Credit Rating Report of Driver China Sixteen Retail Auto Loan ABS

Rating Date: May 26, 2025
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Credit rating:

AAA$_{sf}$ for Class A Notes

中债资信评估有限责任公司
CHINA BOND RATING CO.,LTD

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Summary

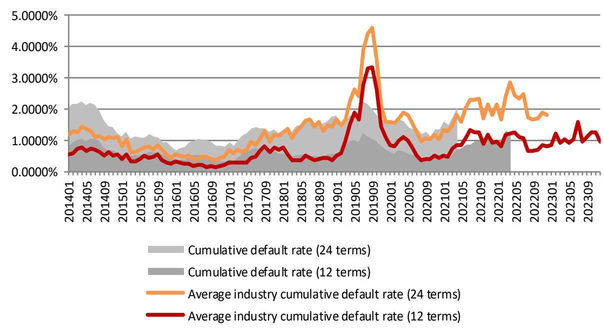
Name	Repayment Method	Issuance Amount (RMB 10k)	Percentage of Total (%)	Credit Enhancement (%)	Coupon Rate	Expected Maturity Date[1]	Credit Rating
Class A Notes	Pass-through	344,200.00	86.05	13.95	Fixed	2028/02/26	AAA_{sf}
Subordinated Notes	Pass-through	35,800.00	8.95	—	No rate	2028/02/26	n/a
Amount Issued	—	380,000.00	95.00	—	—	—	—
Overcollateralization	—	20,000.36	5.00	—	—	—	—
Discounted Receivables Balance	—	400,000.36	100.00	—	—	—	—

Rating Opinions[2]:

■ **The credit quality of the underlying assets:** The underlying assets are entrusted auto loan. As for asset pool, the weighted average seasoning term is relatively long, the weighted average interest rate is relatively high, the income to debt ratio is relatively high，and the initial loan to value ratio is at an average level. Non classic credit loans are accounted for 9.07%, VAP loans are accounted for 45.96%, Used car loans are accounted for 6.30%, External brands loans are accounted for 4.51%. According to CBR’s methodology, the target default ratio (TDR) for AAA_{sf} rating is 17.98%. The credit quality of initial underlying assets is relatively good.

■ **The Originator:** As of the end of December. 2024, Volkswagen Finance (referred as “VWFC”) had RMB 31.87 billion of existing retail credit assets, while the retail loan business’s NPL rate was 0.70%. As of the end of December 2024, Non classic credit loans are accounted for 8.66%, Used car loans are accounted for 5.57%. Under the scoring system, VWFC has strong comprehensive operational, business management, and sustained stability capabilities.

■ **Historical data:** Based on the 127 static sample pools, CBR has computed the 30+ default rate for different terms of each pool, and comparing with the publicly available historical data of ABS originators for auto loans in the entire market. As shown below, the average cumulative default rates for 12 terms and 24 terms are 0.76% and 1.41%, respectively. The main reason for the increase in the default rate in the second half of 2019 was the poor default performance of second-hand car loans by non-VW certified dealers during the VWFC's expansion of the second-hand car business. After that, the company strengthened its second-hand car channel management and second-hand car customer qualification review. The default rate is gradually decreasing.



1 Expected Maturity Date in the case of Clean-up Call
2 Percentages are based on outstanding principal balance, the same below.

- **Credit enhancement and transaction structure**: Credit enhancement measures such as Senior/Subordinated Structure, Overcollateralization (OC) and Cash Collateral Account provide certain credit support for Senior Notes.

Based on the estimation results from the quantitative credit risk analysis of the portfolio and the cash flow stress testing model, combined with the qualitative analysis of rating elements, such as transaction structure risks, major participants' ability to fulfill their duties and legal risks, CBR assigns the following ratings to this Transaction: Class A Notes are rated at AAA_{sf}, and Subordinated Notes are unrated.

Transaction Information

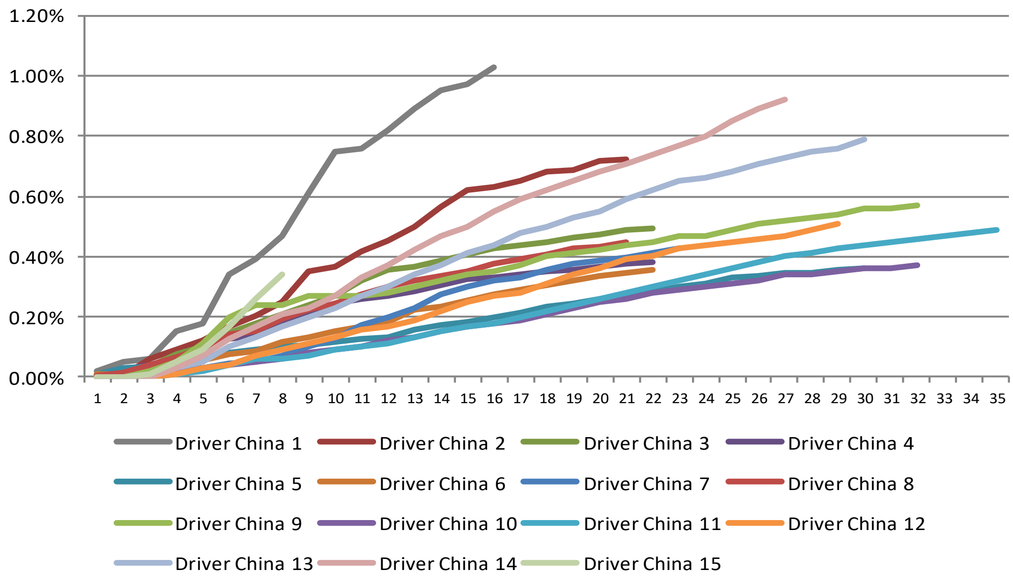
A. Comparison of Key Indicators[3]

Key Indicator: Features of the ABS	*Driver China-16 (BPC)*	*Driver China-15 (BPC)*	*Driver China-14 (BPC)*
Closing Date	2025/05/28(estimated）	2024/05/30	2022/10/26
Legal Maturity Date	2032/03/26	2031/03/26	2029/08/26
Revolving Term	Static	Static	Static
Class A note's credit enhancement(%)	13.95	12.80	10.80
Credit Enhancement Measures	Senior/Subordinated Structure, Overcollateralization, and Cash Collateral Account		
Originator/Servicer	Volkswagen Finance (China) Co., Ltd.		
Characteristics of the Initial Underlying Assets[4]			
Cut-off Date	2025/04/30	2024/04/30	2022/09/30
No. of loans	70,284	97,599	101,103
No. of borrowers	69,154	96,437	99,492
Total outstanding principal balance (RMB 10k)	381,015.50	583,114.50	784,004.75
Contract value of the asset pool (RMB 10k)	752,647.20	1,015,241.79	1,129,381.94
Max. outstanding principal balance of a single loan(RMB 10k)	10.71	10.40	—
% of top 10 borrowers' discounted loan amount	0.46	0.28	0.26
Weighted average loan interest rate (%)	6.80	5.52	5.11
Weighted average loan contract term[5] (m)	49.85	44.25	39.55
Weighted average seasoning (m)	20.38	14.35	9.24
Weighted average remaining term to maturity (m)	29.47	29.90	30.31
Weighted average initial loan-to-value ratio[6] (%)	70.06	66.19	64.99
weighted average income to debt ratio[7]	3.08	2.77	2.48
Weighted average age of borrowers[8] (yr)	38.53	37.30	36.50
Special assets	Non classic credit[9] 9.07%; VAP 45.96%; Used car 6.30%; External brands 4.51%	Non classic credit 8.78%; VAP 43.12%; Used car 4.68%; External brands 2.45%	—
% of top 3 vehicle brands	VW/Audi/Jetta 74.07/11.90/5.58	VW/Audi/Jetta 75.04/13.55/4.92	VW/Audi/Jetta 59.10/26.96/5.59
Model Estimation			
No. of static pools used	127	114	96
Adjusted base default rate(%)	3.99	3.41	—
Prepayment rate (%)	3.92	3.53	3.21
Recovery rate (%)	56.78	53.10	47.63
Recovery term (m)	6	6	6
Default time distribution (%)	47.26/35.51/14.91/2.14/0.18	51.15/36.31/11.77/0.73/0.	53.61/35.62/10.47/0.29/0.02

[3] The comparison of some indicators is only based on the data of the current transaction, which is due to the adjustment and change of the indicator comparison content in accordance with the " Methodology for Rating Auto Loan Asset-backed Securities (April 2024 Edition)" released by CBR.
[4] Consistent with the Prospectus, Discounted Receivables Balance are used for calculation and weighted averages.
[5] In respect of each loan, the loan contract term = Contract Tenor (Current).
[6] In respect of each loan, the initial loan-to-value ratio = 1- down payment ratio.
[7] ITD= Annual Income/Discounted Receivables Balance
[8] The borrower's age is calculated by subtracting the date of birth from the closing date, and the unit is "years".
[9] Non classic credit includes structured payment and balloon credit, the same below

B. Performance Comparison of Previous Transactions: VWFC has certain experience in similar transactions, and the cumulative default rate of securities initiated in the past is shown in the following figure.

Cumulative Default Rate of the ABS issued by the Originator



Source: Trustee's Reports compiled by CBR.

Strengths

- **The credit quality of underlying assets is relatively high**. The proportion of outstanding principal balance of the top ten borrowers in the initial pool is 0.46%. Xinjiang takes up the highest proportion accounting for 7.03% of the total outstanding principle balance. The largest brand (Volkswagen) accounts for 74.07% of loans. The concentration risk is relatively low. The borrowers' weighted average age of initial underlying assets is 38.53, and the distribution is reseaonable. Most of the borrowers in this age are in the rising period of their career. The weighted average income to debt ratio is 3.08， which is relatively high. The borrowers have good personal credit scores. The initial weighted average loan to value ratio is 70.06%, which is at an average level. Overall, the credit quality of initial underlying assets is relatively high.

- **Senior/Subordinated, overcollateralization provide some credit support for Senior Notes.** Upon issuance of securities, the credit support jointly provided by Subordinated Notes and initial overcollateralization for Class A Notes is equal to 13.95% of the discounted receivables balance at the Cut-off Date.

- **Cash flow reserves provide credit support for Senior Notes.** The underlying ABS has set up the cash collateral account and stipulates the originator deposit an amount of RMB 48 million as the initial cash collateral amount into this account, intending to prevent liquidity risks related to taxes, fees and interest on senior securities, as well as providing credit support for senior notes.

- **The long seasoning of underlying assets is beneficial for reducing the expected default level of the asset pool and improving the recovery level after default.** The minimum and maximum seasoning of underlying assets is 2.00 terms and 54.00 terms, with a weighted average seasoning of 20.38 months. The overall seasoning of the asset pool is relatively long. As the seasoning of underlying assets increases, the risk exposure of loans gradually decreases, and the loan to value ratio continues to decline. This not only alleviates the repayment pressure on borrowers in the later stage, reduces the default level of the asset pool, but also improves the recovery level of the asset pool after default.

- **The transaction structure risk is relatively low.** Mitigation measures for set-off risk, commingling risk, the absence of servicer risk and liquidity risk can reduce transaction structure risks to some extent.

Concerns

- **Differences such as the macro economy and other characteristics exist between the static sample pool and the asset pool, which may cause the estimation of model parameters to have relative deviation.** Differences such as macroeconomic situation faced by samples in the static pool and to-be-securitized asset pool may cause relative deviation in the estimation of model-related parameters. All the above-mentioned risks have already been considered in the credit risk models and adjustments have been made to the parameters.

- **Loans with value added products for pooled assets may lead to uncertainties in the default performance and the recovery of future cash flows, affected by factors such as the macro economy.** The outstanding principal of loans with value added products accounted for 45.96% in the asset pool. CBR believes that non-performing loan ratio of such loans is higher than that of loans without value added products, and they are more vulnerable to external factors such as the macro economy. The performance of such assets still needs to be closely monitored in the future.

- **Loans with non-classic credit repayment methods for pooled assets may increase tail risk.** In the asset pool, the outstanding principal of loans with non-classic credit repayment methods accounted for 9.07%, of which the outstanding principal of loans with balloon amount accounted for 5.12%. The uncertainty of flexible repayment may increase the tail risk of the securities.

- **The non-pure sequential cash flow payment mechanism reduces credit support available to Senior Notes.** In normal principal repayments, when the overcollateralization target level of Class A Notes has been reached, Subordinated Notes will, along with Senior Notes, receive principal repayment. Compared with the notes paid in a purely sequential way, senior notes' credit support is correspondingly reduced.

- **This ABS security has not yet registered for the change in and transfer of security right.** At the time of the Originator transfers the trust property, it shall not be registered for the change and transfer of security right as per usual practice. There is a risk that neither party may challenge any third party with good faith.

- **The macro economy is expected to recover moderately against the backdrop of continuous policy efforts and the accelerated promotion of economic restructuring. However, attention still needs to be paid to the changes in credit risks brought about by macro and industry factors.** In 2024, China's macro economy showed a development trend of overall stability with progress made amidst stability. The GDP increased by 5.0% compared with the previous year, successfully achieving the target set at the beginning of the year. Looking ahead, the basic trend of China's high-quality economic development and structural optimization and upgrading in the medium and long term remains unchanged. In the short term, in 2025, the macro economy is expected to achieve a moderate recovery driven by policies. The credit quality of the underlying assets of Auto loan ABS is expected to remain stable. However, attention still needs to be paid to the factors such as the slow recovery of residents' actual disposable income, the intensified competition among auto finance companies and between them and commercial banks, the changes in the characteristics of the underlying assets, and the increase in special types of loans, which will lead to an increase in credit risks. CBR has taken these risk factors into consideration in the model.

I. Transaction Overview

A. Transaction Summary and Major Participants

In this Transaction, VWFC entrusted the assets in compliance with the Trust Contract to the Trustee, China Foreign Economy and Trade Trust Co., Ltd. (FOTIC), and the Trustee issued this ABS by establishing a special-purpose trust (SPT).

Table 1: Major Participants

Type of Participant	Name
Servicer	Volkswagen Finance (China) Co., Ltd.
Trustee/Issuer	China Foreign Economy and Trade Trust Co., Ltd.
Account Bank	Postal Savings Bank of China Limited Beijing Branch
Lead Underwriter	CITIC Securities Company Limited.
Legal Advisor	King & Wood Mallesons
Accounting Advisor	Ernst & Young Hua Ming LLP
Rating Agency	China Bond Rating Co., Ltd., China Chengxin International Credit Rating Co.,Ltd.

The intermediaries' obligations and liabilities for breach of contract are set out in transaction documents. In the event of a breach of any of the warranties set forth in Trust Agreement on the Cut-Off Date which materially and adversely affects the interests of the Issuer, the Trust or the Noteholders, the Originator shall have until the end of the Monthly Period which includes the sixtieth (60th) day (or, if the Originator elects, an earlier date) after the date that the Originator became aware or was notified of such breach to cure or rectify such breach. If the Originator does not cure or rectify such breach prior to such time, it shall repurchase the Purchased Receivables affected by such breach which materially and adversely affects the interests of the Issuer, the Trust or the Noteholders from the Trust Company on the next Payment Date immediately following the expiration of such 60-day period; If the trustee violates the Trust Agreement or improperly handles the trust affairs, causing losses to the trust property, the trustee shall make compensation; If the Account Bank fails to implement the Issuer's Payment Instruction and transfer the amounts in time or the Account Bank materially violates Account Agreement, it shall compensate the Trust Assets or any direct loss or extra expenditure incurred by the Issuer because of the default..

B. Analysis of Transaction Structure Risks

This Transaction is established in compliance with applicable laws. Trust property is distinguished from the bankruptcy and liquidation risks of any other properties that are not included in any trust by the Originator and the Trustee.

According to the Trust Law of the People's Republic of China (hereinafter referred to as the "Trust Law"), the "Measures for the Administration of Pilot Credit Asset Securitization", the "Measures for the Supervision and Administration of Pilot Credit Asset Securitization of Financial Institutions", the "Rules for Information Disclosure of Asset Backed Securities", the "Enterprise Accounting Standard No. 23-Financial Asset Transfer", and the "Notice on Further Expanding Pilot Credit Asset Securitization" The relevant provisions of laws, administrative regulations, departmental rules, and normative documents such as the Notice on the Work Process of Filing and Registration of Credit Asset Securitization, the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Relevant Matters Concerning the Registration of Credit Asset Securitization Information for Banking and Financial Institutions, and the Rules for the Registration of Credit Asset Securitization Information (Trial), A legal opinion has been issued on the relevant legal issues involved in this period's securities, and it has been determined that the underlying asset pool can be established as a trust in accordance with the law. After the transfer of the personal car mortgage loan debt to be securitized to the trustee institution, the trust is effectively established.

Once a trust takes effect, Trust Assets are separated from the other assets of VWFC. When VWFC is dissolved, revoked or declared bankrupt according to law, under the circumstance that VWFC is not the sole beneficiary of the Trust, the Trust would remain existing and the Trust Assets shall not be regarded as liquidation property, but only the trust beneficiary interest of subordinated Asset Backed Notes held by VWFC will be regarded as its liquidation property; under the circumstance that amounts payable of Senior Asset Backed Notes have been fully paid and VWFC as the holder of subordinated Asset Backed Notes is the sole beneficiary, then the Trust shall be terminated and the Trust Assets shall be its liquidation property. Trust Assets are also separated from the assets owned by the Trust Company. If the Trust Company is dissolved, revoked or declared bankrupt according to law, the Trust Assets shall not be regarded as its liquidation property.

In addition, when transferring the underlying assets to the trust, although the relevant vehicle mortgage rights were also transferred to the trust, and the trust did not handle mortgage change registration, there is a risk that other creditors of the borrower may claim mortgage rights on the mortgaged vehicle in the name of a third party in good faith.

Give that some laws and regulations are in a pilot stage in practice with their enforceability subject to testing and therefore may be updated or modified, CBR will keep a close eye on them in the subsequent credit rating tracking process.

Mitigation measures for offset risk, commingle risk, and liquidity risk relatively reduce transaction structure risks, so transaction structure risks of this ABS are relatively low.

Table 2: Transaction Structure Risks and Mitigation Measures

Risk Type	Mitigation Measures
Set-off risk	1. As an auto finance company, VWFC, the originator of the ABS, does not have deposit business, so the possibility of borrowers exercising the set-off right is low. 2. According to the Trust Agreement ,the originator represents and warrants, the Purchased Receivables are free of defences and set-off claim for the agreed term of the Loan Contracts as well as free of rights of third parties, and enforceability of the Purchased Receivables is not impaired by set-off rights; If the originator Breach its

	Warranties, it is stipulated to cure, rectify such breach or even repurchase the Purchased Receivable.
Commingling risk	If the Servicer credit rating satisfies the Servicer Required Rating or above, provided that it shall, on the sixth (6th) Business Day prior to each Payment Date, make a deposit of such monthly Collections into the Distribution Account; if the credit rating of the Servicer fails to satisfy the Servicer Required Rating, the Servicer shall advance the Monthly Collateral into the Distribution Account. The Monthly Collateral consist of two parts: the Part 1's amount is the expected Collections for the period from the first (1st) through the fourteenth (14th) calendar day of each Monthly Period; the Part 2's amount is the expected Collections for the period from the fifteenth (15th) calendar day of a Monthly Period through the last calendar day of such Monthly Period. On the sixth (6th) Business Day prior to any Payment Date, Servicer's obligation to pay Collections for the relevant Monthly Period into the Distribution Account may be netted against its claim for repayment of the Monthly Collateral Part 1 and the Monthly Collateral Part 2 for such Monthly Period and such Monthly Collateral Part 1 and Monthly Collateral Part 2 (after netting) will form part of the Available Distribution Amount on such Payment Date.
The absence of servicer risk	When any unremedied failure (and such failure is not remedied) by the Servicer to duly observe or perform in any material respect of any other of its covenants or agreements, an Servicer Replacement Event or Right Perfection Event will be triggered.
Liquidity risk	A cash collateral account is set up for this ABS, which stipulates that the initial cash collateral amount at Closing Date shall be RMB 48 million, and that the required liquidity reserve amount at each Payment Date shall be greater of (a) 1.2 percent. of the Aggregate Discounted Receivables Balance as of the end of the Monthly Period, and (b) the lesser of (i) RMB 40 million and (ii) the aggregate outstanding principal amount of the Class A Notes as of the end of the Monthly Period.

Source: Transaction documents compiled by CBR

II. Originator and Industry Analysis

A. Originator/Servicer

CBR has built a scoring system for the Originator to measure the Originator's abilities to manage its risks and fulfill its duties by looking at its main business and effectiveness of its risk management processes, completeness of its system construction, and its historical issuances. Under the scoring system, VWFC has strong comprehensive operational, business management, and sustained stability capabilities.

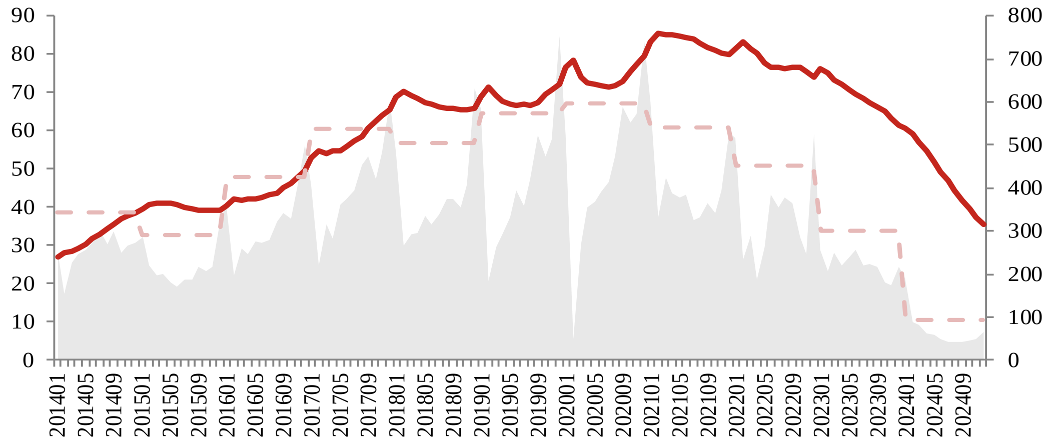
1. Originator

VWFC was established in Beijing in 1998 and started the retail loan business in 2004, providing a series of innovative financial services for major brands including Volkswagen, Audi, Skoda, Jetta, Porsche, Bentley, Lamborghini. Up to now, VWFC has a registered capital of RMB 8,200 million and is a wholly owned subsidiary of Volkswagen Financial Services Overseas AG. As of the end of December. 2024, Volkswagen Finance had RMB 31.87 billion of existing retail credit assets, while the retail loan business's

NPL rate was 0.70%.

VWFC provides four types of loan products to retail customers: Classic Credit, Structured Payment, Balloon credit, and Personalized Loan Product. Based on relevant statistical information provided by the Originator[10], with regard to average distribution of retail loans by contract term, loans with a contract term of less than two years account for 53.36%, those with a term of 2-4 years account for 38.88%, and those with a term of more than four years account for 7.77%. As for down payment, those with a down payment of less than 40% account for 45.63%, those with a down payment of 40%-60% account for 42.19%, and those with a down payment of more than 60% account for 12.18%.

Chart 1: Retail Auto Loan Size of VWFC[11]



Source: Data offered by the Originator and complied by CBR

2. Pre-loan Approval and Post-loan Management

In terms of pre-loan management, VWFC controls risks in three aspects: **(i) The first is loan approval process.** VWFC's credit team consists of about 30 employees responsible for making credit decisions. After the credit application is submitted, VWFC uses the credit scoring system to analyze the customer's application and obtain a credit score based on the PBOC's credit investigation and customer score. According to the credit score, 76% of the applications are automatically approved or rejected, and the credit team manually supports the remaining applications through telephone interviews, additional input, and on-site inspections. Approvers can adjust the down payment ratio or loan period **(ii) The second is the loan service process.** VWFC provides loan services through five teams in the retail customer care and consumer protection department: The channel service management team handles the loan disbursement process and is

[10] Calculated by CBR according to the statistical distribution of the static pool provided by the Originater.
[11] Calculated by CBR according to the dynamic and static pools provided by the Originater.

responsible for the management of customer file and the implementation of maintenance business service hotline of dealer. The customer service team is responsible for the management of incoming calls and outbound calls, And reflect any changes in customer information received over the phone to the loan contract. **(iii) The third is the loan origination process.** VWFC has a standard loan issuance process. After the customer signs an order form with the dealer, the dealer exchanges customer information and cash flow with VWFC through various IT tools, e-mail and mail.

In terms of post-loan management, three teams of VWFC Risk Management Department conduct post-loan management: The risk assessment team performs risk analysis, evaluation and monitoring, and supervise and guarantee the quality of related procedures and policies. The collection management team distinguishes the customers according to the number of overdue days. Within three days of overdue, the collection is mainly carried out through message and WeChat reminders, VWFC will also send dunning letters for collection at the same time; overdue 4-30 days, there will be additional telephone calls and external agencies for collection; overdue 31-90 days VWFC will supplement the field visit collection and contract termination; overdue 91-180 days, VWFC will introduce friendly vehicle delivery and external agencies for telephone calls and on-site visits; above 181 days, VWFC will transfer the case to litigation team for further action or friendly vehicle delivery.

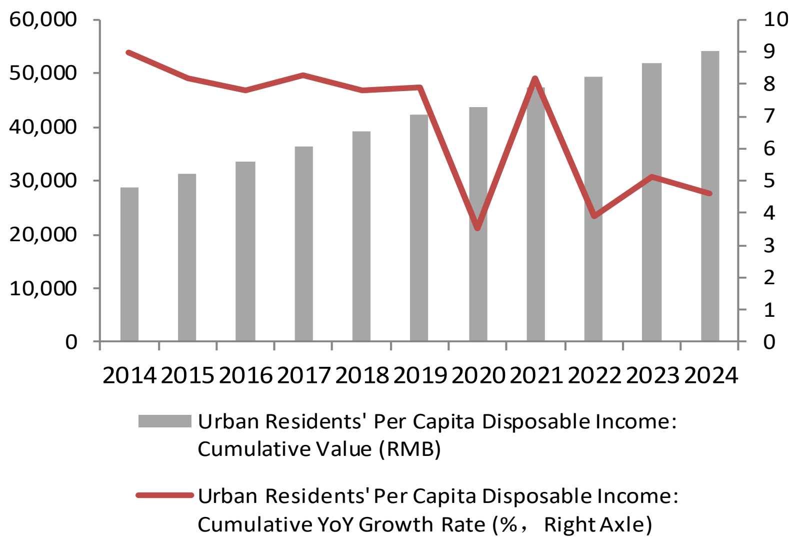
B. Analysis of Macro Economy and the Industry

The macro economy is expected to recover moderately against the backdrop of continuous policy efforts and the accelerated promotion of economic restructuring. However, attention still needs to be paid to the changes in credit risks brought about by macro and industry factors.

In 2024, China's macroeconomy showed a development trend of overall stability with progress. The GDP increased by 5.0% compared with the previous year, successfully achieving the target set at the beginning of the year. In terms of structure, external demand performed slightly better than domestic demand. In 2024, the contributions of final consumption expenditure, gross capital formation, and net exports of goods and services to economic growth were 44.5%, 25.2%, and 30.2% respectively. Compared with the same period in 2023, the contribution rate of exports in 2024 increased significantly, while the contribution rate of consumption decreased, indicating that there is currently a relative shortage of effective domestic demand, mainly due to relatively sluggish consumer demand. Facing the situation of the macroeconomy where "domestic demand is insufficient, some enterprises are facing difficulties in production and operation, the public is under pressure in employment and income increase, and there are still many risks and hidden dangers", the government has sent policy signals to stabilize growth and boost expectations. The Central Economic Work Conference emphasized that in 2025, it is necessary to adhere to "seeking progress while maintaining stability, promoting stability through progress, adhering to integrity and innovation, establishing first and then breaking, integrating systematically, and coordinating and cooperating", and "implementing a more proactive fiscal policy and a moderately loose monetary policy". Looking ahead, in the medium and long term, China's development is entering a period where strategic opportunities coexist with risks and challenges. The favorable conditions for development are stronger than the unfavorable factors. At the same time, new and high-quality productive forces are developing steadily, reform and opening up are continuously deepened, and the resolution of risks in key areas is orderly and effective. "China's economy has a stable foundation, many advantages, strong resilience, and great potential, and the supporting conditions and basic trends for long-term growth remain unchanged." In the short term, with the support of macroeconomic policies and the spontaneous repair of the internal driving force of the economy, the macroeconomy will experience a moderate recovery in 2025.

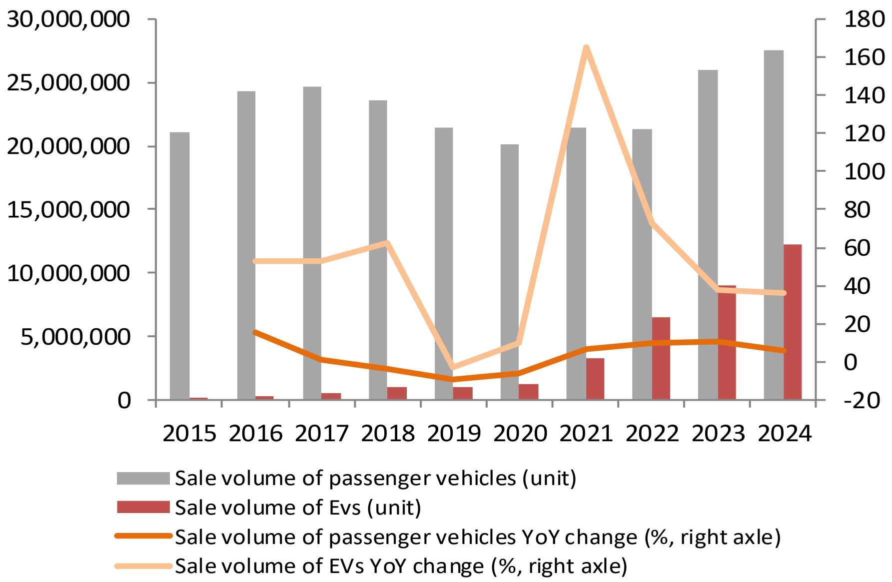
Currently, the underlying assets of auto loan ABS products are mainly standard loans secured by passenger vehicles. With the support of policies such as guiding the sustainable development of auto finance, the "dual carbon" goal, and promoting the replacement of old consumer goods with new ones, the demand for auto consumption is expected to remain generally stable. At the same time, the financing demand driven by the increase in the production and sales volume of new energy vehicles has increased to varying degrees. At present, with the transformation and development of the automotive industry, the auto finance industry is also facing adjustments and changes. The strategic direction of OEMs and product sales have a more significant impact on the customer group selection and asset scale of auto finance companies. At the same time, the auto finance industry will continue to expand special asset businesses including used cars, commercial vehicles, and vehicles of foreign brands. The types of underlying assets of auto loan ABS will become more diversified, which also puts forward higher requirements for institutions' ability to grasp the risk points in each segmented field, thus affecting the differentiation of the credit performance of the underlying assets of auto loan ABS. During the quantitative analysis of the credit quality of the underlying assets by CBR, the macroeconomic cycle and industry situation in which the current securities are located have been taken into consideration.

Chart 2: Disposable Income of Urban Households



Source: compiled by CBR

Chart 3: Sales Volume of Electric Vehicles and Passenger Vehicles



Source: compiled by CBR

III. Analysis of the Underlying Asset

A. Characteristics of the Underlying Assets

The underlying assets are entrusted auto loan. As for asset pool, the weighted average seasoning term is relatively long, the weighted average interest rate is relatively high, the income to debt ratio is relatively high， and the initial loan to value ratio is at an average level. The credit quality of initial underlying assets is relatively good.

The initial underlying assets of this Transaction are 70,284 auto loans issued by the Originator between October 2020 and February 2025, with the total outstanding principal balance of 381,015.50 (RMB 10K). Non classic credit loans are accounted for 9.07%, VAP loans are accounted for 45.96%, Used car loans are accounted for 6.30%, External brands loans are accounted for 4.51%.

The borrowers are located in 31 provinces, municipalities and autonomous regions, with Xinjiang accounting for the largest percentage at 7.03% of the total outstanding principal balance. The loans into the pool involve many brands, such as Volkswagen, Audi and Jetta, among which, Volkswagen accounts for the largest percentage at 74.07%. The proportion of outstanding principal balance of the top ten borrowers in the initial pool is 0.46%. Overall, the concentration risk is relatively low.

Table 3: Distribution of Outstanding Principal Balance[12]

Outstanding Principal	No. of Loans	Percentage (%)	Balance of Loans	Percentage (%)

[12] The sum of the percentages of the number of loans and the balance of loans is not equal to the total due to the rounding, the same below.

Balance (RMB 10k)			(RMB 10k)	
[0,5]	40,050	56.98	109,133.97	28.64
(5,10]	22,529	32.05	159,683.27	41.91
(10,15]	5,628	8.01	67,170.17	17.63
(15,20]	1,338	1.90	22,722.59	5.96
(20,25]	402	0.57	8,835.43	2.32
(25,30]	147	0.21	4,007.84	1.05
(30,35]	70	0.10	2,251.36	0.59
>35	120	0.17	7,210.87	1.89
Total	70,284	100.00	381,015.50	100.00

Table 4: Geographic Distribution of Borrowers

Location	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Xinjiang	4,066	5.79	26,775.69	7.03
Shandong	5,194	7.39	25,997.48	6.82
Henan	5,378	7.65	24,921.28	6.54
Sichuan	4,548	6.47	22,583.99	5.93
Guizhou	3,914	5.57	21,660.68	5.68
Guangdong	3,671	5.22	20,614.84	5.41
Shaanxi	3,286	4.68	19,687.84	5.17
Hebei	3,888	5.53	19,535.31	5.13
Hubei	3,146	4.48	16,325.71	4.28
Zhejiang	3,452	4.91	15,206.96	3.99
Heilongjiang	2,007	2.86	14,900.62	3.91
Jiangsu	2,995	4.26	14,643.75	3.84
Fujian	2,640	3.76	13,197.64	3.46
Liaoning	2,107	3.00	12,469.13	3.27
Inner Mongolia	2,076	2.95	12,425.55	3.26
Jilin	1,993	2.84	12,300.81	3.23
Shanxi	2,104	2.99	11,245.86	2.95
Yunnan	2,028	2.89	11,135.52	2.92
Anhui	1,926	2.74	9,369.13	2.46
Gansu	1,405	2.00	8,302.68	2.18
Hunan	1,509	2.15	7,644.42	2.01
Chongqing	1,304	1.86	7,268.25	1.91
Qinghai	962	1.37	6,161.94	1.62
Jiangxi	1,218	1.73	5,011.24	1.32
Guangxi	925	1.32	4,949.76	1.30
Tianjin	814	1.16	4,566.12	1.20
Ningxia	501	0.71	3,404.44	0.89
Beijing	493	0.70	3,045.16	0.80
Tibet	277	0.39	2,409.37	0.63
Shanghai	300	0.43	1,941.46	0.51
Hainan	157	0.22	1,312.86	0.34
Total	70,284	100.00	381,015.50	100.00

Table 5: Distribution of Loans into the Pool by Brand

Brand	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Volkswagen	55,085	78.37	282,202.85	74.07
Audi	4,217	6.00	45,343.06	11.90
Jetta	5,862	8.34	21,274.90	5.58
Porsche	193	0.27	5,742.18	1.51
Volkswagen import	247	0.35	3,798.80	1.00
BENTLEY	21	0.03	2,431.76	0.64
SKODA	461	0.66	1,445.76	0.38
Volkswagen Anhui	113	0.16	1,287.56	0.34
Lamborghini	3	0.00	291.08	0.08
Others	4,082	5.81	17,197.54	4.51
Total	70,284	100.00	381,015.50	100.00

The borrowers are mainly aged 30-40, with a weighted average age of 38.53, with a weighted average income-to-debt ratio (ITD) of 3.08.

Table 6: Distribution of Borrowers by Age[13]

Age (yr)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[18,20]	380	0.56	1,745.84	0.48
(20,30]	16,447	24.25	79,087.23	21.85
(30,40]	26,565	39.16	146,816.00	40.55
(40,50]	15,163	22.35	84,167.24	23.25
(50,60]	7,858	11.59	42,070.56	11.62
(60,70]	1,360	2.01	7,786.81	2.15
>70	56	0.08	346.35	0.10
Total	67,829	100.00	362,020.03	100.00

Table 7: Distribution of Borrowers by Annual Income[14]

Annual Income (RMB 10k)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,5]	581	0.86	2,000.23	0.55
(5,10]	22,747	33.54	94,551.25	26.12
(10,20]	31,697	46.73	165,347.21	45.67
(20,50]	10,617	15.65	76,618.02	21.16
(50,100]	1,490	2.20	15,896.86	4.39
>100	697	1.03	7,606.46	2.10
Total	67,829	100.00	362,020.03	100.00

The loans into the pool have a weighted average contract term of 49.85 months, a weighted average seasoning of 20.38 months, and a weighted average remaining term to maturity of 29.47 months.

Table 8: Distribution of Loans into the Pool by Contract Term

[13] The age of the borrower is the age of the individual borrower.
[14] The annual income of the borrower is the annual income of the individual borrower

Term (m)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,12]	77	0.11	301.00	0.08
(12,24]	15,491	22.04	35,962.17	9.44
(24,36]	23,920	34.03	102,083.73	26.79
(36,48]	3,593	5.11	19,200.66	5.04
(48,60]	27,203	38.70	223,467.93	58.65
Total	70,284	100.00	381,015.50	100.00

Table 9: Distribution of Loans into the Pool by Seasoning

Seasoning (m)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,6]	5,544	7.89	38,091.93	10.00
(6,12]	7,562	10.76	43,417.18	11.40
(12,18]	19,931	28.36	94,206.22	24.73
(18,24]	12,535	17.83	81,043.85	21.27
(24,30]	13,363	19.01	62,835.16	16.49
(30,36]	4,096	5.83	27,877.11	7.32
(36,42]	3,955	5.63	21,497.93	5.64
(42,48]	1,793	2.55	8,366.43	2.20
(48,54]	1,505	2.14	3,679.68	0.97
Total	70,284	100.00	381,015.50	100.00

Table 10: Distribution of Loans into the Pool by Remaining Term

Remaining Term (m)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,6]	3,236	4.60	5,018.54	1.32
(6,12]	19,481	27.72	46,893.86	12.31
(12,18]	12,353	17.58	52,863.62	13.87
(18,24]	10,323	14.69	57,726.29	15.15
(24,30]	6,716	9.56	46,537.45	12.21
(30,36]	5,887	8.38	47,472.28	12.46
(36,42]	4,811	6.85	45,741.91	12.01
(42,48]	4,292	6.11	44,457.11	11.67
(48,54]	1,741	2.48	18,258.03	4.79
(54,60]	1,444	2.05	16,046.40	4.21
Total	70,284	100.00	381,015.50	100.00

The main repayment method for pooled asset is classic credit, with the outstanding principal balance of Non-classic credit accounting for 9.07%, and the weighted average interest rate being 6.80%.

Table 11: Distribution of Loans into the Pool by Repayment Method

Repayment method	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Classic credit	60,983	86.77	346,442.74	90.93
Non-classic credit	9,301	13.23	34,572.76	9.07
Total	70,284	100.00	381,015.50	100.00

Table 12:Distribution of Loans into the Pool by Current Interest Rates

Interest Rate (%)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
0	17,523	24.93	52,356.44	13.74
(0.0,1.0]	139	0.20	852.81	0.22
(1.0,2.0]	23	0.03	211.67	0.06
(2.0,3.0]	181	0.26	773.54	0.20
(3.0,4.0]	2,654	3.78	9,943.45	2.61
(4.0,5.0]	6,071	8.64	22,401.49	5.88
(5.0,6.0]	6,848	9.74	35,095.90	9.21
(6.0,7.0]	15,002	21.34	99,645.16	26.15
(7.0,8.0]	7,171	10.20	57,007.82	14.96
(8.0,9.0]	3,611	5.14	24,007.83	6.30
(9.0,10.0]	2,191	3.12	18,784.06	4.93
(10.0,11.0]	3,998	5.69	36,035.47	9.46
(11.0,12.0]	1,202	1.71	9,825.83	2.58
(12.0,13.0]	323	0.46	1,600.25	0.42
(13.0,14.0]	95	0.14	575.03	0.15
(14.0,15.0]	68	0.10	412.47	0.11
(15.0,16.0]	3,146	4.48	11,280.07	2.96
(16.0,17.0]	4	0.01	32.22	0.01
(17.0,18.0]	34	0.05	173.99	0.05
Total	70,284	100.00	381,015.50	100.00

The weighted average initial loan-to-value ratio is 70.06%, new cars account for 93.70%.

Table 13: Distribution of Loans into the Pool by Initial Loan-to-Value Ratio

Initial LTV (%)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
(10,20]	42	0.06	114.77	0.03
(20,30]	1,174	1.67	3,926.43	1.03
(30,40]	5,340	7.60	15,366.65	4.03
(40,50]	11,268	16.03	34,159.76	8.97
(50,60]	8,869	12.62	39,834.48	10.45
(60,70]	15,107	21.49	79,582.67	20.89
(70,80]	26,208	37.29	183,871.57	48.26
>80	2,276	3.24	24,159.17	6.34
Total	70,284	100.00	381,015.50	100.00

B. Quantitative Credit Risk Analysis of the Portfolio[15]

The credit risk assessment of auto loan asset-backed securities by CBR is based on a combination credit risk model to evaluate the target default rate (TDR). Firstly, based on the historical data performance of the originator or the overall industry performance, the static pool default rate is calculated. Based on

[15] The ratings assigned by CBR to this Transaction are based on the Methodology for Rating Auto Loan Asset-backed Securities (202404 Edition) published by CBR. For details, see https://www.chinaratings.com.cn/CreditRating/Technical/MethodModle/DebtRating/AssetSecurities/144169.html。

factors such as the seasoning and remaining terms of the assets, the pre adjustment base default rate for each asset is calculated; Secondly, an adjustment model is constructed from the dimensions of borrower characteristics, loan characteristics, collateral characteristics, revolving structure[16], originator factors, macro and industry factors of the asset pool to obtain the average default rate of the assets pool, which is the adjusted expected default rate. Finally, by setting the pressure multipliers for each level under the pressure multiplier method, the target default rate (TDR) of the asset pool that securities need to bear under different credit ratings is obtained.

1. Determination of pre adjustment base default rate

CBR adopts static pool analysis method, based on the static pool data provided by the originator, to calculate the default rate of the static pool period by period, as the basis for evaluating the credit risk of the proposed securitization asset pool. Simulating the pre adjustment base default rate of assets, according to factors such as the seasoning and remaining term of loans in the asset pool.

(1) Static Sample Pools Selection

Based on relevant statistical information from January in 2014 to December in 2024 provided by the Originator, CBR has constructed 127 static sample pools. For each static sample pool, the sampling standard is to select new loans issued in the current month. However, it shall be noticed that certain characteristics of the static sample pool are inconsistent with those of the underlying asset pool, and estimation of the default distribution parameters will include some level of inaccuracy, as loan granting time is not continuous, static samples are insufficient.

(2) Default Rate of the Static Sample Pools

According to the static sample pool, CBR uses overdue loans of more than 30 days as the criterion for determining default loans, and calculates the cumulative default rates for each static pool period by period. For the static pool does not perform longer than maximum loan term, the cumulative default rate distribution obtained from the incremental sequence of average default rates is used to calculate the predicted cumulative default rates for each performance period. Take the average of the cumulative default rates of the static sample pool over time to obtain the initial cumulative default rate of the static pool over time. In addition, CBR takes into account the overall volatility and recent trend characteristics of historical data in the model, and adjusts the initial default rate to obtain the cumulative default rate for each period in the static pool.

Chart 4: Cumulative Default Rates of Static Sample Pools

[16] This project does not involve.

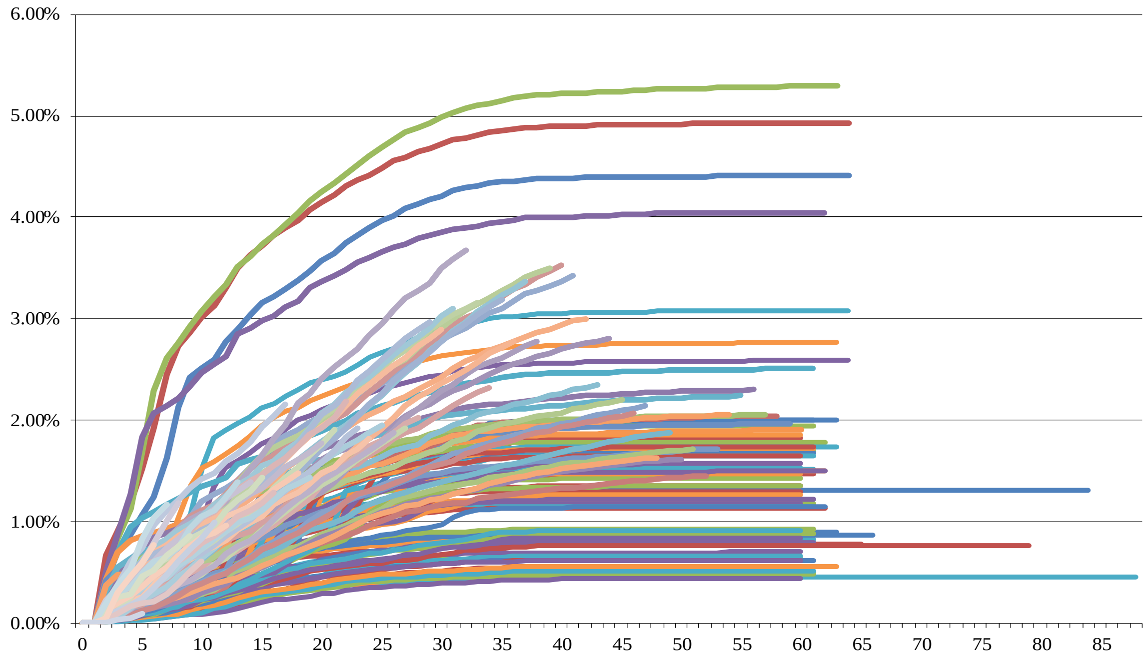
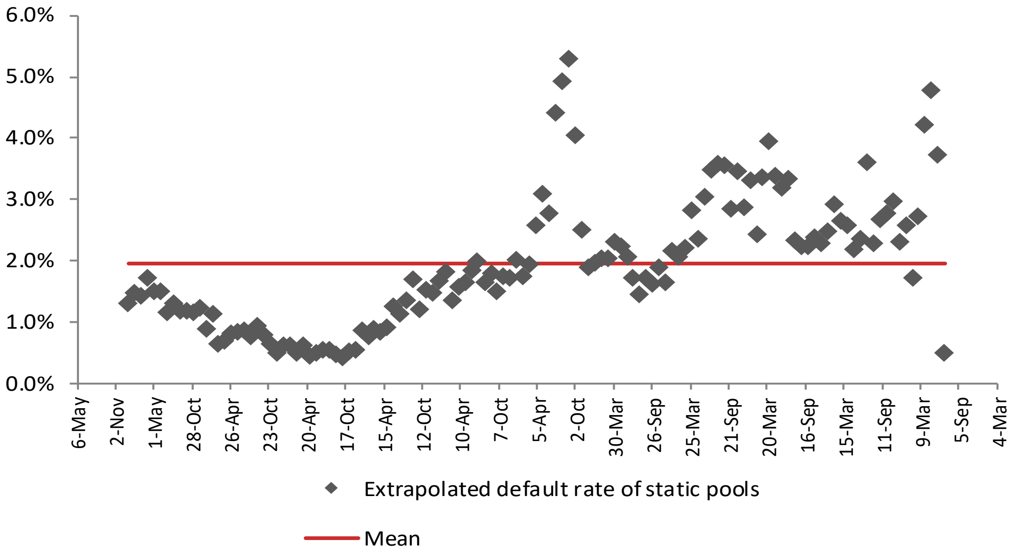


Chart 5: Mapped Cumulative Default Rates



(3) Calculate the pre adjustment base default rate for each asset

Based on the static pool default rate of the initiating institution, the pre adjustment benchmark default rate of the underlying asset is calculated on a per transaction basis based on the aging and remaining maturity of the loans in the asset pool.

2. Determination of adjusted base default rate

Although static pools can reflect the default rate of asset pool to a certain extent, the characteristics of asset pool and static pools are not exactly the same. Based on empirical testing, statistical analysis, and relevant literature research, CBR constructs adjustment models from seven perspectives: borrower characteristics of base assets, loan characteristics, collateral characteristics, revolving structure characteristics, originator factors, macro and industry factors, and other factors, taking into account the differences in default risk characteristics between the proposed securitization asset pool and the static pool, the base default rate level before the adjustment of the asset pool is adjusted to obtain the adjusted base default rate.

Table 14: Statistical Comparison of the Underlying Asset Pool with the Static Sample Pool

	Underlying Assets	Mean of Static Pool
Cut-off Date	2025/4/30	—
Amount (RMB 10k)	381,015.50	364,599.97
No. of Loans	70,284	39,131.65
Average Balance on a Single Loan (RMB 10k)	5.42	9.32
Contract Term (m)		
(0,12]	0.08%	9.93%
(12,24]	9.44%	43.43%
(24,36]	26.79%	37.32%
(36,48]	5.04%	1.56%
(48,60]	58.65%	7.77%
LTV		
(0,20%]	0.03%	0.00%
(20%,40%]	5.06%	12.18%
(40%,60%]	19.42%	42.19%
(60%,80%]	69.15%	45.63%
(80%,100%]	6.34%	0.00%
Repayment Type		
Classic credit loan	90.93%	91.48%
Non-Classic credit loan	9.07%	8.52%

3. Calculation of final TDR

Based on the credit quality of the asset pool, CBR selects the pressure multiplier within a certain range, and multiplies the adjusted base default rate of the asset pool by the corresponding pressure multiplier for different target levels to determine the base asset pool default rate (TDR) that the evaluated securities need to bear under different target levels.

TDR=Base default rate after asset pool adjustment × Pressure multiplier at the corresponding level

4. Estimation Results from Credit Risk Model

Based on the historical data from the static sample pools, CBR calculates the default rates of the asset pool required for the rated securities at different target rating levels by making proper adjustments to quantitative analysis results based on the characteristics of the initial asset pool, the revolving structure, the Originator's risk management level, the climate of the automotive industry, and macroeconomic conditions.

Table 15: TDR of Rated Securities

Credit Rating	TDR

Credit Rating	TDR
AAA_{sf}	17.98%
$AAA-_{sf}$	16.98%
$AA+_{sf}$	15.38%
AA_{sf}	14.18%
$AA-_{sf}$	12.98%
$A+_{sf}$	11.18%
A_{sf}	10.19%
$A-_{sf}$	9.19%
$BBB+_{sf}$	7.79%
BBB_{sf}	7.19%

IV. Cash Flow Analysis

A. Structure Overview

The total amount issued in this ABS transaction is RMB 3.80 billion. In terms of interest payment method, the coupon rate on Senior Notes is fixed, and their interest payments are made on a monthly basis. With respect to repayment of this ABS, Senior Notes use a fixed interest rate and are pass-through, and payments of both principal and interests are made on a monthly basis.

B. Cash Flow Stress Testing

CBR has built a cash flow analysis and stress testing model specifically for this ABS transaction based on the characteristics of transaction structure and the features of underlying assets, such as the set-up of transaction accounts, cash flow payment mechanism, credit trigger events and credit enhancement measures. In the model, cash inflows mainly include principal collections and interest collections, and cash outflows mainly consist of taxes, compliance fees, service fees to the participants involved, principal of and interests on Class A Notes, as well as principal of and gains on Subordinated Notes. The stress testing is designed to assess the coverage of interest and principal payments by the cash flow generated from the underlying assets under the stress conditions so as to verify the robustness of the transaction structure as well as the level of credit enhancement available to the rated securities meets the target rating level.

Defining Baseline Scenario Parameters

Based on the expected securitization asset pool's seasoning, the weighted average recovery rate of 30 day overdue loans is calculated based on the default loan migration rate, taking into account the impact of special pooled assets and macroeconomic factors on the recovery rate. Finally CBR determines the recovery rate for loans overdue for more than 30 days, and uses this recovery rate as the base recovery rate.

Based on the historical default time distribution of the static sample pool, combining the characteristics of underlying assets cash flow distribution, the baseline conditions for default time distribution are defined.

Based on historical prepayment rates obtained from static and dynamic sample pools, the baseline prepayment rate is set.

Based on its analysis of the economic climate and credit risks of the asset pool, CBR has set the following stress conditions: front-end loading of default time distribution, prepayment rate pressure, and lower recovery rate on default loans.

Table 16: Baseline Conditions and Stress Increase during Stress Testing

Stress Condition	Baseline Condition	Stress Increase
Recovery Rate	56.78%	Reduce by 10%, 20%, 50%
Recovery term (m)	6	—
Default Time Distribution	47.26% for Year 1, 35.51% for Year 2, 14.91% for Year 3, 2.14% for Year 4 and 0.18% for Year 5.	Front-end 10%, 20%
Class A Notes Issuing Rate	1.78%	—
Prepayment Rate	3.92%	1.50 times,3.00 times

Table 17: Stress Testing Results of Class A Notes

Main Stress Testing Conditions	Does it pass the AAA_{sf} stress testing
Baseline Conditions	Yes
Recovery rate drops by 10%, and others are baseline conditions	Yes
Recovery rate drops by 20%, and others are baseline conditions	Yes
Prepayment rate pressurizes 1.50times,and others are baseline conditions	Yes
Prepayment rate pressurizes 3.00times,and others are baseline conditions	Yes
Distribution of time of default moves forward by 10%, and others are baseline conditions	Yes
Distribution of time of default moves forward by 20%, and others are baseline conditions	Yes
Recovery rate drops by 10%; prepayment rate pressurizes 1.50times; distribution of time of default moves forward by 10%;	Yes
Recovery rate drops by 20%; prepayment rate pressurizes 3.00times; distribution of time of default moves forward by 20%;	Yes
Recovery rate drops by 50%; prepayment rate pressurizes 3.00times; distribution of time of default moves forward by 20%;	Yes

Based on the stress testing results, Class A Notes are able to pass the cash flow stress in the worst stress scenario, therefore, CBR believes that the maximum credit ratings determined by combined model and cash flow testing model for Class A Notes are capped at AAA_{sf}, and Subordinated Notes are unrated.

V. Conclusion

Based on the estimation results from the quantitative credit risk analysis of the portfolio and the

cash flow stress testing model, combined with the qualitative analysis of rating elements, such as transaction structure risks, major participants' ability to fulfill their duties and legal risks, CBR assigns the following ratings to this Transaction: Class A Notes are rated at AAA_{sf}, and Subordinated Notes are unrated.

Appendix I: Symbols and Definitions of ABS Credit Ratings

The credit rating for credit ABS issued by China Bond Rating Co., Ltd. evaluates the probability of timely payment of interest and full repayment of principal on rated securities on or prior to the legal maturity date[17]. The rating consists of 3 grades and 9 notches, namely AAA_{sf}, AA_{sf}, A_{sf}, BBB_{sf}, BB_{sf}, B_{sf}, CCC_{sf}, CC_{sf} and C_{sf}. Among them, the levels from AAA_{sf} to B_{sf} can be can be fine-tuned with the symbol "＋" or "－", indicating slightly above or below medium level in corresponding grade. Descriptions of each grade are as shown below:

Symbol	Description
AAA_{sf}	Extremely strong ability to repay principal of and interest on notes, extremely low default risk
AA_{sf}	Very strong ability to repay principal of and interest on notes, very low default risk
A_{sf}	Strong ability to repay principal of and interest on notes, low default risk
BBB_{sf}	Medium ability to repay principal of and interest on notes, medium default risk
BB_{sf}	Weak ability to repay principal of and interest on notes, high default risk
B_{sf}	Very weak ability to repay principal of and interest on notes, very high default risk
CCC_{sf}	Extremely weak ability to repay principal of and interest on notes, extremely high default risk
CC_{sf}	Difficult to ensure repayment of principal of and interest on notes
C_{sf}	Hardly able to repay principal of and interest on notes

[17] The symbol system herein applies to CBR's credit rating services in China Mainland (excluding Hong Kong, Macao and Taiwan). The symbol system related to overseas or international credit ratings will be separately developed by CBR as needed.

Appendix II: Terminology

Static Sample Pool: A static pool generally requires no addition or reduction of any assets from the Cut-off Date to the end of the term, except for normal repayments or defaults. Requirements for a static pool involved in auto loan ABS generally include a large number of loans, a small proportion of each asset and statistical stability.

Cumulative Default Rate of Static Pool (on Auto Loans): Given that borrowers are mostly natural persons, their number is large, and their ability to repay varies, it is over-demanding to define any loans overdue for one day as default loans, while the definition of any loans overdue for 60 or 90 days as default loans may underestimate risks. For example, if a large number of loans are in arrears two months prior to the transaction, this ABS is deemed as not being defaulted based on the definition of default loans overdue for 60 or 90 days, but it is possible that interest on the senior tranche have already been defaulted as a result of insufficient cash flow. So it is more precise to define a loan overdue for 30 days or longer as being defaulted. CBR determines any loans overdue for 30 days or longer as being defaulted, which serves as the basis for calculating the default rate.

TDR is the target default rate of the asset pool at the cumulative default probability level corresponding to different credit ratings.

Credit enhancement measures: Credit enhancement measures can reduce the default risk of evaluated securities and improve the credit level of Senior notes. The main ways of credit enhancement include internal credit enhancement and external credit enhancement, and securities can also adopt multiple enhancement methods simultaneously. The funds required for internal credit enhancement measures come from the underlying asset portfolio, including Senior/Subordinated structures, excess collateral, etc; External credit enhancement measures are provided by independent third parties and can take the form of guarantor guarantees and external cash reserve accounts. The probability of asset pool losses exceeding the credit enhancement amount directly affects the evaluation of the default risk of the evaluated securities, which in turn affects the credit rating of the evaluated securities

Over collateralization: Over collateralization refers to an internal credit enhancement measure that uses the difference between the asset pool value and the face value of asset-backed securities as credit protection. This difference is used to compensate for potential losses in credit asset securitization business activities, thereby having a certain credit enhancement effect on securities.

Appendix III: Eligibility Criteria for Assets in the Pool

The Originator further represents and warrants, with respect to the Purchased Receivables as of the Cut-Off Date:

(a) the Loan Contracts constitute legal, valid, binding and enforceable agreements;

(b) the Purchased Receivables are assignable, and the Loan Contracts require monthly payments;

(c) it is entitled to dispose of the Receivables free from rights of third parties;

(d) the Purchased Receivables are free of defences, whether peremptory or otherwise, for the agreed term of the Loan Contracts as well as free of rights of third parties and that the Borrowers in particular have no set-off claim thereto or thereunder or the status and enforceability of the Purchased Receivables is not impaired by set-off rights;

(e) no Purchased Receivable is overdue;

(f) the status and enforceability of the Purchased Receivables is not impaired due to warranty claims or any other rights of the Borrowers;

(g) none of the Borrowers is an affiliate of Volkswagen AG or an employee of the Originator;

(h) according to the Originator's records, no termination of any Loan Contract has occurred;

(i) the Loan Contracts shall be governed by the laws of China and have not been concluded prior to January 2008;

(j) the Loan Contracts have been entered into exclusively with the Borrowers which, if they are corporate entities have their registered office in China or, if they are individuals have their place of residence in China;

(k) on the Cut-Off Date, at least two contractual instalments (which include interest payments) have been paid in respect of each of the Purchased Receivables and that each Purchased Receivable requires monthly payments to be made within sixty (60) months of the date of origination of each Loan Contract and may also provide for a final balloon payment;

(l) each of the Purchased Receivables will have at least no less than (6) and no more than (58) instalments;

(m) the total outstanding amount of Purchased Receivables entrusted hereunder pursuant to the Loan Contracts with one and the same Borrower does not exceed RMB 4,000,000 in respect of any single Borrower;

(n) the Loan Contracts which are subject to the provisions of PRC law on consumer financing, comply in all material respects with the requirements of such provisions;

(o) according to the Originator's records, no insolvency proceedings have been initiated against any of the Borrowers during the term of the relevant Loan Contract up to the Cut-Off Date;

(p) each Loan Contract under which the relevant Receivables arise provides for a mortgage of the relevant Financed Object;

(q) the Purchased Receivables are "normal" loans according to NFRA's "5-category" loan classification method;

(r) the Purchased Receivables are denominated in RMB;

(s) at the time each Loan Contract was entered into, the Receivable under such Loan Contract was approved by the Originator in the ordinary course of the Originator's business; and

(t) the maximum delinquent days of each Purchased Receivable were historically no more than 60 days.

Appendix IV: Credit Enhancement Increase Condition

Shall be deemed to be in effect if the Cumulative Gross Loss Ratio exceeds

(a) 1.5 per cent. for any Payment Date prior to or during March 2026; or

(b) 2.0 per cent. for any Payment Date from April 2026 but prior to or during November 2026; or

(c) 4.0 per cent. for any Payment Date.

Appendix V: Foreclosure Event

Means any of the following events:

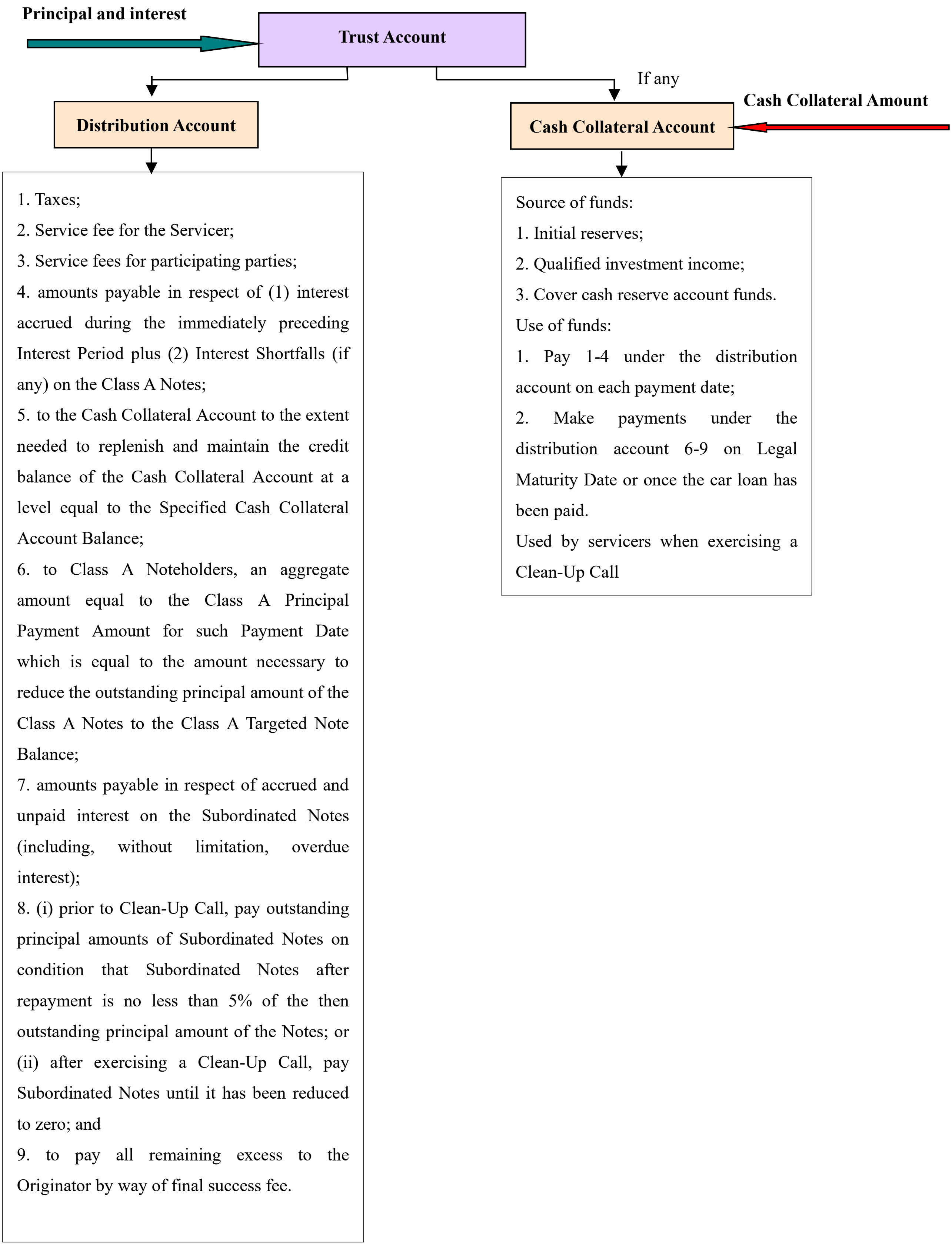
(a) with respect to the Issuer an Insolvency Event occurs; or

(b) the Issuer defaults in the payment of any interest on the Controlling Notes then outstanding when the same becomes due and payable, and such default continues for a period of ten (10) Business Days (or such longer period as approved at a Controlling Noteholders' Meeting); or

(c) the Issuer defaults in the payment of principal of any Note on the Legal Maturity Date,

provided that it shall not be a Foreclosure Event until after a decision has been made by unanimous consent at the relevant Controlling Noteholders' Meeting that the replacement of the Issuer with another Trust Company which meets the Trust Company Qualified Standard is not viable.

Appendix VI: Cash Flow Payment Mechanism Prior to Occurrence of A Foreclosure Event



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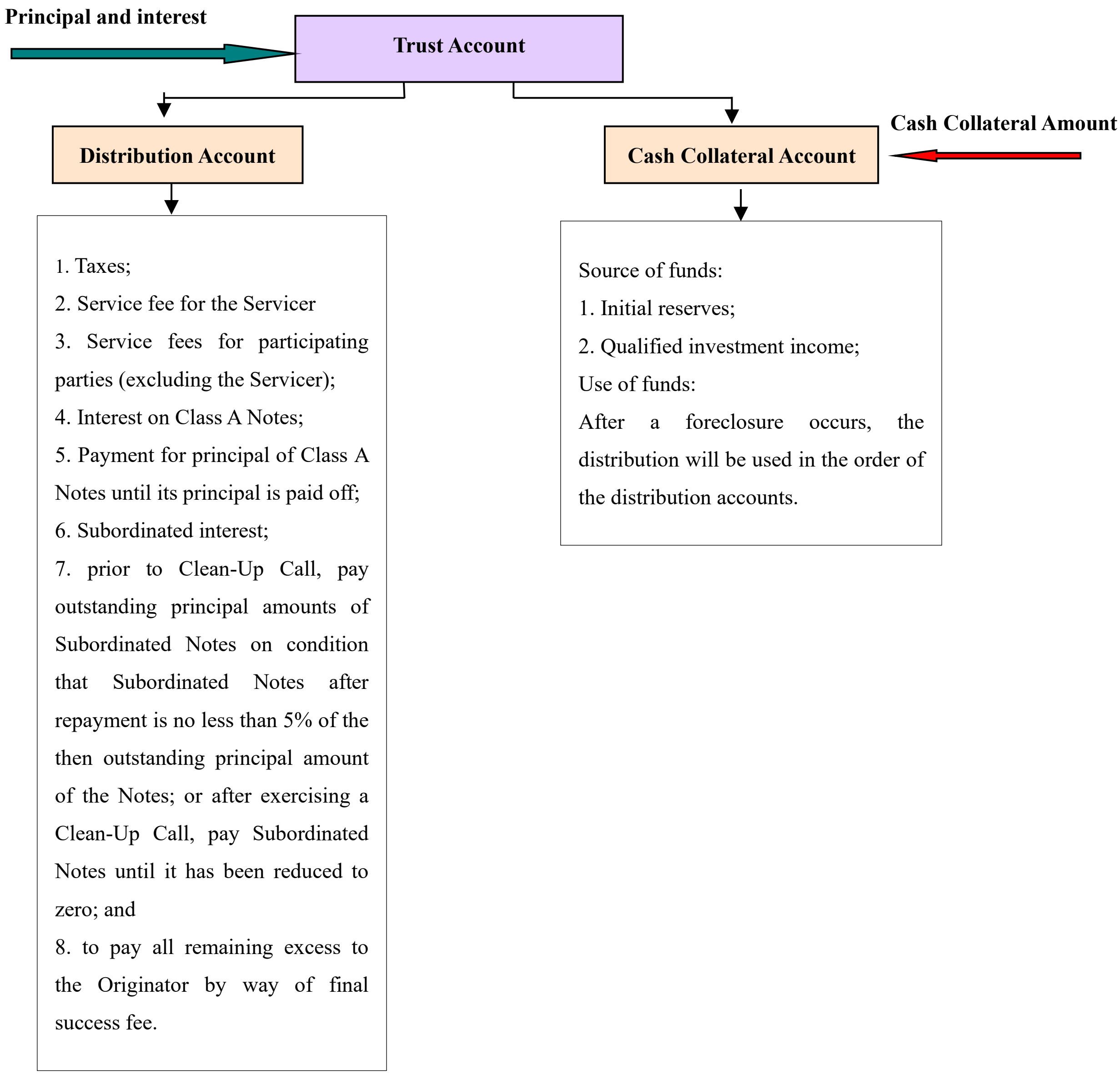
Appendix VII: Cash Flow Payment Mechanism after Occurrence of A Foreclosure Event



Rating Tracking Arrangement

CBR will perform continued monitoring of the credit rating of the rated securities during the effectiveness of credit rating of this ABS, and issue a follow-up rating report prior to July 31 in the current year in respect of any ABS products created by the end of the previous year, which has not matured and whose principal on Senior Notes has not been fully repaid yet.

CBR will continue to keep an eye on the credit quality of the rated securities and make every possible effort to collect and understand information that may affect the credit quality of the securities. During the effective period of the securities, the Originator shall provide CBR with documents in a timely manner, including but not limited to loan/asset service report, trustee's report, annual financial report, and any related materials that have an impact on the credit status of trust property. In case of any material event which may have an impact on the credit rating of the ABS, the Trustee/Servicer shall inform CBR and provide CBR with related documents within three business days of notice of such event. If it notices the occurrence of such event, CBR will ask participants including the Originator, the Servicer, the Trustee and the Lead Underwriter to provide related documents with respect to the matter in order to determine whether to make any adjustment to the credit rating. A credit rating can be revoked if CBR can by no means acquire effective rating information.

The Statement of Credit Rating Report

1. A credit rating for the rated securities is given by China Bond Rating Co., Ltd. (CBR) based on its rating methodology, the estimation results of its rating model and the review of its credit review committee.

2. A credit rating for the rated securities given by CBR just reflects the default probability of the rated securities, but is not a direct judgment about whether it is in default or not.

3. A credit rating for the rated securities given by CBR reflects its judgment about the credit quality of the rated securities in its duration, but not only the credit quality of the rated securities at the time of the rating issued.

4. There is no association relationship between CBR, its credit rating analysts, credit review committee and participants in the transaction that may have an impact on objectivity, independence and fairness in giving the rating. The credit rating herein is an independent judgment made by CBR in accordance with reasonable credit rating standards and procedures. CBR has every reason to assure that its rating report follows the principles of objectivity, independence and fairness and that it has not changed any rating opinions as a result of improper impacts of participants and any other organizations or individuals.

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6. The materials regarding underlying assets and transaction structure cited herein are all offered by participants in the transaction, including the Originator, the Servicer, the Trustee and the Lead Underwriter, and CBR cannot be held liable for the truthfulness and completeness of the materials cited.

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8. The credit rating given herein is effective in the duration of this ABS. During the effective period, the credit rating may vary follow-up rating conclusions made by CBR.

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