Credit Rating Report of Driver China Eighteen Retail Auto Loan ABS

Rating Date:

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Credit rating:
AAA_{sf} for Class A Notes

CHINA BOND RATING

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

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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	326,500.00	81.62	18.38	Fixed	2030/06/26	AAA_{sf}
Subordinated Notes	Pass-through	53,500.00	13.38	-	No rate	2030/06/26	n/a
Amount Issued	-	380,000.00	95.00	-	-	-	-
Overcollateralization	-	20,000.28	5.00	-	-	-	-
Discounted Receivables Balance	-	400,000.28	100.00	-	-	-	-

Summary

Rating View[2]:

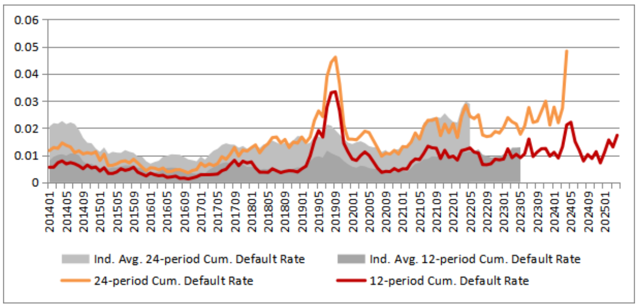
- **The credit quality of the underlying assets:**The assets included in this project pool consist of auto mortgage loans, characterized by a relatively long weighted average contract term, high weighted average interest rates, substantial initial loan values, and a high debt-to-income ratio. The composition includes 3.45% non-standard credit from mortgaged vehicles, 19.98% additional loans, 4.42% used car loans, and 3.47% loans from external brands. According to CBR's methodology, the target default ratio (TDR) for AAA_{sf} rating is 23.62%. The credit quality of initial underlying assets is relatively good.

- **The Originator**:As of April 2026, Volkswagen Finance (referred as "VWFC") had outstanding retail credit assets totaling RMB 24.423 billion, with a non-performing loan ratio of 0.65%. Among these, non-standard loans accounted for 3.98%, additional loans for 25.54%, corporate customer loans for 2.30%, used vehicle loans for 4.37%, loans to external brands for 8.46%, and new energy vehicles loans for 4.18%. Under the China Bond Rating System's subject rating framework, Volkswagen Financial Services demonstrates strong comprehensive operational capabilities, business management proficiency, and sustained stability.

- **Historical data:** CBR calculated the cumulative default rates for each of the 143 static sample pools provided by Volkswagen Financial Services on a period-by-period basis, and compared these with publicly available historical data from issuers of vehicle loan ABS products across the market. As shown in the figure, the actual average cumulative

[1] Expected Maturity Date in the case of Clean-up Call
Consistent with the prospectus, the calculation and weighted average are based on the outstanding principal and interest balance after discounts. The April 2026 data were derived from statistics of the dynamic pool provided by the sponsor institution.

default rates for each static pool over periods of 12 and 24 months were 0.82% and 1.55%, respectively. The rise in default rates during the second half of 2019 was primarily attributed to the company's expansion into the used car business, which resulted in poorer default performance for used car loans issued through non-Volkswagen-certified dealers; subsequently, by strengthening used car channel management and customer eligibility reviews, the overall default rate improved.



- **Credit enhancement and transaction structure**: Credit enhancement mechanisms such as priority/subordinated structures, over-collateralization, and cash reserve accounts provide credit support for senior securities.

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

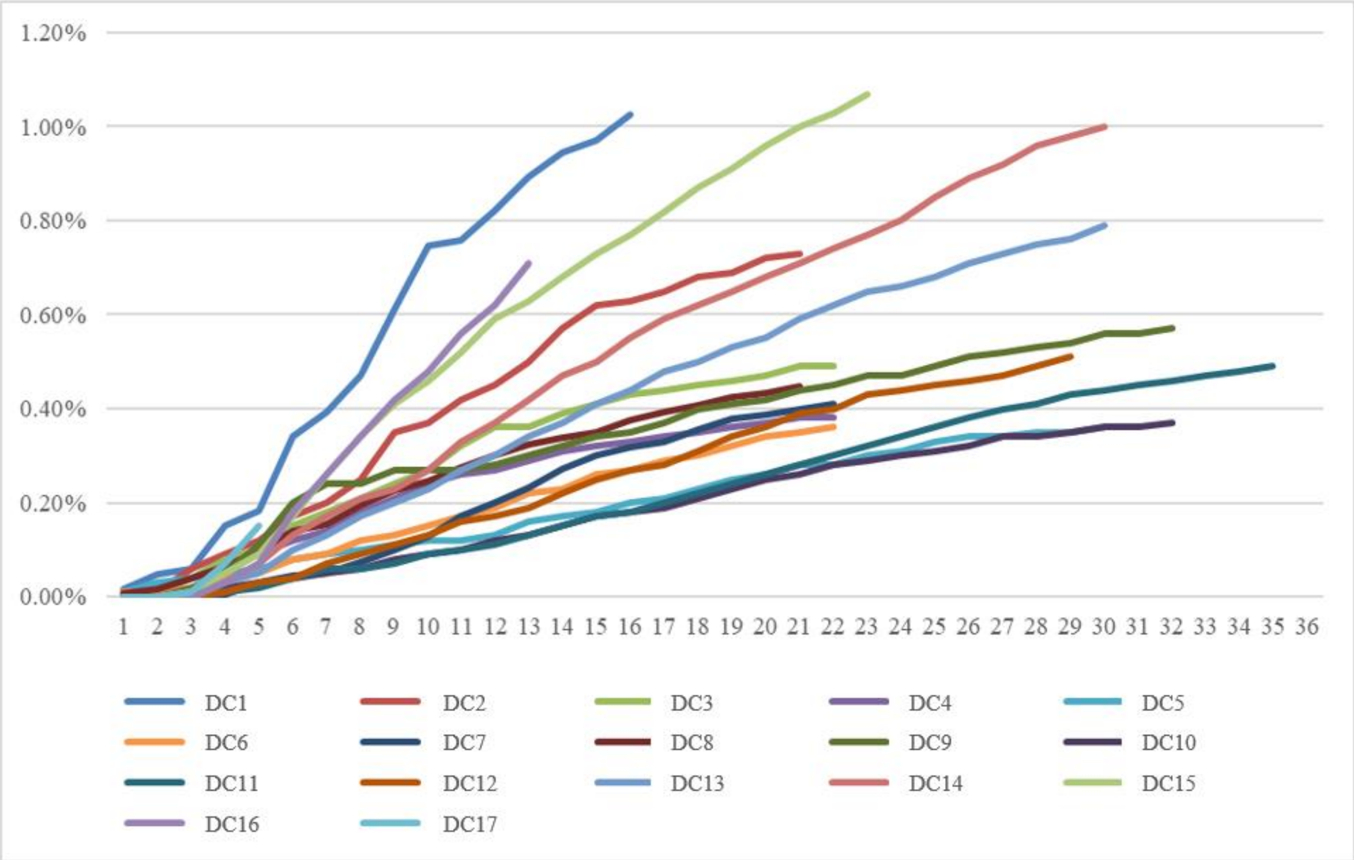
A.Comparison of Key Indicators:

Key Indicator: Features of the ABS	*Driver China-18* (Red Pool)	*Driver China-17 (BPC)*	*Driver China-16 (BPC)*
Closing Date	2026/09/17 (estimated)	2026/01/28	2025/05/28
Legal Maturity Date	2033/07/26	2032/11/26	2032/03/26
Revolving Term	Static	Static	Static
Class A note's credit enhancement(%)	18.38	15.10	13.95
Credit Enhancement Measures	Senior/Subordinated Structure, Overcollateralization, and Cash Collateral Account		
Originator/Servicer	Volkswagen Finance (China) Co., Ltd.		
Characteristics of the Initial Underlying			
Cut-off Date	2026/04/30	2025/12/31	2025/04/30
No. of loans	48,661	63,798	70,284
No. of borrowers	48,247	62,891	69,154
Total outstanding principal balance	365,560.60	373,673.52	381,015.50
Contract value of the asset pool (RMB	549,931.65	690,802.39	752,647.20
Max. outstanding principal balance of a single	11.30	10.83	10.71
% of top 10 borrowers' discounted loan	0.39	0.44	0.46
Weighted average loan interest rate (%)	8.18	7.65	6.80
Weighted average loan contract term	53.60	52.35	49.85
Weighted average seasoning (m)	12.43	18.50	20.38
Weighted average remaining term to	41.18	33.86	29.47
Weighted average initial loan-to-value	79.71	74.08	70.06
weighted average income to debt ratio[5]	2.40	2.92	3.08
Weighted average age of borrowers[6]	38.85	38.96	38.53
Special assets	Non-standard [7]loans account for 3.45%; additional loans make up 19.98%; used car loans represent 4.42%, while loans for foreign brands account for 3.47%.	Non-standard loans account for 6.54%; additional loans account for 36.88%; used vehicles account for 6.47%; foreign brands account for 4.97%.	Non-standard loans account for 9.07%; additional loans account for 45.96%; used vehicles account for 6.30%; foreign brands account for 4.51%.
% of top 3 vehicle brands	Volkswagen/Audi/Jetta 52.41/39.13/4.15	Volkswagen/Audi/Jetta 68.31/19.15/5.59	Volkswagen/Audi/Jetta 74.07/11.90/5.58
Model Estimation			
No. of static pools used	143	136	127
Adjusted base default rate(%)	5.91	4.71	3.99
Prepayment rate (%)	4.47	4.19	3.92
Recovery rate (%)	56.65	57.96	56.78
Recovery term (m)	6	6	6
Default time distribution (%)	43.26/35.28/16.25/4.47/0.74	45.17/34.98/15.87/3.55/0.43	47.26/35.51/14.91/2.14/0.18

3 Consistent with the Prospectus, Discounted Receivables Balance are used for calculation and weighted averages.
4 In respect of each loan, the initial loan-to-value ratio = 1- down payment ratio.
5 ITD= Annual Income/Discounted Receivables Balance
6 The borrower's age is calculated by subtracting the date of birth from the closing date, and the unit is "years".
Non-standard loans include tiered loans and flexible loans, while standard loans feature equal principal and interest repayments.

B.Performance Comparison of Previous Transactions: Volkswagen Financial Services possesses substantial experience in similar projects, with the cumulative default rates of its past initiatives shown in the figure below.

Cumulative Default Rate of the ABS issued by the Originator



Data source: Entrusted report, compiled by China Bond Credit Rating

Strengths

- **The credit quality of the underlying [8]assets is relatively sound.** Among the top ten borrowers in this pool, the outstanding balance of principal and interest after write-offs accounts for 0.39%; loans to the largest borrower region (Henan) represent 8.43%, while those to the largest brand (Volkswagen) account for 52.41%, indicating low overall concentration risk. The average age of borrowers is 38.85 years, with a balanced age distribution, and most borrowers are in periods of career advancement and rising income; the weighted average debt-to-income ratio stands at 2.40, which is relatively high; borrowers exhibit strong personal credit scores; and the weighted average initial loan-to-value ratio reaches 79.71%, also at a high level. Overall, the credit quality of the underlying assets is quite favorable.

- **The priority/secondary structure and overcollateralization provide credit support for the senior securities.** At issuance, the credit support provided by the secondary and overcollateralization to the senior securities amounts to 18.38% of the outstanding principal as of the initial calculation date.

- **External liquidity reserves provide credit support for the senior securities.** This issue established a cash reserve sub-account, into which the trustee institution deposited an amount equal to the initial cash reserve (approximately RMB 48 million) on the trust's effective date, to mitigate potential liquidity risks associated with taxes, fees, and interest payments on the senior securities under the transaction documents, thereby providing credit support for them.

- **The transaction structure risk of this securities issue is relatively low.** The mitigation measures implemented for offsetting risks, commingling risks, absence of backup loan servicing institutions, liquidity risks, and legal risks effectively reduce the transaction structure risk.

In accordance with the prospectus, the calculation and weighted average are based on the outstanding principal and interest balance after discounts.

Concerns

- **The static sample pool and the underlying asset pool may differ in certain characteristics and the macroeconomic environment they experience, which could introduce errors in the estimation of model-related parameters.** The differences between the static sample pool and the macroeconomic conditions faced by the securitized asset pool may lead to inaccuracies in the calculated model parameters. Zhongzhai Credit Rating has made corresponding adjustments to the parameters based on these characteristic differences between the asset pools and the static sample pool.

- **A certain proportion of the underlying assets consists of additional loans, which may face uncertainties in default performance and future cash flow recovery [9]due to macroeconomic factors.** These loans account for 19.98% of the pooled assets; their non-performing rate is higher than that of loans without additional components, and they are more vulnerable to external macroeconomic fluctuations. Close monitoring of their performance remains essential.

- **The non-fully sequential cash flow payment mechanism reduces the credit support available to senior securities.** Under normal principal repayment conditions, once the excess collateral coverage ratio of Class A securities reaches a certain threshold, junior securities will receive principal payments simultaneously with senior securities; consequently, the credit support available to senior securities is correspondingly diminished compared to securities with sequential payment structures.

- **The securities in this issue have not undergone registration for the transfer of mortgage rights.** According to the terms of these securities, no registration procedures for such transfer are required on the trust's effective date; instead, the initiating institution shall continue to be registered as the nominal mortgagee with the competent government registration authority. The transaction documents stipulate that if the mortgage cannot be enforced against a bona fide third party, the entrusting institution is obligated, while the trustee has the right to demand that the entrusting institution repay the corresponding loan, thereby mitigating to some extent the risks associated with the absence of registration for the transfer change.

- **Against the backdrop of sustained policy support and accelerated transition between traditional and new growth drivers, China's macroeconomy is expected to maintain a long-term trend of steady improvement.** However, close attention must be paid to how changes in the external environment and sector-specific factors may impact credit risks. By 2025, China's economy will continue advancing under pressure while evolving toward greater innovation and efficiency, with emerging industries playing an increasingly significant role in driving macroeconomic growth. Looking ahead, the fundamental conditions and underlying trends supporting sustained economic improvement remain unchanged. In the short term, comprehensive analysis suggests that 2026 will see moderate

In accordance with the prospectus, the calculation and weighted average are based on the outstanding principal and interest balance after discounts.

quantitative growth alongside continuous structural optimization and enhanced development quality. Nevertheless, rising credit risks remain a concern due to factors such as slow recovery in household disposable income, intensifying competition among auto finance companies and commercial banks, evolving characteristics of underlying assets, and increased issuance of specialized loans. China Bond Rating has already incorporated these risk factors into its analytical models.

I. Transaction Overview

A.Transaction Summary and Major Participants

Under this transaction, the initiating institution transfers the assets that meet the trust contract requirements to the trustee institution, which then issues this tranche of asset-backed securities by establishing a special purpose trust.

Table 1: Major Participants

Types of Participating Institutions	Organization Name
Servicer	Volkswagen Financial (China) Co., Ltd.
Trustee/Issuer	China Construction Trust Co., Ltd.
Account Bank	China Postal Savings Bank Co., Ltd. Beijing Branch
Lead Underwriter	China Merchants Securities Co., Ltd.
Legal Advisor	Beijing King & Wood Law Firm
Accounting Advisor	Ernst & Young Huaming Accounting Firm (Special General Partnership)
Rating Agency	China Bond Rating Co., Ltd.; Fitch Bohua Credit Rating Co., Ltd.

The transaction documents specify the obligations of each intermediary party and their liabilities for breach of contract. The current securities transaction documents stipulate that during the trust period, if any violation occurs regarding any guarantee related to the assets listed in the trust contract on the initial commencement date, and such violation materially adversely affects the interests of the issuer, the trust, or the holders, the initiating institution shall remedy or correct such violation by the end of the monthly period corresponding to the 60th day (or an earlier date if chosen) following the date the initiating institution becomes aware of or notified of the breach. If the initiating institution fails to remedy or correct the violation by this deadline, it shall repurchase the transferred loans affected by the breach (which materially adversely impacts the interests of the issuer, the trust, or the holders) from the trustee on the next payment date immediately following the expiration of the 60-day period. If the trustee breaches the trust contract or improperly manages trust affairs resulting in losses to trust assets, the trustee shall provide compensation. Should the fund custodian fail to execute the issuer's payment instructions in accordance with the fund custody agreement or substantially violate its obligations, it shall compensate the trust assets or cover direct losses and additional expenses incurred by the issuer as a result.

B. Analysis of Transaction Structure Risks

The establishment of this securities offering complies with relevant legal provisions, and the trust assets are distinct from those of the initiating institution or other assets not placed under trust that may face bankruptcy liquidation risks.

In accordance with the relevant provisions of laws, administrative regulations, departmental rules, and normative documents such as the Trust Law of the People's Republic of China, the Pilot Management Measures for Credit Asset Securitization, the Supervision and Administration Measures for Pilot Programs of Credit Asset Securitization by Financial Institutions, the Information Disclosure Rules for Asset-Backed Securities, Accounting Standard for Business Enterprises No.23 – Transfer of Financial Assets, the Notice on Further Expanding Matters Related to the Pilot Program of Credit Asset Securitization, the Notice on the Work Process for Filing and Registration of Credit Asset Securitization, the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Matters Concerning the Information Registration of Credit Asset Securitization by Banking Financial Institutions, and the Business Rules for Information Registration of Credit Asset Securitization issued by the Bank Credit Asset Registration and Transfer Center Co., Ltd., the law firm has issued a Legal Opinion regarding the legal issues involved in this securities issue and determined that the underlying asset pool can be established as a trust in compliance with the law. The trust shall be validly formed upon the transfer of the automotive mortgage loan claims intended for securitization to the trustee institution.

A trust becomes validly established upon its entry into force. The trust property is distinct from other assets of Volkswagen Financial Services that are not part of the trust. If Volkswagen Financial Services is dissolved, revoked, or declared bankrupt under law, and if it is not the sole beneficiary of the trust, the trust continues to exist; the trust property does not constitute its liquidation assets, but only the trust beneficiary rights represented by subordinated asset-backed securities held by Volkswagen Financial Services do. However, if all payments due on senior asset-backed securities have been fully settled by that date, and Volkswagen Financial Services, as the holder of such securities, becomes the sole beneficiary, the trust terminates, and the trust property becomes its liquidation assets. The trust property also differs from assets owned by the trustee institution; if the trustee institution is dissolved, revoked, or declared bankrupt under law, the trust property does not form part of its liquidation assets.

Furthermore, in this transaction, when Volkswagen Financial Services transferred the underlying assets to the trust, although the corresponding vehicle mortgage rights were simultaneously assigned to the trust, neither Volkswagen Financial Services nor the trust completed the mortgage registration amendment. This creates a risk that other creditors of the borrower may assert their mortgage rights over the mortgaged vehicles in the name of a bona fide third party.

Given that certain laws and regulations in practice are still in a trial phase, their enforceability remains to be verified and they may be updated or revised; China Bond Credit Rating will continue to monitor this closely throughout the subsequent rating process.

Mitigation measures for offset risk, confusion risk, absence of backup lending service providers, liquidity risk, and legal risk can relatively reduce transaction structure risk; thus, the structural risk

of securities transactions in this period remains low.

Table 2: Transaction Structure Risks and Mitigation Measures

Risk Type	Slow-release Measures
Set-off risk	1. As an auto finance company, the originator of these securities—Volkswagen Financial Services—does not engage in deposit business; therefore, the likelihood of borrowers exercising their set-off rights is low. 2. The Trust Contract for these securities stipulates that the initiating institution states and guarantees that, as of the initial calculation date and subject to the term specified in the loan contract and without being restricted by any third-party rights, it has no defenses whatsoever (whether priority rights or otherwise) against the transferred loans; in particular, the borrower has no right to claim set-off against such loans, nor does it have any enforceable claim thereunder; furthermore, the status and enforceability of the transferred loans are not affected by the set-off right. In case of breach of this guarantee, the initiating institution shall remedy, correct, or repurchase the defaulted assets.
Commingling risk	The remittance frequency of collections under this transaction shall be determined by reference to the credit rating of the Servicer. If its credit rating satisfies the Servicer Required Rating or above, the Servicer shall make a deposit of such monthly Collections into the Distribution Account on the sixth (6th) Business Day prior to each Payment Date. If its credit rating fails to satisfy the Servicer Required Rating, since the Monthly Collateral Start Date, the Servicer shall: (a) advance an amount into the Distribution Account, equal to the Monthly Collateral for the Monthly Period in which the Monthly Collateral Start Date falls plus, if the Monthly Collateral Start Date falls on a date prior to the sixth (6th) Business Day prior to the Payment Date falling in such Monthly Period, an amount equal to the Monthly Collateral in respect of the preceding Monthly Period; (b) for any subsequent Monthly Period in which the Servicer continues to fail to satisfy the Servicer Required Rating (save in respect of any Monthly Collateral posted under paragraph (a) above): on the first (1st) calendar day of such Monthly Period, determine the amount representing the Monthly Collateral in respect of the Monthly Period, and transfer the Monthly Collateral to the Distribution Account to be retained until the sixth (6th) Business Day prior to the Payment Date relating to such Monthly Period; In the event that the above-mentioned calendar day on which the Monthly Collateral shall be made is not a Business Day, the Servicer shall transfer the Monthly Collateral on the next following Business Day unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day. (c) 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 for such Monthly Period and such Monthly Collateral (after netting) will form part of the Available Distribution Amount on such Payment Date. If for such Monthly Period, the Monthly Servicing Report shows (1) that the Monthly Collateral which has been transferred to the Distribution Account by the Servicer for the relevant Monthly Period exceeds the Collections received

Risk Type	Slow-release Measures
	by the Servicer for such Monthly Period, such excess amount shall be released to the Servicer outside the Order of Priority on the sixth (6th) Business Day prior to the relevant Payment Date, or (2) that the Collections received by the Servicer for such Monthly Period exceed the Monthly Collateral which has been transferred to the Distribution Account by the Servicer for the relevant Monthly Period, an amount equal to such excess shall be paid into the Distribution Account by the Servicer on the sixth (6th) Business Day prior to the relevant Payment Date; (d) if the Servicer Required Rating is satisfied again, any Monthly Collateral standing to the credit of the Distribution Account shall be released to the Servicer outside the Order of Priority on the sixth (6th) Business Day prior to the next Payment Date following such satisfaction; and (e) promptly nominate a back-up Servicer which shall be acceptable to the Issuer, by notifying the Issuer in writing.
The absence of servicer risk	A replacement event and rights enhancement notice shall be triggered when the loan servicing provider commits an irreparable breach of any material aspect of a contract or agreement, or experiences a loss of solvency.
Liquidity risk	This security issue establishes a cash reserve account, stipulating that on the issuance date, the initial cash reserve amount shall be RMB 48 million; on each payment date, it shall be the higher of: (a) 1.2% of the total discounted principal and interest balance at the end of the monthly period, and (b) the lower of: (i) RMB 40 million, and (ii) the cumulative outstanding principal amount of Class A securities at the end of the monthly period.

Source: Trading documents, compiled by China Bond Credit Rating

II. Initiating Organization and Industry Analysis

A.Originator/Servicer

CBR has developed a comprehensive rating system for originators, evaluating key factors such as core business operations, risk management practices, system development capabilities, and track record of previous projects. Under this framework, Volkswagen Financial Services demonstrates strong overall operational competence, robust business management skills, and sustained stability.

1、 Originator

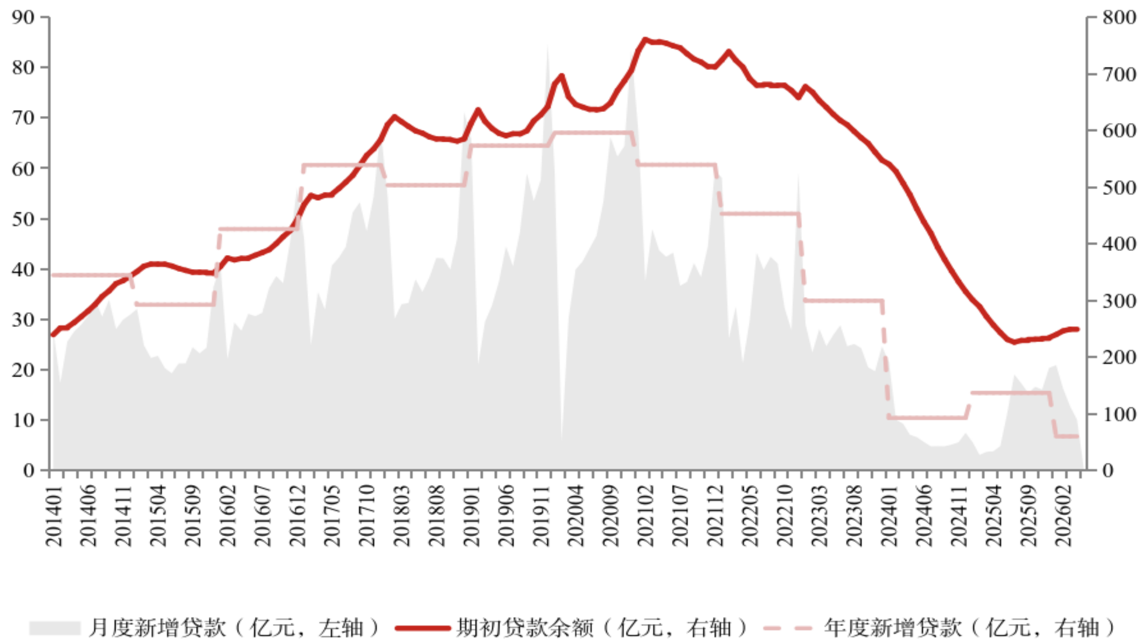
Volkswagen Financial Services was established in Beijing in 1998 and began offering retail lending services in 2004, providing a range of innovative financial solutions to major brands including Volkswagen, Audi, Skoda, Jetta, Volkswagen Import, Volkswagen Anhui, Porsche, Bentley, and Lamborghini. As of now, the company has a registered [10]capital of RMB 8.2 billion and is a wholly-owned subsidiary of Volkswagen

This value is derived from statistics of the dynamic pool provided by the initiating organization.

Financial Services Overseas Co., Ltd. By April 2026, its outstanding retail credit assets amounted to RMB 24.423 billion, with a non-performing loan ratio of 0.65%.

Volkswagen Financial Services offers four types of loan products to retail customers: standard loans, tiered loans, flexible loans, and personalized [11]loans. According to historical data as of April 2026, in terms of contract duration, loans with terms shorter than two years account for 52.06%, those with terms between two and four years account for 37.59%, and those exceeding four years account for 10.36%; regarding the initial loan-to-value ratio, ratios of 40% or less account for 11.73%,40%–60% for 41.35%,60%–80% for 44.51%, and above 80% for 2.41%.

Chart 1: Retail Auto Loan Size of VWFC[12]



Data source: Information provided by the initiating organization, compiled by China Bond Credit Rating.

2、 Pre-loan Approval and Post-loan Management

In pre-loan management, Volkswagen Financial Services implements risk control through three key stages: 1. Loan Approval Process: The credit team makes lending decisions. Upon submission of an application, the company uses a credit scoring system to analyze factors including the customer's credit history, application details, income levels, and vehicle purchase/lending information, generating a credit score. Over 70% of applications are automatically approved or rejected based on this score; remaining cases undergo manual review via phone interviews or in-person visits as required, guided by approval policies and individual qualifications. Reviewers may adjust down payment ratios, loan terms, or other terms. 2. Loan

According to statistical data provided by the initiating organization.

[12] Calculated by CBR according to the dynamic and static pools provided by the Originater.

Service Process: Loan services are delivered through five teams under the Retail Customer Service and Consumer Protection Department: Channel Service Management, Customer Service Management, Outsourcing & Credit Management, Process Optimization & Project Management, and Consumer Rights Protection. These teams oversee payment compliance monitoring, customer service coordination, dealer support, document management, and credit reporting operations. Specifically, the Channel Service Management Team is responsible for handling the loan disbursement process and monitoring the registration status of vehicle mortgages as well as the archiving status of documents such as contracts; the Customer Service Team manages both incoming and outgoing calls, reflecting any changes in customer information received over the phone into the loan contract; thirdly, regarding the loan disbursement phase, Volkswagen Financial Services follows a standardized procedure: after a customer signs an automobile sales contract with a dealer, the dealer collects customer information and facilitates the transmission of document and fund flows between Volkswagen Financial Services via IT tools, email, and other channels.

In post-loan management, six teams within Volkswagen Financial's Risk Management Department oversee loan follow-up: the Risk Assessment Team, Asset Management Team, Early Collection Management Team, Litigation Management Team, Asset Recovery Team, and Risk Control Team. The Risk Assessment Team is responsible for designing and establishing customer credit risk evaluation models and automated decision-making approval strategies, conducting regular suitability assessments, and making necessary adjustments when required; developing and maintaining internal management systems for credit risk models and strategies in compliance with group standards and local regulations; developing and implementing automated credit risk management solutions; and analyzing, evaluating, and monitoring credit risks. The Early Collection Management Team focuses on collecting overdue payments from short-term accounts, pursuing in-depth recovery of medium-to-long-term accounts, and recovering long-aged accounts after write-offs. For short-term and medium-to-long-term collections, the team uses methods such as SMS, WeChat messages, and collection letters, supplemented by third-party collection agencies for phone calls and on-site visits. For long-aged accounts post-write-off, every legal means is employed to maximize cash recovery. The Litigation Management Team employs comprehensive legal frameworks to gather evidence through litigation, enforcement applications, interim preservation measures, and secured claims procedures. Additionally, the team collaborates with external partners to accelerate debt recovery and minimize asset losses.

B.Analysis of Macro Economy and the Industry

Against the backdrop of sustained policy support and accelerated transition between old and new growth drivers, the macroeconomy will maintain a long-term trend of steady improvement, though attention must remain focused on how changes in the external environment and sector-specific factors may impact credit risks.

In 2025, China's economy advanced under pressure while pursuing new directions and enhanced quality development, with emerging industries playing an increasingly significant role in driving macroeconomic growth. Despite the impact of tariff disputes, the country maintained stable export growth through upgraded product structures and diversified regional distribution, though endogenous momentum in consumption remained insufficient. Facing deepening external environmental challenges, prominent domestic supply-demand imbalances, and numerous risks in key sectors, the Central Economic Work Conference emphasized that 2026 should adhere to the principle of "seeking progress while ensuring stability" and continue implementing a more proactive fiscal policy alongside a moderately accommodative monetary policy. Looking ahead, medium-to-long-term prospects remain favorable, with core drivers such as high-end manufacturing, digital economy, and green energy maintaining robust growth momentum. In the short term, comprehensive factors suggest that 2026 will see balanced quantitative expansion alongside continuous structural optimization and improved development quality. However, credit risks may rise due to slow recovery in household disposable income, intensifying competition among auto finance companies and commercial banks, evolving characteristics of underlying assets, and increased special-purpose loans. China Bond Rating has already incorporated these risk factors into its analytical models.

III. Analysis of the Underlying Assets

A. Characteristics of the Underlying Assets

The underlying assets of this project consist of auto mortgage loans issued by Volkswagen Financial Services, featuring a relatively long weighted average contract term, high weighted average interest rates, substantial initial loan values, and a strong debt-to-income ratio. Overall, the credit quality of these underlying assets is quite sound.

The underlying assets of this securities issue consist of 48,661 auto mortgage loans issued by the originator between October 2021 and February 2026, with an outstanding principal balance of RMB 365,560.60 million; new vehicles accounted for 95.61% of the purchased vehicles.

The borrowers are located across 31 provinces, municipalities, and autonomous [13]regions, with Henan accounting for the largest share of outstanding balances at 8.25%. The pool includes loans from multiple brands such as FAW Audi, FAW-Volkswagen, and SAIC Volkswagen, among which FAW Audi represents the largest contributor at 37.55%. The outstanding principal balance of the top ten borrowers in the pool accounts for only 0.41%, indicating a relatively low concentration risk of underlying assets overall.

Statistics are compiled based on the borrower's region.

Table 3: Distribution of Outstanding Principal Balance[14]

Outstanding Principal Balance (RMB 10k)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
(0,5]	23,141	47.56	70,023.79	19.16
(5,10]	14,759	30.33	105,910.58	28.97
(10,15]	5,319	10.93	64,047.05	17.52
(15,20]	1,918	3.94	33,220.77	9.09
(20,25]	2,023	4.16	45,789.95	12.53
(25,30]	1,132	2.33	30,024.17	8.21
(30,35]	93	0.19	3,004.68	0.82
>35	276	0.57	13,539.61	3.70
Total	48,661	100.00	365,560.60	100.00

Table 4: Geographic Distribution of Borrowers

Location	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Henan	3,863	7.94	30,165.42	8.25
Shandong	3,527	7.25	26,689.05	7.30
Jiangsu	2,965	6.09	25,407.71	6.95
Sichuan	3,124	6.42	25,101.06	6.87
Guangdong	2,836	5.83	24,774.99	6.78
Zhejiang	2,550	5.24	20,806.55	5.69
Guizhou	2,690	5.53	17,844.02	4.88
Shaanxi Province	2,157	4.43	17,399.77	4.76
Xinjiang	2,393	4.92	16,971.84	4.64
Hebei	2,252	4.63	15,412.51	4.22
Hubei	2,072	4.26	14,623.27	4.00
Fujian	1,609	3.31	11,850.51	3.24
Yunnan	1,715	3.52	11,335.96	3.10
the Heilongjiang River	1,515	3.11	11,005.16	3.01
Shanxi	1,593	3.27	10,699.67	2.93
Liaoning	1,173	2.41	10,128.69	2.77
Anhui	1,286	2.64	9,579.96	2.62
Hunan	1,271	2.61	9,396.34	2.57
Nei Monggol	1,267	2.60	8,477.55	2.32
Jiangxi	888	1.82	7,003.35	1.92
Jilin	1,035	2.13	6,705.00	1.83
Chongqing	816	1.68	6,329.47	1.73
Gansu	871	1.79	6,171.72	1.69

[14] 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.

Location	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Qinghai	541	1.11	4,108.59	1.12
Ningxia	449	0.92	3,627.42	0.99
Guangxi	595	1.22	3,135.90	0.86
Tianjin	490	1.01	3,082.43	0.84
Beijing	550	1.13	3,013.05	0.82
Shanghai	300	0.62	2,189.19	0.60
Xizang	156	0.32	1,570.08	0.43
Hainan	112	0.23	954.38	0.26
Total	48,661	100.00	365,560.60	100.00

Table 5: Distribution of Loans into the Pool by Brand

Brand	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
FAW Audi	7,747	15.92	137,257.19	37.55
FAW-Volkswagen	25,141	51.67	136,269.22	37.28
Shanghai Volkswagen	8,064	16.57	53,496.50	14.63
Jetta	4,015	8.25	15,837.82	4.33
other	2,954	6.07	12,505.19	3.42
SAIC Audi	133	0.27	2,572.97	0.70
Massive Public Awareness in Anhui	304	0.62	2,552.28	0.70
Volkswagen Import	114	0.23	1,874.54	0.51
Porsche	60	0.12	1,403.92	0.38
Bingley	5	0.01	792.53	0.22
Lamborghini	6	0.01	664.39	0.18
Skoda	118	0.24	334.05	0.09
Total	48,661	100.00	365,560.60	100.00

The borrowers are primarily aged between 30 and 40, with a weighted average age of 38.26 years and a weighted average debt-to-income ratio of 2.58.

Table 6: Distribution of Borrowers by Age[15]

Age (yr)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[18,20]	677	1.42	6,331.49	1.76
(20,30]	10,133	21.20	72,750.70	20.23
(30,40]	17,796	37.24	137,792.10	38.32
(40,50]	11,768	24.62	89,404.90	24.86
More than 50	7,416	15.52	53,315.16	14.83
Total	47,790	100.00	359,594.35	100.00

15 The age of the borrower is the age of the individual borrower.

Table 7: Distribution of Borrowers by Annual Income[16]

Annual Income (RMB 10k)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,10]	14,605	30.56	72,240.43	20.09
(10,20]	21,156	44.27	139,941.52	38.92
(20,30]	6,332	13.25	64,129.63	17.83
(30,40]	2,488	5.21	32,565.61	9.06
(40,50]	741	1.55	10,264.52	2.85
>50	2,468	5.16	40,452.64	11.25
Total	47,790	100.00	359,594.35	100.00

The weighted average contract term for pool loans is 53.06 months, the weighted average aging period is 12.76 months, and the weighted average remaining maturity is 40.31 months.

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

Term (m)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,12]	289	0.59	756.02	0.21
(12,24]	10,962	22.53	39,986.90	10.94
(24,36]	8,961	18.42	40,251.91	11.01
(36,48]	1,377	2.83	5,470.73	1.50
(48,60]	27,072	55.63	279,095.05	76.35
Total	48,661	100.00	365,560.60	100.00

Table 9: Distribution of Loans into the Pool by Seasoning

Seasoning (m)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,12]	26,599	54.66	258,109.25	70.61
(12,24]	6,272	12.89	31,596.16	8.64
(24,36]	9,218	18.94	49,076.96	13.43
(36,48]	4,778	9.82	22,114.42	6.05
(48,60]	1,794	3.69	4,663.80	1.28
Total	48,661	100.00	365,560.60	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]	1,154	2.37	1,870.44	0.51
(6,12]	6,618	13.60	16,179.53	4.43
(12,18]	7,931	16.30	30,966.39	8.47
(18,24]	8,715	17.91	40,091.95	10.97
(24,30]	4,287	8.81	27,885.47	7.63

[16] The annual income of the borrower is the annual income of the individual borrower.

Remaining Term (m)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
(30,36]	4,692	9.64	35,673.56	9.76
(36,42]	1,080	2.22	8,859.52	2.42
(42,48]	1,294	2.66	12,339.53	3.38
(48,54]	6,277	12.90	96,623.92	26.43
(54,60]	6,613	13.59	95,070.31	26.01
Total	48,661	100.00	365,560.60	100.00

The repayment methods for pool loans include standard credit, tiered loans, and flexible credit. Non-standard loans accounted for 3.47% of the outstanding principal balance, with a weighted average interest rate of 7.96%.

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

Repayment method	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Standard Credit	46,465	95.49	352,880.28	96.53
Step Loan	718	1.48	1,749.43	0.48
Elastic Credit	1,478	3.04	10,930.89	2.99
Total	48,661	100.00	365,560.60	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	13,025	26.77	49,955.64	13.67
(0.0,1.0]	68	0.14	281.39	0.08
(1.0,2.0]	8	0.02	79.26	0.02
(2.0,3.0]	28	0.06	173.79	0.05
(3.0,4.0]	265	0.54	2,342.38	0.64
(4.0,5.0]	1,237	2.54	8,667.69	2.37
(5.0,6.0]	2,687	5.52	12,431.50	3.40
(6.0,7.0]	7,439	15.29	41,328.06	11.31
(7.0,8.0]	2,515	5.17	18,295.16	5.00
(8.0,9.0]	2,342	4.81	20,535.75	5.62
(9.0,10.0]	4,636	9.53	74,421.99	20.36
(10.0,11.0]	7,556	15.53	83,577.00	22.86
(11.0,12.0]	4,447	9.14	44,893.50	12.28
(12.0,13.0]	415	0.85	1,677.49	0.46
(13.0,14.0]	29	0.06	153.13	0.04
(14.0,15.0]	25	0.05	64.72	0.02
(15.0,16.0]	1,924	3.95	6,626.81	1.81
(16.0,17.0]	1	0.00	3.36	0.00
(17.0,18.0]	14	0.03	52.01	0.01
Total	48,661	100.00	365,560.60	100.00

The weighted average initial loan-to-value ratio was 78.80%, with new vehicles accounting for 95.61% of the collateral involved in these loans.

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]	33	0.07	65.30	0.02
(20,30]	2,352	4.83	7,047.22	1.93
(30,40]	4,754	9.77	16,581.74	4.54
(40,50]	5,047	10.37	24,466.26	6.69
(50,60]	3,905	8.02	18,537.62	5.07
(60,70]	7,742	15.91	40,281.14	11.02
(70,80]	12,788	26.28	84,163.35	23.02
>80	12,040	24.74	174,417.96	47.71
Total	48,661	100.00	365,560.60	100.00

B.Quantitative Credit Risk Analysis of the Portfolio[17]

China Bond Rating's credit risk assessment for the underlying assets of personal auto loan asset-backed securities is conducted using a portfolio credit risk model to evaluate the Target Default Ratio (TDR). First, based on the historical performance of the issuing institution or combined with overall industry trends, the static pool's period-specific default rate is calculated; then, considering factors such as the age and remaining maturity of assets in the pool, the pre-adjustment benchmark default rate for each individual asset is determined. Next, an adjustment model is constructed incorporating borrower characteristics, loan features, collateral attributes, revolving structure features, issuing institution factors, and macroeconomic and industry factors to derive the average default ratio of the asset pool—the adjusted expected default rate. Finally, by applying pressure multiplier values across different tiers, the required target default ratio (TDR) for securities under various credit ratings is determined.

1. Determination of the baseline default rate prior to adjustment

China Bond Credit Rating employs static pool technology to calculate the periodic default rate of the static pool based on sample pool data provided by the originator, serving as the foundation for assessing the credit risk of the proposed securitized asset pool portfolio. By considering factors such as loan aging and remaining maturity periods within the asset pool, it simulates the pre-adjustment benchmark default rate of the securitized assets.

(1) Static Sample Pools Selection

[17] The ratings assigned by CBR to this Transaction are based on the Methodology for Rating Auto Loan Asset-backed Securities (202510 Edition) published by CBR. For details, see https://www.chinaratings.com.cn/InfoDisclosure/BaseInfo/TechnicalFiles/RatingModel/Securitization/147965.html.

For this project, based on statistical data from the static sample pools provided by the initiating institution covering January 2014 to April 2026, China Bond Credit Rating has constructed 143 such pools, each drawn from newly issued loans in the respective month. However, it should be noted that the initial loan issuance dates across these pools are not continuous, certain characteristics between the static sample pools and the underlying asset pool differ, and estimates of default rates may contain relative errors.

(2) Default Rate of the Static Sample Pools

Based on the static sample pools, China Bond Credit Rating uses a default period exceeding 30 days as the criterion for identifying defaulted loans and calculates the cumulative default rate for each pool over each period. For pools whose actual performance falls short of the maximum loan term, the cumulative default rate distribution is derived from the averageized incremental default rate series, enabling the estimation of the predicted cumulative default rate for each performance period. The average of the period-specific cumulative default rates across the static pools yields the initial cumulative default rate for each period. Additionally, China Bond Credit Rating incorporates both the overall volatility characteristics and recent trend patterns of historical data into its model to adjust the initial default rate, thereby obtaining the period-specific cumulative default rate for each static pool.

Chart 4: Cumulative Default Rates of Static Sample Pools

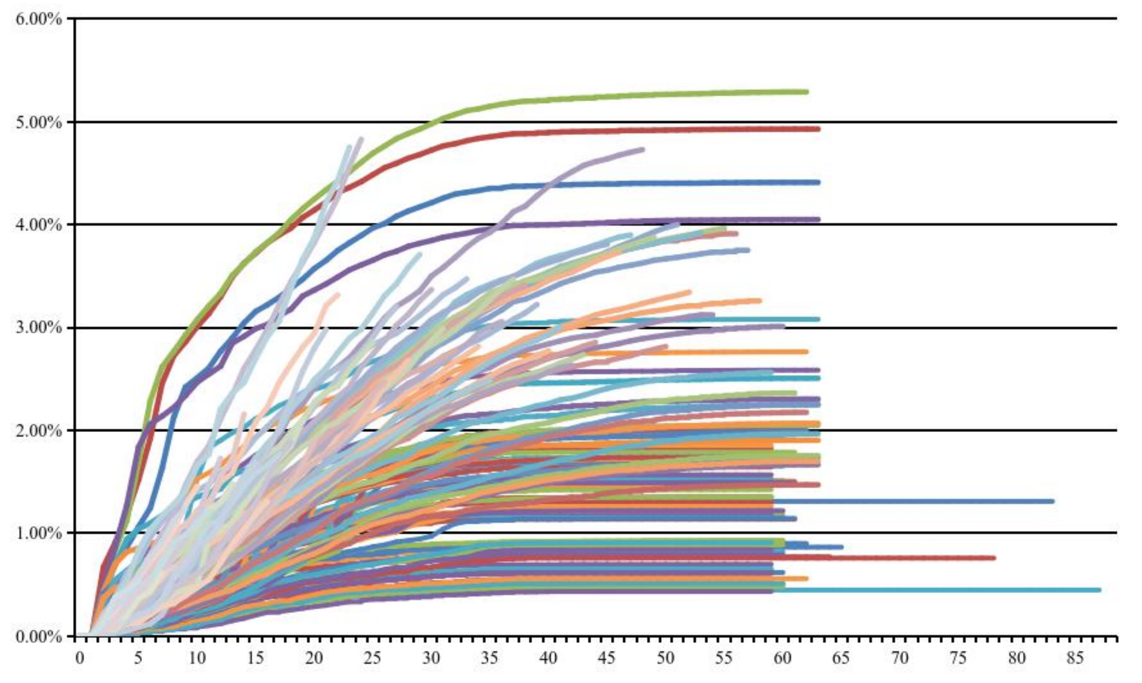
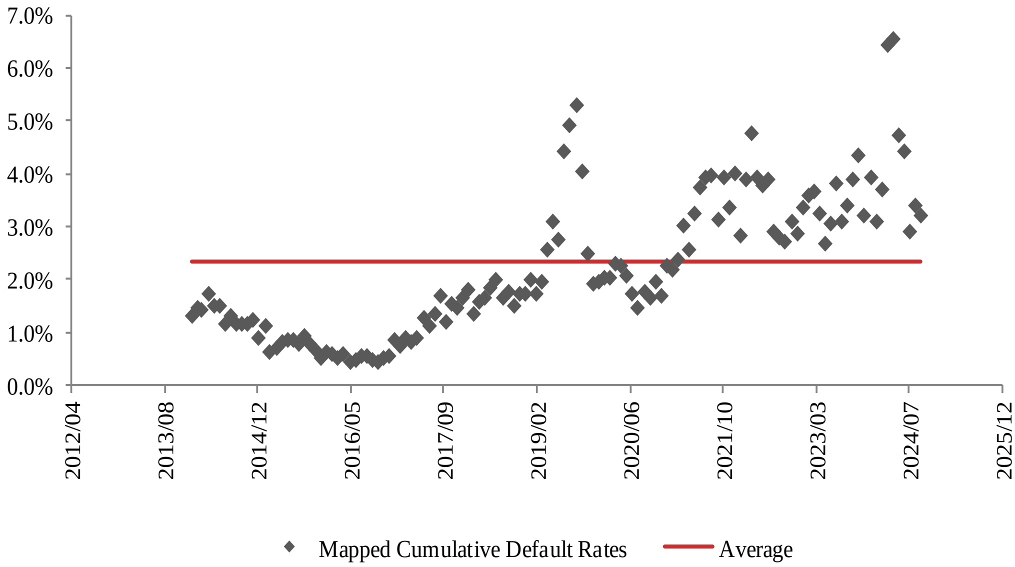


Chart 5: Mapped Cumulative Default Rates



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

Based on the static default rate of the originator's pool, the pre-adjustment benchmark default rate for each underlying asset is calculated individually by considering the loan aging and remaining maturity within the asset pool.

2. Determination of adjusted base default rate

While static pools can to some extent reflect the default rate of asset pools, the characteristics of asset pools and static pools are not entirely identical. Based on empirical testing, statistical analysis, and research into relevant domestic and international literature, China Bond Credit Rating has developed adjustment models covering borrower characteristics of underlying assets, loan features, collateral characteristics, revolving structure features, originator factors, macroeconomic and industry factors, and other variables. These models comprehensively account for the differences in default risk profiles between securitized asset pools and static pools, adjust the baseline default rate level of loans included in the pool before adjustment, and yield the adjusted baseline 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	April 30,2026	-
Amount (RMB 10k)	365,560.60	333,875.70
No. of Loans	48,661	36,261.56
Average Balance on a Single Loan (RMB 10k)	7.51	9.21
Contract Term (m)		

	Underlying Assets	Mean of Static Pool
(0,12]	0.21%	8.90%
(12,24]	10.94%	43.15%
(24,36]	11.01%	36.06%
(36,48]	1.50%	1.53%
(48,60]	76.35%	10.36%
LTV		
(0,20%]	0.02%	0.11%
(20%,40%]	6.46%	11.62%
(40%,60%]	11.76%	41.35%
(60%,80%]	34.04%	44.51%
(80%,100%]	47.71%	2.41%
repayment type[18]		
Standard Credit	96.55%	96.02%
Non-standard credit	3.45%	3.98%

3. Calculation of final TDR

Based on the credit quality of the asset pool, China Bond Credit Rating selects a stress multiplier within a specified range and multiplies the adjusted benchmark default rate of the asset pool by the corresponding stress multiplier for each target tier, thereby determining the required underlying asset pool default ratio (TDR) that rated securities must withstand under different target tiers.

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

4. Estimation Results from Credit Risk Model

Based on historical data from a static sample pool, China Bond Credit Rating appropriately adjusts the quantitative analysis results by incorporating the characteristics of the initial asset pool, the risk management capabilities of the issuing institution, the industry's prosperity level, and the macroeconomic environment, ultimately determining the required asset pool default ratio that securities under evaluation must withstand across different target credit rating tiers.

Table 15: TDR of Rated Securities

Credit Rating	Target Default Ratio (TDR)
AAA_{sf}	23.62%
$AA+_{sf}$	20.67%
AA_{sf}	18.90%
$AA-_{sf}$	17.13%

In accordance with the prospectus, the calculation and weighted average are based on the outstanding principal balance.

Credit Rating	Target Default Ratio (TDR)
A＋$_{sf}$	14.76%
A$_{sf}$	13.58%
A－$_{sf}$	12.40%
BBB＋$_{sf}$	10.63%
BBB$_{sf}$	10.04%

IV. Cash Flow Analysis

A. Structure Overview

The total issuance volume of asset-backed securities under this trust product amounts to RMB 380,000.00 million. Regarding interest payment terms, Class A securities carry a fixed coupon rate with monthly interest payments, while subordinated securities have no coupon rate. For principal repayment, Class A securities employ a pass-through structure, with both principal and interest payments made monthly.

B. Cash Flow Stress Testing

China Bond Credit Rating has developed a dedicated cash flow analysis and stress testing model for this issue of securities, taking into account transaction account configurations, cash flow payment mechanisms, credit trigger events, credit enhancement measures, and other structural characteristics as well as the features of the underlying assets. The primary sources of cash inflows include principal repayments and interest payments, while cash outflows mainly consist of taxes and fees, service charges from participating institutions, interest on senior securities, principal payments on senior securities and periodic returns on subordinated securities, and principal payments on subordinated securities. The primary purpose of the stress test is to assess how well the cash flows generated by the underlying assets can cover both interest payments and principal obligations under stress conditions, thereby evaluating the robustness of the transaction structure and determining whether the credit enhancement provided to the rated securities meets the target rating requirements.

Defining Baseline Scenario Parameters

China Bond Credit Rating calculated the weighted average recovery rate for loans overdue by 30 days based on the age distribution of the proposed securitization asset pool and the loan default migration rate, while accounting for the impact of special assets included in the pool and macroeconomic factors on recovery rates. The final recovery rate for loans overdue beyond 30 days was determined and adopted as the benchmark recovery rate.

Based on the historical default time distribution of the static sample pool and combined with the characteristics of the underlying asset's cash flow distribution, benchmark stress conditions for the default time distribution are established.

Calculate the historical early repayment rate using both static and dynamic sample pools, and establish a benchmark early repayment rate.

Based on an analysis of economic performance and credit risk assessment of the asset pool, China Bond Credit Rating has identified the following key stress scenarios: earlier distribution of default events, narrowing interest rate spreads, increased pressure from early repayment rates, and declining recovery rates for defaulted loans.

Table 16: Baseline Conditions and Stress Increase during Stress Testing

Stress Condition	Baseline Condition	Stress Increase
Recovery Rate	56.65%	Decrease by 10%,20%, or 50%
Recovery term (m)	6	-
Default Time Distribution	The percentages were 43.26% in the first year, 35.28% in the second year, 16.25% in the third year, 4.47% in the fourth year, and 0.74% in the fifth year.	Front 10%,20%
Class A Notes Issuing Rate	1.60%	The interest rate spread has narrowed by 25 BP and 50 BP.
Prepayment Rate	4.47%	Under pressure at 1.50 times and 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
Baseline Conditions	Yes
Recovery rate drops by 10%, and others are baseline conditions	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[19]. 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 AA_{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

[19] 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 contract constitutes a lawful, valid, binding, and enforceable agreement.

(b) Transferred loans may be further transferred; the loan agreement specifies monthly repayments.

(c) It has the authority to dispose of auto loans without being restricted by any third-party rights.

(d) Regarding the term specified in the loan agreement and the absence of restrictions imposed by third-party rights, there are no defenses (whether priority rights or otherwise) against the transferred loan; particularly, the borrower has no right to claim set-off under this loan, nor does it have any entitlement to set-off claims thereunder; furthermore, the status and enforceability of the transferred loan remain unaffected by the set-off right.

(e) None of the transferred loans are overdue.

(f) The status and enforceability of the transferred loan shall not be affected by the borrower's claims to warranty rights or any other rights.

(g) None of the borrowers are affiliated companies of Volkswagen AG nor employees of the founding institution.

(h) According to the initiating institution's records, no loan contracts have been terminated.

(i) The loan contracts are governed by China law and were all signed in January 2008 or thereafter;

(j) Loan contracts shall only be entered into with the following borrowers: if the borrower is a company, it must have a registered address within China; if the borrower is an individual, it must have a place of residence within China.

(k) On the initial calculation date, each transferred loan must have received at least two contractual installments (including interest payments), and each such loan must essentially require monthly payments for sixty (60) months from the commencement date of the respective loan agreement; alternatively, a final flexible payment may be specified.

(l) The remaining repayment period for each transferred loan shall be no less than six (6) periods and no more than fifty-eight (58) periods.

(m) For any individual borrower, the total outstanding balance of transferred loans under this contract pursuant to loan agreements with the same borrower shall not exceed RMB 4,000,000.

(n) For loan contracts governed by China's consumer finance regulations, they comply with the provisions of such regulations in all material respects.

(o) According to the initiating institution's records, as of the initial calculation date, no borrower had entered into insolvency proceedings during the term of the relevant loan agreements.

(p) Each loan contract pertaining to the transferred loan stipulates the establishment of a mortgage on the relevant financing asset.

(q) According to the five-tier loan classification system established by the National Financial Regulatory Administration, transferred loans are classified as regular loans.

(r) The transferred loan is denominated in Renminbi;

(s) At the time of signing each loan agreement, the auto loan under such agreement is approved by the issuing institution in accordance with its standard business procedures.

(t) The maximum historical overdue days for each transferred loan shall not exceed 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 November 2026; or

(b) 2.0 per cent. for any Payment Date from December 2026 but prior to or during July 2027; 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

Principal and interest

Trust Account

If any

Distribution Account

Cash Collateral Amount

Cash Collateral Account

1. Taxes;
2. Service fee for the Servicer;
3. Service fees for participating parties;
4. amounts payable in respect of (1) interest accrued during the immediately preceding Interest Period plus (2) Interest Shortfalls (if any) on the Class A Notes;
5. to the Cash Collateral Account to the extent needed to replenish and maintain the credit balance of the Cash Collateral Account at a level equal to the Specified Cash Collateral Account Balance;
6. to Class A Noteholders, an aggregate amount equal to the Class A Principal Payment Amount for such Payment Date which is equal to the amount necessary to reduce the outstanding principal amount of the Class A Notes to the Class A Targeted Note Balance;
7. amounts payable in respect of accrued and unpaid interest on the Subordinated Notes (including, without limitation, overdue interest);
8. (i) prior to Clean-Up Call, pay outstanding principal amounts of Subordinated Notes on condition that Subordinated Notes after repayment is no less than 5% of the then outstanding principal amount of the Notes; or (ii) after exercising a Clean-Up Call, pay Subordinated Notes until it has been reduced to zero; and
9. to pay all remaining excess to the Originator by way of final success fee.

Source of funds:

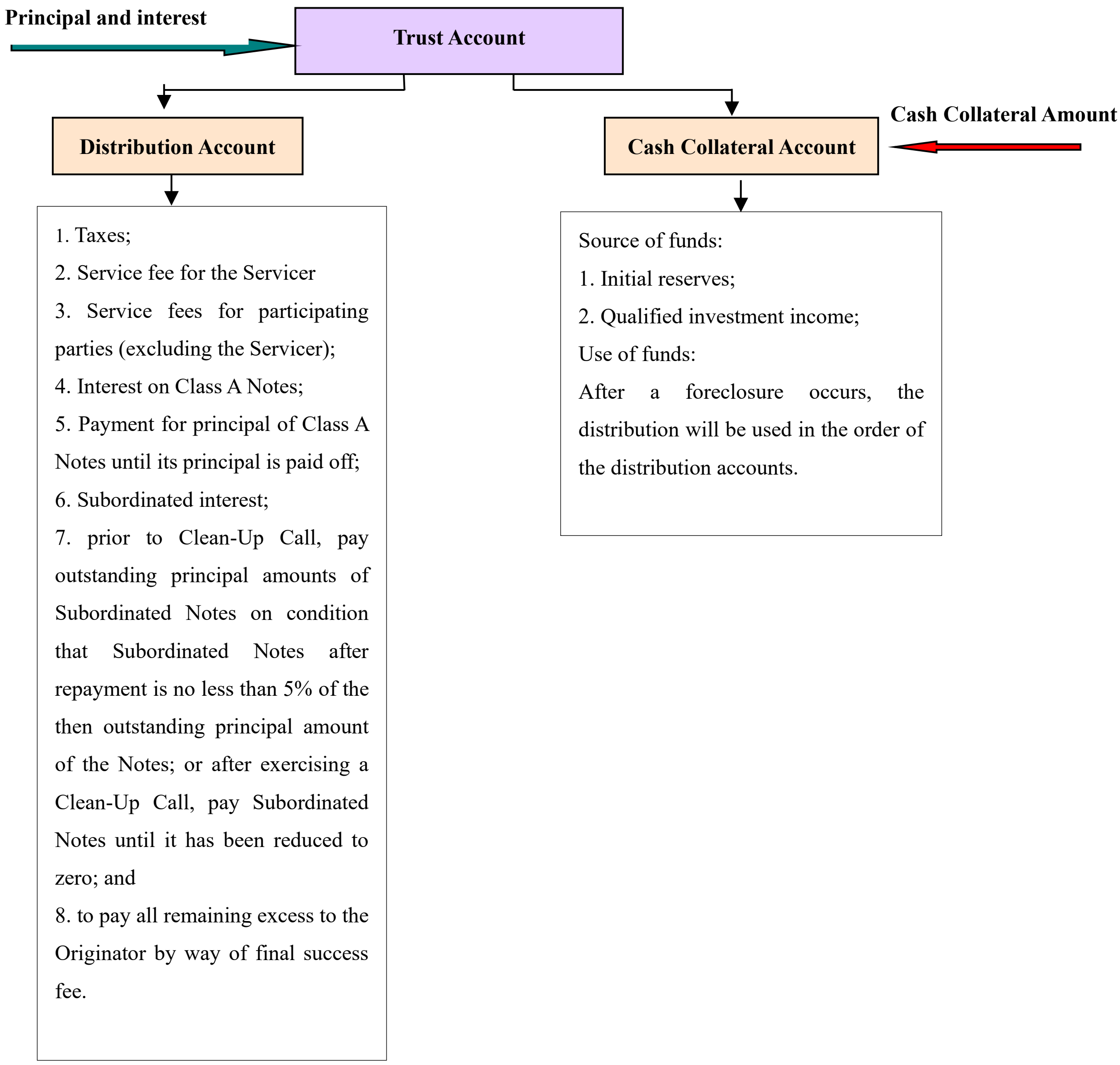
1. Initial reserves;
2. Qualified investment income;
3. Cover cash reserve account funds.

Use of funds:

1. Pay 1-4 under the distribution account on each payment date;
2. Make payments under the distribution account 6-9 on Legal Maturity Date or once the car loan has been paid.

Used by servicers when exercising a Clean-Up Call

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.

5.This report is for reference only and does not constitute conclusions or recommendations for any specific decision-making. Investors shall make independent decisions and bear their own investment risks. China Bond Credit Rating Co., Ltd. assumes no liability for compensation, indemnification, or joint and several liability for any direct or indirect losses.

6.All relevant information regarding the underlying assets and transaction structures cited in this report was provided by the participating institutions, including the originator, loan servicing provider, trustee, and lead underwriter. China Bond Credit Rating cannot assume responsibility for the authenticity, accuracy, or completeness of such information.

7. 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.

8. The symbol system adopted herein only applies to CBR's credit rating services in China Mainland (excluding Hong Kong, Macao and Taiwan) and is not comparable with the rating results that are not obtained using such system.

9. 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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