PRESS RELEASE | SEPTEMBER 04, 2023

DBRS Morningstar Assigns Provisional Credit Ratings to VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 40

AUTO

DBRS Ratings GmbH (DBRS Morningstar) assigned provisional credit ratings to the following classes of notes to be issued by VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 40 (the Issuer):
-- Class A Notes at AAA (sf)
-- Class B Notes at AA (low) (sf)

The provisional credit ratings on both the Class A Notes and Class B Notes (together, the Notes) address the timely payment of scheduled interest and the ultimate repayment of principal by the legal final maturity date.

The provisional credit ratings are based on information provided to DBRS Morningstar by the Issuer and its agents as of the date of this press release. These credit ratings will be finalised upon review of the final version of the transaction documents and of the relevant legal opinions.

CREDIT RATING RATIONALE
The transaction represents the issuance of Notes backed by a portfolio selected from a pool of approximately EUR 750 million of receivables related to auto leases granted by Volkswagen Leasing GmbH (VWL; the Originator, the Seller), a wholly owned, indirect subsidiary of Volkswagen AG, 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 also services the receivables.

DBRS Morningstar based its provisional credit ratings on a review of the following analytical considerations:
-- The transaction's capital structure, including form and sufficiency of available credit enhancement;
-- Relevant credit enhancement in the form of subordination, a reserve fund, and overcollateralisation (OC);
-- Credit enhancement levels that are sufficient to support DBRS Morningstar's projected cumulative net loss (CNL) under various stressed cash flow assumptions for the Notes;
-- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms under which they have invested;
-- VWL's capabilities with regard to originations, underwriting, and servicing, and its financial strength;
-- The transaction parties' financial strength with regard to their respective roles;
-- The credit quality 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 expected 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 are expected to address the true sale of the assets to the Issuer.

TRANSACTION STRUCTURE

The transaction incorporates a single waterfall that governs the allocation of the available distribution amount consisting of, inter alia, collections representing interest, principal, and recoveries. The transaction documents foresee a mixed sequential/pro rata amortisation structure. Initially, all collections from the lease receivables will pay down the Class A Notes. Once the Class A OC percentage reaches 12.25%, the Class B Notes will begin to amortise. Once the Class B OC percentage reaches 7.5%, principal payments on the Notes will be allocated on a pro rata basis, unless prespecified performance triggers are breached as outlined in the transaction documents.

The transaction benefits from liquidity support provided by a cash reserve, with an initial balance of EUR 9.0 million (equal to 1.2% of the initial outstanding discounted receivables balance). The target balance of the reserve on subsequent payment dates is the higher of 1.2% of the aggregate discounted receivables balance and the lower of (1) EUR 7.5 million or (2) the aggregate outstanding principal amount of the Notes. The reserve is available to cover the payment of senior expenses, swap payments, and interest on the Notes. The reserve also provides credit enhancement to the Notes and is available to repay principal on the Notes when the portfolio's aggregate discounted receivables balance reaches zero.

All underlying contracts are fixed rate while the Notes pay a floating rate. The Notes are indexed to one-month Euribor. Interest rate risk for the Notes is mitigated through an interest rate swap with an eligible counterparty. The swap counterparty for the transaction will be confirmed prior to closing.

COUNTERPARTIES

The Bank of New York Mellon - Frankfurt Branch (BNYM Frankfurt) is expected to be appointed to act as the account bank for the transaction. Based on DBRS Morningstar's private rating on BNYM Frankfurt and the downgrade provisions outlined in the transaction documents, DBRS Morningstar considers the risk arising from the exposure to the account bank to be consistent with the credit ratings assigned, as described in DBRS Morningstar's "Legal Criteria for European Structured Finance Transactions" methodology.

The swap counterparty for the transaction will be confirmed prior to closing. It is expected that the DBRS Morningstar rating on the chosen swap counterparty and the downgrade provisions referenced in the hedging documents will be consistent with DBRS Morningstar's "Derivative Criteria for European Structured Finance Transactions" methodology.

DBRS Morningstar's credit ratings on the Class A and Class B Notes address the credit risk associated with the identified financial obligations in accordance with the relevant transaction documents. For the Notes listed in the table, the associated financial obligations are the Class A Notes interest rate, Class B Notes interest rate, the Class A Notes principal payment amount and the Class B Notes principal payment amount.

DBRS Morningstar's credit rating does not address non-payment risk associated with contractual payment obligations contemplated in the applicable transaction document(s) that are not financial obligations.

DBRS Morningstar's long-term credit ratings provide opinions on risk of default. DBRS Morningstar considers risk of default to be the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which a long-term obligation has been issued.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at https://

www.dbrsmorningstar.com/research/416784/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings (4 July 2023).

DBRS Morningstar analysed the transaction structure in Intex Dealmaker.

Notes:
All figures are in euros unless otherwise noted.

The principal methodology applicable to the credit ratings 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 at the end of this press release.

DBRS Morningstar has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

For a more detailed discussion of the sovereign risk impact on Structured Finance credit ratings, please refer to "Appendix C: The Impact of Sovereign Ratings on Other DBRS Morningstar Credit Ratings" of the "Global Methodology for Rating Sovereign Governments" at: https://www.dbrsmorningstar.com/research/401817.

The DBRS Morningstar Sovereign group releases baseline macroeconomic scenarios for rated sovereigns. DBRS Morningstar analysis considered impacts consistent with the baseline scenarios as set forth in the following report: https://www.dbrsmorningstar.com/research/384482.

The sources of data and information used for these credit ratings include the Originator and its agents:
-- Static CNL data going back to January 2013 and up to June 2023 provided on a total portfolio basis;
-- Total portfolio level delinquency data from January 2010 to June 2023;
-- Summarised stratification tables for the provisional pool as at 31 July 2023; and
-- A theoretical amortisation of the selected pool.

DBRS Morningstar did not rely upon third-party due diligence in order to conduct its analysis.

DBRS Morningstar was not supplied with third-party assessments. However, this did not impact the credit rating analysis.

DBRS Morningstar considers the data and information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

DBRS Morningstar does not audit or independently verify the data or information it receives in connection with the credit rating process.

These credit ratings concern expected-to-be issued new financial instruments. These are the first DBRS Morningstar credit ratings on these financial instruments.

Information regarding DBRS Morningstar credit ratings, including definitions, policies, and methodologies, is available on www.dbrsmorningstar.com.

Sensitivity Analysis: To assess the impact of changing the transaction parameters on the credit ratings, DBRS Morningstar considered the following stress scenarios as compared with the parameters used to determine the credit ratings (the base case):
-- Expected default rate: 1.3%
-- Expected recovery rate: 60.0%
-- Loss given default (LGD): 61.6% for the AAA (sf) scenario and 57.3% for the AA (low) (sf) scenario

Scenario 1: 25% increase in LGD
Scenario 2: 50% increase in LGD
Scenario 3: 25% increase in PD
Scenario 4: 50% increase in PD
Scenario 5: 25% increase in PD and 25% increase in LGD
Scenario 6: 25% increase in PD and 50% increase in LGD
Scenario 7: 50% increase in PD and 25% increase in LGD
Scenario 8: 50% increase in PD and 50% increase in LGD

DBRS Morningstar concludes that the expected credit ratings under the eight stress scenarios would be:
-- Class A Notes: AAA (sf), AA (high) (sf), AAA (sf), AA (high) (sf), AA (high) (sf), AA (sf), AA (sf), and AA (low) (sf)
-- Class B Notes: AA (low) (sf), A (high) (sf), AA (low) (sf), A (high) (sf), A (high) (sf), A (sf), A (sf), and A (low) (sf)

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: https://registers.esma.europa.eu/cerep-publication/. For further information on DBRS Morningstar historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see https://data.fca.org.uk/#/ceres/craStats.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Guglielmo Panizza, Vice President
Rating Committee Chair: Gareth Levington, Managing Director
Initial Rating Date: 4 September 2023

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The credit rating methodologies used in the analysis of this transaction can be found at: https://www.dbrsmorningstar.com/about/methodologies.

-- 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.
-- Rating European Structured Finance Transactions Methodology (15 July 2022), https://www.dbrsmorningstar.com/research/399899/rating-european-structured-finance-transactions-methodology.
-- Legal Criteria for European Structured Finance Transactions (30 June 2023), https://www.dbrsmorningstar.com/research/416730/legal-criteria-for-european-structured-finance-transactions.
-- 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 (16 June 2023), https://www.dbrsmorningstar.com/research/415976/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 (4 July 2023), https://www.dbrsmorningstar.com/research/416784/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

A description of how DBRS Morningstar analyses structured finance transactions and how the methodologies are collectively applied can be found at: https://www.dbrsmorningstar.com/research/278375.

For more information on this credit or on this industry, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

Ratings

VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 40

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
04-Sep-23	Class A Notes	Provis.-New	AAA (sf)	--	EU U
04-Sep-23	Class B Notes	Provis.-New	AA (low) (sf)	--	EU U

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