Rating Report

VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 42

Morningstar DBRS
June 2024

Contents

Xiaoxi Sun
Assistant Vice President
European ABS
+49 69 271 377 013
xiaoxi.sun@morningstar.com

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

Simon Murphy
Vice President
European Operational Risk
+44 20 7855 6676
simon.murphy@morningstar.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 XS2820232457	954,000,000	4.6%	One-month Euribor + 0.4%	AAA (sf)	Provisional Rating – Finalised	25 June 2024
Class B Notes XS2820232531	18,000,000	2.8%	One-month Euribor + 0.9%	AA (low) (sf)	Provisional Rating – Finalised	25 June 2024
Subordinated Loan	19,604,675	-	-	Not Rated	N/A	N/A
Overcollateralisation	8,400,000	-	-	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	1,000,004,675	100%
Specified Cash Collateral Account Balance at Closing	12,000,000	1.2% of the aggregate discounted receivables balance
VWL Risk Reserve	11,000,000	-

DBRS Ratings GmbH (Morningstar DBRS) 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 42 (the Issuer or VCL Compartment 42). 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 selected from a pool of approximately EUR 1 billion of receivables related to auto leases granted by Volkswagen Leasing GmbH (VWL; the Seller, and the Originator) — 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 (the Servicer).

Asset Class	Auto Leases excluding Residual Value (RV)
Governing Jurisdiction	Federal Republic of Germany
Sovereign Rating	AAA, Stable trend

Transaction Parties

Roles	Counterparty	Credit Rating[1]
Issuer	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 42	N/A
Originator/Seller/Servicer	Volkswagen Leasing GmbH	Private Credit Rating
Cash Collateral Account Bank/Distribution Account Bank/Cash Administrator/Counterparty Downgrade Collateral Account Bank	Deutsche Bank AG	A, Stable trend
Swap Counterparty	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	AA (low), Stable trend
Paying Agent/Calculation Agent/ Interest Determination Agent/Custodian	Deutsche Bank AG, London Branch	Private Credit 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 Credit Rating
Data Protection Trustee	Data Custody Agent Services B.V.	N/A
Arranger	ING Bank N.V.	AA (low), Stable trend

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

Relevant Dates

Term	Description
Closing Date	25 June 2024
Portfolio Cut-Off Date	31 May 2024
Payment Date	21st of each month
First Payment Date	22 July 2024
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 March 2030

Credit Rating Considerations

Notable Features

- The transaction represents the securitisation of auto lease receivables originated and serviced by VWL. 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 lease contracts are fixed rate-based while the Notes are floating rate-based. Interest rate risk is mitigated through interest rate swaps.
- The discount rate applied to the gross outstanding balance to calculate the purchase price is fixed at 5.7%. 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. When a level two credit enhancement increase condition is in effect the buffer release amount is retained in the transaction 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. Once the Class A OC percentage reaches certain target OC, the Class B Notes begin to amortise. Once the Class B OC percentage reaches certain target OC, available funds used to pay principal on the Class A Notes and Class B Notes are allocated on a pro rata basis unless specified performance triggers on cumulative net loss (CNL) ratio are breached, as outlined in the transaction documents.
- The transaction benefits from an amortising cash reserve with an initial amount of 1.2% of the aggregate discounted receivables balance. The cash reserve is available to cover the payment of

senior expenses, swap payments, and interests 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.
- Approximately 39.5% of the receivables comprise vehicles equipped with a diesel engine and 39.9% of the receivables comprise vehicles with a petrol engine. The remaining 20.6% of the receivables comprise vehicles with hybrid, gas, or electric powertrains.

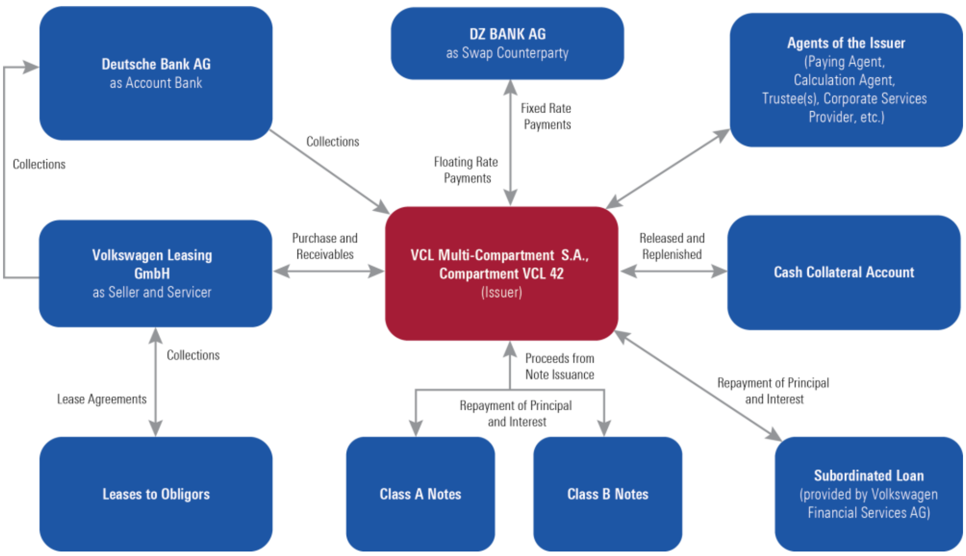
Strengths
- VWL is a subsidiary of Volkswagen Financial Services AG (VWFS), which is a well-established captive finance Originator and Servicer in Germany. Morningstar DBRS maintains an issuer rating on VW of A (low) with a Stable trend and maintains a private credit rating on VWFS and VWL. VCL Compartment 42’s portfolio characteristics are comparable with earlier transactions from the same sponsor rated by Morningstar DBRS which, over time, have demonstrated stable performance.
- The lease contracts are governed by German law and secured by security title (Sicherungseigentum) over the leased vehicles. Enforcement of the security title in case of the termination of the underlying contract is a customary practice in Germany and, in normal conditions, is considered to be a comparatively smooth and timely process.
- There is no direct RV risk associated with the portfolio as RV receivables do not collateralise the Notes.
- Morningstar DBRS considers the preliminary pool to be granular. The maximum concentration of individual lessees does not exceed 0.2% of the preliminary pool. The top 20 debtor exposure of the preliminary pool is 1.6%.
- Morningstar DBRS received detailed monthly vintage information covering the past 10 years of CNL performance. Based on this information, Morningstar DBRS derived its expected probability of default (PD) and loss given default (LGD) assumptions. The static data showed stable and low credit loss performance trends. Morningstar DBRS supplemented the information received with relevant historical data from prior transactions.

Challenges and Mitigating Factors
- 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 the specified rating trigger on 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. Morningstar DBRS considered a commingling loss commensurate with the credit ratings assigned to the Class A Notes and Class B Notes, the trigger events 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: Morningstar DBRS analysed back-loaded scenarios to factor in this effect within its cash flow analysis.

Transaction Summary

Term	Description	
Currency	The Issuer's assets and liabilities are denominated in euros (EUR).	
Relevant Jurisdictions	The lease contracts are governed by the laws of the Federal Republic of Germany. The transaction documents and the Notes are governed by the laws of the Federal Republic of Germany. The swap agreements and deed of security assignment are governed by English law. The Issuer is incorporated under the laws of the Grand Duchy of Luxembourg.	
Interest Rate Hedging	Interest rate swaps in place at closing. The Issuer pays: 3.5926% and 3.9468% under the Class A Notes and Class B Notes swaps, respectively. The Issuer receives: In relation to the Class A Notes swap, Euribor plus 0.4% per annum (p.a.). In relation to the Class B Notes swap, Euribor plus 0.9% 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 cash 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 12,000,000 (1.2% of the aggregate discounted receivables balance).
	Target Amount	1.2% of the aggregate discounted receivables balance.
	Floor	The lesser of: • EUR 10,000,000; and • The aggregate outstanding principal balance of the Class A Notes and Class B Notes at the end of the monthly period.
	Amortisation	Yes
VWL Risk Reserve	EUR 11,00,000 funded at closing to exclusively cover potential trade risk exposure of the Issuer.	

The transaction structure is summarised below:



Source: Transaction documents and Morningstar DBRS.

Counterparty Assessment

Account Bank

Deutsche Bank AG (DB) has been appointed to act as the account bank for the transaction. Morningstar DBRS has a Long-Term Issuer Rating of A and a Critical Obligations Rating of AA (low) with a Stable trend on DB, which meets its criteria to act in such capacity. The transaction documents contain downgrade provisions relating to the account bank consistent with Morningstar DBRS's criteria.

Hedging Counterparty

DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ Bank) has been appointed to act as the swap counterparty for the transaction. Morningstar DBRS has a Long-Term Issuer Rating of AA (low) and a Critical Obligations Rating of AA with a Stable trend on DZ Bank, which meets its criteria to act in such capacity. The hedging documents contain downgrade provisions relating to the swap counterparty consistent with Morningstar DBRS's criteria.

Servicing of the Portfolio and Collections

VWL acts as the Servicer of the transaction. No backup servicer has been appointed at closing. The majority of lessees (approximately 97.8%) pay their instalments through direct debit into an account held by VWL which then transfers the collections on each monthly payment date to the Issuer's bank account maintained with Deutsche Bank AG. VWL receives the instalments paid by direct debit between the 5th and 8th working day of the current month.

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.

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

Morningstar DBRS 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.

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 remedy, or replace, or repurchase the relevant 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.

Available Distribution Amount

The available distribution amount of the Issuer will broadly consist of the following:

- 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.

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's 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 September 2025; or
- Exceeds 1.15% on any payment date after (and excluding) September 2025 up to (and including) June 2026.

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.

Following the occurrence of a foreclosure event, the available distribution amount will 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 post-enforcement 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

Morningstar DBRS conducted an operational review of VWL auto finance operations in Braunschweig, Germany in May 2024. VWL is a wholly owned subsidiary of VWFS, which itself is wholly owned by the Volkswagen Group (the VW Group or Volkswagen). Morningstar DBRS considers VWL's German origination and servicing practices to be consistent with those observed among other captive auto finance companies.

VWL was founded in 1966 and is headquartered in Braunschweig, Germany. VWL is part of VWFS, which is responsible for coordinating the worldwide financial services activities of the VW Group. VWFS provides banking, leasing, insurance, and other services to its retail, wholesale and fleet customers. VWFS is the holding company for a number of European VWFS subsidiaries including VW Leasing GmbH. In March 2023 it was announced that there was to be 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 VW Leasing GmbH will be transferred to VWB, the new structure is expected to be implemented starting from July 2024.

VWL supports the wider VW Group through financing the sale of the Volkswagen's products and encouraging customer loyalty. Its product offerings include deposit accounts and traditional vehicle financing through leasing and loans. It is increasing its focus on vehicle on demand propositions with shorter term vehicle subscriptions, renting and instant mobility.

VWL demonstrates good risk management and benefits from the wider risk infrastructure of VWFS and the VW Group.

Morningstar DBRS assigned a private rating to VWL. Morningstar DBRS maintains public ratings of its ultimate parent VW with its Long-Term Issuer Rating confirmed at A (low) in July 2023, more information regarding its ratings can be found at *dbrs.morningstar.com*.

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 Euro and assignable;
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. The lease contracts are governed by the laws of Germany;
8. At least two instalments have been paid for each lease contract;
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 do not represent a separately conducted business or business segment of VWL;
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; and,
14. No lessees have exercised their right of revocation.

Pool Characteristics

Morningstar DBRS analysed the collateral portfolio selected by VWL as at 31 May 2024. The main characteristics of the portfolio and comparable transactions in Germany are summarised below.

Pool Characteristics	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 42	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 40	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 37	Bavarian Sky S.A., acting in respect of its Compartment German Auto Leases 8	SC Germany S.A., acting for and on behalf of its Compartment Leasing 2023-1
Portfolio Cut-off Date	31/05/2024	30/09/2023	31/10/2022	31/10/2023	30/11/2023
Original Aggregate Principal Balance (EUR)	NA	NA	NA	1,496,042,925	859,424,626
Current Aggregate Principal Balance (EUR)	1,000,004,675	750,001,588	1,000,004,460	863,899,907	699,999,991
Number of Loans	99,799	70,860	108,887	69,168	63,959
Average Original Principal Balance (EUR)	NA	NA	NA	21,629	13,437
Average Current Principal Balance (EUR)	10,020	10,584	9,184	12,490	10,945
WA Original Term (months)	39.6	39.5	39.6	39.3	42.7
WA Remaining Term (Months)	31.7	32.8	32.3	29.4	34.8
WA Seasoning (Months)	7.9	6.8	7.3	9.9	7.7
WA Interest/Discount Rate (%)	5.7	5.7	5.7	7.0	5.0
RV Exposure (% Current Principal Balance)	0	0	0	0	0
New Vehicles (%)	92.7	92.7	93.9	99.1	95.7
Used Vehicles (%)	7.3	7.3	6.1	0.9	4.3
Private Borrower (%)	23.0	21.8	22.7	75.3	70.0
Commercial Borrower (%)	77.0	78.2	77.3	24.7	30.0
Top 20 Obligor (%)	1.6	1.9	1.5	0.7	1.3

Exhibit 1 Distribution by Outstanding Discounted Balance (EUR)

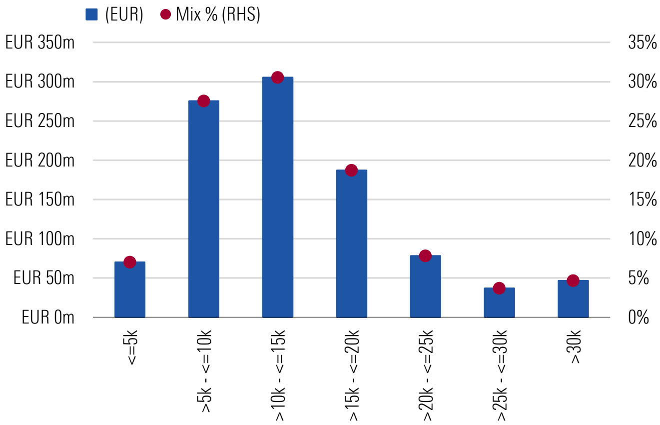
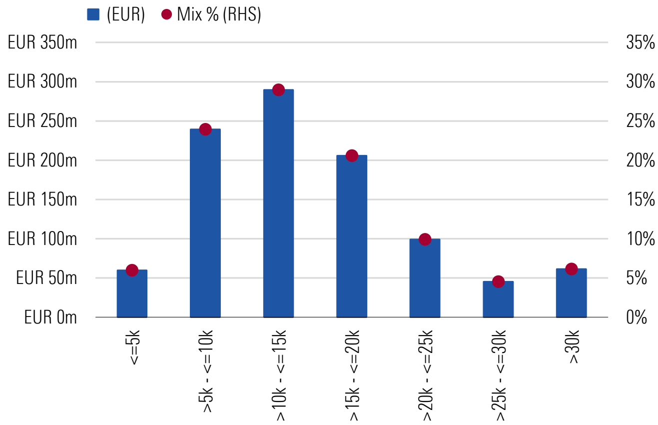


Exhibit 2 Distribution by Outstanding Nominal Balance (EUR)



Source: VWL, Morningstar DBRS.

Exhibit 3 Distribution by Vehicle Brand (EUR)

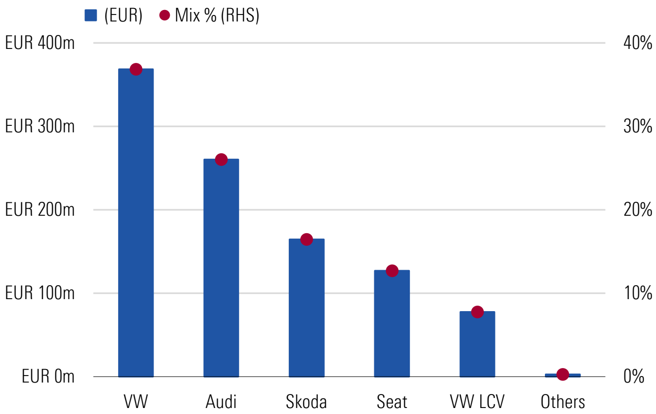
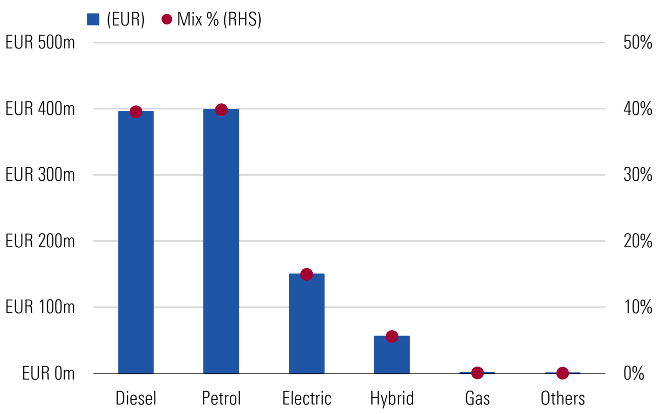


Exhibit 4 Distribution by Engine Type (EUR)



Source: VWL, Morningstar DBRS.

Exhibit 5 Distribution by Original Term (Months)

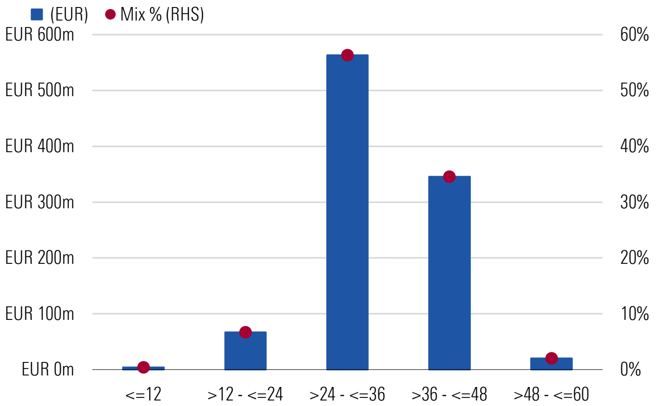
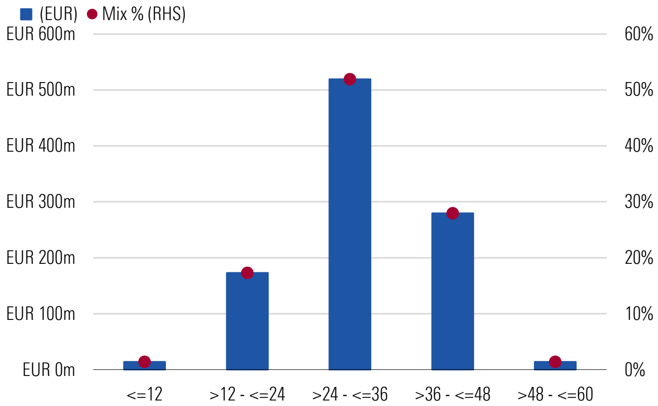


Exhibit 6 Distribution by Remaining Maturity (Months)



Source: VWL, Morningstar DBRS.

In comparison with other auto lease portfolios that Morningstar DBRS rates in Germany, Morningstar DBRS 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 Morningstar DBRS;
- The average discounted receivables balance is approximately EUR 10,020. 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 39.6 months, resulting in a comparatively larger RV component.
- Morningstar DBRS considers the vehicle-make concentration to be high. The majority (44.6%) of the portfolio consists of Volkswagen vehicles. Volkswagen-branded passenger vehicles comprise 36.8% of the outstanding discounted balance (or, combined with Volkswagen-branded light-commercial vehicles, 7.8%). The second-largest brand concentration, Audi, comprises 26.0% of the outstanding discounted balance.
- Vehicle model distribution is more granular, with the largest model (the VW Tiguan) representing approximately 7.4% of the portfolio. The concentration levels that Morningstar DBRS observed are in line with other VWL-sponsored transactions rated by Morningstar DBRS and reflect the captive nature of the Originator.
- The portfolio has limited seasoning; around 14.6% of the portfolio has more than 12 months of account history. Approximately 0.5% of the portfolio has more than two years of account history; however, Morningstar DBRS considers the WA seasoning of 7.9 months to be consistent with other German auto lease portfolios in transactions it rates.

Credit Rating Analysis

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

- The transaction's structure, including the form and sufficiency of available credit enhancement in the form of subordination, a reserve fund, and OC, to withstand stressed cash flow assumptions and to repay the Issuer's financial obligations according to the terms under which the Notes are issued;
- The credit quality of VWL's portfolio, the characteristics of the collateral, its historical performance and Morningstar DBRS projected behaviour under various stress scenarios;
- VWL's capabilities with regard to originations, underwriting, servicing, and its position in the market and financial strength;
- The operational risk review of VWL, which Morningstar DBRS deems to be an acceptable Servicer;
- The transaction parties' financial strength with regard to their respective roles;
- The consistency of the transaction's legal structure with Morningstar DBRS's "*Legal Criteria for European Structured Finance Transactions*" methodology;
- The consistency of the transaction's hedging structure with Morningstar DBRS's "*Derivative Criteria for European Structured Finance Transactions*" methodology; and,
- The sovereign rating on the Federal Republic of Germany, currently at AAA with a Stable trend by Morningstar DBRS.

Portfolio Performance Data

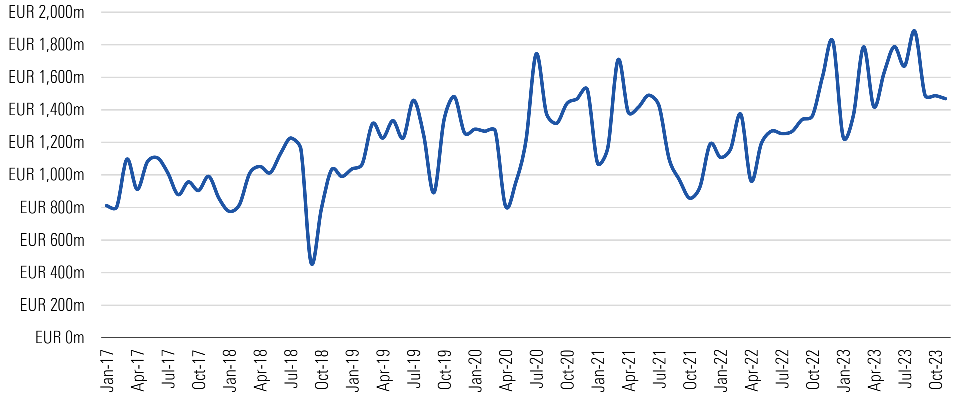
Morningstar DBRS received the following sets of data from VWL:

- Static CNL data from January 2014 and to December 2023 provided on a total portfolio basis;
- Total portfolio level delinquency data from January 2010 to December 2023;
- Summarised stratification tables for the pool as at 31 May 2024 and its related theoretical amortisation schedule.

Morningstar DBRS supplemented the information received with data previously provided by VWL in relation to prior securitisations to allow for an extended data history.

Origination and Outstanding Balances

Exhibit 7 Monthly Origination Volumes (EUR)

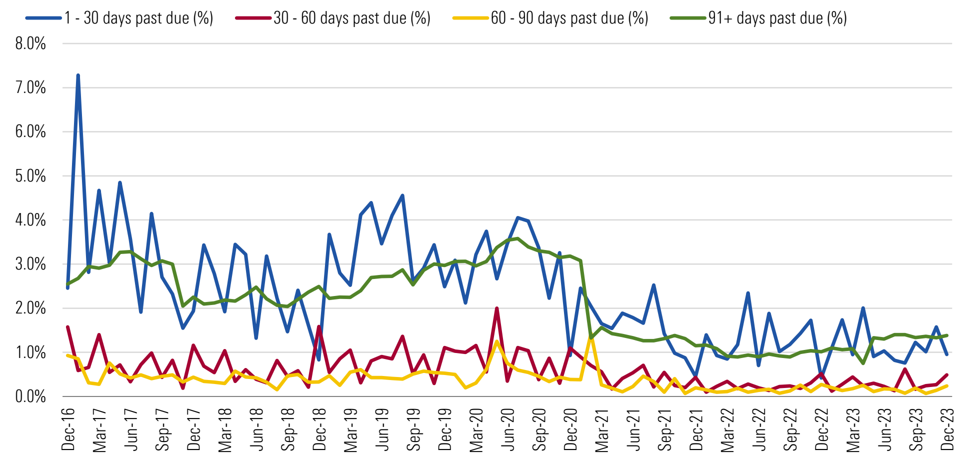


Source: VWL, Morningstar DBRS.

Morningstar DBRS observed broadly consistent origination volumes over the past five years with a slight upward trend in line with the broader growth of new vehicle registration in Germany.

Delinquencies

Exhibit 8 Delinquencies (by arrears bucket)



Source: VWL, Morningstar DBRS.

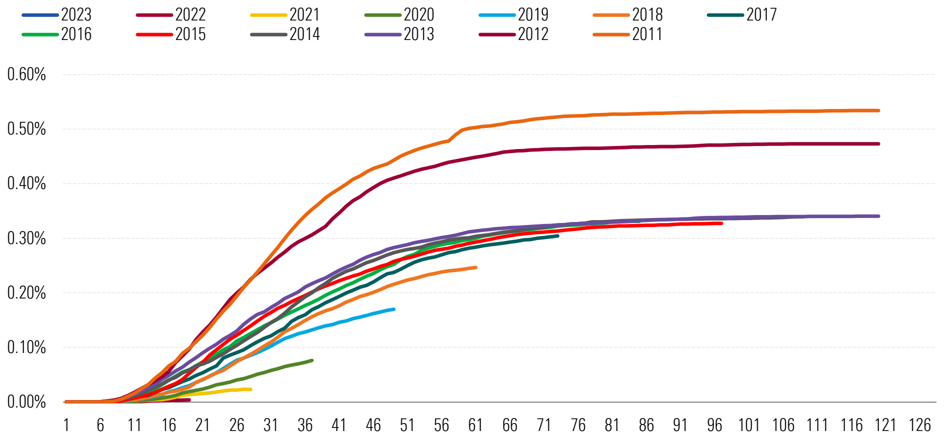
The portfolio's delinquency performance has been stable over the last few years. Recent performance shows a marginal increase at the beginning of 2023 and remains stable onwards across the portfolio.

Default and Recovery Data

Morningstar DBRS understands that the default definition applied relates to the contract termination date in accordance with the Servicer's collections practices. The termination date depends on the borrower type with contracts to individuals typically terminated when two instalments or more representing in the aggregate 5% to 10% of the contracted amount are overdue. Corporate contracts are terminated after the second missed payment.

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

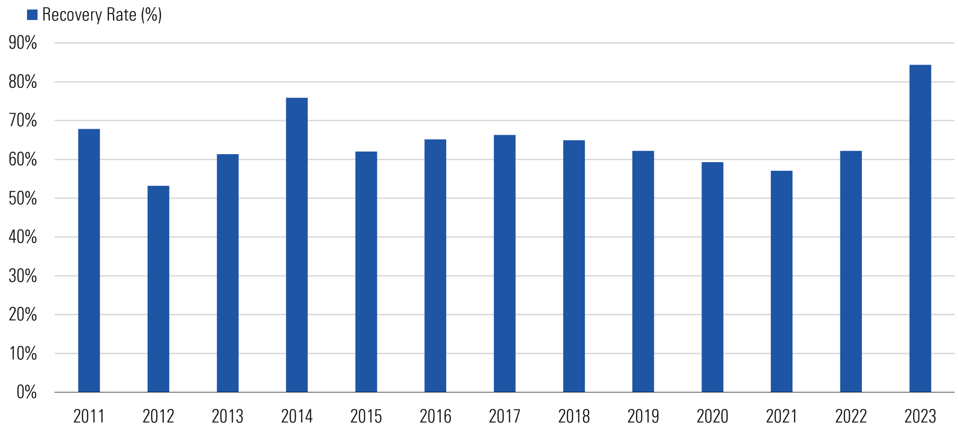
Exhibit 9 Net Loss — Total Portfolio



Source: VWL, Morningstar DBRS.

Morningstar DBRS was not provided with any historical recovery data. In the absence of data, Morningstar DBRS has reviewed the recovery performance of benchmark auto lease ABS transactions and in particular VCL Master S.A., acting with respect to its Compartment 1 (VCL Master). On an aggregate annual basis, lease-level recoveries reported under VWL's VCL Master have averaged fluctuated around 60% with an upward trend noted during 2023 reflecting the recent strong secondary car market as observed in Germany.

Exhibit 10 Annual Recovery Rate % (VCL Master)

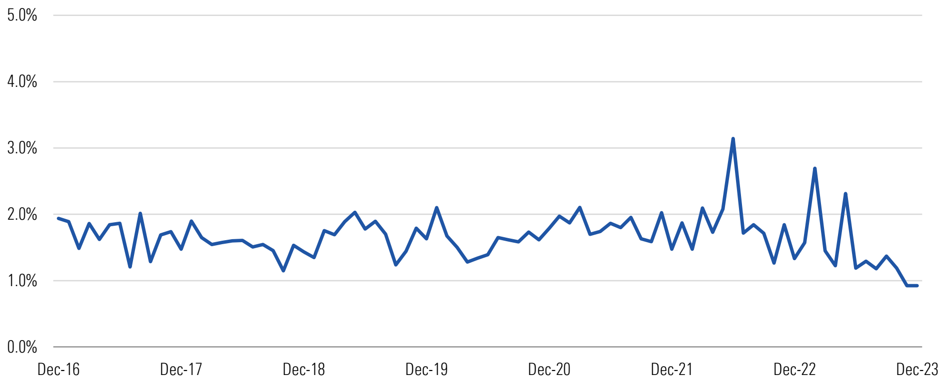


Source: VWL, Morningstar DBRS.

Prepayments

Morningstar DBRS was not provided with any historical prepayment data and benchmarked against the prepayment rates reported for VCL Master, which have consistently been under 5%.

Exhibit 11 Prepayments

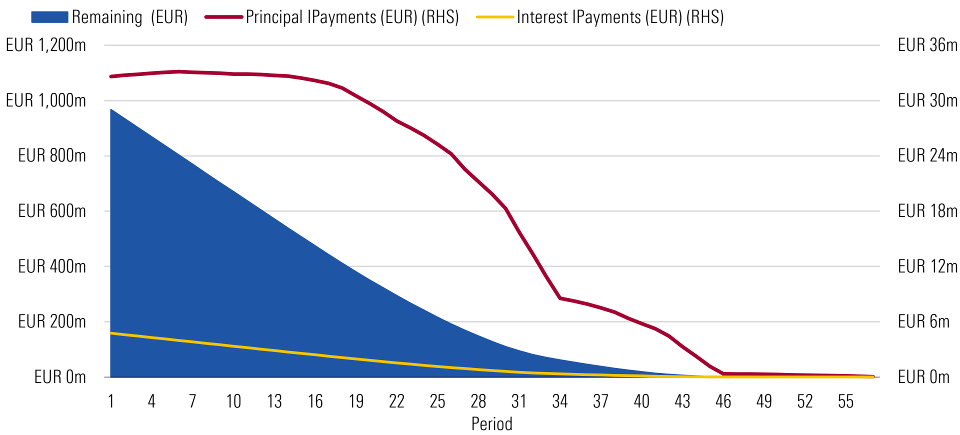


Source: VWL, Morningstar DBRS.

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 12 Theoretical Amortisation Schedule



Source: VWL, Morningstar DBRS.

Summary of the Cash Flow Scenarios

Morningstar DBRS's cash flow assumptions focused on the amount and timing of defaults and recoveries, prepayment speeds, and interest rates. A total of 18 cash flow scenarios were assessed to evaluate the performance of the Notes that incorporated front-, mid-, and back-loaded default timings and interest rates stresses.

Default and Recovery Assumptions

Morningstar DBRS derived default and recovery assumptions from the portfolio net loss data and performance data from prior and existing VCL transactions, alongside relevant benchmarks. For vintages that were not fully seasoned, Morningstar DBRS projected CNLs to maturity using historical data related to loss timing. Morningstar DBRS considered an expected recovery assumption that is consistent with the long-term average performance observed.

	Assumption (%)
Expected Default Rate	1.1
Expected Recovery Rate	62.0
AAA (sf) Recovery Rate	39.7
AA (low) (sf) Recovery Rate	44.1

Morningstar DBRS applied high-range core multiples to the expected default rate. These were then increased and adjusted to consider the absolutely low levels of the expected default rate. The derived adjusted multiples are above the higher ranges used at the AAA (sf) and AA (sf) levels.

Timing of Defaults and Recoveries

Morningstar DBRS estimated the default timing patterns by considering the nature of the pool and the weighting of credit defaults. The following front-, base-, and back-loaded default distributions were assessed:

Month	Front (%)	Mid (%)	Back (%)
1-12	50	25	20
13-24	30	50	30
25-36	20	25	50

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

Morningstar DBRS assumed a three-month recovery lag.

Interest Rate Risk and Basis Risk

The interest rate risk in the transaction arises from the fixed interest rate on the lease receivables and the one-month Euribor floating rate on the Notes. The transaction benefits from a hedging structure to protect the Issuer against the interest rate risks arising from such mismatch. Since the floating rate payable under the Notes is equal to the floating rate payable to the Issuer under the swap agreements, there is substantially no basis risk .

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

Prepayment Speeds and Prepayment Stress

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

Risk Sensitivity

Morningstar DBRS determines an expected 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 Morningstar DBRS in assigning the credit ratings.

Class A Notes

		Increase in PD Rate		
		0%	25%	50%
Increase in LGD Rate	0%	AAA (sf)	AA (high) (sf)	AA (sf)
	25%	AA (high) (sf)	AA (sf)	AA (sf)
	50%	AA (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 (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, Seat, Skoda and VW Commercial are the Core Brands while Audi, Bentley, Lamborghini and Ducati are the Progressive Brands. Porsche forms the Sport Luxury brand group.

The objective of VWL is to finance the leasing of motor vehicles produced by the VW Group. Leases are sold through dealers who earn commission on the sale of a vehicle and look after the end customer. Leased vehicles are acquired from the dealer or manufacturer by VWL. The dealer is the intermediary between the end customer and VWL and receives a commission for its role. It is the first point of contact for customers and supports them during initiation of the contract and is available to them during the contract term. VWL is the owner of the vehicle during the contract period and also offers customer service to the lessee. The customer or lessee pays a fixed rate during the contract period and has no claim to ownership of the vehicle, the vehicle is returned to the dealer at the end of the contract term.

Underwriting Process

All underwriting activities at VWL are appropriately segregated from marketing and sales. Applications are submitted to VWL electronically from dealers including personal information regarding the applicant, vehicle data, product types and credit terms. VWL assesses the application and notifies the dealer of the outcome. The assessment includes regulatory checks, fraud prevention measures, consideration of credit rating information from third parties including SCHUFA, a payment history check. For private leasing there is a capital service check and for commercial leasing the main part of the check is the credit report. Vehicle based checks include a residual value check and for used cars the acquisition cost relative to the new price of the vehicle.

For private and commercial retail customer contracts, applications are scored and if the result is green, indicating there is positive information regarding the customer and they can afford the lease, they can automatically accepted. Applications that are not automatically accepted by the scoring system are assessed manually.

If the application is successful the dealer obtains necessary documents and submits them to VWL by post or digital scan. VWL checks the contract and makes final checks on the customer before confirming the contract. The vehicle is delivered to the end customer, the dealer send registration documents and the vehicle invoice to VWL which undertakes further checks before payment for the vehicle is made.

Summary Strengths

- Strong brand in the German market
- Good use of scoring to assess the risk profile of contracts
- Good risk management and diversified credit risk in the portfolio
- Centralised and independent credit and risk management functions
- Consistent achievement of strategic goals.

Servicing

Servicing is generally automated as long as payments are maintained. If a payment is missed the contract is passed to the Debt Management team whose main objective is to minimise losses through early and risk-based collection measures. The Debt Management team try to contact customers by telephone and send payment reminders. They process payment arrangements and deferrals and monitor ongoing contracts to try and prevent arrears accruing further.

If the Debt Collection team is unsuccessful in returning the account to a paying status the contract will be terminated and the exposure passed to the Collection Center. The Collection Center will advise the customer of the potential for the vehicle to be repossessed and if this does not result in payment an external provider will be engaged to recover the vehicle. If the customer refuses to surrender the vehicle or there is fraud, the case is reported to the police.

When vehicles are recovered they are processed by the Used Car Center's Internet marketplace where they are offered for sale to the dealer network and sold to the highest bidder. If there is any shortfall following receipt of the sale proceeds judicial activity may be taken to recover the outstanding balance. This can include the utitlisation of any active guarantees, establishment of payment arrangements, obtaining court orders for enforcement or processing insolvencies. If this is unsuccessful or uneconomic, the outstanding amount will be written off for accounting purposes and the account passed to Re-Collection for long-term monitoring. Collection orders may be passed to external collection agency.

Summary Strengths

- Majority of payments made via direct debit.
- Low default rate and good recovery rates.
- Active early arrears management using a risk based approach
- Good use of technology throughout operations.

Opinion on Backup Servicer

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

Methodologies Applied

The principal methodology applicable to assign credit ratings to this transaction is *Rating European Consumer and Commercial Asset-Backed Securitisations* (8 January 2024), https://www.dbrsmorningstar.com/research/426219/rating-european-consumer-and-commercial-asset-backed-securitisations.

Other methodologies referenced in this transaction are listed below.

- *Rating European Structured Finance Transactions Methodology* (11 December 2023), https://www.dbrsmorningstar.com/research/425149/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 2023), https://www.dbrsmorningstar.com/research/420572/operational-risk-assessment-for-european-structured-finance-servicers.
- *Operational Risk Assessment for European Structured Finance Originators* (7 March 2024), https://www.dbrsmorningstar.com/research/429054/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.
- *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (23 January 2024), https://www.dbrsmorningstar.com/research/427030/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: https://www.dbrsmorningstar.com/about/methodologies. Alternatively, please contact info@dbrsmorningstar.com.

Surveillance Methodology

Morningstar DBRS 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: Relevant (R) or Significant (S)*
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, and related regulations and/or ordinances 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, regulatory compliance, 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, considering key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	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 (see respective ESG checklist for such issuer)?	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/or 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 (see respective ESG checklist for such issuer)?	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 (see respective ESG checklist for such issuer)?	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 changed the rating or 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 therefor the rating of the issuer. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/427030/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

Appendix D: Scope and Meaning of Financial Obligations

Morningstar DBRS's credit ratings on the 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.

Morningstar DBRS'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.

Morningstar DBRS's long-term credit ratings provide opinions on risk of default. Morningstar DBRS 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 Morningstar DBRS

Morningstar DBRS 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.

Morningstar DBRS 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 Morningstar DBRS is the next generation of credit ratings.

Learn more at dbrsmorningstar.com.

MORNINGSTAR | DBRS

The Morningstar DBRS 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). Morningstar DBRS does not hold an Australian financial services license. Morningstar DBRS credit ratings, and other types of credit opinions and reports, are not intended for Australian residents or entities. Morningstar DBRS 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 Morningstar DBRS group of companies please see: https://dbrs.morningstar.com/research/highlights.pdf.

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