Rating Report

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

DBRS Morningstar
October 2023

Contents

Guglielmo Panizza
Vice President
European ABS
+49 69 8088 3685
guglielmo.panizza@dbrsmorningstar.com

Sergio Rodas Sanchez
Analyst
European ABS
+34 919 03 64 85
sergio.rodassanchez@dbrsmorningstar.com

Mark Wilder
Senior Vice President
European Operational Risk
+44 20 7855 6638
mark.wilder@dbrsmorningstar.com

Credit Ratings, Issuer's Assets, and Liabilities

Debt	Par Amount (EUR)[1]	Initial Subordination (%)[2]	Coupon (%)	Credit Rating[3, 4]	Credit Rating Action	Credit Rating Action Date
Class A Notes XS2673966805	709,500,000	5.4	One-month Euribor + 0.42	AAA (sf)	Provisional - Finalised	25 October 2023
Class B Notes XS2673967019	16,500,000	3.2	One-month Euribor + 1.15	AA (low) (sf)	Provisional - Finalised	25 October 2023
Subordinated Loan	17,701,588	-	-	Not Rated	N/A	N/A
Overcollateralisation	6,300,000	-	-	Not Rated	N/A	N/A

Notes:
1. At the issue date.
2. Subordination is expressed in terms of portfolio overcollateralisation (OC) and does not include the general cash collateral amount.
3. The coupons on the Class A Notes, Class B Notes, and the Subordinated Loan are floored at zero.
4. The credit ratings on the Class A Notes and Class B Notes address the timely payment of scheduled interest and the ultimate repayment of principal by the final legal maturity date. For additional information on the meaning and scope of the financial obligations identified in these credit ratings, please see Appendix D: Scope and Meaning of Financial Obligations.

Issuer's Assets	Initial Amount (EUR)	Size (% of Portfolio)
Portfolio[1]	750,001,588	100%
Specified Cash Collateral Account Balance at Closing	9,000,000	1.20% of the aggregate discounted receivables balance
VWL Risk Reserve	8,250,000	-

Notes:
1. As at 30 September 2023.

DBRS Ratings GmbH (DBRS Morningstar) finalised its provisional credit 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 40 (the Issuer or VCL Compartment 40). 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 750 million of receivables related to auto leases granted by Volkswagen Leasing GmbH (VWL; the Originator, the Servicer, 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 also services the receivables.

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

Credit 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 will amortise from the initial payment date.
- All underlying contracts are fixed rate while the Notes are floating rate. Interest rate risk is mitigated through interest rate swaps.
- The discount rate applied to the gross receivables balance to calculate the purchase price is fixed at 5.7%. The buffer release amount is retained in the transaction when a level two credit enhancement increase condition is in effect and forms part of the available distribution amount. However, there is no excess spread available to support the payment of interest or principal on the Notes prior to the occurrence of a level two credit enhancement increase condition.
- 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% (or 14.00% if a level 1 credit enhancement increase condition is in effect), the Class B Notes begin to amortise. Once the Class B OC percentage reaches 7.50% (or 8.25% if a level 1 credit enhancement increase condition is in effect), available funds used to pay 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 (Volkswagen or the Group) companies. Volkswagen-branded passenger vehicles comprise 37.9% of the outstanding discounted balance (or, combined with Volkswagen-branded light-commercial vehicles, 45.0%). The second-largest brand concentration, Audi, comprises 28.8% of the outstanding discounted balance.
- Approximately 39.3% of the receivables comprise vehicles equipped with a diesel engine and 37.2% of the receivables comprise vehicles with a petrol engine. The remaining 23.4% of the receivables comprise vehicles with alternative, hybrid (6.2%), gas (0.1%), or electric powertrains (17.0%).

Strengths

- VWL is a well-established captive finance Originator and Servicer in Germany. This transaction's portfolio characteristics 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 Issuer Rating on VW is A (low) with a Stable trend.
- 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 interest on the Notes prior to being restored to a target amount initially set at 1.2% of the aggregate discounted receivables balance, floored at the lower of (1) EUR 7.5 million and (2) the aggregate outstanding principal balance of the Class A Notes and Class B Notes at the end of the relevant monthly period.
- DBRS Morningstar received detailed monthly vintage information covering the past 10 years of cumulative net loss (CNL) performance. Based on this information, DBRS Morningstar derived 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 99.5% 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, the buffer release rate is only made available to the transaction cash flows following the occurrence of a level two credit enhancement increase condition.
  Mitigant: DBRS Morningstar considered the buffer release rate mechanism when analysing the transaction.
- The Servicer collects payments on its own accounts and only transfers funds on the following payment date.,Collections therefore may be commingled within the Servicer's estate in case of insolvency.
  Mitigant: Following specified rating trigger downgrades related to VWFS, 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 credit 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 on 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. Of this portfolio, 100% relates to closed-end contracts. DBRS Morningstar understands that these contracts are not classified as contracts that provide for financial accommodation against consideration.

Transaction Parties

Roles	Counterparty	Rating[1]
Issuer	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 40	N/A
Originator/Seller/Servicer	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
Paying Agent/Calculation Agent/Interest Determination Agent/Custodian	The Bank of New York Mellon - London Branch	AA (high), Stable
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.

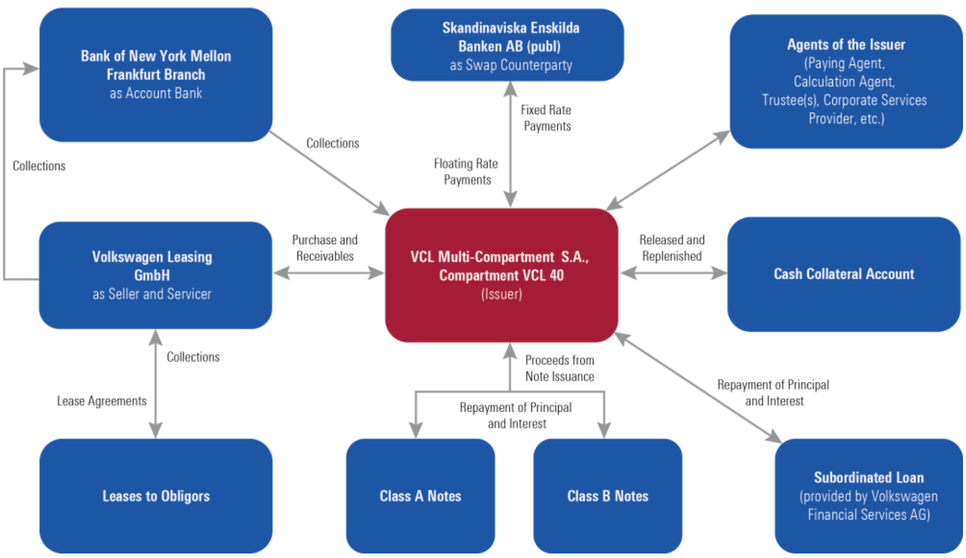
Relevant Dates

Term	Description
Closing Date	25 October 2023
Cut-Off Date	30 September 2023
Payment Date	21st of each month
First Payment Date	21 November 2023
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 August 2029

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 Issuer is incorporated under the laws of the Grand Duchy of Luxembourg.	
Interest Rate Hedging	Interest rate swaps to be in place at closing. The Issuer pays: 4.02% and 4.65% under the Class A Notes and Class B Notes swaps, respectively. The Issuer receives: In relation to the Class A Notes swap, the sum of Euribor plus 0.42% per annum (p.a.). In relation to the Class B Notes swap, Euribor plus 1.15% p.a. Notional: the aggregate principal amount of the 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 9,000,000 corresponding with 1.2% of the aggregate discounted receivables balance.
	Target Amount	1.2% of the aggregate discounted receivables balance.
	Floor	The lesser of: • EUR 7,500,000; 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 Frankfurt Branch (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 publicly rates SEB as follows:

Debt Rated	Long-Term Rating	Long-Term Rating Trend	Short-Term Rating	Short-Term Rating Trend
Issuer Rating	A (high)	Stable	R-1 (mid)	Stable
Critical Obligations Rating	AA	Stable	R-1 (high)	Stable
Senior Debt	A (high)	Stable	R-1 (mid)	Stable
Deposits	A (high)	Stable	R-1 (mid)	Stable

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 VWFS's credit rating falls below BBB (high).

Upon a 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 thereof.

DBRS Morningstar considered a commingling loss commensurate with the credit ratings assigned to the 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 credit 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;
- The repurchase price received from VWL, if any; and

- The buffer release amount.

  Prior to the occurrence of a level two credit enhancement increase condition, 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 following order of priority:

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 5 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 amounts 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 two 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 two 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	7.5	8.25	100.0

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

- Exceeds 0.5% on any payment date up to and including January 2025; or
- Exceeds 1.15% on any payment date after (and excluding) January 2025 up to (and including) October 2025.

A level two 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 will then be allocated as per the following 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 credit 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 April 2023. VWL is a wholly owned subsidiary of VWFS, which is wholly owned by Volkswagen. 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 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 under the 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.

In March 2023, VW announced a reorganisation of the subgroups of VWFS and Volkswagen Bank GmbH (VWB). This will involve the creation of a new VWFS, which will become the holding company for European and UK financial services activities, while the existing VWFS will become VWFS Overseas AG and will become the holding company for non-European activities. The shares in VWL will be transferred to VWB. The project will likely be implemented in mid-2024.

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 that are 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 portfolio only includes close-end lease contracts.

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 should 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 as agreed between VWL and the lessees to limit the impact of the Coronavirus Disease (COVID-19); and
15. No 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 beyond 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 asset-backed security (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, *The European Court Resolves Debate on Consumer Rights in Germany but Questions Remain.*

DBRS Morningstar understands that VWL 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 on 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 30 September 2023. The main characteristics of the portfolio are summarised below.

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

Outstanding Discounted Receivables Balance (EUR)	750,001,588
Total Number of Contracts (units)	70,860
Of which new vehicles (units)	65,578
Of which used vehicles or ex-demonstrators (units)	5,282
Average Outstanding Discounted Balance (EUR)	10,584
Average Outstanding Nominal Balance (EUR)	11,456
Discount Rate (%)	5.7
Buffer Release Rate (%)	0.6
WA Original Term (Months)	39.5
WA Remaining Term (Months)	32.8
WA Seasoning (Months)	6.8

Vehicle Brand	% of Outstanding Discounted Balance
VW	37.9
Audi	28.8
Skoda	14.4
SEAT	11.5
VW Light Commercial Vehicles	7.1
Other Brands	0.3

Business Segment	% of Outstanding Discounted Balance
Private	21.8
Commercial	78.2

Customer Concentration	% of Outstanding Discounted Balance
Top 1	0.4
Top 3	0.7
Top 5	0.9
Top 10	1.3
Top 20	1.9

Geographic Mix (Top Five Regions)	% of Outstanding Discounted Balance
North Rhine-Westphalia	23.7
Bavaria	17.9
Baden-Wuerttemberg	15.3
Lower Saxony	9.6
Hesse	8.0

Top Five Industries	% of Outstanding Discounted Balance
Public administration, education, health care, public serv.	20.2
Manufacturing industry	15.5
Other Services	15.3
Retail/Wholesale	14.9
Construction	8.9

Exhibit 1 Distribution by Vehicle Brand (EUR)

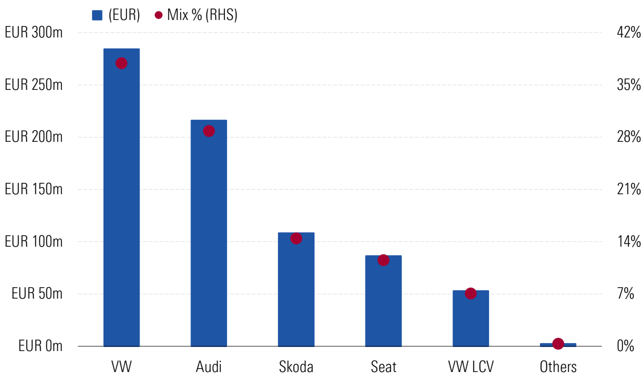
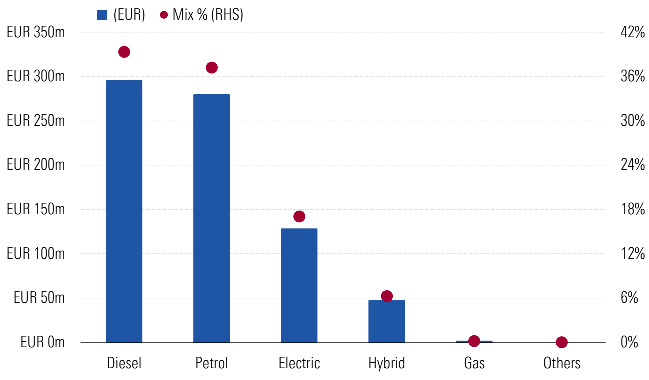


Exhibit 2 Distribution by Engine Type (EUR)



Source: VWL, DBRS Morningstar.

Exhibit 3 Distribution by Outstanding Principal (EUR)

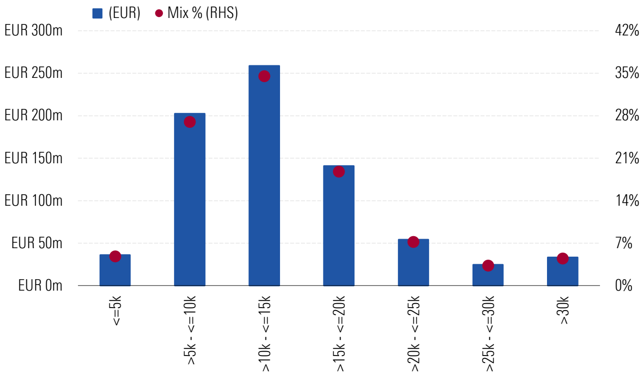
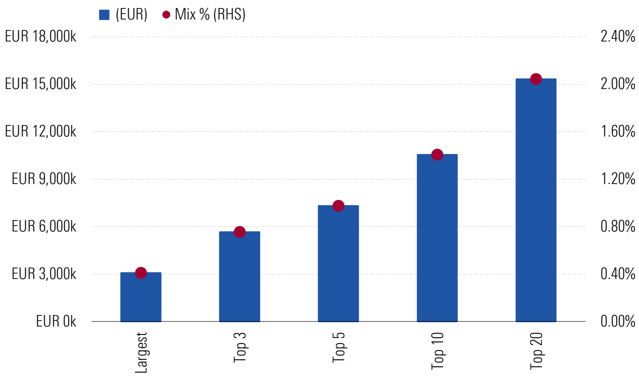


Exhibit 4 Distribution by Top Lessees



Source: VWL, DBRS Morningstar.

Exhibit 5 Distribution by Original Term (Months)

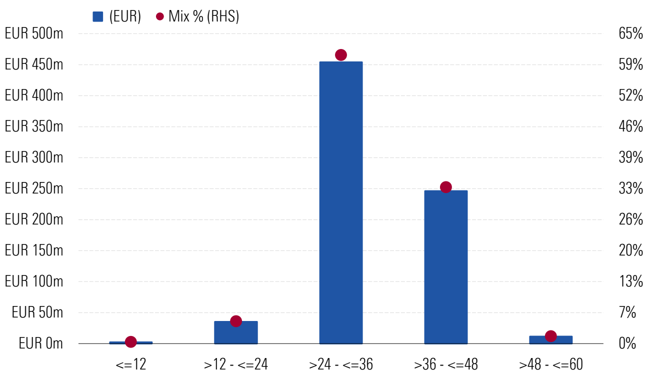
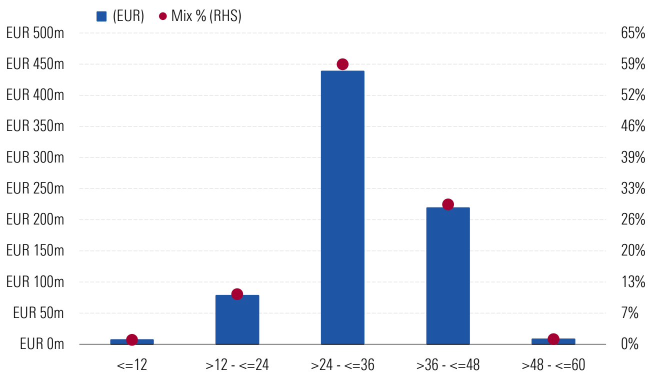


Exhibit 6 Distribution by Remaining Maturity (Months)



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 (92.7%), 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 10,584. This reflects (1) the inclusion of brands with a comparatively lower list price; (2) the RV component of the leases not securitised in this transaction; (3) the portfolio's weighted-average (WA) original term that is relatively low at 39.5 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 vehicles manufactured by Volkswagen Group. Vehicle model distribution is more granular, with the largest model (the VW Tiguan) representing approximately 6.9% 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 7.8% of the portfolio has more than 12 months of account history. Approximately 0.3% of the portfolio has more than two years of account history; however, DBRS Morningstar considers the WA seasoning of 6.8 months to be consistent with other German auto lease portfolios in transactions it rates.

Credit Rating Analysis

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

- Transaction capital structure, including form and sufficiency of available credit enhancement to withstand stressed cash flow assumptions and repay the Notes;
- 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 credit 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

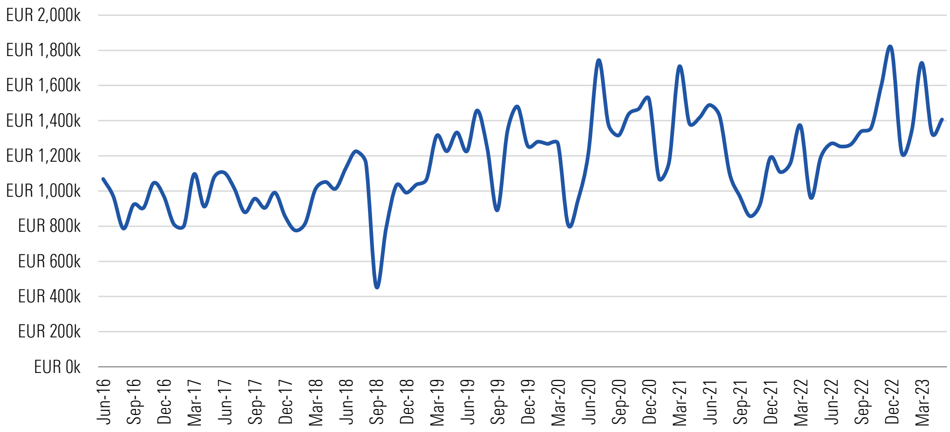
DBRS Morningstar received the following sets of data from VWL:

- Static CNL data going back to January 2013 and up to June 2023 provided on a total portfolio basis;
- Total portfolio level delinquency data from January 2010 to June 2023;
- Summarised stratification tables for the selected pool as at 30 September 2023; and
- A theoretical amortisation of the selected 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)

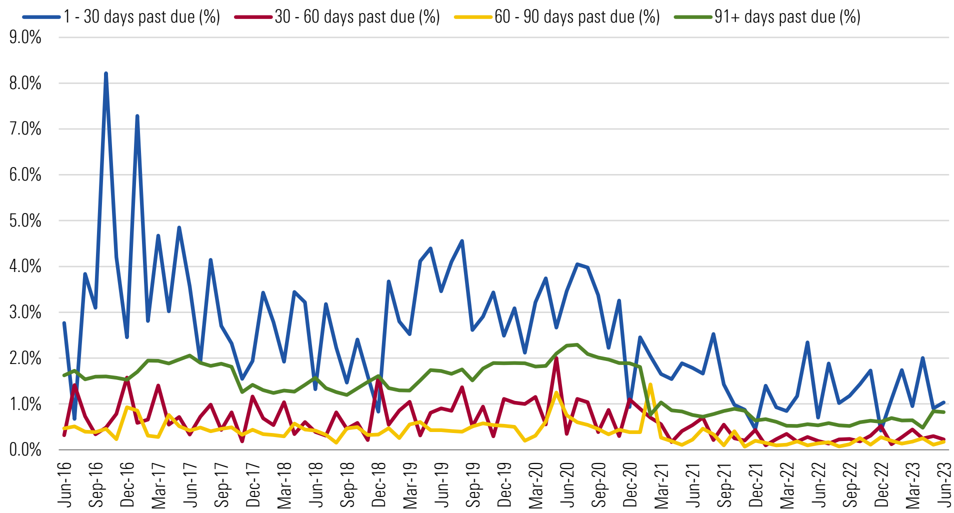


Source: VWL, DBRS Morningstar.

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.

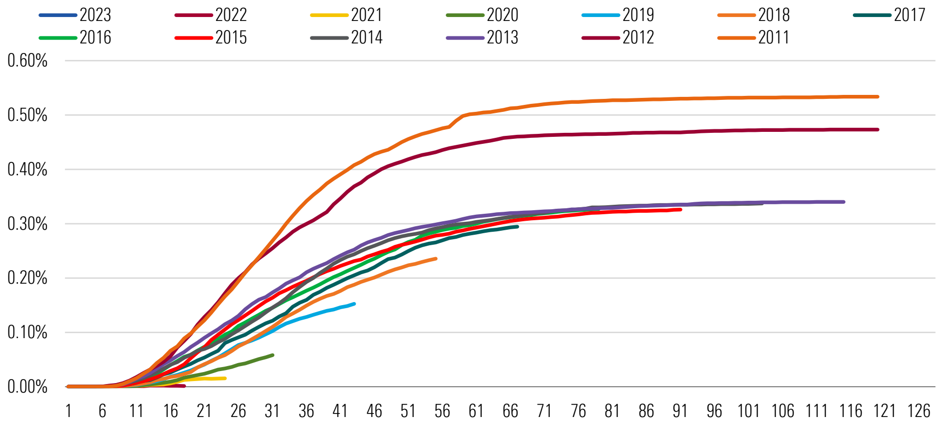
The portfolio’s delinquency performance has been stable over the last few years. Recent performance shows a marginal improvement and a reduction across the portfolio, despite the coronavirus pandemic.

Vintage Default and Recoveries

The default definition that DBRS Morningstar 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 similar loss distributions. More recent vintages have slightly outperformed prior years and the performance observed for the most current vintages continues this trend.

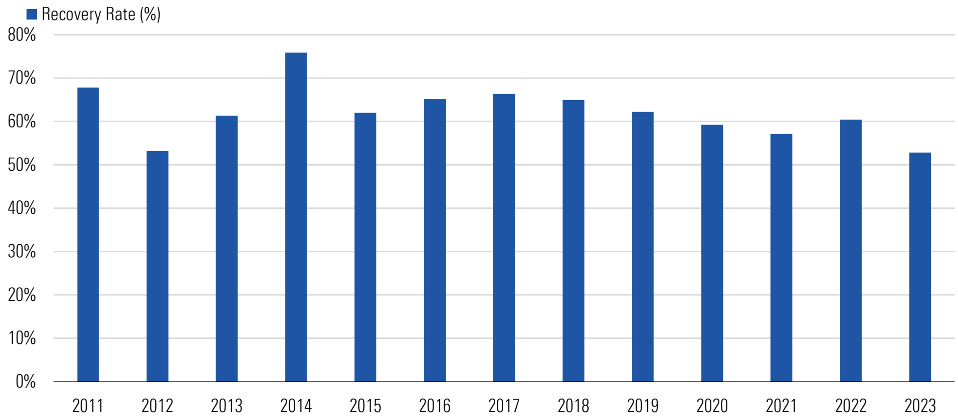
Exhibit 9 Net Loss—Total Portfolio



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)

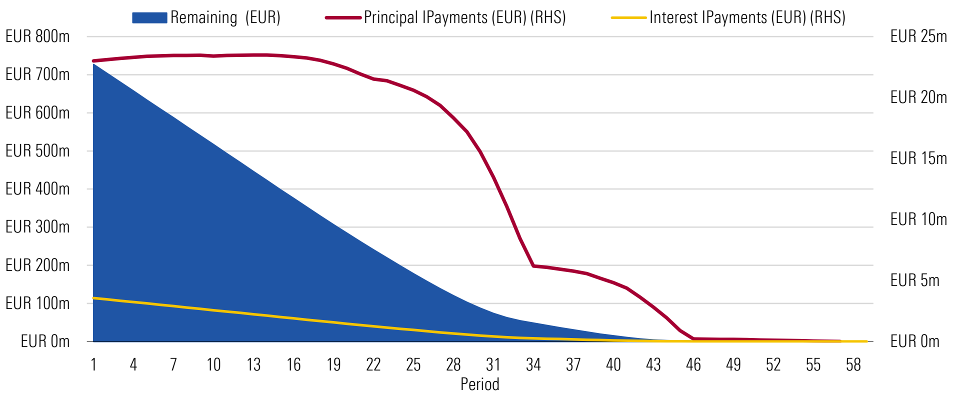


Source: VWL, DBRS Morningstar.

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 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 issued notes. To mitigate the risk, the Issuer is expected to enter into swap agreements with a swap counterparty that is expected to meet DBRS Morningstar's minimum criteria to act in such capacity.

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 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, DBRS Morningstar projected CNLs to maturity using historical data related to loss timing. DBRS Morningstar did not receive 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	1.3
Expected Recovery Rate	60.0
AAA (sf) Recovery Rate	38.4
AA (low) (sf) Recovery Rate	42.7

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	25	20
2	30	50	30
3	20	25	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 credit 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 credit 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)	AA (low) (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 A: Origination & Underwriting

Origination and Sourcing

VWL acts under various brand groups: VW Leasing, SEAT Leasing, Skoda Leasing, and VW Commercial Leasing under the Volume brand group; Audi Leasing, Bentley, Lamborghini, and Ducati under the Premium brand group; and Porsche in the Sport and Luxury brand group.

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 Group's business partners.

In addition to providing leasing for the brands noted above, VWL also offers service leasing to commercial and noncommercial customers and leasing options for used vehicles of all makes. VWL co-operates closely with the Group's approximately 3,000 dealerships. A dealer can thus offer the customer complete, competent, and 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 responsible for marketing the Group's products and services and servicing the Group's 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 the leasing business. The dealer-partner is the local contact person and is 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 the collection of income statements as well as the review of identity cards, proof of address, and utility bills. 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 customer's credit standing 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 lease denoting the risk associated with the borrower and lease. Dual bureau data is primarily used for high-risk bands. Automatic decisioning only exists for the low-risk bands and, as expected, the approval rate is considerably lower for higher-risk bands. For large customers where there is a master framework agreement with VWL, the application is evaluated by at least two credit officers. Ongoing checks then 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 lease.

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.
- Consistent achievement of strategic goals.

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, term maturity, insurance, and prepayment terms. The majority of payments are made via direct debit 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.

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 lease, is used to segregate arrears cases based on the risk profile. Over the last year, VWFS has focused more 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 contract termination.

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 debt management department's employees 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 lease size.

Opinion on Backup Servicer

There is no backup servicer specified for the VCL Programme but contractual provisions enable the replacement of the Servicer. DBRS Morningstar 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.

Appendix B: Methodologies Applied

The principal methodology applicable to assign credit 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* (30 June 2023), https://www.dbrsmorningstar.com/research/416730/legal-criteria-for-european-structured-finance-transactions.
- *Rating European Structured Finance Transactions Methodology* (6 October 2023), https://www.dbrsmorningstar.com/research/421599/rating-european-structured-finance-transactions-methodology.
- *Operational Risk Assessment for European Structured Finance Servicers* (15 September 2023), https://www.dbrsmorningstar.com/research/420572/operational-risk-assessment-for-european-structured-finance-servicers.
- *Operational Risk Assessment for European Structured Finance Originators* (15 September 2023), https://www.dbrsmorningstar.com/research/420573/operational-risk-assessment-for-european-structured-finance-originators.
- *Derivative Criteria for European Structured Finance Transactions* (18 September 2023), https://www.dbrsmorningstar.com/research/420754/derivative-criteria-for-european-structured-finance-transactions.
- *Interest Rate Stresses for European Structured Finance Transactions* (15 September 2023), https://www.dbrsmorningstar.com/research/420602/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.

The credit rating methodologies and criteria used in the analysis of this transaction can be found at: http://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 & Criteria. Alternatively, please contact info@dbrsmorningstar.com.

Appendix C: Environmental, Social, and Governance (ESG) Checklist and Considerations

Environmental, Social, and Governance (ESG) Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis:
Environmental	**Overall:**	N	N
Emissions, Effluents, and Waste	Do the costs or risks result in a higher default risk or lower recoveries for the securitized assets?	N	N
Carbon and GHG Costs	Do the costs or risks related to GHG emissions result in higher default risk or lower recoveries of the securitized assets?	N	N
	Are there potential benefits of GHG-efficient assets on affordability, financeability, or future values (recoveries)?	N	N
	Carbon and GHG Costs	N	N
Climate and Weather Risks	Are the securitized assets in regions exposed to climate change and adverse weather events affecting expected default rates, future valuations, and/or recoveries?	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors?	N	N
Social	**Overall:**	N	N
Social Impact of Products and Services	Do the securitized assets have an extraordinarily positive or negative social impact on the borrowers and/or society, and do these characteristics of these assets result in different default rates and/or recovery expectations?	N	N
	Does the business model or the underlying borrower(s) have an extraordinarily positive or negative effect on their stakeholders and society, and does this result in different default rates and/or recovery expectations?	N	N
	Considering changes in consumer behavior or secular social trends: does this affect the default and/or loss expectations for the securitized assets?	N	N
	Social Impact of Products and Services	N	N
Human Capital and Human Rights	Are the originator, servicer, or underlying borrower(s) exposed to staffing risks and could this have a financial or operational effect on the structured finance issuer?	N	N
	Is there unmitigated compliance risk due to mis-selling, lending practices, or work-out procedures that could result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
	Human Capital and Human Rights	N	N
Product Governance	Does the originator's, servicer's, or underlying borrower(s)' failure to deliver quality products and services cause damage that may result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
Data Privacy and Security	Does the originator's, servicer's, or underlying borrower(s)' misuse or negligence in maintaining private client or stakeholder data result in financial penalties or losses to the issuer?	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors?	N	N
Governance	**Overall:**	N	N
Corporate / Transaction Governance	Does the transaction structure affect the assessment of the credit risk posed to investors due to a lack of appropriate independence of the issuer from the originator and/or other transaction parties?	N	N
	Considering the alignment of interest between the transaction parties and noteholders: does this affect the assessment of credit risk posed to investors because the alignment of interest is inferior or superior to comparable transactions in the sector?	N	N
	Does the lack of appropriately defined mechanisms in the structure on how to deal with future events affect the assessment of credit risk posed to investors?	N	N
	Considering how the transaction structure provides for timely and appropriate performance and asset reporting: does this affect the assessment of credit risk posed to investors because it is inferior or superior to comparable transactions in the sector?	N	N
	Corporate / Transaction Governance	N	N
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors?	N	N
	Consolidated ESG Criteria Output:	N	N

* **A Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

* **A Significant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

ESG Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the checklist above.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit, please refer to the checklist above.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to credit risk factors that could impact the financial profile and therefore the credit rating of the issuer. They are separate from ESG sustainability factors, which are generally outside the scope of this 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.

Appendix D: Scope and Meaning of Financial Obligations

DBRS Morningstar's credit ratings on the Class A Notes and Class B Notes address the credit risk associated with the identified financial obligations in accordance with the relevant transaction documents. For Information on the associated financial obligations, please refer to the corresponding press release published for this credit rating action.

DBRS Morningstar's credit ratings do 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.

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 4,000 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.

That's why DBRS Morningstar is the next generation of credit ratings.

Learn more at dbrsmorningstar.com.

MORNINGSTAR | DBRS

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). DBRS Morningstar does not hold an Australian financial services license. DBRS Morningstar credit ratings, and other types of credit opinions and reports, are not intended for Australian residents or entities. DBRS Morningstar does not authorize their distribution to Australian resident individuals or entities, and accepts no responsibility or liability whatsoever for the actions of third parties in this respect. For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: https://www.dbrsmorningstar.com/research/225752/highlights.pdf.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc.