

Rating Report

VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 37

DBRS Morningstar
November 2022

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Ratings, Issuer's Assets, and Liabilities

Debt	Par Amount (EUR) ¹	Initial Subordination (%) ²	Coupon (%)	Rating ^{3,4}	Rating Action	Rating Action Date
Class A Notes XS2544580157	945,100,000	5.5	One-month Euribor + 0.55%	AAA (sf)	Provisional Rating – Finalised	25 November 2022
Class B Notes XS2544580827	20,100,000	3.5	One-month Euribor + 1.90%	AA (low) (sf)	Provisional Rating – Finalised	25 November 2022
Subordinated Loan	25,704,460	-	One-month Euribor + 3.28%	Not Rated	N/A	N/A
Overcollateralisation	9,100,000	-	-	Not Rated	N/A	N/A

Notes:

- At the issue date.
- Subordination is expressed in terms of portfolio overcollateralisation (OC) and does not include the general cash collateral amount.
- The coupons on the Class A Notes, Class B Notes, and the Subordinated Loan are floored at zero.
- The ratings address the timely payment of scheduled interest and the ultimate repayment of principal by the final legal maturity date.

Issuer's Assets	Initial Amount (EUR)	Size (% of Portfolio)
Portfolio	1,000,004,460	100%
Specified Cash Collateral Account Balance	11,000,000	1.1% of the aggregate discounted receivables balance
VWL Risk Reserve	11,000,000	-

DBRS Ratings GmbH (DBRS Morningstar) finalised its provisional ratings on the Class A Notes and Class B Notes (together, the Notes) issued by VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 37 (the Issuer or VCL Compartment 37). The Issuer is a public limited company incorporated under the laws of Luxembourg, and is governed by Luxembourg securitisation law, acting as a special-purpose entity specifically for the purpose of this transaction.

The transaction represents the issuance of Notes backed by a portfolio of approximately EUR 1 billion of receivables related to auto leases granted by Volkswagen Leasing GmbH (VWL; the Originator or the Seller), a wholly owned, indirect subsidiary of Volkswagen AG (VW), to lessees resident or incorporated in the Federal Republic of Germany. The underlying motor vehicles related to the auto leases consist of both new and used passenger and light-commercial vehicles. VWL services the receivables.

Asset Class	Auto Leases
Governing Jurisdiction	Federal Republic of Germany
Sovereign Rating	AAA, Stable trend

Portfolio Summary (as at 31 October 2022)

Total Discounted Balance (EUR)	1,000,004,460
Number of Contracts (units)	108,887
Of which Retail (units)	87,720
Of which Corporate (units)	21,167
Number of New Vehicles (units)	102,674
Number of Used/Demonstration Vehicles (units)	4,373/1,840
Average Outstanding Discounted Balance (EUR)	9,183
Weighted-Average Original Term (Months)	39.6
Weighted-Average Remaining Term (Months)	32.3

Transaction Parties

Roles	Counterparty	Rating¹
Issuer	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 37	N/A
Originator/Seller/Service	Volkswagen Leasing GmbH	Private Rating
Cash Collateral Account Bank/Distribution Account Bank/Cash Administrator/Counterparty Downgrade Collateral Account Bank	The Bank of New York Mellon, Frankfurt Branch	Private Rating
Swap Counterparty	Skandinaviska Enskilda Banken AB (publ)	A (high) Stable trend
Paying Agent/Calculation Agent/Interest Determination Agent/Custodian	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
Subordinated Lender	Volkswagen Financial Services AG	Private Rating
Data Protection Trustee	Data Custody Agent Services B.V.	N/A

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 November 2022
Cut-Off Date	31 October 2022
Payment Date	21st of each month
First Payment Date	21 December 2022
Monthly Period	Each calendar month immediately prior to the relevant payment date
Interest Period	The period from and including a payment date up to but excluding the following payment date
Legal Maturity Date	Payment date falling in September 2028

Rating Considerations**Notable Features**

- The transaction represents the securitisation of automotive lease contracts; however, the residual value (RV) component of the lease contracts is not securitised in this transaction.
- The transaction is static and the Notes amortise from the initial payment date. There is no revolving period.
- All underlying contracts are fixed rate while the Notes are floating rate. Interest rate risk is mitigated through interest rate swaps with Skandinaviska Enskilda Banken AB (publ).

- The discount rate applied to the gross receivables balance to calculate the purchase price is fixed at 5.7%. In earlier VWL sponsored transactions rated by DBRS Morningstar, the buffer release amount, that considers the remaining discount rate receipts after payment of the weighted-average swap costs and senior expenses, was released back directly to VWL until the occurrence of an insolvency event. In this transaction, the buffer release amount is instead retained at the earlier of (1) a level 2 credit enhancement increase condition being in effect or (2) the occurrence of a servicer replacement event, and forms part of the available distribution amount.
- The transaction has a mixed sequential/pro rata amortisation structure. Initially, all collections arising from the lease receivables will pay down the Class A Notes (in accordance with the relevant priority of payments). Once the Class A OC percentage reaches 12.25%, the Class B Notes begin to amortise. Once the Class B OC percentage reaches 7.50%, available funds used for the payment of principal on the Class A Notes and Class B Notes are allocated on a pro rata basis unless specified triggers are breached, as outlined in the transaction documents.
- Approximately 99.7% of the receivables relate to vehicles manufactured by Volkswagen Group companies. Volkswagen-branded passenger vehicles relate to 35.6% of the outstanding discounted balance (or, combined with Volkswagen-branded light-commercial vehicles, 45.7%). The second-largest brand concentration relates to Audi-branded vehicles (28.2%).
- Approximately 40.1% of the receivables relate to vehicles equipped with a diesel engine, and 32.6% of the receivables relate to vehicles with a petrol engine. The remaining 27.3% of the receivables relate to vehicles with alternative, hybrid, gas, or electric powertrains.

Strengths

- VWL is a well-established captive finance Originator and Servicer in Germany. VCL Compartment 37's portfolio characteristics (such as portfolio mix) are comparable with earlier transactions from the same sponsor rated by DBRS Morningstar which, over time, have demonstrated stable performance.
- VWL is a subsidiary of Volkswagen Financial Services AG (VWFS), which is VW captive finance company. DBRS Morningstar's Long-Term Issuer Rating on VW is A (low) with a Stable trend.
- The cash collateral account includes a liquidity reserve that is made available to cover the payment of senior expenses, swap payments, and interest on the Notes prior to being restored to a target amount of the lower of (1) EUR 11 million and (2) the aggregate outstanding principal amount of the Class A Notes and Class B Notes. The cash collateral account mechanism has changed when compared to earlier VWL sponsored transactions rated by DBRS Morningstar, where the initial target balance for the cash collateral account was set at 1.2% of the initial aggregate discounted receivables balance, and thereafter the lower of (1) 1.0% of the initial aggregate discounted receivables balance and (2) the aggregate outstanding principal balance of the Class A Notes and Class B Notes at the end of the monthly period.
- DBRS Morningstar was provided with detailed monthly vintage information covering the past 10 years of cumulative net loss (CNL) performance. Based on this information, DBRS Morningstar was able to derive its expected probability of default (PD) and loss given default (LGD) assumptions. The static data showed stable and low credit loss performance trends. DBRS Morningstar supplemented the information received with relevant historical data from prior transactions.
- Although the purchased lease receivables include RV risk, the RV component of the receivables is not included in this transaction: therefore, the Issuer is not directly exposed to RV risk.
- Approximately 99.3% of the obligors make their monthly lease instalment via direct debit.

Challenges and Mitigating Factors

- Due to the discount rate approach and the buffer release mechanism, excess spread is only made available to the transaction cash flows following the earlier of (1) a level 2 credit enhancement increase condition being in effect and (2) a servicer replacement event. DBRS Morningstar estimates the level of excess spread to be 1.2% at this time.

Mitigant: DBRS Morningstar considered the buffer release rate mechanism when analysing 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, or transfer the collections on the following business day to the Issuer's account. DBRS Morningstar considered a commingling loss commensurate with the ratings assigned to the Class A Notes and Class B Notes, the triggers linked to the monthly remittance condition, the expected distribution of monthly collections, and the amortisation profile of the portfolio.

- 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 analysed back-loaded scenarios to factor in this effect within its cash flow analysis.

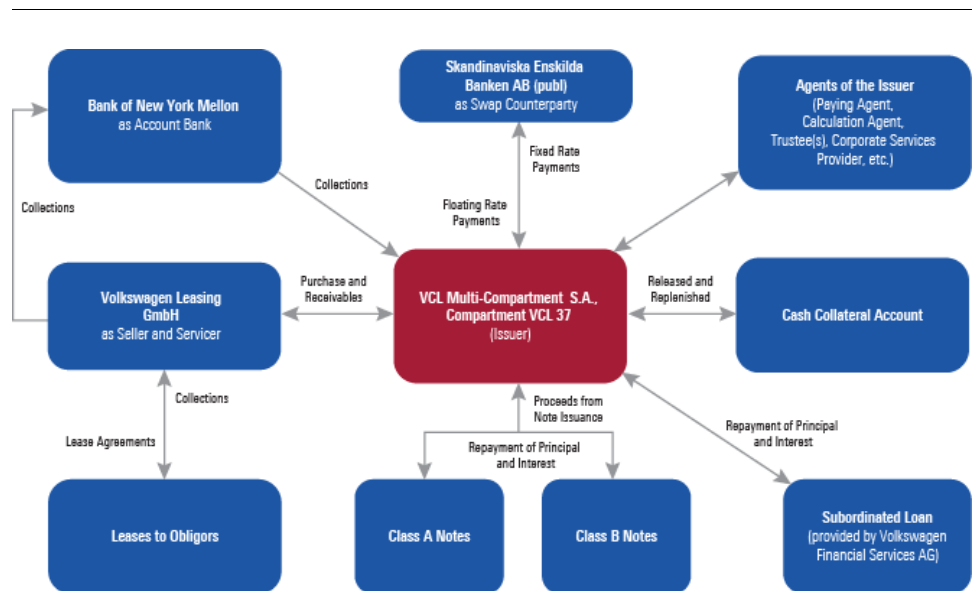
- On 9 September 2021, the European Court of Justice (ECJ) in Luxembourg ruled against the Federal Court of Justice (Bundesgerichtshof), the highest justice court in Germany, to reinstate and strengthen consumer rights regarding revocation. According to the ruling, customers that were not provided with adequate information at the onset of a loan agreement can benefit from extended revocation rights.

Mitigant: DBRS Morningstar understands that VWL does not expect any negative impact on its portfolio arising from the ruling. Consumer leasing contracts are not covered by the European Union (EU) Consumer Credit Directive. In its judgment of 24 February 2021, VIII ZR 36, the German Federal Court of Justice also determined that, even in analogous application, consumer leasing contracts with mileage billing do not fall under the German implementation regulations of the EU Consumer Credit Directive. 99.99% of the portfolio relates to closed-end contracts. DBRS Morningstar understands that these contracts are not classified as contracts that provide for financial accommodation against consideration.

Transaction Structure

Transaction Summary	
Currency	The Issuer's assets and liabilities are denominated in euros.
Relevant Jurisdictions	Lease contracts and associated receivables are governed by the laws of the Federal Republic of Germany. Each transaction document is governed by the laws of the Federal Republic of Germany. The swap documents are governed by English law. The Issuer is incorporated under the laws of the Grand Duchy of Luxembourg.
Interest Rate Hedging	The Issuer pays: 3.36 % and 4.83%, respectively, under the Class A Notes and Class B Notes swaps. The Issuer receives: In relation to the Class A Notes swap, the sum of Euribor plus 0.55% per annum (p.a.). In relation to the Class B Notes swap, Euribor plus 1.90% p.a. Notional: the aggregate principal amount of the Class A Notes and the Class B Notes, respectively. Floor: zero
Basis Risk Hedging	N/A
General Reserve	The liquidity reserve component of the cash collateral account provides liquidity support to the Class A Notes and Class B Notes. The reserve can be used to cover senior expenses, swap payments, and interest shortfalls.
Initial Amount	EUR 11,000,000 corresponding to 1.10% of the aggregate discounted receivables balance.
Target Amount	The lesser of: <ul style="list-style-type: none"> • EUR 11,000,000; and • The aggregate outstanding principal balance of the Class A Notes and Class B Notes at the end of the monthly period.
Amortisation	Yes

The transaction structure is summarised below:



Source: Transaction documents and DBRS Morningstar.

Counterparty Assessment

Account Bank

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

Hedging Counterparty

Skandinaviska Enskilda Banken AB (publ) (SEB) has been appointed as the swap counterparty for the transaction. DBRS Morningstar has a Long-Term Issuer Rating of A (high) with a Stable trend and a Long Term Critical Obligations Rating of AA with a Stable trend on SEB. DBRS Morningstar has concluded that SEB meets the minimum criteria to act in such capacity. The transaction documents contain downgrade provisions relating to the hedging counterparty that are consistent with DBRS Morningstar's criteria.

Set-Off Risk

VWL does not take customer deposits, and the Seller warrants and guarantees, inter alia, that the lessees have no set-off claims. Affiliates of VW, Familie Porsche Stuttgart, and Familie Piech Salzburg Gruppe are also specifically excluded. The Seller is required to repurchase leases where the representations and warranties have been breached.

Although VWL offers a range of maintenance and other services, as well as certain insurance products to lessees, any payments related to such services and value-added tax thereon form part of the excluded collections and are not capitalised in the transaction.

Commingling Risk

The Servicer is permitted to commingle collections with its own funds and is required to transfer these monies to the Issuer's account on each payment date, subject to the satisfaction of the monthly remittance condition. The monthly remittance condition is no longer satisfied if VW's rating falls below BBB (high).

Upon breach of the trigger, VWL will be required to either:

- Transfer to the Issuer the monthly collateral, comprising the expected following monthly payments, including prepayments estimated to be 5% falling due and payable; or
- If the monthly collateral is not paid to the Issuer, the collections must be transferred to the Issuer within one business day from receipt.

DBRS Morningstar considered a commingling loss commensurate with the ratings assigned to the Class A Notes and the Class B Notes, the triggers linked to the monthly remittance condition, the expected distribution of monthly collections, and the portfolio's amortisation profile.

DBRS Morningstar considers 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 nearly two months of collections, and considering the credit strength of VW 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.

The Issuer has appointed the Servicer to collect payments from lessees and other proceeds related to the receivables (the collections). These include all payments that the Servicer receives from customers in respect of the purchased receivables, including (1) interest collections, (2) principal collections, (3) insurance proceeds, (4) vehicle sale proceeds, and (5) recoveries.

The available distribution amount for disbursement in accordance with 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;
- Interest accrued on the distribution account;
- Repurchase price received from VWL, if any; and
- The buffer release amount.

Until the occurrence of (1) a level 2 credit enhancement increase condition being in effect or (2) a servicer replacement event, the buffer release amount is excluded from the available distribution amount and is paid directly to VWL.

The Issuer must disburse the available distribution amount, as per the terms of the transaction documents, on the relevant 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.

Priority of Payments

Prior to a foreclosure event affecting the Issuer, the Issuer applies all available funds in accordance with the order of priority, as summarised below:

1. Taxes and expenses;
2. Payments due to the security trustee;
3. Senior Servicer fee;
4. Payments of other senior fees;
5. Net swap payments to the hedging counterparties (except termination payments to a defaulting swap counterparty);
6. Interest on the Class A Notes;
7. Interest on the Class B Notes;
8. Replenishment of the reserve up to its specified cash collateral account balance;
9. On the occurrence of the German trade tax increase event, related payment into the cash collateral account up to the increased German trade tax risk reserve amount;
10. Principal on the outstanding balance of the Class A Notes, to the Class A targeted note balance;

11. Principal on the outstanding balance of the Class B Notes, to the Class B targeted note balance;
12. Payments to the swap counterparty under the swap agreement (to the extent not paid under item 4 above);
13. Accrued and unpaid interest on the Subordinated Loan;
14. Principal payments on the subordinated loan (until reduced to zero); and
15. 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 level, as laid out below:

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%	14.0%	100.0%
Class B	7.50%	8.25%	100.0%

A level 1 credit enhancement increase condition is in effect if the CNL ratio:

- Exceeds 0.50% on any payment date up to and including February 2024; or
- Exceeds 1.15% on any payment date after (and excluding) February 2024 up to (and including) November 2024.

A level 2 credit enhancement increase condition is in effect if the CNL ratio exceeds 1.6% for any payment date.

Foreclosure Event

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 is allocated as per below order of priority:

1. Senior Issuer fees and expenses and Servicer fees;
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 Notes principal until repaid in full;
5. Interest on the Class B Notes;
6. Class B Notes principal until repaid in full; and
7. Junior items.

As the accelerated priority of payments is applicable in case of the 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's auto finance operations in Braunschweig, Germany, in May 2022. VWL is a wholly owned subsidiary of VWFS, which is wholly owned by the VW. DBRS Morningstar 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. VWL is part of VWFS, which is responsible for co-ordinating the Volkswagen Group's worldwide financial services activities. 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 its customers with everything they need to achieve financial and mobile flexibility. The product offerings range from the financing of new and pre-owned cars from the Volkswagen Group and other brands, to wholesale financing and direct banking. Within this business model, VWL also supports the sale of the products of the Volkswagen 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 VW and is responsible for co-ordinating the Volkswagen Group's worldwide financial services activities.

DBRS Morningstar assigned a private rating to VWL and publicly rated the parent entity, VW, at A (low) with a Stable trend on 10 August 2022. Please see www.dbrsmorningstar.com for more details. Further information on origination and servicing is available in the Appendix.

Collateral Summary

The lease receivables that the Seller assigned to the Issuer consist of fixed-term, level-payment lease contracts that VWL granted to private and corporate lessees residing in Germany for the purpose of leasing new, ex-demonstration, or used passenger 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.

VWL offers two types of lease contracts to both retail and corporate clients: open-end lease contracts, where there is no fixed RV guaranteed 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 RV is predetermined and fixed by the dealer, subject to vehicle mileage caps outlined in the contractual conditions. If the vehicle mileage is above or under the contracted mileage, the RV 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.

Eligibility Criteria

VWL warrants and guarantees that receivables as at the cut-off date meet certain selection criteria. Some of the relevant criteria required for assignment are summarised below:

1. The lease contracts are legally valid and binding agreements;
2. The leased receivables are denominated and payable in euros;
3. The leased vehicles are existing and the lessee resides in Germany;
4. The lease receivables are free from rights of third parties and the lessees have no set-off claim;
5. No lease receivables are overdue and there is no pending termination of the lease contract;
6. No lessee is an affiliate of VW, Familie Porsche Stuttgart, or the Familie Piech Salzburg Gruppe;
7. At least two instalments have been paid for each lease contract;
8. The lease contracts are governed by the laws of Germany;
9. The lease contract pays substantially equal monthly payments to be made within 12 months to 60 months of the date of origination;
10. The total amount of lease receivables assigned resulting from the contracts with a single lessee will not exceed 0.5% of the aggregate discounted receivables balance;
11. Not more than 5% of the discounted receivable balance is to relate to lease contracts for vehicles that are not Volkswagen Group branded vehicles (i.e., other than Volkswagen, Audi, SEAT, Skoda, or Volkswagen Nutzfahrzeuge);
12. Receivables are not related to special offers specifically directed to employees of the Seller or its affiliates;

13. 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;
14. 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;
15. None of the lessees have exercised their right of revocation.

On 9 September 2021, the ECJ ruled in relation to certain cases (C-33/20, C-155/20, and C-187/20) addressing the rights of consumers in Germany to revoke their finance contracts. According to the ruling, the absence of certain mandatory information (relating to default interest and prepayment fees) in the contracts is not compliant with the EU Consumer Credit Directive and, as such, the right to revoke extends past the standard 14-day period (i.e., indefinitely). As this ruling may result in economic incentives for borrowers to withdraw from their contracts, it could negatively affect German auto ABS securitisations. DBRS Morningstar is closely monitoring these developments and the impact of the decision on affected transactions. For further details, please refer to DBRS Morningstar's commentary titled, *The European Court Resolves Debate on Consumer Rights in Germany but Questions Remain*.

DBRS Morningstar understands that does not expect any negative impact on its portfolio arising from the ECJ ruling on 9 September 2021. Consumer leasing contracts are not covered by the EU Consumer Credit Directive. In its judgment of 24 February 2021 - VIII ZR 36, the German Federal Court of Justice also determined that, even in analogous application, consumer leasing contracts with mileage billing do not fall under the German implementation regulations of the EU Consumer Credit Directive.

Pool Characteristics

DBRS Morningstar analysed the collateral portfolio selected by VWL as at 31 October 2022. The main characteristics of the portfolio are summarised below.

VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 37

Outstanding Discounted Receivables Balance (EUR)	1,000,004,460
Total Number of Contracts (units)	108,887
Of which new vehicles (units)	102,674
Of which used vehicles or ex-demonstrators (units)	6,213
Average Outstanding Discounted Balance (EUR)	9,184
Average Outstanding Nominal Balance (EUR)	9,930
Discount Rate (%)	5.7
Buffer Release Rate (%)	1.2
WA Original Term (Months)	39.6
WA Remaining Term (Months)	32.3
WA Seasoning (Months)	7.3

Vehicle Brand	% of Outstanding Discounted Balance
VW	35.6
Audi	28.2
Skoda	14.7
VW Light Commercial Vehicles	10.0
SEAT	11.1
Other Brands	0.3

Customer Type	% of Outstanding Discounted Balance
Private	22.7
Commercial	77.3

Customer Concentration	% of Outstanding Discounted Balance
Top 1	0.2
Top 3	0.4
Top 5	0.6
Top 10	1.0
Top 20	1.5

Geographic Mix (Top Five Regions)	% of Outstanding Discounted Balance
North Rhine-Westphalia	22.8
Bavaria	17.7
Baden-Wuerttemberg	15.2
Lower Saxony	9.5
Hesse	7.9

Top Five Industries	% of Outstanding Discounted Balance
Public administration, education, health care, public serv.	19.8
Other services	15.1
Manufacturing industry	15.0
Retail/Wholesale	14.8
Construction	10.0

Exhibit 1 Distribution by Vehicle Brand (EUR)

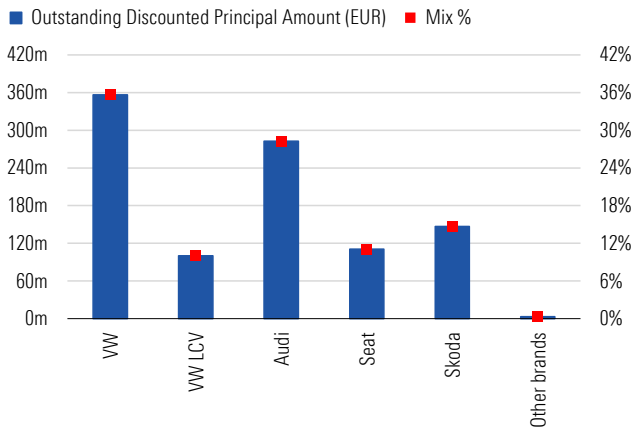
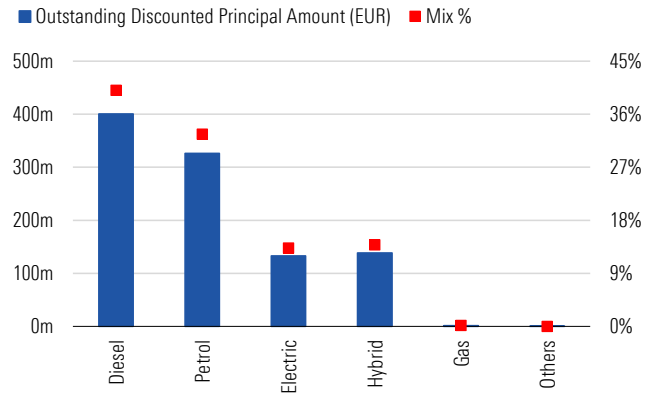


Exhibit 2 Distribution by Engine Type (EUR)



Source: VWL, DBRS Morningstar.

Exhibit 3 Distribution by Outstanding Principal (EUR)

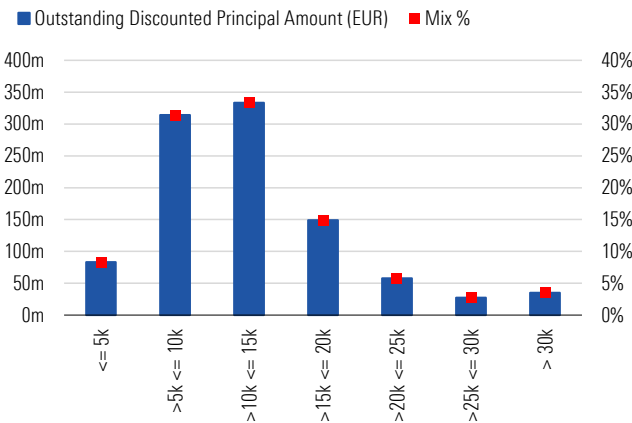
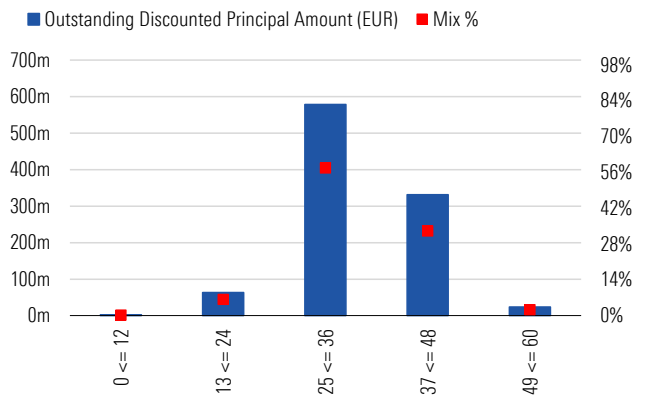


Exhibit 4 Distribution by Original Term (Months)



Source: VWL, DBRS Morningstar.

Exhibit 5 Distribution by Seasoning (Months)

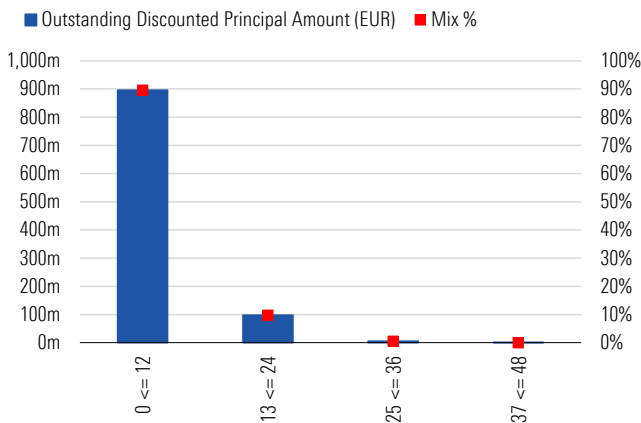
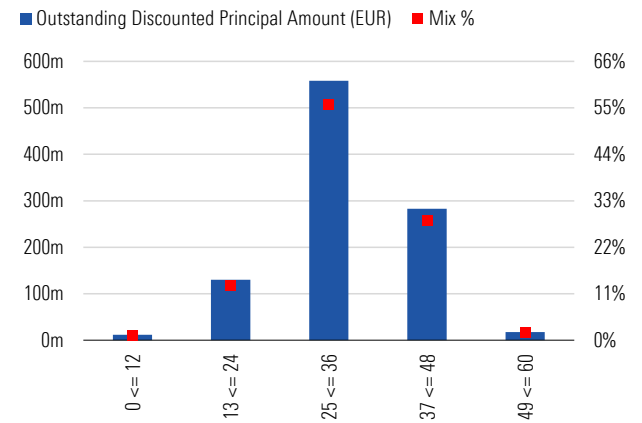


Exhibit 6 Distribution by Remaining Maturity (Months)



Source: VWL, DBRS Morningstar.

In comparison with other auto lease portfolios that DBRS Morningstar assesses in Germany, DBRS Morningstar notes the following:

- The majority of the portfolio comprises new vehicles (93.9%), which is in line with what is typically observed in other German captive lease portfolios rated by DBRS Morningstar;
- The average discounted receivables balance is marginally lower than EUR 9,184. This reflects (1) the inclusion of brands with a comparatively lower list price (2) the RV component of the leases not being securitised in this transaction (3) the portfolio's weighted-average (WA) original term being relatively low at 39.6 months, resulting in a comparatively larger RV component.
- DBRS Morningstar considers the vehicle-make concentration to be high. The majority (99.7%) of the portfolio consists of Volkswagen Group vehicles. Vehicle model distribution is more granular, with the largest model (the VW Tiguan) representing approximately 5.9% of the portfolio. The concentration levels that DBRS Morningstar observed are in line with other VWL-sponsored transactions rated by DBRS Morningstar and reflect the captive nature of the Originator.
- The portfolio has limited seasoning; around 10.4% of the portfolio has more than 12 months' account history. Approximately 0.7% of the portfolio has account history greater than two years; however, DBRS Morningstar considers the WA seasoning of 7.3 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, including form and sufficiency of available credit enhancement;
- Relevant credit enhancement in the form of subordination, a reserve fund, and OC;
- Credit enhancement levels that are sufficient to support DBRS Morningstar's projected expected CNLs under various stress scenarios;
- 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 assigned to the Class A Notes and Class B Notes 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;
- 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 on the Federal Republic of Germany, currently at AAA with a Stable trend; and
- 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

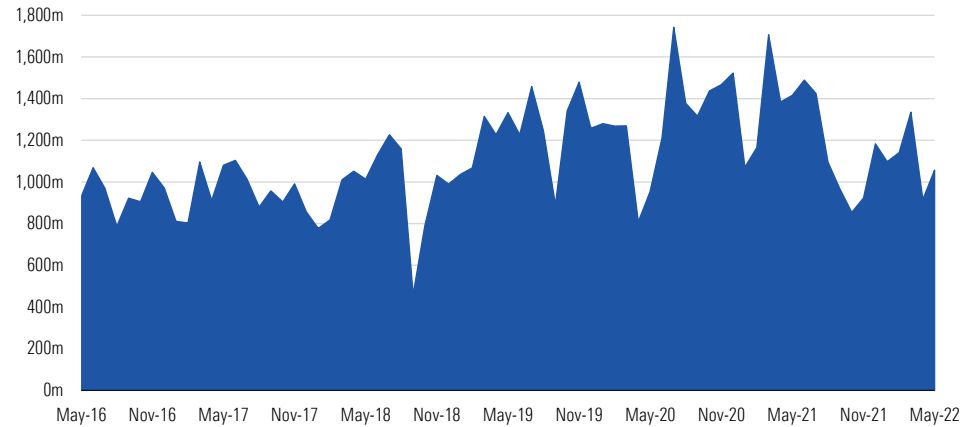
DBRS Morningstar received the following sets of data from VWL:

- Static CNL data going back to January 2013 and up to June 2022; data was provided on a total portfolio basis.
- Total portfolio level delinquency data from January 2010 to June 2022.
- Summarised stratification tables for the final pool as at 31 October 2022.
- A theoretical amortisation of the final pool.

DBRS Morningstar supplemented the information received with relevant historical data from prior transactions and benchmark data.

Origination and Outstanding Balances

Exhibit 7 Monthly Origination Volumes (EUR)

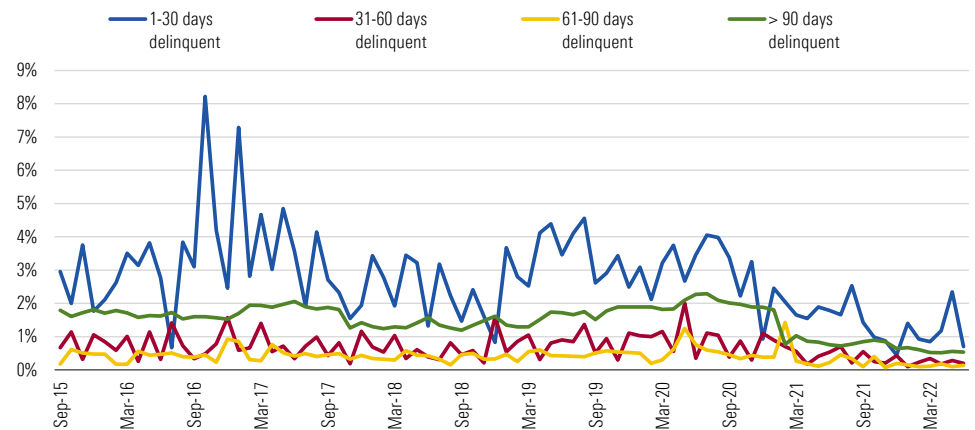


Source: VWL, DBRS Morningstar.

DBRS Morningstar observed broadly consistent origination volumes 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.

Delinquencies

Exhibit 8 Delinquencies



Source: VWL, DBRS Morningstar.

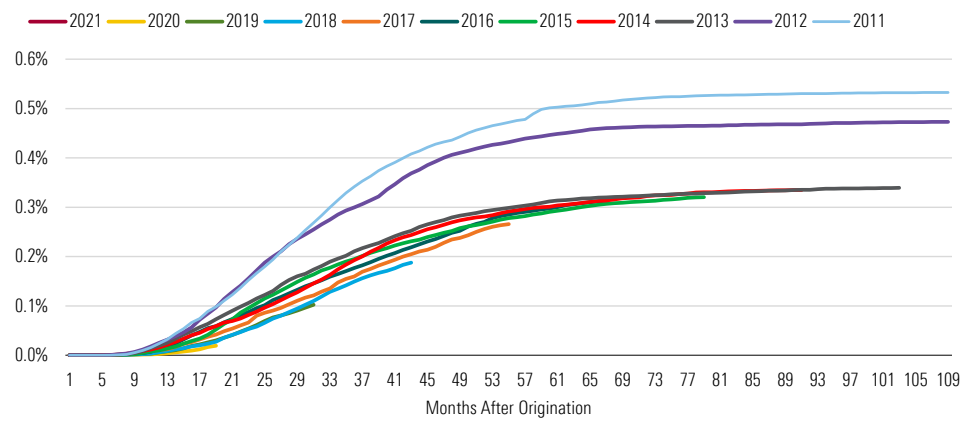
The portfolio's delinquency performance has been stable over the last few years. Recent performance shows a marginal improvement and a reduction across the portfolio, despite the coronavirus pandemic.

Vintage Default and Recoveries

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

Net losses have remained consistent and stable since 2013 with successive vintages following very similar loss distributions. More recent vintages have slightly outperformed prior years and the performance observed for the most current vintages continues this trend.

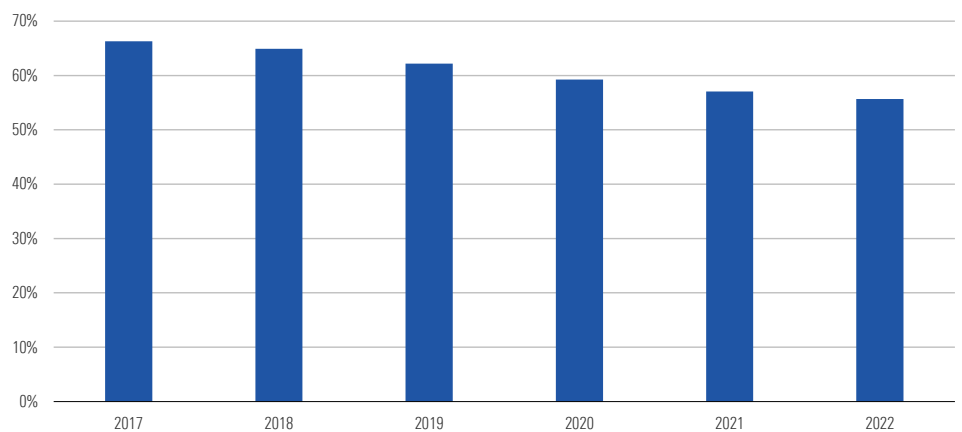
Exhibit 9 Net Loss - Total Portfolio



Source: VWL, DBRS Morningstar.

On an aggregate annual basis, lease level recoveries reported under VWL’s VCL Master S.A., acting with respect to its Compartment 1 transaction have averaged fluctuated around 60% with a declining trend.

Exhibit 10 Annual Recovery Rate % (VCL Master S.A., acting with respect to its Compartment 1)

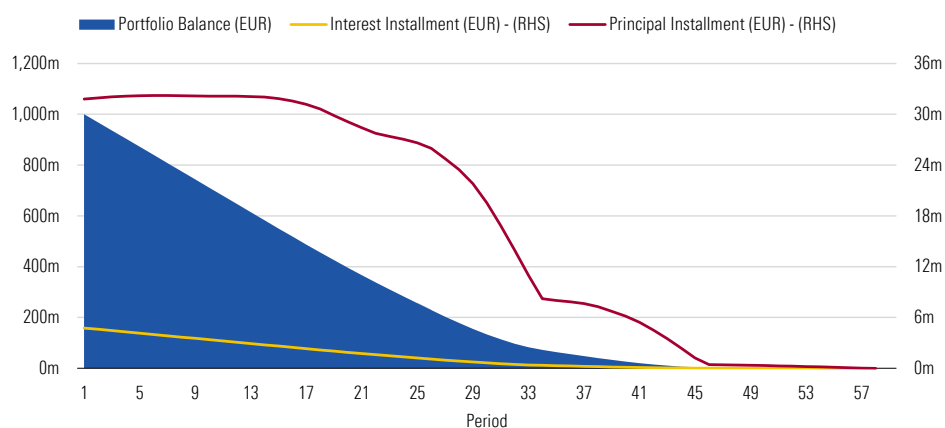


Source: VWL, DBRS Morningstar.

Portfolio Amortisation and Interest Rate

As the portfolio only contains the monthly lease instalment component of the leases and the RV component is not securitised, the amortisation profile is broadly linear and shows little volatility.

Exhibit 11 Theoretical Amortisation Schedule



Source: VWL 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. DBRS Morningstar evaluated several different prepayment scenarios when assessing the sufficiency of credit enhancement that considered prepayment rates between 0% and 15%. DBRS Morningstar assessed a total of 18 cash flow scenarios to evaluate the performance of the Class A Notes and Class B Notes that incorporated front-, mid-, and back-loaded default timings and interest rates stresses.

Interest Rate Risk and Basis Risk

The interest rate risk in the transaction arises from the fixed interest rate on the leased receivables and the one-month Euribor floating rate on the Notes. To mitigate the risk, the Issuer has entered into swap agreements with SEB.

As a result, the Issuer pays a fixed rate on the Class A Notes and Class B Notes, respectively, on each payment date 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.

Default and Recovery Assumptions

DBRS Morningstar observed broadly consistent and low CNL rates from monthly vintages originated since 2013. To determine a loss estimate for the current transaction, DBRS Morningstar extended the dataset 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 portfolio recovery information; however, based on historical performance reported for similar assets securitised in benchmark transactions in Germany, including predecessor

transactions, DBRS Morningstar considered an expected recovery assumption that was consistent with the long term average performance observed along with a three-month recovery lag.

	Base Assumption (%)
Expected Default Rate	1.4
Expected Recovery Rate	60.0
AAA (sf) Recovery Rate	38.4
AA (low) (sf) Recovery Rate	43.2

DBRS Morningstar applied high-range core multiples to the expected default rate.

Prepayment Speeds and Prepayment Stress

DBRS Morningstar assessed annualised prepayment rates between 0% and 15%, with the latter presenting the constraining scenarios within DBRS Morningstar's cash flow analysis. Historic prepayment rates reported for VWL sponsored transactions in Germany have consistently been under 5%.

Timing of Defaults

DBRS Morningstar estimated the default timing patterns and created base, front-, mid-, and back stress-loaded default curves. The WA life of the collateral portfolio under DBRS Morningstar's stressed cash flows is expected to be about three years and the front-, 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%

Because of the pro rata allocation approach, DBRS Morningstar considers that the structure is sensitive to back-loaded default timings as principal may initially be diverted to the repayment of the subordinated loan.

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 ratings 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 Notes

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

Class B Notes

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

Appendix

Origination & Underwriting

Origination and Sourcing

VWL acts under various brand groups: VW Leasing, Seat Leasing, Skoda Leasing, and VW Commercial Leasing brands are part of the Volume brand group while Audi leasing, Bentley, Lamborghini, and Ducati are under the Premium brand Group. The Sport and Luxury brand Group contains Porsche.

VWL's objectives 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 Volkswagen Group's business partners.

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. A dealer can thus offer the customer complete, competent, and personal service at one stop and from one source, including the financing.

The co-operation between the manufacturer or importer and the dealer-partner is established by a dealer agreement. Under this agreement, the dealer-partner is given the responsibility to market the products and services of the Volkswagen Group and to service its trademarked products.

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' 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.

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 by 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' 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 PD and 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, VWL's debt management department 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 Backup Servicer: There is no backup Servicer appointed to the VCL Programme. DBRS Morningstar believes that the Volkswagen 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* (19 October 2022), <https://www.dbrsmorningstar.com/research/404212/rating-european-consumer-and-commercial-asset-backed-securitisations>.

Other methodologies referenced in this transaction are listed below:

- *Legal Criteria for European Structured Finance Transactions* (22 July 2022), <https://www.dbrsmorningstar.com/research/400166/legal-criteria-for-european-structured-finance-transactions>.
- *Rating European Structured Finance Transactions Methodology* (15 July 2022), <https://www.dbrsmorningstar.com/research/399899/rating-european-structured-finance-transactions-methodology>.
- *Operational Risk Assessment for European Structured Finance Servicers* (15 September 2022), <https://www.dbrsmorningstar.com/research/402774/operational-risk-assessment-for-european-structured-finance-servicers>.
- *Operational Risk Assessment for European Structured Finance Originators* (15 September 2022), <https://www.dbrsmorningstar.com/research/402773/operational-risk-assessment-for-european-structured-finance-originators>.
- *Derivative Criteria for European Structured Finance Transactions* (20 September 2021), <https://www.dbrsmorningstar.com/research/384624/derivative-criteria-for-european-structured-finance-transactions>.
- *Interest Rate Stresses for European Structured Finance Transactions* (22 September 2022), <https://www.dbrsmorningstar.com/research/402943/interest-rate-stresses-for-european-structured-finance-transactions>.
- *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (17 May 2022), <https://www.dbrsmorningstar.com/research/396929/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.

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