Creditreform New Issue Rating
Auto ABS Securitizations

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Rating Object		Rating Information		
VCL Multi-Compartment S.A., Compartment VCL 22		Assigned Ratings: Class A: AAA_{sf} Class B: $A+_{sf}$		Type: Initial Rating, New Issue Report
Closing Date:	25.11.2015	Date of Mandate:	15.07.2015	
Legal Final Maturity:	21.08.2021	Rating Date:	24.11.2015	
Exchange:	Luxembourg Stock Exchange	Publication Date:	25.11.2015	
Issuer:	VCL Multi-Compartment S.A., Compartment VCL 22	Rating Renewal:	-	
Issuer Type:	Luxembourg Special Purpose Vehicle			
Arranger:	Volkswagen Financial Services AG HSBC Bank plc, London	Rating Methodologies:	CRA “Auto ABS Securitizations”	
Asset Class :	Auto Lease Receivables			

Class	Rating	Amount (EUR)	Credit Enhancement	Index	Margin	Final Maturity	ISIN
A	AAA_{sf}	800,000,000	7.87%	1m Euribor	+ 0.62%	21 August 2021	XS1306609675
B	$A+_{sf}$	20,500,000	5.48%	1m Euribor	+ 1.50%	21 August 2021	XS1306610095
Sub Loan	NR	28,101,808	1.00%	-	-	21 August 2021	N/A
OC	-	8,572,000	-	-	-	-	-

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Transaction Summary

The VCL Multi-Compartment S.A., Compartment VCL 22 transaction (“VCL 22”) is a securitisation of a static pool of auto lease receivables originated in Germany. Volkswagen Leasing GmbH (“VWL”), acting as Seller and Servicer of these auto lease receivables, is a wholly owned subsidiary of Volkswagen Financial Services AG (“VWFS”). VWFS is a captive and 100% subsidiary of Volkswagen AG (“VW AG”). Creditreform Rating AG (“Creditreform Rating” or “CRA”) has assigned ratings to VCL 22 Class A and Class B notes. In addition to the issuance of the rated Class A and Class B notes, a Subordinated Loan will be granted to fund the purchase of auto lease receivables. A combination of Subordinated Loan, overcollateralization and a cash reserve will provide credit enhancement to the rated Class A and Class B notes.

The asset pool securitised by VCL 22 is a portfolio consisting of 82,644 lease contracts originated by VWL to retail and corporate customers. The non-revolving transaction is secured by new and used vehicle lease receivables. The portfolio of auto lease receivables has a weighted average remaining term of approximately 31 months and a total volume of EUR 857,173,808.

Key Rating Findings

- \+ VCL 22 securitises only the finance portion of the leases; residual values are not securitised by the Issuer
- \+ Very low portfolio credit risk according to CRA Portfolio and Benchmark Analysis
- \+ A stable economic environment and strong macroeconomic factors should support VWFS’s ABS strategy and future portfolio performance
- \+ Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer, including non-petition provisions
- \+ Downgrade collateral and replacement provisions mitigate counterparty risk exposures w.r.t. the Swap Counterparty and Account Bank
- \- Legal documentation does not foresee a back-up servicer
- \- Potentially negative impact of VW AG diesel emission manipulations and CO_2 type approval irregularities on future portfolio performance

Transaction Structure

Transaction Parties

Table 1: Transaction Parties

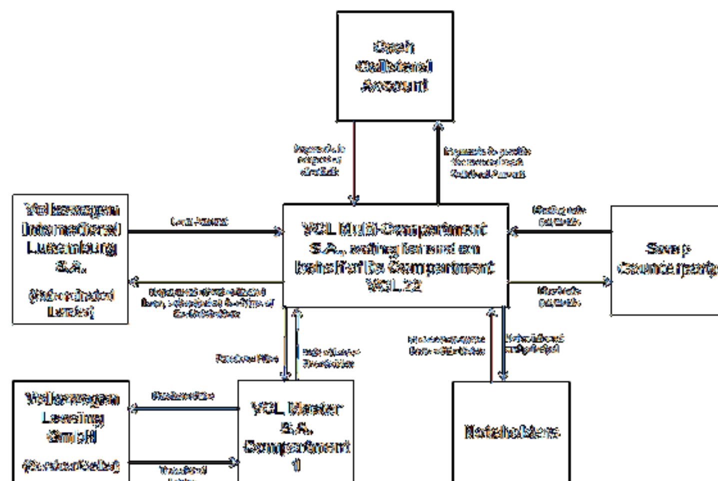
Role	Name
Issuer and Purchaser	VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 22, Luxembourg
Seller and Servicer	Volkswagen Leasing GmbH, Braunschweig
Security Trustee	Wilmington Trust SP Services (Frankfurt) GmbH, Frankfurt
Paying Agent, Calculation Agent, Interest Determination Agent	The Bank of New York Mellon, London
Cash Administrator, Account Bank	The Bank of New York Mellon, Frankfurt
Swap Counterparty	DZ Bank AG, Frankfurt
Subordinated Lender	Volkswagen International Luxembourg S.A., Luxembourg
Co-Arrangers	HSBC Bank plc, London; Volkswagen Financial Services AG, Braunschweig
Joint Lead Managers	HSBC Bank plc, London; Merrill Lynch International, London; Skandinaviska Enskilda Banken AB (publ.), Stockholm
Co-Manager	Banco Santander S.A., Santander; DZ Bank AG, Frankfurt; Mitsubishi UFJ Securities International plc, London
Corporate Service Provider	Wilmington Trust SP Services (Luxembourg) S.A., Luxembourg
Registrar	The Bank of New York Mellon (Luxembourg) S.A., Luxembourg

Issuer

The structure of the transaction is shown below (Figure 1). The Issuer, VCL Multi-Compartment, acting for and on behalf of its Compartment VCL 22, is a special purpose vehicle (SPV) incorporated under the laws of Luxembourg. The company is registered with the Luxembourg Trade and Companies Register and has explicitly stated in its Articles of Incorporation to be governed by the Luxembourg Securitisation Law.

The Issuer is a securitisation company with the sole purpose of entering into securitisation transactions through separate compartments. Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer and including non-petition provisions. We regard the structure of the Issuer as being bankruptcy-remote. CRA conducted its rating assuming no adverse future change in Luxembourg securitisation law.

Figure 1: Transaction Structure I Source: VWFS



The Issuer has entered into a receivables purchase agreement with the Seller to purchase lease receivables and create a portfolio of auto lease receivables. As of the closing date, VCL 22 will acquire all rights and claims arising from the purchase of such receivables. The lease receivables were initially originated by the Seller and subsequently sold to VCL Master S.A., Compartment 1 ("VCL Master"), acting as an intermediate warehousing vehicle.

Seller and Servicer

VWL challenged by saturated markets and current VW AG diesel emissions manipulation, EUR 6.7bn provisions cut into FY2015 operating profits

VWL is a wholly owned subsidiary of VWFS and acts as Seller and Servicer of the lease receivables. VW AG is the parent company of VWFS, holding 100% of its shares and thus a controlling interest. VW AG´s financial division, as represented by VWFS, is a core business of the group with a significant contribution to group total earnings. In our view, the strong integration of VWFS within the VW group places an upper bound on its rating. We assigned to VWFS an internal credit assessment equivalent to the internal credit assessment of VW AG.

VW AG is currently facing legal and financial uncertainties resulting from the use of particular software in type EA 189 EU5 diesel engines. On September 18th, the US Environmental Protection Agency (EPA) published a Notice of Violation alleging Volkswagen of having used certain software in diesel engines to circumvent emission standards under the Clean Air Act. According to a public announcement by VW AG, some 11 million vehicles worldwide might be affected. On October 15th the Kraftfahrtbundesamt (German Federal Motor Transport Authority) required VW to recall all diesel vehicles fitted with the affected engine type registered in Germany. On November 3rd 2015, VW AG also announced irregularities in determining type approval CO_2 levels, estimating a further financial impact of about EUR 2bn.

As of September 2015, VW AG increased its sales revenues by 8.5% to EUR 160.3bn and reported a EUR 3.3bn operating profit (YtD), down EUR 6.1bn year-on-year. Provisions in the passenger car area amounting to EUR 6.7bn were a major cause for this decline. The impact of these initial one-off charges recognized for diesel-related issues also triggered a cut in FY2015 earnings targets.

VW AG is in exchange of information with authorities to coordinate remedial actions. VW AG is currently exposed to various investigations as well as lawsuits in which authorities, investors and individuals could assert claims against VW. The long-term implications of the manipulation of diesel emissions might include reputational damage, reduced sales, and negative financial impacts due to fines, costs of recall campaigns and higher financing costs. Creditreform Rating will closely monitor all future developments and implications for the transaction (also see "Counterparty Risk" below).

True Sale

CRA has undertaken a review of the transactions structure and checked the consistency with the legal documentation. Legal opinions addressing the true sale of the assets to the Issuer were made available by the transaction legal counsel.

Eligibility Criteria

VWL as Seller warrants and guarantees, with respect to the purchased lease receivables, that the following eligibility criteria, among others, have been fulfilled at the cut-off date (October 31st 2015):

- The lease contracts are legally binding and valid, governed under German law;
- Lessees are corporate entities with offices or private individuals with residences registered in Germany;
- The lease contracts were not terminated and terminations are not pending;
- No purchased lease receivable was overdue; no lessee insolvencies have occurred
- The purchased lease receivables are free of defenses, whether pre-emptory or otherwise for the agreed term of the lease contract as well as free of rights of third parties
- The status and enforceability of the lease receivables is not impaired due to warranty claims or any other rights;
- As of the cut-off date at least two instalments have been paid with respect to each of the lease contracts;
- Lease contracts must include substantially equal monthly payments to be made within 12-60 months from origination;
- The amount of purchased lease receivables assigned to any single lessee does not exceed EUR 500,000;

- The pool of lease receivables does not represent a separately conducted business or business segment of the seller;
- More than 95% of the leased vehicles belong to the VW AG brands VW, Audi, Seat, Skoda, VW Nutzfahrzeuge ("VW LCV")

Following a breach of eligibility criteria, VWL is obliged to cure and remedy such breach or repurchase the receivables within the end of the monthly period which includes the 60th day after VWL became aware or was notified of such breach at the fair value that any misrepresented receivable had prior to becoming aware of the misrepresentation.

Capital Structure

The discounted receivables balance is calculated using a discount rate equal to 5.7016% per annum. The discount rate is used to cover senior expenses and the servicing fee as well as the weighted average swap rate based on the notional amounts outstanding at each date. At the onset of the transaction, it is calculated as follows (Table 2):

Table 2: Discount Rate Composition

Parameters	
Weighted average swap rate (%)	0.5988
Servicing fee (%)	1.0000
Senior expenses (%)	0.0300
Subtotal (%)	1.6288
Buffer release rate (%)	4.0728
Discount Rate (%)	**5.7016**

A buffer release amount, calculated as the product of the buffer release rate and the future discounted receivables balance, is paid to the Seller as long as no insolvency event on the part of VWL has occurred. In the event of insolvency, the structure will additionally benefit from the buffer release rate. The total balance sheet of the Issuer is shown in Table 3 and is composed as follows:

Table 3: VCL 22 Balance Sheet

Assets	Amount (EUR)	Liabilities	Amount (EUR)	Size (%)
Receivables	857,173,808	Class A	800,000,000	93.3
Cash reserve (CCA)	10,286,000	Class B	20,500,000	2.4
Market Risk Reserve (CCA)	56,473,028	Sub Loan	28,101,808	3.3
VWL Risk Reserve (CCA)	66,000,000	Cash Reserve (CCA)	10,286,000	1.2
		Market Risk Reserve (CCA)	56,473,028	6.6
		VWL Risk Reserve (CCA)	66,000,000	7.7
		PPD OC	8,572,000	1.0
Total	**989,932,836**		**989,932,836**	**115.5**

The Class A notes represent 93.3% of the discounted receivables balance. Credit enhancement to the notes is provided by a Subordinated Loan (3.28%), a purchase price discount for overcollateralization (1.0%), and a cash reserve, funded at initially 1.2% of the lease receivables balance and amortizing to a floor of 1.0% over time.

Interest Rate Swap

To hedge the interest rate risk arising from a mismatch between fixed lease payments and floating-rate interest payments on Class A and Class B notes, the Issuer will enter into two swap agreements to receive floating (1m Euribor + 0.62% for Class A notes and 1m Euribor + 1.50% for Class B notes) while paying the fixed leg of 0.49% and 1.345%, respectively. The fixed rates have been

calculated to include the Class A or Class B margins; payments under the swaps are linked to the outstanding balance of the respective notes.

Order of Priority and Triggers

Monthly payments to transaction parties are calculated on the available distribution amount and will be distributed according to the priority of payments. The monthly amount available for distribution and the order of priority are shown below (Table 4a, Table 4b):

Table 4a: VCL 22 Distributions

Available Distribution Amount	
1	Collections received or collected by the Servicer
2	+ Issuer's portion of the recovery proceeds from the realisation / sale of leased vehicles
3	+ Net swap receipts
4	+ Drawings from the cash collateral account
5	**Less** the buffer release amount to be paid to the Servicer, provided that it is not insolvent

Table 4b: Priority of Payments

Order of Priority	
1	Taxes, senior expenses and fees
2	Net swap payments, first, for the class A note, second, for the class B note
3	Interest payments on the class A note (accrued and unpaid)
4	Interest payments on the class B note (accrued and unpaid)
5	Payment to the cash collateral account
6	Payment to the cash collateral account in case of a German trade tax increase event
7	Principal payment of the outstanding balance of the class A note, to the targeted Class A note balance
8	Principal payment of the outstanding balance of the class B note, to the targeted Class B note balance
9	Payments to the swap counterparties under the swap agreement
10	Accrued and unpaid interest on the subordinated loan
11	Principal payment of the outstanding balance of the subordinated loan
12	Payment of a final success fee

Transaction benefits from OC and uses performance triggers to switch to sequential amortization

Interest payments of Class A notes rank senior to interest payments of Class B notes. The targeted note balances are calculated with respect to a target level of overcollateralization. The overcollateralization (OC) level can be defined as the relative excess of the aggregate discounted receivables balance over the nominal amount of the Class A or Class B notes. Principal payments of Class A notes are granted sequential priority over those of Class B until the Class A target OC level has been reached ("sequential amortization"). After this event, Class A and B notes will be redeemed on a pro-rata basis, maintaining the Class A target OC level while redeeming Class B notes until the Class B target OC level has been reached. The structure will switch to sequential amortisation of the notes again when the asset balance has amortised to 10% of the initial balance or after certain performance triggers have been breached.

Should the cumulative net loss ratio exceed certain threshold values, target OC levels will be increased. A "Level 1 Credit Enhancement Increase Condition" will be triggered if cumulative net losses exceed 0.50% prior to February 21st 2017, or 1.15% between February 21st and November 21st 2017 (see Table 5). This results in a switch to sequential amortization until the new Class A target OC level has been reached. An increase in cumulative net losses to more than 1.6% will trigger a "Level 2 Credit Enhancement Increase Condition" and amortisation would become strictly sequential.

Table 5: Performance triggers and target OC levels

Triggers	Class A	Class B
Initial OC level (%)	6.67	4.28
Target OC, if no CE increase condition is in effect (%)	12.25	7.50
Target OC after the level 1 trigger breached (%)	14.00	8.25
Target OC after the level 2 trigger breached (%) / asset balance <10%	100.00	100.00

Cash Collateral Account

Cash Collateral Account includes fully funded "VWL Risk Reserve" to cover seller-related risks and "Market Risk Reserve" to cover risks related to CO_2 type approval irregularities.

The Cash Collateral Account (CCA) includes several positions. A cash reserve, initially amounting to 1.2% of the discounted receivables balance (the "General Cash Collateral Amount") is available to cover senior costs, swap payments and note interest payments. Prior to the occurrence of a foreclosure event, the cash collateral account will be refunded on each payment date from the available distribution amount remaining after items 1-4 of the priority of payments. The cash reserve minimum floor equals 1.0% of the aggregated discounted receivables balance as of the end of the monthly period. Provided that either the final maturity date is reached or the aggregate discounted receivables balance has been reduced to zero, any remaining General Cash Collateral Amount can be used to redeem the notes.

On the Issue Date, VWL will credit to the Cash Collateral Account an additional amount of EUR 66m (the "VWL Risk Reserve") which will be available to mitigate commingling risks, trade tax and VAT tax risks, and cover the Issuer´s exposure to VWL. The amounts credited to the VWL Risk Reserve will not be part of the General Cash Collateral Amount. Provided that either the final maturity date is reached or the aggregate discounted receivables balance has been reduced to zero, any remaining amounts standing to the credit of the VWL Risk Reserve will be released to VWL.

In addition, VWL will credit to the CCA on the closing date EUR 56,473,028 (the "Market Risk Reserve") to cover risks of potential losses resulting from leased vehicles affected by CO_2 irregularities. This amount will be available if and to the extent the Issuer does not receive, in a timely manner when due, the full settlement amount in respect of an affected purchased lease receivable, following a repurchase or the reduction of an affected lease receivable. According to information provided by VWFS, approximately 3.61% (EUR 30.9m) of the discounted receivables balance are affected by CO_2 irregularities. The Market Risk Reserve was sized and will be re-calculated on a monthly basis taking into account the uncertainty of future disclosures and identification of affected vehicles; VWL will debit or credit any net difference. Provided that either the final maturity date is reached or the aggregate discounted receivables balance has been reduced to zero, any remaining amounts standing to the credit of the Market Risk Reserve will be released to VWL.

Operational Risk

Economic Outlook and German Leasing Business

Positive German economic outlook, growing European Auto ABS markets and strong German lease business support VWFS´s strategy

Our economic outlook for Germany remains positive. We expect a moderate growth in GDP in the medium term for the German economy. Following an average growth of 1.5% in 2014, we forecast an increase in GDP growth to 1.7% in 2015. Growth in Q2/2015 was mainly driven by a 1.4% trade surplus. Private consumption supported the dynamic development in Germany as well. The labour market as an important driver for Germany's economy has shown further improvements. Creditreform Rating forecasts the level of unemployment to decline to 5.0% by the end of 2015. An increase in pension payments and the implementation of minimum wages should lift German private consumer spending. Compared with its peers, Germany´s important macro figures remain strong. In our view, a stable economic environment and strong macroeconomic factors should support VWFS's ABS strategy.

The securitisation market in Europe has declined substantially since the 2008 financial crisis, with the various segments for structured finance instruments developing differently. Notably, the share of Auto ABS in total ABS transactions by volume has increased to 28.4% in recent years. Following an average annual issuance volume of EUR 4.6bn between 2000 and 2005, it increased to EUR 13bn between 2006 and 2010, peaking at EUR 28.5bn in 2014. Developments in the Auto ABS

market are driven by a small number of originators. In particular, Volkswagen has been expanding its market position with the volume of issuances growing since 2010. For detailed information please refer to the Creditreform Rating studies "European Auto ABS on the Rise" and "Auto ABS from an EDW Perspective" which are available from our web-site (www.creditreform-rating.de/en/about-us/publications.html).

Lease investments in Germany have increased to a total of EUR 50.3bn in 2014, with automobile leases taking a major share of 72% in all leasing goods. The German fleet leasing market is dominated by national captives such as Volkswagen, Audi, BMW or Mercedes-Benz, which generate well beyond 70% of the total business. Following a severe drop in new lease registrations in the aftermath of the 2008 financial crisis and the subsequent economic recovery, the year 2011 marked a record 700,000+ new car registrations in commercial leasing fleets, driven largely by a strong demand for replacements. The current replacement cycle, stretching from 2014 well into 2015, spurred a +9.2% growth of the market in 2014 and record new lease business in 2015, monthly new fleet vehicle registrations reaching all-time highs in July 2015.

In Germany, VWFS´s entire portfolio of lease contracts increased from 1.3 million in 2012 to 1.6 million in 2014. The German loan and lease business penetration rate of VWFS (vehicle deliveries combined with financial service contracts) increased from 55.8% in 2012 to 59.4% in 2014.

Origination and Underwriting

Established and proven origination and underwriting procedures, IT systems and operation units

VWL is the originator of the purchased lease receivables. German leasing operations are represented by VWL. VWL will enter into a lease receivables purchase agreement with VCL 22 to sell the lease receivables, using the VCL Master structure for the transfer of assets from VWL to the Issuer. VWL and its subsidiaries provide leasing solutions for new and used Volkswagen, Audi, Seat, Skoda and VW Commercial Vehicles ("VW LCV") to commercial and non-commercial customers. VWL co-operates closely with the group dealership network as well as manufacturing departments to scale VW AG's business. Co-operations are established by dealer agreements.

Managing its lease portfolio, VWL has to ensure high consistency and quality of underwriting procedures in its lease operations and business entities. Being one of the largest servicers in the European auto loan and auto lease business, VWL relies on established processes and IT systems to support its operations. VWL has implemented internal score-cards including credit scores sourced from external credit bureaus to assess customer credit profiles. Lease applications are processed and approved automatically without involvement of VWL staff for low risk customers. For customers with a higher credit risk profile, qualified credit officers evaluate a credit decision. Certain limits for credit engagements are established, as well as special guidelines for lease applications with an aggregate amount of more than EUR 1m.

VWL has integrated a separate fraud detection team in its operations unit. New employees are required to pass a three month training programme before entering into operational tasks in their respective teams. VWL furthermore ensures ongoing internal training to improve professional qualifications.

Creditreform Rating analysts conducted an on-site review and due diligence in VWFS's facilities in Braunschweig in September 2015. CRA got a fair picture of servicing and underwriting capacities, as well as of debt management, collection procedures and risk management. In our view, a long track record of leasing originations as well as proven and established procedures in servicing and debt management enable VWFS to fulfil its obligations as Servicer as defined in the VCL 22 transaction documents.

Servicing and Collections

VWL services the lease receivables over time and is responsible for collections and repossession of leased vehicles. The first lease instalment is due when the vehicle is handed over to the lessee. VWL offers lessees to make use of the direct debit system which covers approximately 95% of all monthly lease instalments. VWL employs a debt management team to handle delinquent contracts with the aim to minimize losses and assert all claims against defaulted customers. The debt management team uses reminder letters and phone contact to collect overdue outstanding lease payments. Standardized collection and debt management procedures were implemented to reduce court orders and legal enforcement measures. VWL's debt management employees are authorized to grant reasonable payment extensions. If a commercial lessee has failed to pay two instalments, VWL will have the right to repossess the vehicle without prior termination of the lease contract. If

the debt management process has ended without receiving any notice from the lessee, an application for a court order is made by VWL.

Info: 50% of terminated contracts become current again after threatened repossession according to VWFS

The debt management works closely with the collection centre to ensure the timely repossession of vehicles from terminated lease contracts. The main tasks of the collection centre are negotiating on agreements on payment extensions, the processing of corporate and consumer insolvencies, the use of payment guarantees and processing of irrecoverable debt and write-offs. If lessees do not return the vehicles voluntarily, VWL mandates external repossession servicers. For enforcement purposes, VWL will refer to the resources of the entire VW group to enforce interests and claims.

Counterparty Risk

Volkswagen Manipulation of Diesel Emissions and Type Approval Irregularities

VW diesel emission manipulations may threaten future financial position; pose risk to future portfolio performance

On September 18th 2015, the US Environmental Protection Agency (EPA) issued a Notice of Violation to Volkswagen Group of America Inc. alleging that VW had been using software to circumvent emission standards under the Clean Air Act. Subsequently, Volkswagen AG announced that irregularities concerning particular software used in type EA 189 EU5 diesel engines affected approximately 11 million vehicles worldwide and approximately 8.5 million vehicles in Europe (VW AG press release, October 15th 2015). VW AG recorded provisions of EUR 6.7bn in its Q3/2015 interim report. On November 3rd 2015, VW AG also announced irregularities in determining type approval CO_2 levels; up to 800.000 vehicles might be affected. VW AG estimated a potential additional financial impact of about EUR 2bn. As of today, it is not possible to quantify all current and future commercial and financial implications of manipulated diesel emissions and type approval irregularities.

According to transaction legal counsel, lessees can exercise rights and assert claims only against the relevant vehicle seller, normally a group dealership, and not directly against VWL. Standard lease agreements cannot be terminated or lease instalments be withheld or reduced by the lessees as long as the vehicle seller fulfils its obligation to repair the leased vehicles.

If the vehicle seller fails or refuses to rectify a defect, this may have a number of consequences. If they deem the rectification unsuccessful, lessees may agree on a purchase price reduction with the vehicle seller to reduce future lease instalments. If a purchase price reduction cannot be agreed upon and lessees successfully file court action against the vehicle seller, lease instalments can be withheld temporarily and, if the court upholds the lessees claim, may be re-calculated and reduced following an adjudicated purchase price reduction. If material defects cannot or will not be remedied by the vehicle seller, a lessee may rescind from a vehicle sale contract. The lessee will then be released from its obligation to pay further lease instalments; VWL will have to repay previous lease payments less a compensation for normal wear and tear. Overall, this imposes the risk of a (temporary or permanent) interruption or reduction of cash flows which could adversely affect the performance of the transaction.

Creditreform Rating notes, following clarification from legal transaction counsel, that any of the above-mentioned events may be interpreted as a breach of eligibility criteria by a court. The Seller represents and warrants that, as of the cut-off date, the purchased lease contracts are “legally valid and binding agreements” which are “free of defences” and that their “status and enforceability is not impaired due to warranty claims or any other rights” of the lessee (see “Eligibility Criteria”). According to transaction counsel, it is likely that a court with relevant jurisdiction would determine that there was misrepresentation as of the cut-off date if the underlying finance agreements are terminated or lessees validly refuse to pay further instalments. In this case, VWFS would have to cure or remedy such breach or repurchase the receivable at the fair value such receivable had prior to becoming aware of the misrepresentation.

According to information provided by VWFS, about 16.63% of the outstanding discounted principal balance in the VCL 22 portfolio is affected by EA189 software irregularities; 3.61% of the outstanding principal balance is affected by irregularities in type approval CO_2 levels. CRA also received guidance that VWL as the Seller and Servicer would repurchase vehicles affected by CO_2 irregularities as soon as they were identified. VWFS did not provide information on concentrations of affected EA 189 engines or type approval irregularities with respect to the distribution by brand and model in the portfolio. In our view, an increased risk of a deterioration of the portfolio´s credit quality may exist if the Seller is obliged to buy back affected vehicles as a remedy following a breach of

eligibility criteria and if the credit risk of lessees is systematically (not randomly) distributed to specific brands or models.

As of the current date, quantitative estimates and a more detailed assessment of the risks involved were not possible due to the limited basis of information. As a consequence, CRA decided to maintain a conservative margin in its base case assumptions, even when our Portfolio and Benchmark Analysis suggested headroom for a reduction of the default base case. We closely monitor VW AG's financial position and any impact of future developments on the structure and the duties of VW AG and its subsidiaries within the VCL transactions. We will update our ratings subject to new information that will be available in the future.

Commingling Risk

VWL Risk Reserve available to cover seller-related exposure up to an amount of EUR 66m

The transaction is structured to include a mechanism to protect against counterparty exposure resulting from VWL acting as a Seller and Servicer. As long as VWL is the Servicer for VCL 22, the Servicing Agreement grants a right to VWL to commingle funds such as monthly collections or proceeds from the realisation of vehicles with its own funds during each monthly period and to use these funds at its own risk and for its own benefit until the next relevant payment date. In the case of a default of VWL, such funds may be lost in the Servicer´s insolvency estate, resulting in a (potentially non-recoverable) loss of monthly collections, including prepayments, for Investors. To mitigate this risk, VWL will, on the Issue Date, credit additional EUR 66m to the Cash Collateral Account (the “VWL Risk Reserve”). The VWL Risk Reserve will be available to secure the rights and claims of the Issuer against VWL.

German Tax Risk

The Issuer might be exposed to several tax risks according to German tax legislation. In general risks might become due when German tax authorities change their interpretation of tax legislations. In Creditreform Rating´s opinion, the Issuer´s risk to become liable for tax risks is limited. The Issuer could be exposed to German value added tax (VAT) risk. VAT tax risks might materialise in case of a Servicer replacement and a subsequent classification of the transaction as factoring by German tax authorities. With regard to our internal credit assessment of VW AG, we see limited exposure to such an event. VAT tax risks are covered by the VWL Risk Reserve. German trade tax risk may materialize if German tax authorities conclude that the Issuer is subject to trade tax in Germany. Risks related to a German Trade Tax Event are covered by part of the VWL Risk Reserve (the “German Trade Tax Risk Reserve”).

Account Bank and Swap Counterparty

Downgrade and replacement provisions partly mitigate counterparty exposure

VWL has entered into a service agreement with the Issuer to perform tasks according to its usual business practices, such as the service and administration of the lease receivables. To fulfil its duties, VWL will transfer the collected funds to the Account Bank on behalf of the Issuer. Therefore, the Issuer has established at least four accounts as defined in the Account Agreement in accordance with the terms and conditions of the transaction structure. The Issuer is exposed to the default risk of The Bank of New York Mellon, Frankfurt Branch (BNYM), appointed to be the Account Bank. Default risks are mitigated by certain downgrade provisions linked to the rating of the Account Bank. Should BNYM be downgraded, the Account Bank is required to transfer the balance of the account to another bank with sufficient ratings on its own cost. To assess the risk relating to the Account Bank, Creditreform Rating has undertaken an internal credit assessment of BNYM.

The Issuer will enter into two separate swap agreements to mitigate exposure to interest rate changes over time and hedge the interest rate risk arising from receiving fixed rate payments under the lease receivables and paying a floating rate on the Class A and Class B notes. Under the terms of the swap agreement, the Issuer expects to receive floating rate payments based on 1-month Euribor plus spread in return of a fixed rate paid to the Swap Counterparty. The Issuer is exposed to the risk of DZ Bank AG as the Swap Counterparty failing on any monthly payment, in which case the available distribution amount (including the cash reserve) may be insufficient to make required payments on the notes. Depending on the future development of interest rates, the Issuer may also be obliged to transfer net payments to the Swap Counterparty. As the monthly net swap payments rank senior to any liabilities on the notes, the available distribution amount may be insufficient to cover all required payments on the notes. The transaction is also exposed to the risk of Swap Counterparty insolvency. In this case, substantial swap termination payments may arise depending on the future development of interest rates and the future market value of the swap.

To mitigate Swap Counterparty exposure, the structure foresees certain downgrade provisions linked to the rating of the Swap Counterparty which require certain actions should its ratings fall below a minimum rating threshold. These actions may include the collateralization of the referenced amounts by the Swap Counterparty, a transfer of obligations to a replacement Swap Counterparty, or the procurement of a guarantee. To assess the risk relating to the Swap Counterparty, Creditreform Rating has undertaken an internal credit assessment of DZ Bank AG.

Credit and Portfolio Risk

Creditreform Rating´s credit and portfolio analyses were based on data provided by VWFS in monthly origination vintages going back to 2002, which included write-offs relative to originated volumes and default frequencies, as well as delinquency data going back to 2008. VWFS also provided stratification tables based on the preliminary pool (“red pool”) and the final pool (“black pool”) which allow a further assessment of the portfolio composition. In addition, loan-level data sourced from EDW (European Data Warehouse) as well as data compiled from prior VCL transactions sourced from investor reports and Bloomberg were considered. The quality and quantity of data available for our analysis was considered to be sufficient.

Receivables Pool Characteristics

Portfolio Composition

The portfolio consists of lease contracts originated by VW group dealers and entered into between lessees and VWL. It includes different vehicle brands (Volkswagen, Audi, SEAT, Skoda and VW LCV). The lease contracts are extended to commercial and non-commercial customers as a partially-amortizing finance lease. Dealers typically bear the residual value (RV) risks related to the final sale, but may buy insurance against RV losses from VWL. A small percentage of lessees choose to bear part of the RV risk (“Open End Lease Contracts”, see Table 6). At the end of the lease term, the vehicle will be sold by the dealer and the proceeds will be distributed according to the terms of the lease contract. The portfolio is well diversified and can be considered representative with respect to (1) geographical location and (2) industry sectors. This was established by comparing VCL 22 data to a total German economy benchmark (see “CRA Portfolio and Benchmark Analysis” below). The portfolio does not contain any significant single obligor concentrations.

Table 6: Portfolio Characteristics

Portfolio Characteristics	
Outstanding Discounted Receivables Balance (EUR)	857,173,807.66
Number of lease contracts	82,644
Number of lessees	54,497
Type of lessee:	
Retail customers (%)	75.24
Corporate customers (%)	24.76
Average nominal balance / lease contract (EUR)	11,194.62
WA seasoning (months)	9.02
WA remaining term (months)	30.55
Closed End Contracts (%)	99.13
Type of Car	
New (%)	95.54
Used (%)	2.07
Demonstration (%)	2.39
Type EA 189 engine vehicles (%)	16.63

The following graphs show the maturity profile of the portfolio at the cut-off date as well as the distribution of vehicles by brand (see below):

Figure 2: Contract Maturity Profile I Source: VWFS, CRA

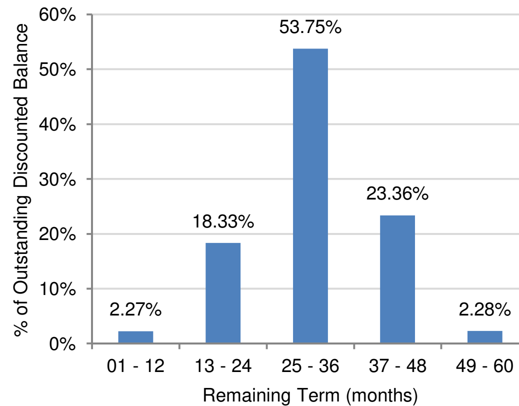
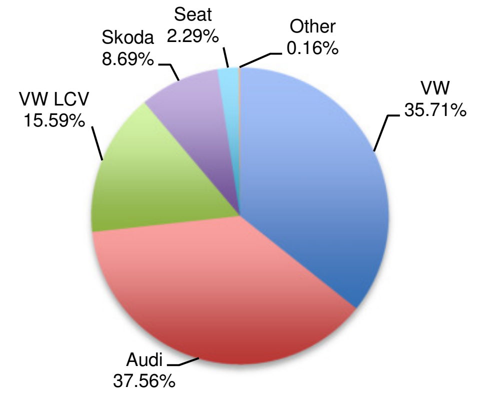


Figure 3: Brand Distribution I Source: VWFS, CRA



Historical Performance

VWFS provided delinquency performance data on single and business customers going back to 2008. Historically, delinquencies for the entire lease portfolio have shown a decreasing trend since 2013 (see Figure 4). Currently, delinquencies >90 days are more frequently observed with "single" retail customers as compared to "business" leasing-fleet customers (see Figure 5).

Figure 4: Delinquencies by Delinquency Bucket
Source: VWFS, CRA

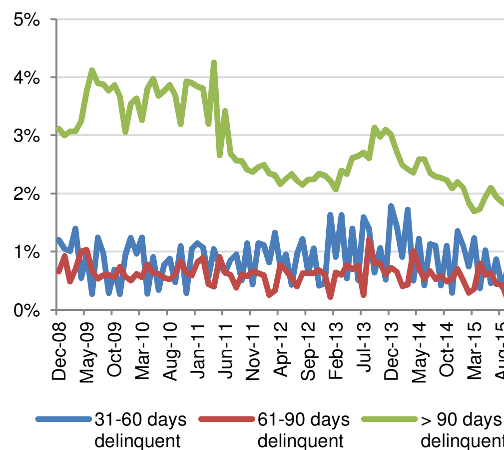
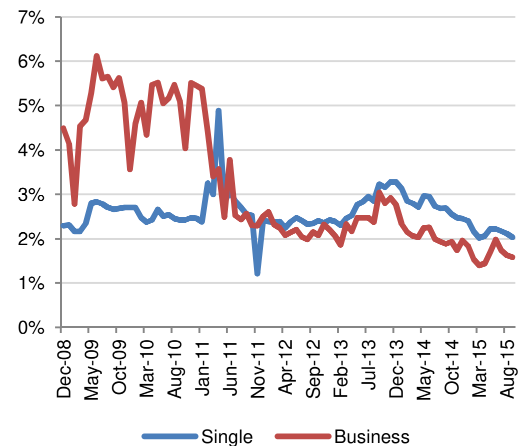


Figure 5: Delinquencies (>90) by Customer Type
Source: VWFS, CRA



The lease contracts extended to customers typically grant a right to VWL to terminate a lease contract when the lessee is due more than two monthly lease instalments. As described in "Servicing and Collections" above, VWL normally reaches payment arrangements to remedy any outstanding liabilities with a client before terminating a lease contract.

Credit Risk

To size the credit risk of the portfolio and derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating used historical vintage data provided by VWL as well as loan-level data sourced from European Data Warehouse (EDW) and publicly available data on prior VCL transactions.

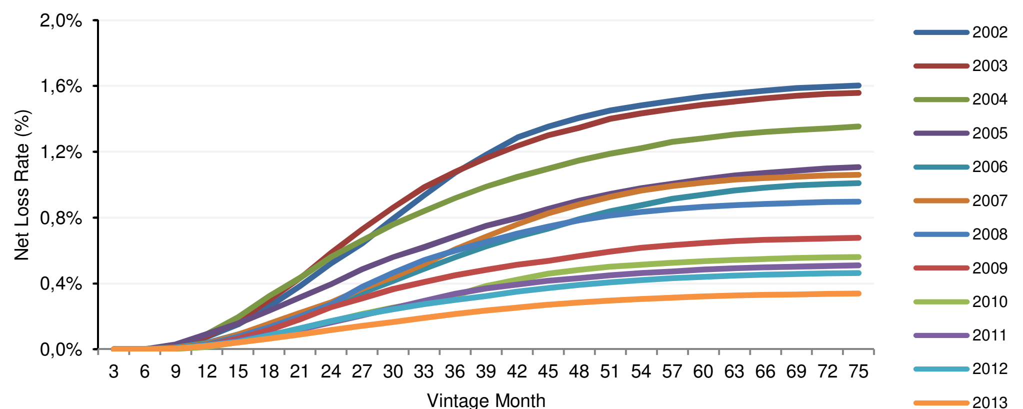
VWL provided cumulative net loss data and default frequencies in vintage format going back to 2002 and monthly dynamic delinquencies going back to 2012, covering the entire lease portfolio of the Seller. Creditreform Rating used this data to determine a net loss base case. This result was then combined with the analysis of recovery performance in order to derive expected total cumulative gross losses, which serve as an input to rating scenarios and cash-flow modelling.

Defaults

Creditreform Rating fixed its net-loss base case at 0.8%

VWL provided detailed total book vintage data on write-offs, net losses and default frequencies. Creditreform Rating used this information to analyse the historical default and net loss performance of different vintages (see Figure 6):

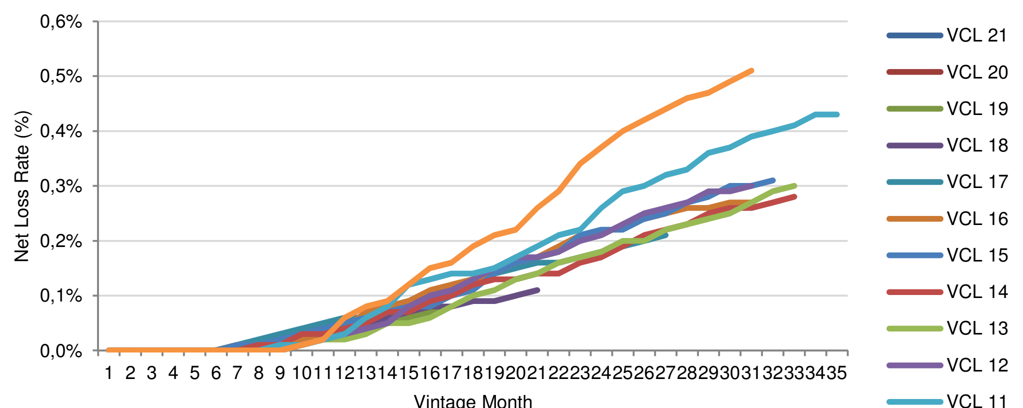
Figure 6: Net Loss Rates of VWL Total Lease Book by Year, extrapolated I Source: VWFS, CRA



Historical and projected losses show a trend towards lower loss rates in younger vintages. This effect may, in part, be explained by improved servicing and collection performance of the Servicer. Moreover, the credit risk of the German corporate sector, which we consider a main driver of portfolio performance in the current lease securitisation, has been significantly decreasing since 2009 (see Creditreform Rating (2014): “Ausfallraten in der Deutschen Wirtschaft”). Our economic outlook for Germany remains positive and we expect corporate insolvencies to remain subdued due to a stable economic development and favourable macroeconomic indicators (see “Economic outlook” above).

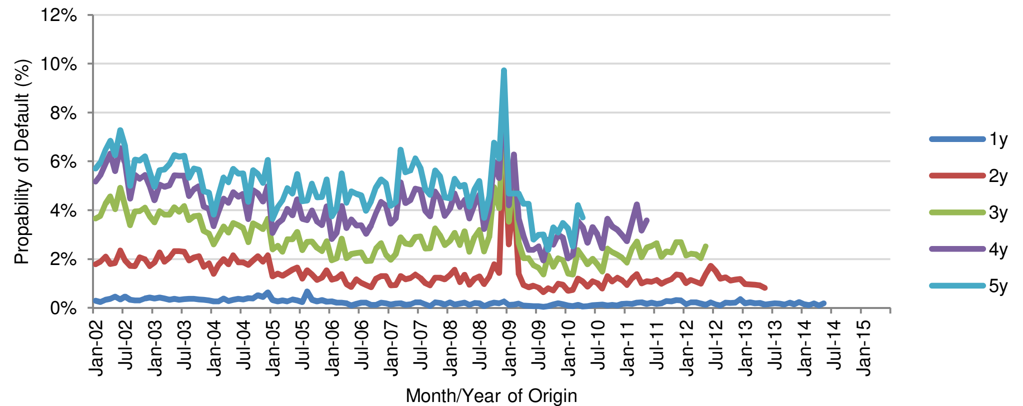
Observed differences between total-book vintage performances and the performances of previous VCL transactions with respect to recorded net losses (compare Figure 7) may be explained by the application of eligibility criteria at the pool cut-off date and VWL exercising its clean-up call option at the end of a VCL transaction.

Figure 7: VCL Transaction Net Loss Performance I Source: VWFS, Bloomberg, CRA



A trend towards declining default risk is also supported by an analysis of historical default frequencies in vintage data. In the graph below we show probabilities of default (PDs) for different time horizons, combining overlapping vintages by date and time into a dynamic perspective (Figure 8):

Figure 8: Historical total book default rates, 1-year to 5-year probability of default (PD) I Source: VWFS, CRA



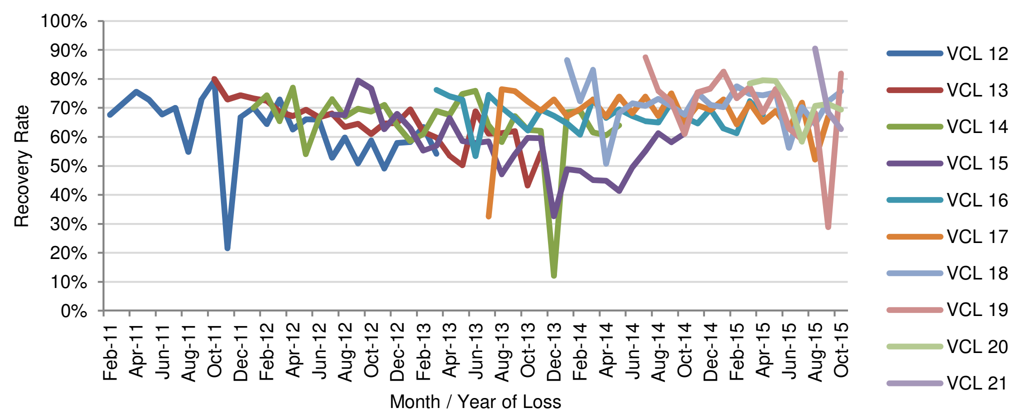
In deriving our base case loss rate assumption, younger vintages were consequently considered a better indicator of future performance. Based on improved historical performance and a stable economic outlook, Creditreform Rating has set a base case net loss expectation of 0.8% for its rating analyses, taking into account the typical maturity profile of lease contracts and adjusting for the specific maturity profile of VCL 22.

Recoveries

Creditreform Rating set the recovery base case at 65%

VWL did not provide explicit historical data on the recovery performance of its leases and leasing portfolios. However, an analysis of EDW loan level data and data on previous VCL transactions derived from investor reports provided sufficient information to gauge the recovery performance of the Servicer (see below):

Figure 9: Historical recovery performance of VCL transactions I Source: VWFS, CRA



Despite a relatively stable performance (between 60%-70%), the data reveal a fair amount of variation over time. As a cross-check, Creditreform Rating also used vintage data in dynamic format to compare gross defaults to recorded net losses and assuming a granular and homogeneous distribution of contract values in order to calculate implied recovery rates at different time horizons (see Table 7):

Table 7: Implied recovery rates (RR) at 1 to 5 year time horizon I Source: VWFS, CRA

Time Horizon	Mean	Median
1y RR (%)	61.1	62.5
2y RR (%)	63.7	60.1
3y RR (%)	65.7	63.4
4y RR (%)	68.5	66.3
5y RR (%)	69.7	68.6

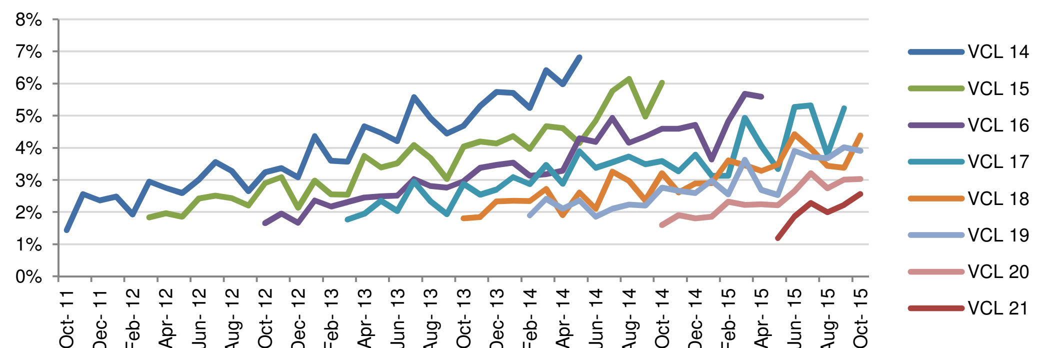
The implied recovery rates support the observed historical values based on previous transaction data. Following these analyses, Creditreform Rating has set the recovery base case at 65%. Combining our net-loss base case of 0.8% with a 65% recovery assumption leads to a gross-loss default rate base case expectation of 2.29% over the term of the transaction.

Prepayments

Creditreform Rating set the prepayment base case at 3.57% CPR

Creditreform Rating used data on prior VCL transactions to analyse historical prepayments. In general, the lease contracts purchased by the issuer do not provide a lessee with an option to prepay the lease contract. However, and subject to the discretion of VWL, lease contracts may be amended, resulting in a potential prepayment or early settlement of the lease contract. Prepayments have historically ranged between about 1 and close to 7 per cent annualized CPR (see Figure 10):

Figure 10: Historical prepayments (annualized CPRs) I Source: VWFS, CRA



High prepayments pose a re-investment risk to investors because of a lower weighted-average life (WAL) of the notes. However, it is Creditreform Rating´s view that higher prepayments contribute to the structural stability of the transaction. From a rating perspective, lower prepayment assumptions represent a more conservative approach because the structure has to sustain the higher WAL of the notes resulting from an overall lower cash inflow. Following the analysis of empirical data available, the base case prepayment assumption was accordingly set to an average 3.57% annualized CPR prepayment rate.

Base Case Summary

Creditreform Rating´s credit risk assessment was based on vintage data, prior VCL investor reports and EDW loan-level data and results in the following base case assumptions, which will be used as an input to building rating scenarios and modelling the cash-flows of the structure. The loss parameters displayed in the following table are stated with respect to the lifetime of the transaction, taking into account the seasoning and remaining maturities of the pool (see Table 8):

Table 8: Summary of Base Case Assumptions

Credit Risk Parameter	Base Case
Gross Loss (%)	**2.29**
Recovery Rate (%)	**65.00**
Net Loss (%)	**0.80**
Prepayment Rate (% ann. CPR)	**3.57**

Residual Value Risk

VCL 22 does not securitise residual values of the purchased lease receivables. Therefore, the Issuer is not exposed to risks related to the securitization of residual values.

CRA Portfolio and Benchmark Analysis

Creditreform Rating conducted an extensive portfolio and benchmark analysis based on a randomly selected sample of N=10,000 contracts which were matched to CRA-internal default and risk metrics of the corresponding obligors. VWL provided the random sample including the payment and maturity-profile of each randomly selected lease receivable. From the initial sample, N=8,700 data points could be identified in our data-bases and were used to conduct the CRA Portfolio and Benchmark Analysis. The sample was considered representative based on the analysis of structural parameters such as observed defaults and remaining maturities.

The CRA Portfolio and Benchmark Analysis includes a comparative benchmarking of the portfolio sample against a stratified reference portfolio, as well as the derivation of the sample´s risk profile according CRA-internal risk scores. This serves to validate the base case assumptions derived from historical data as a plausibility check and to size the portfolio credit risk using an independent data source as a complement to the analysis of Issuer-related historical data, both at initial ratings and during monitoring.

Following the identification procedure, CRA-internal descriptive figures were matched to the sample data along with related credit and performance metrics. The following charts compare distributional parameters of the VCL 22 pool sample with a snapshot of the total German economy:

Figure 11: Portfolio Composition by sector I Source: CRA

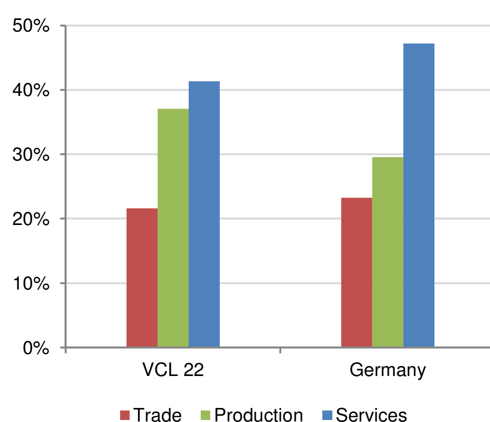
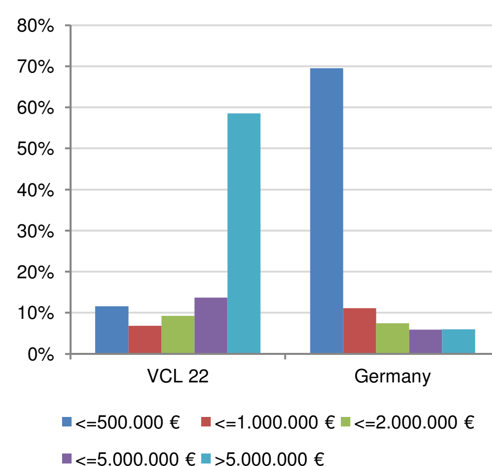


Figure 12: Portfolio Composition by Lessee Turnover Source: CRA



While broad industry sectors match well with the total German economy, the composition of lessees markedly differs with respect to the turnover/sales classification of the lessees. In this regard, VCL 22 includes a significantly larger share of lessees classified as high turnover creditors; the largest share (59%) represent companies with a yearly turnover of more than five million EUR. From a credit risk perspective, this indicates an overall lower portfolio credit risk as compared to the Ger-

man benchmark because high turnover companies have historically tended to show a significantly lower default risk than their low-turnover counterparts (see Creditreform Rating (2014): "Ausfallraten in der Deutschen Wirtschaft").

The credit quality of the portfolio is also supported by an analysis of the distribution of legal entities in the sample and a comparison to the total German economic background, revealing a significantly larger share of limited and stock companies within the VCL 22 portfolio as compared to the total German economy (see Table 9). At the same time, small businesses which represent the largest share of companies in Germany (45.2%) are significantly underrepresented in the portfolio, amounting to only 5.6% of all total lessees.

Table 9: VCL 22 Portfolio Composition by Type of Legal Entity I Source: CRA

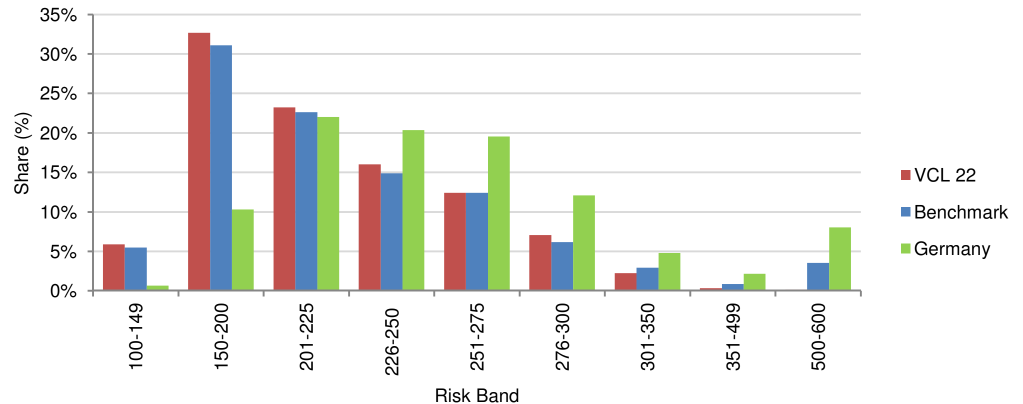
	Total German Economy	VCL 22
Legal form code	%	%
Self-employed	10.5	2.5
Small business	**45.2**	**5.6**
Partnership	4.1	9.5
Consortium	0.1	1.8
Private firm	3.7	2.0
OHG (general partnership)	0.6	0.6
KG (limited partnership)	0.7	0.9
GmbH & Co. KG	**5.2**	**13.0**
GmbH (limited company)	**27.3**	**56.8**
AG (stock company)	**0.4**	**5.1**
e.G. (cooperative society)	0.2	0.7
e.V.(non-profit association)	2.0	1.5
Total	*100.0*	*100.0*

An integral part of the CRA Portfolio and Benchmark Analysis covers the representation of the distribution of risk-classes of the VCL 22 portfolio, based either on frequency or weighted by contract volume. Risk classes range from score 100 (very low credit risk) to scores 500-600 (high risk of default/defaulted) and were constructed by splitting the range into different bands.

For comparative and benchmarking purposes, Creditreform Rating created a benchmark sample as a stratified random selection from the total German company data-base. In constructing the benchmark, the distributional characteristics of VCL 22 with respect to sector diversification and turnover/sales composition were taken into account. Risk-class distributions were elicited for the VCL 22 sample as well as for the benchmark.

Figure 13 shows the distribution of risk classes of the VCL 22 portfolio according to CRA-internal risk metrics, based on the data sample provided by VWFS in comparison to the stratified benchmark sample and the total German economy:

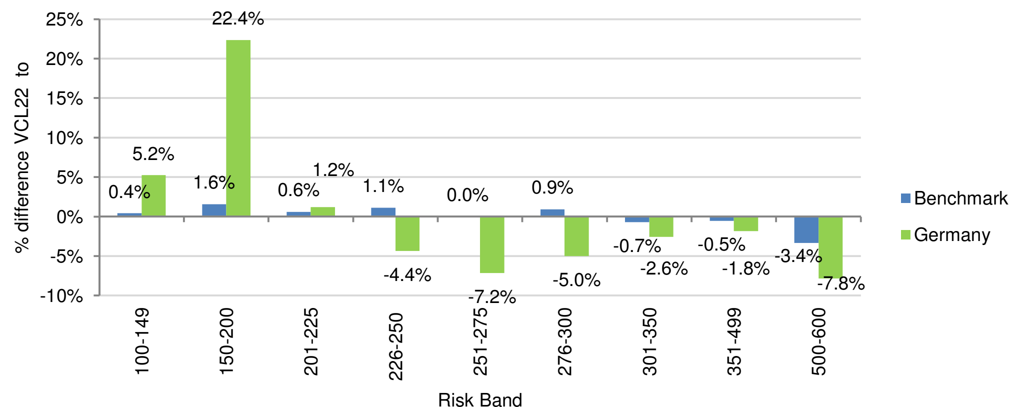
Figure 13: Distribution of Risk Classes I Source: CRA



The VCL 22 portfolio compares favourably against two benchmarks in terms of underlying asset quality

The major part of the VCL 22 portfolio consists of obligors in the lower risk bands, weighted by frequency or volume. While 5.89% percent of all lessees were classified into the lowest risk band, more than 60% of total lessees could still be classified into the 100-225 score range. Comparing the distribution of risk classes in the VCL 22 portfolio to our two benchmark measures, we observe the following percentage-differences across risk classes, using either the benchmark or the German total economy as a reference (Figure 14):

Figure 14: Percentage Differences by Risk Class, VCL 22 relative to reference I Source: CRA



Compared to the benchmark or the total German economy, the share of lessees with a high credit-risk (i.e. risk scores >250) is lower in the VCL 22 portfolio. At the same time, lessees with a lower credit-risk profile are overrepresented in VCL 22. This indicates an overall lower credit risk of the portfolio in relation to the German economy and points to the effectiveness of the Seller´s origination and underwriting practices, i.e. internal scoring systems and the lease application process.

As each risk class translates into a specific probability of default (PD, estimated by CRA), the distribution of risk classes allows the derivation of portfolio expected default and, combined with lease information, loss rates. To this end, risk band PDs were weighted by average one-year exposures of each risk class in the sample, taking into account the maturity and payment profile of each specific lease contract in the sample. As a corollary, we also calculated expected losses with respect to the initial exposure in t=0. This information provides a plausibility check and validation of the base case derived from the analysis of historical data. It facilitates an assessment of the current default and loss performance with a view on future potential deviations from historical estimates. In order to mitigate potential estimation error (arising, for example, from diverging definitions of default) CRA used a calibration sample provided by VWFS to adjust the analytical process inputs.

Table 10: Risk Classes and Expected Loss Calculations for VCL 22

CRA Risk Metrics			VCL 22 Portfolio							
			Frequency			Initial Exposure		Risk Profile		
Risk Class	CRA Score	ø PD	Freq.	%	**Ø PD 1y**	€	%	Ø Default in €	%	**Ø exp. Loss**
1	100 - 149	0.01%	512	5.90%	**0.489%**	5,686,854,53	6.02%	828,51	0.18%	**0.493%**
2	150 - 200	0.14%	2.842	32.72%		30,881,416,08	32.69%	42.336,72	9.10%	
3	201 - 225	0.27%	2.020	23.26%		21,320,347,32	22.57%	56.607,68	12.16%	
4	226 - 250	0.47%	1.392	16.03%		15,488,514,22	16.39%	72.798,67	15.64%	
5	251 - 275	0.72%	1.080	12.44%		12,147,277,37	12.86%	88.003,40	18.91%	
6	276 - 300	1.48%	616	7.09%		6,404,436,84	6.78%	94.506,21	20.31%	
7	301 - 350	3.48%	194	2.23%		2,230,025,73	2.36%	77.549,37	16.66%	
8	351 - 499	10.31%	29	0.33%		317,245,92	0.34%	32.712,97	7.03%	
Total			*8685*	*100.0%*		94,476,118	100.0%	465.343,53	100.0%	

As highlighted in Table 10, Creditreform Rating derived a one-year expected probability of default (PD) of 0.489% for the portfolio sample across all risk classes. The portfolio´s expected gross loss was sized at 0.493% over a one-year time horizon based on average exposure in the first year and calculated with respect to the initial exposure of approximately EUR 94.5m in the VCL 22 sample data.

The CRA Portfolio and Benchmark Analysis shows a lower portfolio credit risk (1.40% gross loss) compared to historical estimates

To compare this result to the base-case estimates as derived from historical data, Creditreform Rating then projected the performance of the transaction over its life, taking into account the seasoning and maturity profile of the asset pool and assuming no prepayments. The resulting expected gross loss was sized at 1.40% over the life of the transaction (see Table 11).

Table 11: Historical Data versus Portfolio Analysis Base Case Comparison

Credit Risk Parameter	Base Case Expectation
Gross Loss (%) *Historical Data*	**2.29**
Gross Loss (%) *Portfolio Analysis*	1.40

An important feature of the CRA Portfolio and Benchmark Analysis is the use of current credit information to inform historical data analyses. The above result suggests the potential for a reduction of the base case loss rate when taking into account the more current picture of credit quality in the portfolio. However, Creditreform Rating decided to maintain a conservative approach in selecting the appropriate base case. In our view, a 89 bps difference between assumed gross losses in the rating and the loss expectations derived from the CRA Portfolio and Benchmark Analysis represent a conservative additional margin against unexpected economic deterioration which may result in the future.

Cashflow Analysis

Creditreform Rating simulated the transaction cash flows in its proprietary cash flow model, which was tailored to the structure of VCL 22. The purpose of the cash flow analysis is to test the transactions´ ability of paying interest and ultimate payment of principal by final maturity using stressed base case assumptions in each specific rating scenario. Creditreform Rating also tested the sensitivity of the transaction´s performance with respect to increases in the default rate base case, decreases in the recovery rates, and prepayment scenarios.

A run-out schedule of the portfolio was implemented into the cash flow model taking into consideration the timing of defaults, the amount of prepayments, and the level of interest rates.

Rating Scenarios

CRA base case stresses:

AAA_{sf}: x4.65 default multiple
42% recovery haircut

$A+_{sf}$: x3.52 default multiple
34% recovery haircut

Taking the credit risk expectations as shown in Table 8 as a starting point, Creditreform Rating then stressed its base case assumptions in higher rating scenarios in order to account for unexpected economic deterioration and worsening portfolio performance. Separate stress factors were applied to default and recovery rates to arrive at scenario-specific stressed loss expectations, which were then fed into the cash flow model.

Default Rates

Following our “Rating of Auto ABS Securitisations” methodology and depending on the specific rating scenarios (AAA_{sf} and $A+_{sf}$), the stress multiples for default rates were set at x4.65 and x3.52, respectively. This leads to the rating-specific stressed gross loss of 10.62% for AAA_{sf} and 8.04% for $A+_{sf}$.

Recovery Rates

The base case recovery expectation of 65% was subjected to a rating haircut in each rating scenario. The recovery rate haircuts were set to 42% in the AAA_{sf} scenario and 34% in the $A+_{sf}$ scenario, respectively. The haircuts take into account different transaction-specific features such as observed volatility and established recovery procedures. As a result, the stressed recovery rates were set to 38% in an AAA_{sf} scenario and 43% in an $A+_{sf}$ scenario. The scenario-specific expected losses were calculated by applying our rating multiples and haircuts to the base case (Table 12).

Table 12: Stressed Assumptions

Rating Scenario	**AAA**	**A+**
Base Case Gross Loss (%)	2.29	2.29
Default Multiple	*x4.65*	*x3.52*
Rating Loss Rate (%)	10.63	8.04
Base Case Recovery Rate (%)	65.00	65.00
Recovery Haircut (%)	*42.00*	*34.00*
Rating Recovery Rate (%)	38.00	43.00
Expected Net Loss (%)	**6.62**	**4.57**

Sensitivity Analysis

In order to gauge the effect of variations in default and recovery rates on rating indications, Creditreform Rating conducted a sensitivity analysis including independent and combined stresses of the default and recovery base case assumptions. The resulting rating indications for Class A and Class B notes are shown below.

Table 13 and Table 14 show the results for the Class A and Class B note, respectively. For example, if the default rate base case was set to increase by 25%, our analysis would suggest a Class A note downgrade from AAA_{sf} to $AA+_{sf}$. When considering a severe 50% stress on both defaults and recoveries, the sensitivity analysis confirms a BBB_{sf} rating indication for the Class A notes.

Table 13: Class A Sensitivities

Default \ Recovery	Base Case	-10%	-25%	-50%
Base Case	**AAA**	AAA	AAA	AA
+10%	AAA	AAA	AA+	AA-
+25%	AA+	AA	AA-	A-
+50%	AA-	A	A-	BBB

Table 14: Class B Sensitivities

Default \ Recovery	Base Case	-10%	-25%	-50%
Base Case	**A+**	A+	A	BBB+
+10%	A+	A	A-	BBB
+25%	A	A-	BBB+	BB+
+50%	BBB+	BBB	BB+	BB-

Creditreform Rating tested scenarios with back-, even-, and front-loaded default timings and supported these with high- and low-level prepayment rate sensitivity analyses. As highlighted in Table 15, Creditreform Rating assessed the effect of changing prepayment patterns in both directions. In accordance with the CRA Methodology “Rating of Auto ABS Securitizations”, prepayments were stressed with a factor of ±47% in an AAA_{sf} scenario and ±17% in an $A+_{sf}$ scenario. Overall, we observed limited sensitivities of the Class A and Class B notes to prepayment stresses.

Table 15: Class A and Class B Prepayment Sensitivityies

Prepayment rate	AAA	A+
Base Case (3.57%)	AAA	A+
High (AAA: 5.25% / A+: 4.18%)	AAA	A+
Low (AAA: 2.43% / A+: 3.05%)	AAA	A+
Zero	AAA	A+

Appendix

Regulatory Requirements

Creditreform Rating AG was engaged on July 15th, 2015 by VWFS to conduct ratings for for Class A and Class B notes each issued by VCL Multi-Compartment S.A., acting for and on behalf of its Compartment VCL 22.

The rating was conducted on the basis of Creditreform Rating´s "Rating Auto ABS Securitizations" methodology.

Important sources of information in the context of the ratings were, in addition to the submitted documents, a due diligence meeting in Braunschweig (Germany) on September 03rd, 2015. The submitted documents and information from VWFS were sufficient to meet the requirements of Creditreform Rating AG's rating methodology.

A complete description of Creditreform Rating´s rating methodologies is published on the following internet page: www.creditreform-rating.de.

This rating was carried out by senior analyst Jan Löckenhoff (J.Loeckenhoff@creditreform-rating.de) and analysts Dr. Stephan Rompf (S.Rompf@creditreform-rating.de) and Philip Michaelis (P.Michaelis@creditreform-rating.de), all located in Neuss/Germany.

Closing and the transfer of the portfolio to the Issuer occurs on November 25th, 2015. The ratings are based on the portfolio information as of November 24th, 2015, provided by the originator.

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