VCL Master Netherlands B.V.

Annual Report 2022

Amsterdam, the Netherlands

VCL Master Netherlands B.V.
Basisweg 10
1043 AP Amsterdam
The Netherlands
Chamber of Commerce Amsterdam 65490916

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List of counterparties

Director	Intertrust Management B.V.
Issuer	VCL Master Netherlands B.V.
Arranger	ING Bank N.V.
Seller (Originator)	Volkswagen Pon Financial Services B.V.
Issuer Administrator	Intertrust Administrative Services B.V.
Paying, calculation agent	Elavon Financial Services DAC
Servicer	Volkswagen Pon Financial Services B.V.
Swap Counterparty	ING Bank N.V.
Rating Agencies	DBRS Ratings GmbH ("DBRS") Moody's Deutschland GmbH ("Moody's")
Stock Exchange	Luxembourg Stock Exchange
Independent auditor	Ernst & Young Accountants LLP
Registered office	Basisweg 10, 1043 AP Amsterdam

1. Director's report

1.1 Activities and results

The Director herewith presents to the shareholder the Annual Report of VCL Master Netherlands B.V. ("the Company" or "the Issuer") for the year 2022.

General

Structure of operations

The Company is a private company with limited liability incorporated under the laws of the Netherlands on March 3, 2016. The statutory address of the Company is Basisweg 10, Amsterdam, the Netherlands. The Company's Dutch Chamber of Commerce registration number is 65490916. All issued shares are held by Stichting VCL Master Netherlands, which also is established in Amsterdam, The Netherlands.

On May 31, 2016 ("the Closing Date"), the Company purchased a portfolio of leased vehicle contracts and the accompanying lease receivables ("Lease Receivables") and entered into a Master Hire Purchase Agreement and a number of related agreements, amounting to EUR 254.5 million. The contract and Lease Receivables were acquired from Volkswagen Leasing B.V. and DutchLease B.V. (collectively, "the Originator"). In order to finance the transaction, under the EUR 1,500,000,000 Programme, the Company issued Asset Backed Floating Rate Class A Notes and Asset Backed Floating Rate Class B Notes ("the Notes"), which are quoted on the Luxembourg Stock Exchange, for an initial amount of EUR 190.7 million. The Company also entered into a Subordinated Loan agreement with Volkswagen International Luxemburg S.A., whereby the Subordinated Lender provided the Subordinated Loan to fund the remainder of the initial purchase price and entered into a Maintenance Reserve Funding Agreement with the Originator. During the revolving period, the Company is allowed to substitute the proceeds from Lease Receivables for the purchase of additional Leased Vehicles and accompanying Lease Receivables.

On February 22, 2018, Volkswagen International Luxemburg S.A. was replaced as subordinated lender by Volkswagen Pon Financial Services B.V. ("the Subordinated Lender"). On October 31, 2019, Dutchlease B.V. merged into Volkswagen Leasing B.V., whereby Volkswagen Leasing B.V. assumed all obligations of and took over all rights from DutchLease B.V. On November 4, 2019 Volkswagen Pon Financial Services B.V. merged into Volkswagen Leasing B.V. and Volkswagen Leasing B.V. changed its legal name to Volkswagen Pon Financial Services B.V.

On February 25, 2020 and June 25 2020, the Company increased the existing Series of Class A Notes for a total amount of EUR 108.5 million and the Series of Class B Notes for a total amount of EUR 11.6 million. Furthermore, the Company requested and received an additional advance for a total amount of EUR 32 million from the Subordinated Lender under the Subordinated Loan Agreement. The proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator.

On April 26, 2021, the Company issued new Series 2021-1 of Class A Notes in the amount of EUR 50 million and increased the existing Series of Class A Notes for a total amount of EUR 8 million and the Series of Class B Notes for a total amount of EUR 8.2 million. Furthermore, the Company requested and received an additional advance for a total amount of EUR 15.1 million from the Subordinated Lender under the Subordinated Loan Agreement. The proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator.

On August 25, 2022, the Company increased the existing Series of Class A Notes for a total amount of EUR 56.5 million and the Series of Class B Notes for a total amount of EUR 8 million. Furthermore, the Company requested and received an additional advance for a total amount of EUR 14.6 million from the Subordinated Lender under the Subordinated Loan Agreement. The proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator.

The Notes are rated by Moody's Deutschland GMBH and DBRS Ratings GmbH.

If a transferor retains substantially all the risks and rewards associated with transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Director has concluded that the Originator has retained substantially all the risks and rewards of the Lease Receivables under the most likely future circumstances. As a consequence, the Company does not recognise the Lease Receivables on its Balance Sheet but rather a Deemed loan to the Originator.

Arranger
The transaction is arranged by ING Bank N.V. ("ING Bank" or "Arranger").

Personnel
As all operational activities are performed by external parties (see "List of counterparties"), the Company does not have any personnel.

Limited recourse
The Notes are limited recourse obligations of the Issuer alone and will not be the obligations of, or guaranteed by, or be the responsibility of, any other entity. The Issuer will have limited sources of funds available.

The ability of the Company to meet its obligations to pay principal and interest on the Notes is dependent on the receipt of the funds from the Deemed loan to the Originator, being receipts from the Lease Receivables, the proceeds of the sale of any Lease Receivables, payments under the swap agreement and the availability of the Cash Collateral Account.

Due to the limited recourse nature of the Notes, the Company is almost not exposed to any risks as all the risks are fully mitigated by derivative contracts or transferred to the Noteholders as described in the legal documentation as far as not transferred to the Swap Counterparty.

Financial reporting
The Director is responsible for establishing and maintaining adequate internal control over financial reporting. The Director is also responsible for the preparation and fair presentation of the financial statements. The Company's internal control over financial reporting is included in the ISAE 3402 framework of the Director.

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Comparison with prior year
The principles of valuation and determination of result remain unchanged compared to the prior year.

RISK MANAGEMENT

General
The Company's principal financial instruments during the year comprised the Deemed loan to the Originator, the Notes payable, the Subordinated Loan and Derivative instruments. The main purpose of these financial instruments is to finance the Company's operations and to manage the interest rate risk arising from its issued Notes.

Repayment of principal and interest payment on the Notes is subject to financial risks. If and when these risks materialize into losses, these losses will be borne by holders of the Notes issued, as well as other creditors that are party to the transaction, connected with the Lease Receivables as collateral to the Deemed loan to the Originator.

The key financial instrument risks are classified as credit and concentration risk, market risk (interest rate risk), liquidity risk, Swap Counterparty credit risk as well as, specifically applicable in relation to the Lease Receivables, residual value risk. These risks mainly relate to the Lease Receivables as collateral to the Deemed loan to the Originator.

Credit risk
The Lease Receivables bear credit risk. As a company that invests in carlease loans in the Netherlands the Company has significant exposure to credit risk associated with the carlease market in the Netherlands.

Credit risk is mainly related to the economic conditions and the risk that individual borrowers might be unable to fulfil their payment obligations. However, these risks are mitigated because each Lease Receivable is collateralised by the related car/vehicle, and the portfolio is well spread over a large number of individual Lease Receivables, a variety of car/vehicle types, geographical areas and a variety in industry sectors in which the applicable lessees operate. If a borrower defaults and the Company forecloses on the Lease Receivable, the Company is entitled to all proceeds of the sale of the related car/vehicle. If the proceeds from the sale of the car are insufficient to repay the outstanding principal amount of the Lease Receivable, the Company could record a loss in this respect though, ultimately, such losses will very likely be borne by the Company's creditors that are also a party to the transaction.

The Director is aware of the potential volatility in macro-economic developments and the car market in particular, and of the dangers it can bring with it. Consequently, not only the creditworthiness of the borrower/lessee can be recognised as a risk but also the general economic conditions and the car(lease) market in particular have an impact on the probability of a loss. Although the Company is exposed to a certain degree of credit risk, the Director believes the credit risk is low due to the limited recourse nature of the issed Notes.

The maximum credit risk per the period ending is EUR 1,016,113,167 (previous period: EUR 944,936,489).

Concentration risk
Concentration risk reflects the risk that the inability of a single or relatively small number of contractual partners to meet their current or future obligations may lead to substantial losses to the Company.

The Company's borrowers are generally well spread in terms of their share of the total obligation under the Lease Receivables, as well as other diversifications such as spread between private and business lessees, geographical spread within the country and the sectors in which the lessees operate. However, the Company is exposed to a certain degree to a single dealer network (Volkswagen).

Although the Company is exposed to a certain degree of concentration risk, the Director believes the concentration risk is low due to the limited recourse nature of the issued Notes.

Interest rate risk
The Notes bear interest (floating, subject to a floor of zero). The Company's exposure to interest rate risk due to the limited recourse nature of the issued Notes is close to nil. Possible risks regarding the interest, as a result of fluctuations in the prevailing levels of market interest rates are mitigated by swap contracts. The interest rate risk on the Subordinated Loan is not hedged by means of swap contracts. However, the Director believes the interest rate risk is low due to the credit enhancements in place (amongst others the Final Success Fee).

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the Noteholders, and other creditors, as they become due. Liquidity risk on interest payments to be made by the Company to its Noteholders arises from mismatches on both the interest frequency on the Notes versus the Lease Receivables, as well as from the outstanding value of the Notes compared to the Lease Receivables. Liquidity risk on principal payments arises from mismatches in the maturity of the Notes compared to the maturity of the Lease Receivables.

Matching maturities of assets and liabilities and related cash flows is fundamental to the Director of the Company. This risk is addressed and mitigated by credit enhancements granted by the Originator as well as by means of the availability of the Cash Collateral Account.

Swap Counterparty credit risk
The Company has entered into a swap agreement with the Swap Counterparty. Pursuant to this agreement, the Swap Counterparty agreed to make payments to the Company under certain circumstances as described therein.

The Swap Counterparty credit risk is the risk that the Company will be exposed to the credit risk of the relevant Swap Counterparty with respect to any such payments. To mitigate the Swap Counterparty credit risk of the financial derivatives, the Company only enters into contracts with carefully selected major financial institutions based upon their credit ratings.

With regards to Swap Counterparty exposure the Company uses International Swaps and Derivatives Association ("ISDA") agreements to govern derivative contracts to mitigate Swap Counterparty credit risk. The credit rating of ING Bank N.V. per year-end 2022 is AAL (DBRS Ratings Limited) and A1 (Moody's Investors Service Ltd). Based on this rating the Director believes the risk of the Swap Counterparty defaulting is low. Please note that the Swap Agreement provides for certain "Events of Default" (as defined in the Swap Agreement) relating to the Issuer and the Swap Counterparty, the occurrence of which may lead to a termination of the Swap Agreement.

Should the Swap Counterparty's rating fall below the contractually required rating, the posting of collateral is required, a third-party guarantee should be put in place or the Swap Counterparty should be replaced.

Residual value risk

The residual value risk for the Company is the risk that, after it has acquired legal title to a Purchased Vehicle, any Vehicle Realisation Proceeds of such Purchased Vehicle are insufficient to cover:

•in case of a Matured Lease, the Estimated Residual Value; or

•in case of a Lease Agreement Early Termination, the Present Value of the Estimated Residual Value of such Purchased Vehicle.

This risk is addressed and mitigated by the Master Hire Purchase Agreement under which the Originator, in case a Lease Termination Date occurs, has the option to repurchase the purchased vehicles together with the associated Lease Receivables at an Option Exercise Price equal to the sum of:

•the present value of all scheduled Lease Interest Components and Lease Principal Components; and

•the present value of the Estimated Residual Value of such Purchased Vehicles in the circumstances set out in the Master Hire Purchase Agreement.

If the Originator does not exercise the option to repurchase the purchased vehicles together with the associated Lease Receivables, the Company may exercise its Put Option to sell the purchased vehicles together with the associated Lease Receivables against the Option Exercise Price to the Originator.

Operational risk

In addition to financial risks, the Company also faces operational risks. The servicing of the underlying Lease Receivables, and the entity administration and investor reporting is performed by regulated, well-known companies. The operating risk is mitigated as the Company has contractual agreements with these companies and these companies either provide annual audited portfolio statements on the Lease Receivables and/or an ISAE 3402 report with respect to the services provided by the (sub) Servicer. Furthermore, the transaction includes measures to be taken once certain parties fail to maintain a specific credit rating. The Director believes that the operational risks are low and no further measures are deemed necessary.

Conflict in the Ukraine

As the Company's assets are located in the Netherlands, its direct exposure to the current conflict in the Ukraine is very limited. However, the Company's operations and future prospects could be indirectly impacted by the effects that the conflict may have on the economy as a whole. The limited recourse principle embedded in the transaction means that any such negative consequences are transferred from the Company to the Originator and/or Noteholders.

Risk appetite

The Company by its nature exposes itself to financial risks. The investors in the Notes issued by the Company are made aware of these risks and understand the adverse effects on repayment of principal and interest payments on issued Notes in the event these risks materialize into losses.

Based on the above, the Company is of the opinion that all significant risks are adequately addressed and that no ongoing risk assessment is deemed necessary. The credit enhancements granted are all part of the risk control measures. As a result, the Company's risk appetite is low.

Fraud
In view of fraud, bribery and anti-corruption, the Director implemented manual and automated internal controls such as segregation of duties and provides training to help employees to identify fraudulent behaviour. In addition, the Director implemented, amongst others, a code of conduct, whistle-blower policies and internal policies around reporting non-compliance. The Director applies a zero-tolerance policy in relation to fraud, bribery and anti-corruption. No instances of (internal or external) fraud or any other matters are identified in this respect that had a material effect on the financial statements.

Audit committee
The Company is an entity for securitization purposes according to Article 1 ministerial decree prudence rules Financial Supervision Act (Article 1, Decree on Prudential Rules for Financial Undertakings). As such the Company makes use of the exemption for securitization vehicles, concerning the obligation to establish an audit committee as defined in article 3d of the implementing regulation enforcing Article 41 of the European Directive no. 2006/43/EG. The implementing regulation came into effect in the Netherlands on August 8, 2008. The duties of the audit committee rest with the Director.

Results
Apart from a pre-determined level of net income, the Company's financial results are for the account of the Originator through a Final Success Fee mechanism. Reference is made to the general notes to the financial statements for further details.

The net asset value of the Company as at December 31, 2022 amounts to EUR 14,023 (previous period: EUR 11,898). The result for year 2022 amounts to EUR 2,125 (previous period: EUR 2,125). The operating result amounts to EUR 37,334,158 (previous period: EUR 36,506,903). The carrying amount of the Deemed loan to the Originator amounts to EUR 962,993,591 (previous period: EUR 896,612,334).

In the reporting period the average interest rate on the Deemed loan to the Originator amounted to 4.91% (previous period: 5.02%) and the average funding rate amounted to 0.82% (previous period: 0.67%). The average interest rates approximate the effective rates.

Based on the set-up and structure of the Company, a special purpose vehicle with a fixed/predetermined amount of profit each year, no information or analyses are presented on the solvency, liquidity or any other performance ratios.

Realised losses on the underlying Lease Receivables (net of recoveries) during the period amounted to EUR 150.1 thousand (previous period: EUR 19.7 thousand). At year-end, the cumulative net loss ratio is 0.14% (previous period: 0.07%). Based on a specific review of this loss ratio and taking into consideration the underlying collateral, the Director has decided not to make a provision for credit losses for doubtful underlying Lease Receivables.

Research and development
Based on the set-up and structure of the Company, a special purpose vehicle, no information or analyses is presented on the subject matter of research and development.

Environmental, Social & Governance (ESG)
The Director underlines the importance of ESG reporting, however also is of the opinion that ESG reporting is irrelevant for Special Purpose Vehicles. The Company, due to its nature and structure, has limited (direct) impact on ESG factors. The director is of the opinion that the ESG responsibilities lie in full with the Originator and service organizations.

1.2 Future outlook
This macro-economic analysis in this section is largely based on data and expectations presented by De Nederlandsche Bank (“DNB”), the Central Bureau of Statistics (“CBS”) and the Dutch branch organisation (BOVAG) for the car industry.

The prediction of future trends and the quantification of developments is inherently a difficult task, full of uncertainties. The calculation of economic indicators and predictions will inevitably lag behind events and some of the information available may not be completely up-to-date with developments.

DNB has concluded that the Dutch economy has been subjected to distinct phases during 2022. The first two quarters showed strong growth in GDP as compared to the previous year as COVID-19 restrictions were relaxed, but during the third quarter of the year this transformed to a modest decrease largely as a result of the conflict in the Ukraine. However, in the fourth quarter it recovered again and more than eradicated to decline of the third quarter. Nevertheless, by the end of 2022, the effects of the increased inflation rates (caused primarily by high fuel and raw material prices) and a decline in the growth rates in the worldwide economy were being felt though the Dutch economy appears to be more resilient than most economies surrounding it. Whilst those effects are expected to continue into 2023, the DNB predicts a year of stabilization as a result of public sector support to reduce the effects of high fuel prices on households and businesses, along with a general downward trend on fuel and raw material prices as the worldwide economy slows down.

Alongside its most likely scenario, the DNB has also sketched an alternative scenario for the coming years which is largely based on continued high fuel prices without imposed price ceilings and increasing raw material prices and, consequently, higher inflation levels. These adverse developments would very likely impact the global economy, as well as the Dutch economy.

Despite the modest decrease during the third quarter of the year, GDP in the Netherlands increased by around 4.5% in 2022, slightly less than the increase of 4.9% in 2021. The current expectations are that GDP will stabilize at an increase of around 0.8% in 2023 before improving somewhat to a level of 1.6% in 2024. In a ‘worst case scenario’ of continued high energy prices and increased political tension, a flat level GDP for 2023 and a very modest increase for 2024 are predicted.

All scenarios are significantly impacted by government spending, particularly in the form of supporting price ceilings for energy prices. This will all significantly impact inflation and interest rate levels. The level of government spending deficit decreased from 2.6% in 2021 to a more healthy level of around 1.0% in 2022. However, the effects of the various measures introduced to support households and businesses in the impact of higher energy prices is predicted to lead to a deficit in government spending of around 3.0% in 2023 and a deficit of 1.4% in 2024. Much of these projections will depend on the level and duration of this government support for the economy.

In determining the projections for 2023 and beyond, DNB has pointed to a number of strengths and weaknesses of the commercial sector within the Dutch economy underlying the projected developments. Businesses have generally responded well to the high energy prices and inflationary pressure. Cost and energy reduction programmes have absorbed a large part of the adverse effects. Many businesses continue to suffer under acute shortages of staff and raw materials, however. Levels of investments rose sharply during 2022 but will likely be curtailed again in 2023 to a modest decline before recovering in 2024. The restricted availability of credit from the banking sector plays a negative role in the 2023 projections. The export sector continues to perform well, outperforming the Dutch economy as a whole but at the same time unable to match growth levels in the worldwide economy, indicating a loss of global market share.

Unemployment levels continued to decrease during most of 2022 from a level of just above 4% to a level just below it. The continued shortages in the labour markets will ensure that the rise in unemployment in 2023 and 2024 will be restricted to around the 4.2% and 4.0% levels, respectively. A continued modest rise in the number of vacancies will be countered by the relatively high level of new entrants onto the labour markets. New entrants are encouraged by the rising number of vacancies but some entrants arrive out of economic necessity as household finances are hit by the effects of rising inflation.

Headline inflation increased from an average of 2.7% in 2021 to some 10% in 2022. Inflationary pressures came initially from higher energy costs, especially electricity, oil, gas and automotive fuel but spread later in the year to raw material prices, wage inflation and, ultimately, consumer prices in most areas. The effects of rising energy prices are expected to continue to contribute a relatively large element to overall inflation levels in the coming years. The tight labour market and consumer inflation are also expected to result in continued inflationary pressures on wage settlements, expected to average around 5% in 2023. These will, in turn, put pressure on production unit costs.

The level of new car registrations in 2022 was 312,129. That was down 3.3% from the 322,831 recorded in the previous year. New car registrations in 2022 were again negatively affected by a global shortage of chips which particularly hit the manufacture of electric and hybrid vehicles (‘EV’), as well as shortages in other materials. Government incentives for EV continue with lower notional income amounts for income tax purposes being applied to EVs as well subsidies for the purchase of electric vehicles. However, such measures are gradually reducing as the volume and quality of electric and hybrid vehicles continues to increase significantly.

The Dutch branch organisation (BOVAG) has issued an estimate for the level of new registrations in 2023 at 340,000. This would represent an increase of nearly 9% over 2022. The estimate is largely based on continued government incentives for the EV market, as well as the car dealers' full order books which are the result of the production problems experienced in 2021 and 2022. BOVAG has reiterated that their prognosis is also to a large extent dependent on developments in the Dutch and worldwide economies and particularly the development of the conflict in the Ukraine.

It is important to reiterate that the Company was incorporated specifically for its role in a structured finance transaction and is governed by the terms and conditions of the Prospectus and other Transaction Documents. These are drawn up, inter alia, to foresee all possible future economic conditions, including those caused by, for instance, political conflicts and pandemics. At this stage, it is quite possible that the consequences of adverse economic conditions will result in an increased level of losses of both interest and principal on the Company's assets. The limited recourse principle embedded in the Prospectus and Transaction Documents dictates that any such losses from the Company's assets are to be borne by the Company's creditors, in accordance with a pre-determined priority of payments waterfall.

Consequently, any such losses are unlikely to be borne by the Company itself but rather by the Company's creditors, including the beneficiary of the Final Success Fee, the Noteholders, other creditors and only ultimately the Company's shareholder. The Company intends to continue to act within the terms and conditions set out for it by the Transaction Documents, and to otherwise comply with all its other obligations. The Company has no employees and is dependent on third-party service providers. However, the level or quality of the service provided has remained unaffected.

In conclusion, the Company expects to remain a going concern. The Director believes that the Company's risks are adequately mitigated by the various credit enhancements, as described in the financial statements. Also, as the Company's obligations to the Noteholders are of limited recourse, consequently no significant changes in the current position of the Company are expected for the next 12 months.

Director's representation statement

The Director declares that, to the best of its knowledge, the financial statements prepared in accordance with the applicable set of accounting standards (Dutch GAAP for the Company) give a true and fair view of the assets, liabilities, financial position and result of the Company and that the Director's report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties it faces.

Director

During 2022 the Company was represented by Intertrust Management B.V. in the role as Director of the Company.

Amsterdam, July 6, 2023

Director
Intertrust Management B.V.

2. Financial statements

2.1 Balance sheet as at December 31, 2022

(before result appropriation)

	Note	December 31, 2022		December 31, 2021	
ASSETS		EUR	EUR	EUR	EUR
Fixed assets					
Financial fixed assets	[1]				
Deemed loan to the Originator		962,993,591		896,612,334	
			962,993,591		896,612,334
Current assets					
Receivables	[2]				
Servicer receivables		41,202,297		38,778,381	
Other receivables		302,301		-	
			41,504,598		38,778,381
Cash	[3]		11,614,978		9,545,774
Total assets			1,016,113,167		944,936,489
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[4]				
Share capital		1		1	
Other reserves		11,897		9,772	
Net result		2,125		2,125	
			14,023		11,898
Non-current liabilities	[5]				
Notes payable		825,300,000		760,800,000	
Subordinated Loan		109,102,401		120,463,777	
Final Success Fee		49,441,416		34,010,694	
			983,843,817		915,274,471
Current liabilities	[6]				
Interest payable		558,614		19,569	
Derivative instruments		73,956		23,534	
Maintenance Advance		-		-	
Cash Collateral Amount		11,141,550		9,129,600	
Taxes payable		5,803		5,176	
Accrued expenses and other liabilities		20,475,404		20,472,241	
			32,255,327		29,650,120
Total shareholder's equity and liabilities			1,016,113,167		944,936,489

The accompanying notes form an integral part of these financial statements.

2.2 Statement of income for the year ended December 31, 2022

	Note	2022	2021
		EUR	EUR
Interest income	[7]	45,618,482	43,239,281
Interest expenses	[8]	-8,284,324	-6,732,378
Operating result		37,334,158	36,506,903
Other operating expenses	[9]	-31,831,185	-35,699,592
Final Success Fee	[10]	-5,500,473	-804,811
Income before taxation		2,500	2,500
Corporate income tax	[11]	-375	-375
Net result		2,125	2,125

The accompanying notes form an integral part of these financial statements.

2.3 Statement of cash flows for the year ended December 31, 2022

The Statement of cash flows has been prepared according to the indirect method.

	Note	2022		2021	
		EUR	EUR	EUR	EUR
Net result			2,125		2,125
Adjustments on Statement of income:					
Interest income	[7]	-45,618,482		-43,239,281	
Interest expense	[8]	8,284,324		6,732,378	
Corporate income tax	[11]	375		375	
Losses on Lease Receivables	[1]	150,119		19,735	
Final Success Fee		15,430,722		23,338,238	
Discount Deemed loan to the Originator		13,607,340		12,917,424	
			-8,145,602		-231,131
Movements in working capital					
Change in receivables	[2]	-2,726,217		290,032	
Change in derivative instruments	[6]	50,422		18,786	
Change in accrued expenses and other liabilities	[6]	3,163		982,851	
Corporate income tax paid	[11]	-375		-375	
VAT payable	[6]	627		4,661	
Cash Collateral Amount received	[6]	2,011,950		794,400	
			-660,430		2,090,355
Cash flow from operating activities			-8,803,907		1,861,349
Cash flow from investing activities					
Additional Lease Receivables purchased	[1]	-450,218,231		-441,871,974	
Repayments from Lease Receivables	[1]	178,679,261		171,203,092	
Repurchased Lease Receivables by the Originator	[1]	191,400,254		188,172,778	
Cash inflow Maintenance Advance	[6]	-		11,342,344	
Cash outflow Maintenance Advance	[6]	-		-27,339,697	
Interest received	[7]	45,618,482		43,239,281	
Cash flow from investing activities			-34,520,234		-55,254,176
Cash flow from financing activities					
Notes issued	[5]	64,500,000		66,200,000	
Drawdown of Subordinated Loan	[5]	14,649,659		15,104,568	
Repayment of Subordinated Loan	[5]	-26,011,035		-37,112,963	
Interest paid		-7,745,279		-6,762,270	
Cash flow from financing activities			45,393,345		37,429,335
Movements in cash			2,069,204		-15,963,492
Notes to the cash resources					
Balance at January, 1			9,545,774		25,509,266
Movements in cash			2,069,204		-15,963,492
Balance at December, 31			11,614,978		9,545,774

The accompanying notes form an integral part of these financial statements.

2.4 General notes to the financial statements

General

Structure of operations

VCL Master Netherlands B.V. ("the Company" or "the Issuer") is a private company with limited liability incorporated under the laws of the Netherlands on March 3, 2016. The statutory address of the Company is Basisweg 10, Amsterdam, the Netherlands. The Company's Dutch Chamber of Commerce registration number is 65490916. All issued shares are held by Stichting VCL Master Netherlands, which also is established in Amsterdam, The Netherlands.

The objectives of the Company are (a) to hire-purchase, acquire, purchase, manage, alienate and encumber vehicles and receivables and to exercise any rights connected to such vehicles and receivables; (b) to take up loans, by issuing debentures, by granting participating interests or by entering into loan agreements, for the acquisition of vehicles and receivables mentioned under (a) and to enter into agreements in connection herewith; (c) to invest, including the providing of loans, any funds held by the Company; (d) to hedge interest rate - and other financial risks - amongst others by entering into derivatives agreements, including swap agreements and option agreements; (e) if incidental to the foregoing: i. to take up loans, amongst others to repay the obligations under any debentures, participating interests and loan agreements mentioned under (b); and ii. to grant property and personal security rights (goederenrechtelijke en persoonlijke zekerheidsrechten), or to release security rights granted to it by third parties, and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

On May 31, 2016 ("the Closing Date"), the Company purchased a portfolio of leased vehicle contracts and the accompanying lease receivables ("Lease Receivables") and entered into a Master Hire Purchase Agreement and a number of related agreements, amounting to EUR 254.5 million. The contract and Lease Receivables were acquired from Volkswagen Leasing B.V. and DutchLease B.V. (collectively, "the Originator"). In order to finance the transaction, under the EUR 1,500,000,000 Programme, the Company issued Asset Backed Floating Rate Class A Notes and Asset Backed Floating Rate Class B Notes ("the Notes"), which are quoted on the Luxembourg Stock Exchange, for an initial amount of EUR 190.7 million. The Company also entered into a Subordinated Loan agreement with Volkswagen International Luxemburg S.A., whereby the Subordinated Lender provided the Subordinated Loan to fund the remainder of the initial purchase price and entered into a Maintenance Reserve Funding Agreement with the Originator. During the revolving period, the Company is allowed to substitute the proceeds from Lease Receivables for the purchase of additional Leased Vehicles and accompanying Lease Receivables.

If a Lease Receivable no longer meets the Lease Receivable eligibility criteria, the Originator has the obligation to repurchase the Lease Receivable and the option to substitute the Lease Receivable with a Lease Receivable that does meet the relevant criteria.

On February 22, 2018, Volkswagen International Luxemburg S.A. was replaced as subordinated lender by Volkswagen Pon Financial Services B.V. ("the Subordinated Lender"). On October 31, 2019, Dutchlease B.V. merged into Volkswagen Leasing B.V., whereby Volkswagen Leasing B.V. assumed all obligations of and took over all rights from DutchLease B.V. On November 4, 2019 Volkswagen Pon Financial Services B.V. merged into Volkswagen Leasing B.V. and Volkswagen Leasing B.V. changed its legal name to Volkswagen Pon Financial Services B.V.

On February 25, 2020 and June 25 2020, the Company increased the existing Series of Class A Notes for a total amount of EUR 108.5 million and the Series of Class B Notes for a total amount of EUR 11.6 million. Furthermore, the Company requested and received an additional advance for a total amount of EUR 32 million from the Subordinated Lender under the Subordinated Loan Agreement. The proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator.

On April 26, 2021, the Company issued new Series 2021-1 of Class A Notes in the amount of EUR 50 million and increased the existing Series of Class A Notes for a total amount of EUR 8 million and the Series of Class B Notes for a total amount of EUR 8.2 million. Furthermore, the Company requested and received an additional advance for a total amount of EUR 15.1 million from the Subordinated Lender under the Subordinated Loan Agreement. The proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator.

On August 25, 2022, the Company increased the existing Series of Class A Notes for a total amount of EUR 56.5 million and the Series of Class B Notes for a total amount of EUR 8 million. Furthermore, the Company requested and received an additional advance for a total amount of EUR 14.6 million from the Subordinated Lender under the Subordinated Loan Agreement. The proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator.

If a transferor retains substantially all the risks and rewards associated with transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Director has concluded that the Originator has retained substantially all the risks and rewards of the Lease Receivables under the most likely future circumstances. As a consequence, the Company does not recognise the Lease Receivables on its Balance Sheet but rather a Deemed loan to the Originator.

At initial recognition the Deemed loan to the Originator and Notes payable are measured at the purchase price (fair value) and subsequently accounted for at amortised cost.

The Director and related parties
Intertrust Management B.V. manages the Company. The Originator services the Lease Pool. Intertrust Administrative Services B.V. handles cash management and statutory accounting.

Stichting VCL Master Netherlands ("the Foundation") holds the shares of the Company. The objectives of the Foundation are to incorporate, to acquire and to hold shares in the capital of the Company, and to administer the shares in the capital of the Company, to exercise all rights attached to such shares and to alienate and encumber such shares. The sole Director of the Foundation is Intertrust Management B.V.

Intertrust Management B.V. and Intertrust Administrative Services B.V. belong to the same group of companies but are not related to the Originator. The Intertrust companies and the Originator, as well as any entities belonging to those groups, are considered related parties to the Company.

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Significant transactions with related parties, if any, are disclosed in the notes. All transactions are executed at normal market conditions and considered to be at conducted at arms' length.

Credit ratings
The Notes are rated by Moody’s Deutschland GMBH and DBRS Ratings GmbH.

Arranger
The transaction is arranged by ING Bank N.V. ("ING Bank" or "Arranger").

Personnel
As all operational activities are performed by external parties (see "List of counterparties"), the Company does not have any personnel.

Financial reporting
The Director is responsible for establishing and maintaining adequate internal control over financial reporting. The Director is also responsible for the preparation and fair presentation of the financial statements. The Company's internal control over financial reporting is included in the ISAE 3402 framework of the Director.

These financial statements have been prepared for a reporting period of one year, from January 1, 2022 to December 31, 2022.

PRINCIPAL ACCOUNTING POLICIES
The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation
The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

In some parts of the financial statements terms maybe used for financial statement line items that deviate from the decree on models of annual accounts (the Dutch “Besluit Modellen Jaarrekening”), for the purpose of better reflecting the content of the item.

The applied accounting policies for all assets and liabilities are based on the historic cost convention, which effectively comprises the cost of the transaction. The Balance sheet, Statement of income and the Statement of cash flows include references to the notes.

An asset is recognised in the Balance Sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the Balance Sheet are considered as off-Balance Sheet assets.

A liability is recognised in the Balance Sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Liabilities that are not recognised in the Balance Sheet are considered as off-Balance Sheet liabilities.

An asset or liability that is recognised in the Balance Sheet, remains recognised on the Balance Sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken into account in this assessment.

An asset or liability is no longer recognised in the Balance Sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a a third party. In such cases, the results of the transaction are directly recognised in Statement of income.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed taking into account any allowances related to the transaction.

The Director has prepared the financial statements on July 6, 2023.

Comparison with prior year
The principles of valuation and determination of result remain unchanged compared to the prior year.

Estimates
The preparation of the financial statements requires the Director to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. It also requires the Director to exercise its judgment in the process of applying the Company's accounting policies.

The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

If necessary, for the purposes of providing the view required under article 2.362.1 Dutch Civil Code (DCC), the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the applicable financial statement items.

Going concern
The Director has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources and activities to continue in business for the foreseeable future. Furthermore, the Director is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Agent
The Company does not have the primary responsibility for the delivery or execution of services rendered to the lessee, nor does the Company have inventory risk or the freedom of action when determining the price of the services rendered. In addition, the Company faces no credit risk on the amount owed by the lessee with respect to the services rendered in the transaction as a result of the senior maintenance coordinator fee in the waterfall mechanism. Therefore, the Company is an agent for the aforementioned services in the transaction and the corresponding amounts are no income for the Company and are therefore not gross presented in the Statement of income.

Offsetting
Financial assets and liabilities are offset at the net amount reported in the Balance Sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Foreign currencies
The financial statements are presented in EUR, which is the functional and presentation currency of the Company.

Assets and liabilities

Financial fixed assets

Deemed loan to the Originator
The Deemed loan to the Originator is initially measured at the purchase price (fair value) and subsequently the Lease Receivables underlying the Deemed loan to the Originator are measured at amortized cost minus a provision for impairment, using the effective interest method. Newly acquired contracts in the underlying portfolio are recognized at fair value. The carrying amount of the Deemed loan to the Originator approximates fair value.

The Company assesses at each Balance Sheet date whether a financial asset is impaired. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the Statement of income for all categories of financial assets measured at amortized cost.

The amount of impairment losses on financial assets carried at amortised cost is calculated as the difference between the carrying amount of the asset and the best possible estimate of the future discounted cash flows. If an event occurs that impacts the underlying Lease Receivables, after the impairment was recognized, a previously recognised impairment loss is reversed to a maximum of the amount required to carry the asset at amortised cost at the time of the reversal if no impairment had taken place. The impairment loss reversal is taken to the Statement of income.

For the determination of the impairment losses on the Deemed loan to the Originator, the Company reviews the underlying Lease Receivables to determine if a provision for impairment is deemed necessary. The assessment takes into account the data from the Lease Receivables (such as credit quality, levels of arrears, historical loss patterns, etc.).

Current assets

Receivables
Receivables are recognised initially at fair value and subsequently measured at amortised cost. All receivables included under current assets are due in less than one year. The fair value of the current assets approximates the book value due to its short-term character. If a receivable is uncollectable, it is written off against the Statement of income.

Cash
Cash are measured at nominal value and, insofar as not stated otherwise, are at the free disposal of the Company. Cash relate to immediately due and payable withdrawal claims against credit institutions and cash resources. The fair value of cash approximates the book value due to its short-term character.

Non-current liabilities

Notes payable
Notes payable are initially recognised at fair value, normally being the amount received taking into account premium or discount and transaction costs. The Notes are subsequently stated at amortised cost, based on the effective interest method, being the amount received taking into account of any premium or discount, less any redemptions. The carrying amount of the Notes payable approximates fair value.

Contractual obligations of the Company towards the Noteholders are laid out in the Transaction documentation. The limited recourse nature of the transaction may result in the non-payment of both principal and interest to the Noteholders. The holders of the most subordinated Notes will be the first affected Noteholders by the impairment, in line with the inverse order of the priority of payments as defined in the waterfall as described in the Transaction documentation under priority of payments upon enforcement.

Subordinated Loan
The Subordinated Loan is initially recognised at the fair value, normally being the amount received taking into account premium or discount and transaction costs. The Subordinated Loan is subsequently stated at amortised cost, based on the effective interest method, being the amount received taking into account of any premium or discount, less any redemptions. The carrying amount of the Subordinated Loan approximates fair value.

Final Success Fee
The Final Success Fee is recognised initially at fair value and subsequently measured at amortised cost. The Final Success Fee due to the Originator is the excess of interest collections on the Lease Receivables over the fees and expenses of the Company, including interest payments on the Notes and Subordinated Loan. The price paid for the Lease Receivables by the Company to the Originator is calculated on a discounted cash flow basis to provide the Company interest income in excess of interest payments. The carrying amount of the Final Success Fee approximates fair value.

Current liabilities
After initial measurement at fair value, current liabilities are carried at amortised cost using the effective interest method, where applicable. All liabilities included under current liabilities are due in less than one year. Gains or losses are recognised in the Statement of income when the liabilities are derecognised, as well as through the amortisation process. The fair value of the current liabilities approximates the book value due to its short-term character.

Derivatives
The recognition and measurement of derivatives are discussed in a separate section, 'Derivatives and hedge accounting'. Due to the application of hedge accounting, all derivatives are carried at their accrued value at Balance Sheet date. The accrued value is calculated as being the net balance in the accrued interest receivable and payable positions at Balance Sheet date. Derivative contracts are used for hedging purposes.

Maintenance Advance
Maintenance Advance is recognised initially at fair value and subsequently measured at amortised cost.

Recognition of income and expenses
Income is recognised in the Statement of income account when an increase in future economic benefits related to an increase in an asset or a decrease of a liability arises, of which the amount can be measured reliably. Expenses are recognised when a decrease in the economic benefits related to a decrease in an asset or an increase of a liability arises, of which the amount can be measured with sufficient reliability.

Income and expenses, including taxation, are allocated to the period to which they relate.

Interest income and expenses
The interest income on Lease Receivables and the interest expense on the Notes and Subordinated Loan are recognised in the Statement of income using the effective interest rate method.

Losses on Deemed loan to the Originator
Losses on the Deemed loan to the Originator are defined as any remaining unpaid amounts of principal and accrued interest on a Lease Receivable after the sale proceeds (net of repossession costs), plus any other amounts set off against the Borrower, have been deducted.

Other operating expenses
The other operating expenses are accounted for in the period in which these are incurred.

Corporate income tax
Based on the set-up of the Notes structured debt transaction, the Company agreed to distribute the operating result, after the other operating expenses and taking the predetermined result after tax into account, to the Originator. On the other hand, possible remaining losses are deducted from certain classes of creditors and/or Noteholders. The Company realizes a pre-determined net income, which is in line with common practice for these kinds of securitizations. As a result, the financial statements of the Company include a tax charge.

Taxation is calculated on the reported pre-tax result, at the prevailing tax rates.

Results
Apart from a pre-determined level of net income, the Company's financial results are for the account of the Originator through a Final Success Fee mechanism.

Contingent liabilities and commitments

The Company has granted a first ranking right of pledge over the Lease Receivables and beneficiary rights to Stichting Trustee VCL Master Netherlands (“the Security Trustee”), established under the laws of the Netherlands as a foundation. The sole managing director of the Security Trustee is Amsterdamsch Trustee’s Kantoor B.V. and it belongs to the same group of companies as Intertrust Management B.V. and Intertrust Administrative Services B.V. Furthermore, the Company has granted a first ranking pledge to the Security Trustee over the Company's rights under or in connection with certain transaction agreements.

The exercise of the pledge is subject to certain terms and conditions. In case the Company does not meet its obligations towards certain secured parties, including the Noteholders, this could lead to exercising the right of pledge by the Security Trustee.

Under the Master Hire Purchase Agreement, the Originator has the option to repurchase the purchased vehicles together with the associated Lease Receivables at an Option Exercise Price equal to the sum of:

- the present value of all scheduled Lease Interest Components and Lease Principal Components; and
- the present value of the Estimated Residual Value of such Purchased Vehicles in the circumstances set out in the Master Hire Purchase Agreement.

If the Originator elects to exercise the Repurchase Option, the Company shall retransfer the purchased vehicles together with the associated Lease Receivables to the Originator.

If the Originator does not exercise the option to repurchase the purchased vehicles together with the associated Lease Receivables, the Company may exercise its Put Option to sell the purchased vehicles together with the associated Lease Receivables against the Option Exercise Price to the Originator.

Statement of cash flows

The Statement of cash flows has been prepared using the indirect method. Income taxes are taken up under cash flow from operational activities. Interest paid is recognised as a financing activity and interest received is included under investing activities. Investing activities are those activities relating to the acquisition, holding and disposal of financial fixed assets and of investments. Investments can include securities not falling within the definition of cash.

Derivatives and hedge accounting

As part of its asset and liability risk management the Company uses derivatives to hedge the floating interest rate risk on the issued Notes. This is achieved by hedging specific transactions using financial derivatives, mostly interest rate swaps, when applicable. Under Dutch Accounting Standards (“RJ”) 290. Derivatives are initially recognised at fair value and subsequently measured at cost. The Company applies cost price hedge accounting in order to simultaneously recognise both the results from changes in the value of the derivative and the hedged item (the issued Notes) in the Statement of income.

Resulting from the application of cost price hedge accounting, derivatives are recognised at cost and no revaluation of the derivative instrument takes place, as long as the derivative hedges the specific risk of a future transaction that is expected to take place. As soon as the expected future transaction leads to recognition in the Statement of income then the profit or loss that is associated with the derivative is recognised in the Statement of income.

The profits or losses associated with the derivative contracts are recognised in the Statement of income in the same period as in which the asset or liability affects the Statement of income.

Cost price hedge accounting

The hedges are recognised on the basis of cost price hedge accounting if the following conditions are met:

- the general hedging strategy and the way in which the hedging relationships are in line with risk management objectives and the expected effectiveness of these hedging relationships must be documented;
- the nature of the hedging instruments involved and hedged positions must be documented; and
- the ineffectiveness must be recognised in the Statement of income.

Cost hedge accounting is no longer applied if:
• the hedging instrument expires, is sold, terminated or exercised. The realised cumulative gains or losses on the hedging instrument not yet recognised in the Statement of income at the time the hedge was effective, are then recognised in the Balance Sheet separately under accruals until the hedged transaction occurs; and
• the hedging relationship no longer meets the criteria for hedge accounting.

Hedge effectiveness
At each Balance Sheet date, the Company assesses the degree of ineffectiveness of the hedging relationship. The degree of ineffectiveness is determined by comparing the critical terms of the hedging instrument against the hedged position. For this comparison, the Company uses the following critical terms, respectively amount, term, hedged risk, method of settlement of the hedging instrument and the hedged position.

If the critical terms are matched, there is nil risk on ineffectiveness. If the critical terms are not matched, there is ineffectiveness. In that case, the degree of ineffectiveness is determined by comparing the fair value change of the hedging instrument with the fair value change of the hedged position. If there is accumulative loss on the hedging relationship over the period between initial recognition of the hedging instrument and the Balance Sheet date, the ineffectiveness is immediately recognised in the Statement of income.

During the year under review, no hedge ineffectiveness noted.

RISK MANAGEMENT

General
The Company's principal financial instruments during the year comprised the Deemed loan to the Originator, the Notes payable, the Subordinated Loan and Derivative instruments. The main purpose of these financial instruments is to finance the Company's operations and to manage the interest rate risk arising from its issued Notes.

Repayment of principal and interest payment on the Notes is subject to financial risks. If and when these risks materialize into losses, these losses will be borne by holders of the Notes issued, as well as other creditors that are party to the transaction, connected with the Lease Receivables as collateral to the Deemed loan to the Originator.

The key financial instrument risks are classified as credit and concentration risk, market risk (interest rate risk), liquidity risk, Swap Counterparty credit risk as well as, specifically applicable in relation to the Lease Receivables, residual value risk. These risks mainly relate to the Lease Receivables as collateral to the Deemed loan to the Originator.

Credit risk
The Lease Receivables bear credit risk. As a company that invests in carlease loans in the Netherlands the Company has significant exposure to credit risk associated with the carlease market in the Netherlands.

Credit risk is mainly related to the economic conditions and the risk that individual borrowers might be unable to fulfil their payment obligations. However, these risks are mitigated because each Lease Receivable is collateralised by the related car/vehicle, and the portfolio is well spread over a large number of individual Lease Receivables, a variety of car/vehicle types, geographical areas and a variety in industry sectors in which the applicable lessees operate. If a borrower defaults and the Company forecloses on the Lease Receivable, the Company is entitled to all proceeds of the sale of the related car/vehicle. If the proceeds from the sale of the car are insufficient to repay the outstanding principal amount of the Lease Receivable, the Company could record a loss in this respect though, ultimately, such losses will very likely be borne by the Company’s creditors that are also a party to the transaction.

The Director is aware of the potential volatility in macro-economic developments and the car market in particular, and of the dangers it can bring with it. Consequently, not only the creditworthiness of the borrower/lessee can be recognised as a risk but also the general economic conditions and the car(lease) market in particular have an impact on the probability of a loss. Although the Company is exposed to a certain degree of credit risk, the Director believes the credit risk is low due to the limited recourse nature of the issed Notes.

The maximum credit risk per the period ending is EUR 1,016,113,167 (previous period: EUR 944,936,489).

Concentration risk
Concentration risk reflects the risk that the inability of a single or relatively small number of contractual partners to meet their current or future obligations may lead to substantial losses to the Company.

The Company's borrowers are generally well spread in terms of their share of the total obligation under the Lease Receivables, as well as other diversifications such as spread between private and business lessees, geographical spread within the country and the sectors in which the lessees operate. However, the Company is exposed to a certain degree to a single dealer network (Volkswagen).

Although the Company is exposed to a certain degree of concentration risk, the Director believes the concentration risk is low due to the limited recourse nature of the issued Notes.

Interest rate risk
The Notes bear interest (floating, subject to a floor of zero). The Company's exposure to interest rate risk due to the limited recourse nature of the issued Notes is close to nil. Possible risks regarding the interest, as a result of fluctuations in the prevailing levels of market interest rates are mitigated by swap contracts. The interest rate risk on the Subordinated Loan is not hedged by means of swap contracts. However, the Director believes the interest rate risk is low due to the credit enhancements in place (amongst others the Final Success Fee).

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the Noteholders, and other creditors, as they become due. Liquidity risk on interest payments to be made by the Company to its Noteholders arises from mismatches on both the interest frequency on the Notes versus the Lease Receivables, as well as from the outstanding value of the Notes compared to the Lease Receivables. Liquidity risk on principal payments arises from mismatches in the maturity of the Notes compared to the maturity of the Lease Receivables.

Matching maturities of assets and liabilities and related cash flows is fundamental to the Director of the Company. This risk is addressed and mitigated by credit enhancements granted by the Originator as well as by means of the availability of the Cash Collateral Account.

Swap Counterparty credit risk
The Company has entered into a swap agreement with the Swap Counterparty. Pursuant to this agreement, the Swap Counterparty agreed to make payments to the Company under certain circumstances as described therein.

The Swap Counterparty credit risk is the risk that the Company will be exposed to the credit risk of the relevant Swap Counterparty with respect to any such payments. To mitigate the Swap Counterparty credit risk of the financial derivatives, the Company only enters into contracts with carefully selected major financial institutions based upon their credit ratings.

With regards to Swap Counterparty exposure the Company uses International Swaps and Derivatives Association ("ISDA") agreements to govern derivative contracts to mitigate Swap Counterparty credit risk. The credit rating of ING Bank N.V. per year-end 2022 is AAL (DBRS Ratings Limited) and A1 (Moody's Investors Service Ltd). Based on this rating the Director believes the risk of the Swap Counterparty defaulting is low. Please note that the Swap Agreement provides for certain "Events of Default" (as defined in the Swap Agreement) relating to the Issuer and the Swap Counterparty, the occurrence of which may lead to a termination of the Swap Agreement.

Should the Swap Counterparty's rating fall below the contractually required rating, the posting of collateral is required, a third-party guarantee should be put in place or the Swap Counterparty should be replaced.

Residual value risk
The residual value risk for the Company is the risk that, after it has acquired legal title to a Purchased Vehicle, any Vehicle Realisation Proceeds of such Purchased Vehicle are insufficient to cover:
•in case of a Matured Lease, the Estimated Residual Value; or
•in case of a Lease Agreement Early Termination, the Present Value of the Estimated Residual Value of such Purchased Vehicle.

This risk is addressed and mitigated by the Master Hire Purchase Agreement under which the Originator, in case a Lease Termination Date occurs, has the option to repurchase the purchased vehicles together with the associated Lease Receivables at an Option Exercise Price equal to the sum of:
•the present value of all scheduled Lease Interest Components and Lease Principal Components; and
•the present value of the Estimated Residual Value of such Purchased Vehicles in the circumstances set out in the Master Hire Purchase Agreement.

If the Originator does not exercise the option to repurchase the purchased vehicles together with the associated Lease Receivables, the Company may exercise its Put Option to sell the purchased vehicles together with the associated Lease Receivables against the Option Exercise Price to the Originator.

Operational risk
In addition to financial risks, the Company also faces operational risks. The servicing of the underlying Lease Receivables, and the entity administration and investor reporting is performed by regulated, well-known companies. The operating risk is mitigated as the Company has contractual agreements with these companies and these companies either provide annual audited portfolio statements on the Lease Receivables and/or an ISAE 3402 report with respect to the services provided by the (sub) Servicer. Furthermore, the transaction includes measures to be taken once certain parties fail to maintain a specific credit rating. The Director believes that the operational risks are low and no further measures are deemed necessary.

Conflict in the Ukraine
As the Company’s assets are located in the Netherlands, its direct exposure to the current conflict in the Ukraine is very limited. However, the Company’s operations and future prospects could be indirectly impacted by the effects that the conflict may have on the economy as a whole. The limited recourse principle embedded in the transaction means that any such negative consequences are transferred from the Company to the Originator and/or Noteholders.

Risk appetite
The Company by its nature exposes itself to financial risks. The investors in the Notes issued by the Company are made aware of these risks and understand the adverse effects on repayment of principal and interest payments on issued Notes in the event these risks materialize into losses.

Based on the above, the Company is of the opinion that all significant risks are adequately addressed and that no ongoing risk assessment is deemed necessary. The credit enhancements granted are all part of the risk control measures. As a result, the Company's risk appetite is low.

Fraud
In view of fraud, bribery and anti-corruption, the Director implemented manual and automated internal controls such as segregation of duties and provides training to help employees to identify fraudulent behaviour. In addition, the Director implemented, amongst others, a code of conduct, whistle-blower policies and internal policies around reporting non-compliance. The Director applies a zero-tolerance policy in relation to fraud, bribery and anti-corruption. No instances of (internal or external) fraud or any other matters are identified in this respect that had a material effect on the financial statements.

Critical accounting estimates and judgments
Application of the accounting policies in the preparation of the financial statements requires the Director of the Company to exercise judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described below.

Fair value estimation of financial instruments
The Company discloses the fair value of the financial instruments in the notes to the financial statements.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent at arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for Company specific inputs.

The fair values of the mentioned financial assets and liabilities are estimated using discounted cashflow models. The portfolio of Lease Receivables is recalculated each month using a discounted cash flow model, taking into consideration any movements like repayments, arrears, changes in contract etc, as well as changes in underlying interest rates.

See below for the financial instruments where the fair value is stated, including a comparison of the fair value to the book amount.

	December 31, 2022		December 31, 2021	
	EUR	EUR	EUR	EUR
	Book value	Fair value	Book value	Fair value
Financial assets				
Deemed loan to the Originator	962,993,591	962,993,591	896,612,334	896,612,334
Financial liabilities				
Notes payable	825,300,000	825,300,000	760,800,000	760,800,000
Subordinated Loan	109,102,401	109,102,401	120,463,777	120,463,777
Derivative instruments	73,956	-3,902,943	23,534	-1,015,266

Deemed loan to the Originator
The Deemed loan to the Originator is net of specific impairment taken on doubtful Lease Receivables. The estimated fair value of the Deemed loan to the Originator represents the discounted amount of estimated future cash flows of the underlying collateralised Lease Receivables expected to be received (taking into account repayments, arrears, etc). The Lease Portfolio is recalculated each month using a discounted cash flow model, taking into consideration any movements like repayments, arrears, changes in contract etc, as well as changes in underlying interest rates. As such, the amounts reported on the Balance sheet are considered to closely approximate fair values.

Notes payable
The amounts reported per Balance Sheet date are considered to approximate fair values.

Subordinated Loan
The estimated fair value of the Subordinated Loan closely approximate the Balance Sheet amount.

Derivative instruments
An internal discounted cash flow valuation model is used because no reliable market prices are available for the interest rate swap. The cash flows are based on the expected cash flows calculated up to the Optional Early Redemption Date. The expected cash flows are discounted at the 1-months effective Euribor interest curve.

2.5 Notes to the Balance sheet

ASSETS

FIXED ASSETS

[1] Financial fixed assets

Deemed loan to the Originator

The movement in the Deemed loan to the Originator, based on the movements in the underlying Lease Receivables can be detailed as follows:

	2022 EUR	2021 EUR
Opening balance	962,798,134	880,321,765
Repayments Lease Receivables	-178,679,261	-171,203,092
Additional purchased Lease Receivables	450,218,231	441,871,974
Repurchased Lease Receivables	-191,400,254	-188,172,778
Losses on Lease Receivables	-150,119	-19,735
	1,042,786,731	962,798,134
Discount	-79,793,140	-66,185,800
Closing balance	962,993,591	896,612,334
Discount movement		
Opening balance	-66,185,800	-53,268,376
Additional discount current year	-13,607,340	-12,917,424
Closing balance	-79,793,140	-66,185,800

The current part of the Deemed loan to the Originator is EUR 348.2 million (previous period: EUR 299.2 million).

On May 31, 2016 the Company entered into a Purchase Agreement with the Originator, which stipulated that the Company purchased and accepted from the Originator the legal ownership of Lease Receivables. The balance of the Deemed loan to the Originator is based on the movement of the related collateralised Leased Vehicles and the accompanying Lease Receivables which were acquired by the Company from the Originator.

The parties agreed that the purchase price for the Lease Receivables is paid in regular instalments and that legal ownership of the Lease Receivables does not transfer at the time of delivery of the asset to the Company, but only upon fulfilment of the condition precedent that the purchase price is paid in full (i.e. upon payment of the final instalment). The Company is entitled to all revenues generated by the Leased Vehicles subject to the Master Hire Purchase Agreement.

During the Revolving Period, the Company uses the proceeds from the lease collections to purchase additional Lease Receivables. The purchase price of the additional Lease Receivables is calculated on a discounted basis using an interest rate of 2.85% (previous period: 2.85%).

During 2022 the Company requested and received additional advance for a total amount of EUR 14.6 million from the Subordinated Lender under the Subordinated Loan Agreement. The proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator.

The original purchase price for the initial Lease Receivables was calculated on a discounted cash flow basis. The cashflows were discounted using the interest rate as used to calculate the lease instalments in respect of the individual lease agreement. The purpose of the discount was to create additional interest income to cover the Company’s expenses and provide additional credit enhancements to absorb impairment or losses in the transaction.

The average annualized interest rate on the Deemed loan to the Originator was 4.91% (previous period: 5.02%). The average interest rates in 2022 approximate the effective interest rates.

Notwithstanding that the above represents a sale transaction from a legal perspective, the Originator has concluded that it has retained substantially all the risks and rewards associated with the Lease Receivables. The Director is of the view that this, coupled with the fact that the Lease Receivables will be sold back to the Originator at such time, requires that the Company recognises a Deemed loan to the Originator rather than the Lease Receivables itself.

Realised losses on the underlying Lease Receivables (net of recoveries) during the period amounted to EUR 150.1 thousand (previous period: EUR 19.7 thousand). At year-end, the cumulative net loss ratio is 0.14% (previous period: 0.07%). Based on a specific review of this loss ratio and taking into consideration the underlying collateral, the Director has decided not to make a provision for credit losses for doubtful underlying Lease Receivables.

CURRENT ASSETS

All current assets have a maturity of less than one year.

[2] Receivables

Servicer receivables

	December 31, 2022 EUR	December 31, 2021 EUR
Servicer receivables	41,202,297	38,778,381
	41,202,297	38,778,381

The Servicer receivables relate to the lease collections that have been transferred to the Originator by the lessees and were received in January 2023.

Other receivables

	December 31, 2022 EUR	December 31, 2021 EUR
Buffer Release Amount receivable	302,301	-
	302,301	-

[3] Cash

	December 31, 2022 EUR	December 31, 2021 EUR
Distribution Account	455,307	416,274
Cash Collateral Account	11,159,671	9,129,500
	11,614,978	9,545,774

The cash balances as disclosed are freely available to the Company, except as stated.

All bank accounts are held with Elavon Financial Services DAC. Elavon Financial Services DAC has a current short-term rating of P-1 by Moody's Investors Service Ltd and F1+ by Fitch and a long-term rating of A1 by Moody's and AA- by Fitch Ratings Limited.

Distribution Account
The Distribution Account is the main account in relation to the transaction, all regular receipts and payments are settled through the Distribution Account.

Cash Collateral Account
The Cash Collateral Account is set up to serve as a security to enable the Company to meet the obligation of operating expenses and or payments due to the Noteholders in accordance with the Order of Priority.

On the Initial Issue date, the Company has deposited EUR 2,288,400 in the Cash Collateral Account. This amount serves as the initial Cash Collateral Amount. Upon the issuance of further Notes, the Company will make sure that there is always a deposit of 1.2% of the nominal amount of the then outstanding Notes in the Cash Collateral Account, subject to a floor which is the lesser of:
- 0.6% of the maximum Discounted Receivables balance; and
- the aggregate outstanding principal amount of the Notes as of the end of the monthly period.

Drawings from the Cash Collateral Account will be made in accordance with the Order of Priority.

The Cash Collateral Account also used to contain a Maintenance Advance Ledger in which the Maintenance Advance will be administrated. The Maintenance Advance served to provide credit enhancement to cover potential maintenance costs relating to any associated Lease Agreement. The purpose of the Maintenance Advance was to ensure that the Company will continue to be able to pay any amounts to be paid to third party garages and service providers for the provision of the maintenance services in relation to the Lease Receivables.

Due to a change in the Transaction, the Company no longer (as long as no Maintenance Reserve Trigger has occured) is required to maintain a Maintenance Advance on the Cash Collateral Account. On November 25, 2021 the Company paid the remaining balance of the Maintenance Advance in the amount of EUR 16.6 million back to the Originator. As a result the Maintenance Advance per year-end 2021 is zero.

2.5 Notes to the Balance sheet

SHAREHOLDER'S EQUITY AND LIABILITIES

[4] Shareholder's equity

Share capital
The authorised capital amounts to EUR 1, consisting of 1 ordinary share of EUR 1, which is issued and paid-in.

Other reserves

	2022 EUR	2021 EUR
Opening balance	9,772	7,685
Result prior year	2,125	2,087
Closing balance	11,897	9,772

Net result
The net result for the year amounts to EUR 2,125 (previous year: EUR 2,125). The Director proposes to distribute the result of EUR 2,125 to the Other reserves.

[5] NON-CURRENT LIABILITIES

Notes payable
On the Closing Date, the Company issued Asset Backed Floating Rate Class A Notes for a total of EUR 171.7 million and Asset Backed Floating Rate Class B Notes for a total of EUR 19 million. The Asset Backed Floating Rate Class B Notes are subordinated to the Asset Backed Floating Rate Class A Notes. The Company may issue effective on a Payment Date further Series of Class A Notes or Series of Class B Notes or increase existing Series of Class A Notes or existing Series of Class B Notes.

On August 25, 2022, the Company increased the existing Series of Class A Notes for a total amount of EUR 56.5 million and the Series of Class B Notes for a total amount of EUR 8 million.

The movements in the Notes payable can be specified as follows:

	2022 EUR	2021 EUR
Opening balance	760,800,000	694,600,000
Issuance new Series	-	50,000,000
Increase existing Series	64,500,000	16,200,000
Closing balance	825,300,000	760,800,000

The interest rate due on the Asset Backed Floating Rate Class A Notes is one-month Euribor plus a margin of 0.70% (previous period: 0.52%), subject to a floor of zero and the interest due on the Asset Backed Floating Rate Class B Notes is one-month Euribor plus a margin of 1.35% (previous period: 1.10%), subject to a floor of zero.

The Asset Backed Floating Rate Class B Notes are subordinated to the Asset Backed Floating Rate Class A Notes.

The Final Maturity Date of the Asset Backed Floating Rate Class A Notes and the Asset Backed Floating Rate Class B Notes is March 25, 2030.

Based on the fact that during the Revolving Period no principal will be repaid on the Asset Backed Rate Class A Notes and Asset Backed Rate Class B Notes and the assumption no event triggering earlier redemption of the Asset Backed Rate Class A Notes and Asset Backed Rate Class B Notes occurs the expectation is that EUR 0 will be repaid in one year, EUR 0 after one year but before five years and EUR 825,300,000 will be repaid after five years.

The Asset Backed Floating Rate Class A Notes and the Asset Backed Floating Rate Class B Notes are listed on the official list of the Luxembourg Stock Exchange.

All Notes and coupons are governed by, and were construed in accordance with, the laws of the Netherlands.

The rating of the Notes is as follows (the Asset Backed Floating Rate Class B Notes are not rated):

	December 31, 2022	
Notes	Moody's	DBRS
Class A	Aaa(sf)	AAA(sf)

	December 31, 2021	
Notes	Moody's	DBRS
Class A	Aaa(sf)	AAA(sf)

Subordinated Loan

On the Closing Date, the Subordinated Lender provided a Subordinated Loan to the Company as set out in the Subordinated Loan Agreement. The total initial amount was EUR 58.8 million. Subject to the terms of the Subordinated Loan Agreement, the Subordinated Lender may agree from time to time to grant additional advances up to an total amount of the Subordinated Loan of EUR 235.8 million provided that the Subordinated Lender shall be required to grant additional advances to the extent required to increase the loan amount by the Subordinated Loan Increase Amount. The Subordinated Loan serves as credit enhancement and ranks below the Notes with respect to payment of interest and principal.

On August 25, 2022 the Company received as requested additional advances for a total amount of EUR 14.6 million from the Subordinated Lender under the Subordinated Loan Agreement. As mentioned before, the proceeds were used to finance the purchase of Additional Lease Vehicles and Additional Lease Receivables from the Originator. During the year, the Subordinated Loan was redeemed for an amount of EUR 26,011,035.

The movements in the Subordinated Loan can be detailed as follows:

	2022 EUR	2021 EUR
Opening balance	120,463,777	142,472,172
Further advances	14,649,659	15,104,568
Repayments	-26,011,035	-37,112,963
Closing balance	109,102,401	120,463,777

The Subordinated Loan is set up to fund a part of the discounted value of all eligible and non-eligible Lease Receivables, as well as the required maintenance provision advance. The interest payable on the Subordinated Loan amounts to the equivalent of one-month Euribor plus a margin of 2.31% at the beginning of 2022 and 2.9% as per November 25, 2022 (previous year: 3.54% at the beginning of 2021 and 2.31% as per November 25, 2021). Payment of interest and repayment of principal is subordinated to payments of interest and principal on the Notes and all other payments.

The Subordinated Loan is scheduled to mature on the Final Maturity Date of the Notes but is subject to optional partial redemption in certain circumstances. Basically, the Company will use its available funds, being the proceeds of the lease collections minus all payments that rank higher in priority than payments to the Subordinated Lender such as payments to the Director, the Trustee, the Seller and Servicer, the Maintenance Coordinator, the Swap Counterparty and the Noteholders, to redeem the Subordinated Loan. Any repayments on the Subordinated Loan up to the Final Maturity Date are contingent on available funds which cannot be estimated with an acceptable degree of accuracy.

Final Success Fee

	December 31, 2022 EUR	December 31, 2021 EUR
Final Success Fee	49,441,416	34,010,694
	49,441,416	34,010,694

The Final Success Fee is payable to the Originator.

[6] CURRENT LIABILITIES

All current liabilities have a maturity of less than one year.

Interest payable

	December 31, 2022 EUR	December 31, 2021 EUR
Interest on Notes payable	243,980	2,885
Interest on Subordinated Loan	314,634	16,684
	558,614	19,569

Derivative instruments

On November 25, 2022, the Company entered into a Swap Agreement with ING Bank N.V. to hedge the basis risk between the rate of interest to be received by the Company on the underlying Lease Receivables and the rate of interest payable on the Notes. Under the Swap Agreement the Company will undertake to pay to the Swap Counterparty on each Payment Date an amount equal to the amount of interest on the nominal amount of the Notes outstanding on each Payment Date, calculated on the basis of a fixed rate of interest of 3.4010% (previous period: 0.357%) per annum in relation to the Class A Notes and 4.0461% (previous period: 0.8965%) per annum in relation to the Class B Notes. The Swap Counterparty will undertake to pay to the Company on each Payment Date an amount equal to the floating rate of interest on the nominal amount of the Notes outstanding calculated on the basis of 1-month Euribor plus 0.70% (before: 0.52%) per annum in relation to the Class A Notes and 1.35% (before: 1.10%) per annum in relation to the Class B Notes.

Pursuant to the Swap Agreement, certain conditions apply to the Swap Counterparty, mainly relating to minimum rating requirements by DBRS Ratings Limited and/or Moody's Investors Service Ltd.

The Swap Agreement qualifies as a 100% effective cash flow hedge under RJ 290 and this status is monitored throughout the year and at the Balance Sheet date through the application of a critical terms analysis.

	December 31, 2022 EUR	December 31, 2021 EUR
Swap amounts payable	73,956	23,534
	73,956	23,534

Maintenance Advance

The movements in the Maintenance Advance can be detailed as follows:

	2022 EUR	2021 EUR
Opening balance	-	15,997,353
Cash inflow	-	11,342,344
Cash outflow	-	-27,339,697
Closing balance	-	-

The Maintenance Advance served to provide credit enhancement to cover potential maintenance costs relating to any associated Lease Receivable. The purpose of the Maintenance Advance was to ensure that the Company will continue to be able to pay any amounts to be paid to third party garages and service providers for the provision of the maintenance services in relation to the Lease Receivables.

Due to a change in the Transaction, the Company no longer (as long as no Maintenance Reserve Trigger has occured) is required to maintain a Maintenance Advance on the Cash Collateral Account. On November 25, 2021 the Company paid the remaining balance of the Maintenance Advance in the amount of EUR 16.6 million back to the Originator. As a result the Maintenance Advance per year-end 2021 is zero.

Cash Collateral Amount

The movements in the Cash Collateral Amount can be detailed as follows:

	2022	2021
	EUR	EUR
Opening balance	9,129,600	8,335,200
Increases	2,011,950	794,400
Closing balance	11,141,550	9,129,600

On the Closing Date, the Company deposited an amount of EUR 2,288,400 in the Cash Collateral Account. This amount serves as the initial Cash Collateral Amount. On each Further Issue Date, such amount will be increased by an amount to increase it to 1.2% of the nominal amount of the Notes outstanding as of such Further Issue Date. On each Payment Date the Cash Collateral Amount shall be used to cover any shortfall in the amounts payable under the first to sixth item of the Order of Priority.

Taxes payable

	December 31, 2022	December 31, 2021
	EUR	EUR
VAT payable	5,803	5,176
	5,803	5,176

Accrued expenses and other liabilities

	December 31, 2022	December 31, 2021
	EUR	EUR
Audit fees payable	124,630	85,652
Servicer fee payable	881,672	814,806
Senior Maintenance fee payable	19,341,306	17,364,138
Management fees payable	5,536	-
Other costs payable	122,260	62,564
Buffer Release Amount payable	-	2,145,081
	20,475,404	20,472,241

The Servicer fee, the Senior Maintenance fee and the Buffer Release Amount are payable to the Originator.

2.6 Notes to the Statement of income

[7] Interest income

	2022 EUR	2021 EUR
Interest income on Deemed loan to the Originator	45,618,482	43,239,281
	45,618,482	43,239,281

Interest income on Deemed loan to the Originator relates to the interest income on the underlying collateralized Leased Vehicles and the accompanying Lease Receivables registered in the Netherlands.

In line with what has been set out in the significant accounting judgments and estimates. The servicing collections are netted with their associated expenses streams and therefore not shown as revenue.

[8] Interest expense

	2022 EUR	2021 EUR
Interest expense Series 2016-2 Class A Notes	789,538	263,487
Interest expense Series 2016-3 Class A Notes	526,358	175,658
Interest expense Series 2016-4 Class A Notes	581,179	178,138
Interest expense Series 2016-5 Class A Notes	947,445	316,185
Interest expense Series 2016-6 Class A Notes	526,358	175,658
Interest expense Series 2021-1 Class A Notes	514,819	57,214
Interest expense Series 2016-1 Class B Notes	680,558	468,935
Interest expense Series 2016-2 Class B Notes	220,174	172,027
Interest expense Subordinated Loan	2,629,021	3,918,387
Interest expense from bank account	42,377	324,938
Interest expenses swap (paying leg)	5,612,927	2,495,789
Interest income swap (receiving leg)	-4,786,430	-1,814,038
	8,284,324	6,732,378

[9] Other operating expenses

	2022 EUR	2021 EUR
Servicing fees	10,111,153	9,567,433
Company administrator fees	20,417	19,880
Management fees	25,277	11,943
Audit fees	64,130	66,913
Rating agency fees	40,626	16,000
Buffer Release amounts	21,370,555	25,187,488
Maintenance Advance	-	761,221
VAT costs	2,800	9,044
Other general costs	46,108	39,935
Losses on Lease Receivables	150,119	19,735
	31,831,185	35,699,592

The Buffer Release mechanism is in place to make sure that the current discount rate provides for enough income to cover increasing transaction costs which can occur in the future. It is a safety buffer set for the future, but can be paid out to the Servicer as long as the Servicer is not insolvent.

The Servicing fees, Company Administrator fees, Management fees and Buffer Release amounts were payable to related parties.

With reference to Section 2:382a of the DCC, the following fees for the financial year have been charged by Ernst & Young Accountants LLP to the Company, see below for more details.

2022	Ernst & Young Accountants LLP EUR	Other Ernst & Young Accountants LLP firms / affiliates EUR	Totals EUR
Audit of the financial statements	64,130	-	64,130
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
	64,130	-	64,130

2021	Ernst & Young Accountants LLP EUR	Other Ernst & Young Accountants LLP firms / affiliates EUR	Totals EUR
Audit of the financial statements	60,500	-	60,500
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
	60,500	-	60,500

The fees listed above relate to the procedures applied to the Company by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties-Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

[10] Final Success Fee
The Final Success Fee due to the Originator is the excess of interest collections on the Lease Receivables over the fees and expenses of the Company, including interest payments on the Notes and Subordinated Loan. The price paid for the Lease Receivables by the Company to the Originator is calculated on a discounted cash flow basis to provide the Company interest income in excess of interest payments. The Final Success Fee due to the Originator during the period under review amounted to EUR 5,500,473 (previous period: EUR 804,811).

[11] Corporate income tax

	2022 EUR	2021 EUR
Corporate income tax	375	375
	375	375

As mentioned in the notes on income tax, a minimum profit amount is applicable for tax purposes, which is equal to the minimum of 10% of the management fee and EUR 2,500, resulting in taxable income for corporate income tax purposes in the Netherlands.

The applicable tax rate for the year under review is 15% (previous period: 15%). The effective tax rate is equal to the applicable tax rate for the year mentioned.

Staff numbers and employment costs
The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous period.

The Company has one Director, who receives EUR 14,347 (previous period: EUR 11,943) remuneration. The Company has no supervisory directors.

Subsequent events
No events took place that could have a major effect on the financial position of the Company.

Amsterdam, July 6, 2023

Director
Intertrust Management B.V.

3. Other information

3.1 Statutory provisions

In accordance with Article 23 of the Articles of Association and applicable law, the Director is authorised to retain the profits or a part thereof, as appears from the most recently adopted financial statements. The General Meeting is subsequently authorised to resolve to distribute or to reserve what then remains of the profits or a part thereof. The General Meeting is also authorised to resolve to make interim distributions, which includes distributions from the reserves.

The Company may make distributions to the shareholder only to the extent that the Company’s shareholder’s equity exceeds the sum of the reserves which it is legally required to maintain.

The Company may only follow a resolution of the General Meeting to distribute after the Director has given its approval to do this. The Director withholds approval only if it knows or reasonably should be able to foresee that the Company cannot continue to pay its due debts after the distribution.

3.2 Independent auditor's report

See next page.

Independent auditor's report

To: the shareholder and the director of VCL Master Netherlands B.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of VCL Master Netherlands B.V., based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of VCL Master Netherlands B.V. as at 31 December 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2022
- The statement of income for the year ended 31 December 2022
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of VCL Master Netherlands B.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

The principal activity of VCL Master Netherlands B.V. is the financing of and providing liquidity to Volkswagen Pon Financial Services B.V. using the net proceeds of issued notes and loans to finance the purchase by the company of leased vehicles and the associated lease receivables from Volkswagen Pon Financial Services B.V. (the Originator) pursuant to the Master Hire Purchase Agreement (Deemed loan to the Originator). These activities are conducted primarily in the Netherlands.
Intertrust Management B.V. (the director) manages the company and the Originator services the lease agreements underlying the Deemed loan to the Originator.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€9,100,000 (2021: €8,500,000)
Benchmark applied	0.9% of the total assets as at 31 December 2022 (2021: 0.9%)
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflect the source of income and repayments to the holders of the loans and notes issued by the company. We determined materiality consistently with the previous financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the director that misstatements in excess of €460,000, which are identified during the audit, would be reported to the director, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed securitization special purpose entity.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks
We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the director's process for responding to the risks of fraud and monitoring the system of internal control, as well as the outcomes.

We refer to section Risk Management of the director's report for the director's risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the director's code of conduct, whistleblower polies and the policies around reporting non-compliance. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note Principal Accounting Policies of section 2.4 of the financial statements. We have performed analyses to identify and address high-risk journal entries. We evaluated whether transactions with related parties were in accordance with the contracts governing the structured debt transaction.

These risks did however not require significant auditor's attention during our audit.

We did not identify a risk of fraud in revenue recognition.

We considered available information and made enquiries of the director and employees (including legal) of the director and the Originator.

The consideration of the potential risk of management override of controls or other inappropriate influence over the financial reporting process, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the director, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected the confirmation of the legal department of the director and we have been informed by the director that there was no correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in note Going concern in section 2.4 of the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the director made a specific assessment of the company's ability to continue as a going concern and to continue for the foreseeable future. We discussed and evaluated the specific assessment with the director exercising professional judgment and maintaining professional scepticism. We considered whether the director's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the decision to extend the revolving period expiration date or any early amortisation event. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the director. The key audit matter is not a comprehensive reflection of all matters discussed.

In comparison with previous year, the nature of our key audit matter did not change.

Existence of the deemed loan to the originator	
Risk	The outstanding deemed loan to the originator is significant to the company as this represent approximately 95% of the total assets of the company, which based on the lease agreements with third parties. The deemed loan to the originator is initially valued at the purchase price (fair value), as disclosed in note Deemed loan to the Originator in section 2.4 of the financial statements. After initial recognition the deemed loan to the originator is measured at amortized cost minus a provision for impairment. We consider the existence of the deemed loan to the originator a key audit matter. As the main objective of the entity is securitization of the lease agreements underlying the deemed loan originator, we consider this the main focus area for the users of financial statements, especially taking into consideration that existence of the underlying lease agreements given its importance for the financial position and results of the company.

Existence of the deemed loan to the originator	
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to the valuation of deemed loan to the originator in accordance with Part 9 of Book 2 of the Dutch Civil Code. We also evaluated the design of internal controls of the processes underlying the valuation process, as relevant to our audit of the financial statements. Furthermore, we have performed the following substantive audit procedures: ▶ Reconciliation of the deemed loan to the originator to the Servicer Report prepared by the Originator listing all the underlying lease receivables ▶ Agreeing the underlying lease receivables to the lease agreements on a sample basis ▶ Verification that additional lease receivables are aligned with the terms and conditions as included in the prospectus and the master hire purchase agreement ▶ Recalculation and verification of the fair value calculation performed by the Originator and its alignment with the underlying lease agreements relating to the minimum lease payments and an evaluation of the estimation of residual values ▶ Evaluation of the accuracy and completeness of related disclosures
Key observations	Based on our procedures performed, we have no material findings related to the existence of the deemed loan to the originator or the related disclosures in accordance with Part 9 of the book 2 of the Dutch Civil Code.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The director is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the director as auditor of VCL Master Netherlands B.V. on 8 September 2021 as of the audit for the year 2020 and have operated as statutory auditor since then.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the director for the financial statements

The director is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the director is responsible for such internal control as the director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the director is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the director should prepare the financial statements using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The director should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the director in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the director with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the director all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the director, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 6 July 2023

Ernst & Young Accountants LLP

signed by M.L. Milet de St Aubin