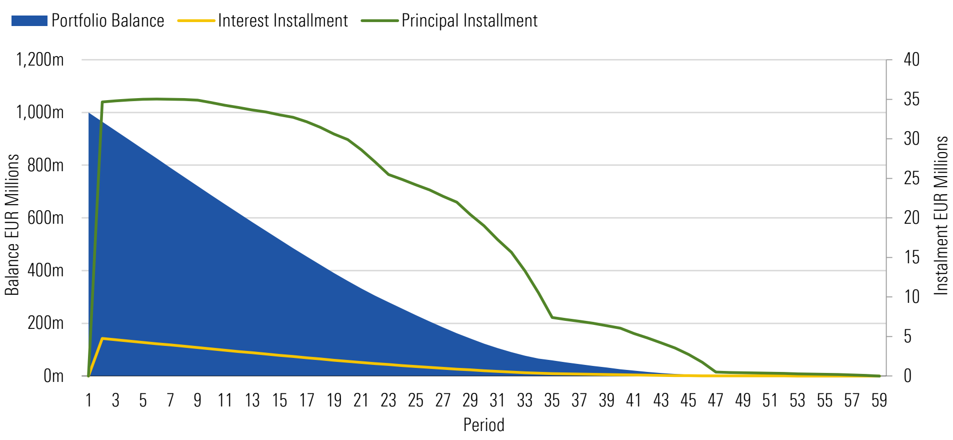
Summary of the Cash Flow Scenarios

DBRS Morningstar's cash flow assumptions focused on the amount and timing of defaults and recoveries, prepayment speeds, and interest rates. Several different prepayment scenarios were evaluated when assessing the sufficiency of credit enhancement that considered prepayment rates between 0% and 15%. A total of 18 cash flow scenarios were assessed to evaluate the performance of the Rated Notes that incorporated front-, mid-, and back-loaded default timings and interest rates stresses.

Portfolio Amortisation and Interest Rate

The exhibit below outlines the scheduled amortisation of the portfolio as at the cut-off date provided by VWL:

Exhibit 10 Theoretical Amortisation Schedule



Source: VWL and DBRS Morningstar.

The interest rate risk in the transaction arises from the fixed interest rate on the leased receivables and the one-month Euribor floating rate applied to the issued notes. To mitigate the risk, the Issuer has entered into a swap agreement with a swap counterparty in accordance with DBRS Morningstar's *Derivative Criteria for European Structured Finance Transactions* methodology. As a result, the Issuer pays on each payment date a fixed interest rate of 0.1965%, 0.25%, and 0.3663% on the Class A Notes, Class B Notes, and subordinated loan, while the swap counterparty pays one-month Euribor plus the corresponding spread on the respective notes. The notional for each swap is the aggregate outstanding balance for each respective class of notes, and all floating rate legs are floored at zero.

Since the floating rate payable under the Rated Notes is equal to the floating rate payable to the issuer under the swap, there is substantially no basis risk.

Interest Rate Stresses

DBRS Morningstar applied its standard interest rate stresses as detailed in its *Interest Rate Stresses for European Structured Finance Transactions* methodology.

Default and Recovery Assumptions

DBRS Morningstar observed broadly consistent and low CNL rates from monthly vintages originated from 2013 and considers them to be stronger than those originated between 2011 and 2012 and older. To determine a loss estimate for the current transaction, DBRS Morningstar extended the dataset to include vintages up until 2007 available from predecessor transactions. For vintages that were not fully seasoned, CNLs were projected to maturity using historical data relating to loss timing. DBRS Morningstar was not provided with separate recovery information; however, based on historical performance reported for similar assets securitised in existing transactions in Germany, including predecessor transactions, a conservative recovery assumption was used with a three-month recovery lag.

	Assumption
Expected Gross Loss Rate	1.4%
Expected Recovery Rate	60%
AAA (sf) Recovery Rate	35.4%
AA (low) (sf) Recovery Rate	40.2%

Prepayment Speeds and Prepayment Stress

DBRS Morningstar considered annualised prepayment rates (CPR) between 0% and 15%, with the latter presenting the constraining scenarios within DBRS Morningstar's cash flow analysis.

Timing of Defaults

DBRS Morningstar estimated the default timing patterns and created base, front-, back- and back stress-loaded default curves. The weighted-average life of the collateral portfolio under DBRS Morningstar stressed cash flows is expected to be about three years and the front-loaded, base and back-loaded default distributions are listed below.

Year	Front	Mid	Back
1	50%	20%	20%
2	30%	50%	30%
3	20%	30%	50%

DBRS Morningstar notes that the structure is sensitive to back-loaded default timing assumptions and included an additional stress scenario in its sensitivity analysis.

Risk Sensitivity

DBRS Morningstar determines a lifetime base-case PD and LGD for each rated pool based on a review of historical data. Adverse changes to asset performance may cause stresses to base-case assumptions and therefore have a negative effect on credit ratings. The tables below illustrate the sensitivity of the rating to various changes in the base-case default rates and loss severity assumptions relative to the base-case assumptions used by DBRS Morningstar in assigning the ratings.

Class A

		Increase in PD Rate		
		0	25	50
Increase in LGD Rate	0	AAA (sf)	AAA (sf)	AA (high) (sf)
	25	AAA (sf)	AA (sf)	AA (sf)
	50	AA (high) (sf)	AA (sf)	A (high) (sf)

Class B

		Increase in PD Rate		
		0	25	50
Increase in LGD Rate	0	AA (low) (sf)	AA (low) (sf)	A (sf)
	25	AA (low) (sf)	A (sf)	A (low) (sf)
	50	A (high) (sf)	A (low) (sf)	BBB (sf)

Appendix

Origination & Underwriting

Origination and Sourcing

VWL acts under the Audi Leasing, Seat Leasing, Skoda Leasing and AutoEuropa Leasing brands. The objectives of VWL are to lease motor vehicles, especially the following brands: Volkswagen, Audi, SEAT, Skoda, and Volkswagen Nutzfahrzeuge. VWL provides a modern and cost effective alternative to the purchase of vehicles in Germany and for the financing of investments, the latter in particular for the business partners of the Group.

In addition to providing leasing for the brands noted above, VWL also offers service - leasing to commercial and non - commercial customers and leasing options for used vehicles of all makes. VWL co - operates closely with the approximately 3,000 dealerships of the Group. A dealer can thus offer the customer complete, competent, personal service, at one stop and from a single source, including the financing.

The co - operation between the manufacturer or importer and the dealer - partner respectively is established by a dealer agreement. Under this agreement the dealer - partner is given the responsibility for marketing the products and services of the Volkswagen Group and to service the trade - marked - products of the Group.

The dealer - partners procure leasing business for VWL against commissions. VWL buys the vehicles from the dealer, finances and administers the vehicles and assumes the credit risk. Each dealer - partner is trained in leasing business. The dealer - partner is the local contact person and available to the lessee during the whole life of the leasing contract.

Underwriting Process

All underwriting activities at VWFS are appropriately segregated from marketing and sales. VWFS adheres to standard identify and income verification practices including collection of income statements while identity cards, proof of address and utility bills are reviewed. External credit data is retrieved from two nationally recognised bureaux (SCHUFA and Creditreform & Co.) and incorporated into the automated credit scoring models.

Prior to acceptance of an application, VWL checks the credit standing of the customer in the form of a credit report that may include information from credit agencies, banks, financial statements and other relevant sources. For private and commercial retail customer contracts, applications are automatically approved by a scoring system if the information on the application demonstrates that the applicant meets VWL's criteria for an automatic approval.

Applications are analysed through VWFS’s internal credit scoring system, which assigns a band to the loan denoting the risk associated with the borrower and loan. Both retail and commercial retail customers are evaluated under one of 16 risk bands, with 01 representing the best score, and 15 and D representing the worst scores. For large customers where there is a master framework agreement with VWL, the application is evaluated by at least two credit officers. Ongoing checks are then made to ensure that credit limits are respected for any newly leased vehicles.

Applications that are not automatically accepted by the scoring system are assessed by an employee of the credit department. The employees of VWL's credit department typically have several years of industry experience and degrees in business administration. Employees are personally assigned a credit ceiling up to which they may underwrite a given loan.

Summary Strengths

- Rising penetration rate over last few years.
- Use of multiple rules-based credit scoring models incorporating dual credit bureau data and monthly analysis of rules and performance metrics.
- Centralised and independent credit and risk management functions with underwriting teams split between retail (individuals and business) and corporates.

2. Servicing

Servicing begins during the final stages of initial financing, with the customer services department reviewing all borrower documents and credit terms including interest rates, loan maturity, insurance and prepayment terms. The majority of payments are made via direct debit (95%) and have monthly payment frequencies. In the rare circumstance where customers do not agree to this requirement, payment comes from standing orders for payment transfers from their bank account, regular bank transfers or cheque.

Servicing is centralised in Braunschweig and the company places considerable focus on customer service, as evidenced through the proactive assessment of customer satisfaction following contract execution and quarterly surveys. VWFS employs a customer contact council and a professional planning forum to ensure adherence to corporate strategies involving customer service. Given VWFS's low staff attrition rate, average company tenure among the servicing group is estimated at over five years.

The arrears management process is heavily automated and is driven by an SAP workflow system that provides collection teams' daily workload reports and performance monitoring statistics. VWFS complies with all regulatory guidelines. The company's behavioural scoring model, which assigns a probability of default (PD) and loss given default (LGD) to each loan, is used to segregate arrears cases based on the risk profile. Over the last year, VWFS has placed more focus on specialised collections for vulnerable customers as a result of the economic crisis.

Initial collections activity starts in the Debt Management unit where letters are sent out immediately following a missed payment. If the lessee does not pay, a second reminder letter is generally sent after another two weeks, in which interest on arrears and other costs are also mentioned. The third reminder after 36 days includes charges for the reminder, the threat of a summary court order to pay and the threat of termination of the contract.

In addition, the dealer who intermediated the contract is brought into the proceeding and requested to investigate the situation and to help with the collection of the debts. In addition, the Debt Management department of VWL may write an individual letter to the customer or be in touch with the customer or with the dealer by telephone or telefax. The employees of the Debt Management department are authorised to grant justifiable payment extensions, though the number of such agreements has been negligible.

Summary Strengths

- Majority of payments made via direct debit.
- Low default rate and stabilised recovery rates.
- Active early arrears management practices, which benefit from automated workflows and behavioural scoring that segregates arrears cases based on risk and loan size.

Opinion on Back-Up Servicer: There is no backup servicer appointed to the VCL Programme. DBRS believes that the Group's current financial condition mitigates the risk of a possible disruption in servicing following a potential servicer event of default, including insolvency.

Methodologies Applied

The principal methodology applicable to assign ratings to this transaction is *Rating European Consumer and Commercial Asset-Backed Securitisations* (3 September 2020), https://www.dbrsmorningstar.com/research/366294/rating-european-consumer-and-commercial-asset-backed-securitisations.

Other methodologies referenced in this transaction are listed below:

- *Legal Criteria for European Structured Finance Transactions* (6 April 2021), https://www.dbrsmorningstar.com/research/376314/legal-criteria-for-european-structured-finance-transactions.
- *Rating European Structured Finance Transactions Methodology* (21 July 2020), https://www.dbrsmorningstar.com/research/364305/rating-european-structured-finance-transactions-methodology.
- *Operational Risk Assessment for European Structured Finance Servicers* (19 November 2020), https://www.dbrsmorningstar.com/research/370270/operational-risk-assessment-for-european-structured-finance-servicers.
- *Operational Risk Assessment for European Structured Finance Originators* (30 September 2020), https://www.dbrsmorningstar.com/research/367603/operational-risk-assessment-for-european-structured-finance-originators.
- *Derivative Criteria for European Structured Finance Transactions* (24 September 2020), https://www.dbrsmorningstar.com/research/367092/derivative-criteria-for-european-structured-finance-transactions.
- *Interest Rate Stresses for European Structured Finance Transactions* (28 September 2020), https://www.dbrsmorningstar.com/research/367292/interest-rate-stresses-for-european-structured-finance-transactions.
- *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (3 February 2021),

https://www.dbrsmorningstar.com/research/373262/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

The rating methodologies and criteria used in the analysis of this transaction can be found at: https://www.dbrsmorningstar.com/about/methodologies. Alternatively, please contact info@dbrsmorningstar.com.

Surveillance Methodology

DBRS Morningstar monitors this transaction in accordance with its *Master European Structured Finance Surveillance Methodology*, which is available at www.dbrsmorningstar.com under Methodologies. Alternatively, please contact info@dbrsmorningstar.com.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 3,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

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