Credit Rating Report of Driver China Thirteen Retail Auto Loan ABS

Rating Date: 11/12/2021
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Credit rating:

AA + $_{sf}$ for Class A Notes

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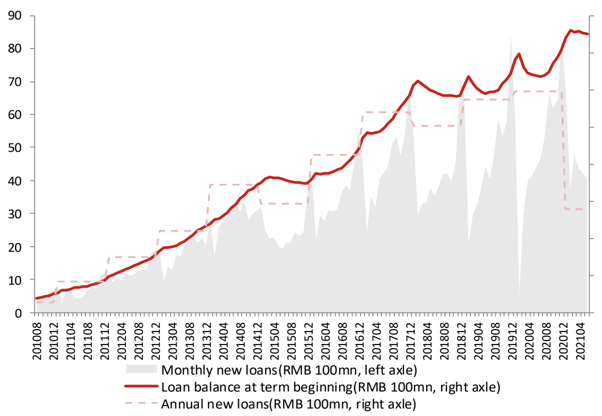
Summary

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	713,600.00	89.20	10.80	Fixed	2024/07/26	AA+$_{sf}$
Subordinated Notes	Pass-through	82,400.00	10.30	—	Fixed	2024/07/26	n/a
Amount Issued	—	796,000.00	99.50	—	—	—	—
Overcollateralization	—	4,003.13	0.50	—	—	—	—
Discounted Receivables Balance	—	800,003.13	100.00	—	—	—	—

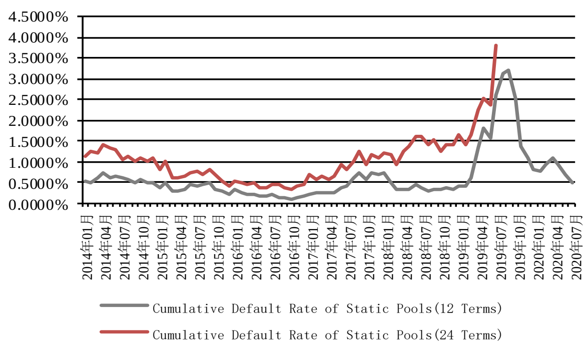
Rating Opinions:

■ **The credit quality of the underlying assets:** With regard to the initial loans into the pool, although the weighted average interest rate and the remaining term to maturity stands at a moderate level，the concentration risk is relatively low and the borrowers have a strong willingness to repay, indicating the good overall credit quality of the initial underlying assets.

■ **The Originator**：As of the end of Jun. 2021, Volkswagen Finance (referred as "VWFC") had RMB 70.46 billion of existing retail credit assets，while the retail loan business's NPL rate was 0.33%. Under the scoring system, VWFC has strong abilities to manage its risks and fulfill its duties.



Historical data: Based on the 85 static sample pools, CBR has computed the 30＋ default rate for different terms of each pool. As shown below, the average cumulative default rates for 12 terms and 24 terms are 0.63% and 1.04%, 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.



■ **Credit enhancement**: Credit enhancement

[1] Expected Maturity Date in the case of Clean-up Call

measures such as Senior/Subordinated Structure, Overcollateralization (OC) and Cash Collateral Account provide certain credit support for Senior Notes.

■ **Transaction structure:** The revolving structure solves the problem of mismatched maturities between underlying assets and securities; however, under such structure, the criteria and ability of the Originator to select assets will lead to some uncertainties about the future performance of the asset pool. The participants involved are capable of serving as servicers, the credit trigger mechanism is well established, and set-off, commingling and liquidity risks are low.

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 AA＋$_{sf}$, and Subordinated Notes are unrated.

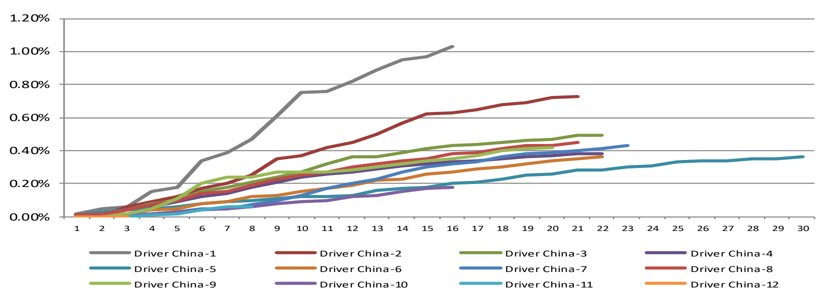
Transaction Information

A. Comparison of Key Indicators

Key Indicator: Features of the ABS	*Driver China-13 (BPC)*	*Driver China-12 (BPC)*	*Driver China-11 (BPC)*
Closing Date	2021/11/17(Estimated)	2021/05/27	2020/11/26
Legal Maturity Date	2028/12/26	2028/06/26	2028/09/26
Revolving Term	3 Months	3 Months	12 Months
Credit Enhancement Measures	Senior/Subordinated Structure, Overcollateralization, and Cash Collateral Account		
Originator/Servicer	Volkswagen Finance (China) Co., Ltd.		
Characteristics of the Initial Underlying Assets[2]			
Cut-off Date	2021/10/31	2021/04/30	2020/10/31
No. of loans	105,931	83,286	117,279
No. of borrowers	103,679	82,299	114,950
Total outstanding principal balance (RMB 10k)	797,572.48	602,242.50	809,614.80
Contract value of the asset pool (RMB 10k)	1,130,944.11	842,366.55	1,177,131.71
Max. outstanding principal balance of a single loan(RMB 10k)	281.97	222.21	318.15
% of top 10 borrowers' discounted loan amount	0.32	0.38	0.35
Weighted average loan interest rate (%)	4.49	4.00	3.87
Weighted average loan contract term (m)	36.22	34.32	32.94
Weighted average seasoning (m)	8.05	7.11	7.41
Weighted average remaining term to maturity (m)	28.17	27.22	25.53
Weighted average initial loan-to-value ratio[3] (%)	63.71	62.94	62.12
Weighted average age of borrowers[4] (yr)	36.39	36.01	35.93
Historical Data			
No. of static pools used	85	79	73
Extrapolated mean of cumulative default rates of static pools	1.09	1.19	1.21
Model Estimation			
Prepayment rate (%)	3.04	2.97	2.85
Recovery rate (%)	46.88	46.03	45.41
Recovery term (m)	6	6	6
Default time distribution (%)	54.41/36.02/9.31/0.23/0.03	55.91/35.03/8.82/0.21/0.03	55.92/35.10/8.73/0.22/0.04

B. Performance Comparison of Previous Transactions: As of Aug. 2021, VWFC has issued 12 securitized products, with a total value of RMB 50.45 billion.

Cumulative Default Rate of the ABS issued by the Originator



Source: Trustee's Reports compiled by CBR.

2 Consistent with the Prospectus, Discounted Receivables Balance are used for weighted averages.

3 In respect of each loan, the initial loan-to-value ratio = 1- down payment ratio.

Strengths

- **The initial underlying assets feature good overall credit quality**. The underlying assets of the securitisation transactions are 105,931 retail car mortgages. The maximum outstanding principal balance on a single loan account for 0.04%. The borrower's region involves 31 provinces, municipalities and autonomous regions, with the largest percentage of borrowers' region(Shandong) account for 10.93% of the total outstanding principal balance. The largest brand is VW, accounting for 55.13%. Overall, the concentration risk is relatively low. The weighted average age of borrowers is 36.39 years old, most of the people in this age group have a good prospect on their career, with an increasing income and a stable family situation, the borrowers have a strong willingness to repay. Also, the weighted average income-to-debt (ITD)[5] ratio is 2.68, which indicates a high ability to repay. Overall, the credit quality of the initial underlying assets is good.

- **Senior/Subordinated, overcollateralization and cash flow reserve 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 10.80% of the discounted receivables balance at the Cut-off Date. Moreover, the underlying ABS has set up the cash collateral account and stipulates the originator deposit an amount of RMB 96 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.

- **Discount additional receivables purchase mechanism can accumulate certain overcollateralization, which will provide additional credit support for the security.** The additional receivables purchase price equals the replenished additional discounted receivables balance multiplied by one minus the replenished receivables overcollateralization percentage, which is equal to 1.7% in this ABS. This discount additional receivables purchase mechanism can accumulate certain overcollateralization, which will provide additional credit support for the security.

- **The purchasing capacity of the underlying assets is sufficient, and the early amortization mechanism, to some extent, will reduce the uncertainty arising from the revolving structure.** The Originator has a large remaining balance of retail auto loans. CBR believes that this ABS has a sufficient purchase rate in the operating period of the Trust. Further, as stated in transaction documents, any Credit Enhancement Increase Condition, Foreclosure Event or any other Early Amortization Event will directly lead to the end of the revolving period. Such a mechanism, if triggerd, would lead to the end of the revolving period, and would reduce the uncertainty arising from the revolving structure.

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

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[4] The borrower's age is calculated by subtracting the date of birth from the closing date, and the unit is "years".

[5] Weighted average ITD=

$$\frac{1}{\text{Total outstanding discounted receivable balance of individual borrower}}\sum_{i=1}^{n}\left(\text{Outstanding discounted receivable balance of i}-\text{th individual borrower}\times\frac{\text{annuanl income of i}-\text{th individual borrower}}{\text{outstanding discounted receivable balance of i}-\text{th individual borrower}}\right)$$

Concerns

- **Given the moderate average interest rate of the loans into the pool, support from the spread is limited.** The weighted average loan rate of this ABS is 4.49%, while the overall interest rate of the underlying asset pool has room and possibility to decrease further, as transaction documents don't restrict the level of interest rates on revolving purchases of underlying assets.

- **The revolving structure as well as the criteria and ability of the Originator to select assets may bring some uncertainty to the future performance of the asset pool.** This ABS adopts a revolving structure, under which there are greater uncertainties about actual credit performance than a static asset pool, though the eligibility criteria for underlying assets will, to some extent, ensure stable characteristics and credit basis of the underlying assets in the future.

- **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 macroeconomy returns to normal, but the marginal recovery rate has slowed down. The credit quality of basic assets is expected to remain stable, while it still needs to pay attention to the increase in credit risk due to the uncertainty of the external environment and the impact of the COVID-19.** In 2020, China's real GDP grew by 2.3%, which shows a decrease of 3.7% from 2019. However, China is still the only major economy in the world that has achieved positive growth. Looking forward to the future, in the short term, the growth rate of automobile sales is expected to turn from negative to positive. In the medium to long term, the increase in inventory will still dominate China's automobile sales, and demand will continue to grow at a low speed. Therefore, the negative impact of the COVID-19 on the asset quality of AUTO ABS has been eliminated, but it is still necessary to pay attention to the negative effects of overseas virus import. This risk factor has been taken into account in the credit risk model and the default distribution parameters of the underlying assets have been adjusted respectively.

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, CITIC Trust Co., Ltd., 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	CITIC Trust Co., Ltd.
Account Bank	China Construction Bank Corporation, Beijing Branch
Joint Lead Underwriter	China Merchants Securities
Legal Advisor	King & Wood Mallesons
Accounting Advisor	Ernst & Young
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, which stipulate that in case of any ineligible assets in the asset pool arising from failure to fulfill duties by the Servicer, the Trustee has the right to ask the Trustor to redeem such ineligible assets; in case of any loss of trust property arising from violation of trust purposes in managing and disposing of trust property or from gross negligence in connection with managing and disposing of trust property, the Trustee shall compensate for such trust property, and the Trustor may file a lawsuit and claim any losses, if the Trustee fails to perform other related obligations under the contract; and that in the event of failure to execute the instructions given by the Trustee to transfer funds as required or failure to transfer funds in a timely manner, the Account Bank shall compensate for direct economic losses incurred to the trust property.

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.

The law firm issued Legal Opinions on this Transaction in accordance with laws and regulations including the Civil Code, the Trust Law, the Administrative Measures for Pilot Securitization of Credit Assets, and Measures for Supervising and Administrating the Pilot Securitization of Credit Assets by Financial Institutions, and determined that a trust can be established for the underlying asset pool in accordance with laws and that such trust has been effectively established after the transfer of to-be-securitized auto loan receivables to the Trustee.

After being entrusted by VWFC to CITIC Trust under the Trust Contract, the underlying assets will no longer be VWFC 's property, but become trust property, which is separated from other properties that are not included in any trust established by VWFC. In addition, when VWFC transfers the underlying assets to the trust, neither of them make a registration of mortgage change, although the applicable mortgage rights are concurrently transferred to the trust, so there is the risk that any of other creditors of the borrowers claims mortgage rights over the mortgaged vehicles in the name of any bona fide third party.

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 set-off risk, commingling risk, the absence of servicer 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 fromthe 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 Early Amortisation 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 during the Revolving Period shall be RMB 96 million, and that the required liquidity reserve amount at each Payment Date (after the expiration of the Revolving Period) 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 80 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

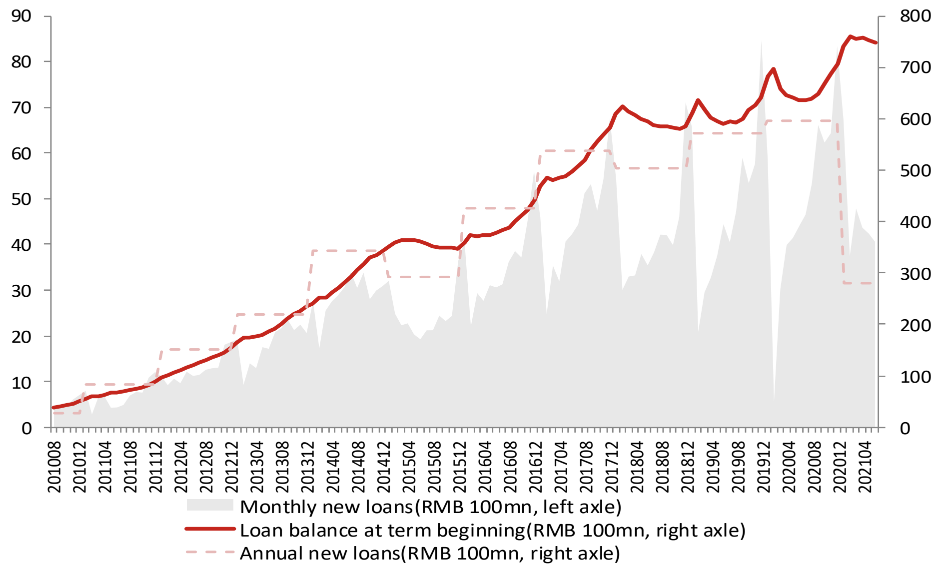
A. Originator/Servicer

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 business developments, adequacy and effectiveness of its risk management processes, completeness of its system construction, and its historical issuances. Under the scoring system, VWFC has strong abilities to manage its risks and fulfill its duties.

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, Scania, Bentley, Lamborghini and MAN. Up to now, VWFC has a registered capital of RMB 8,200 million and is a wholly-owned subsidiary of Volkswagen Financial Services AG. As of the end of June 2021, VWFC's stock retail credit assets were 70.46 billion yuan,while the Retail NPL rate was 0.33%.

Chart 2: Retail Auto Loan Size of VWFC



Source: Data offered by the Originator and complied by CBR

2. Product Features

VWFC provides five types of loan products to retail customers: Non-ballon New Car, Non-ballon Used Car, Ballon credit, Exquisite easy loan and Enjoyable balance loan products. Based on relevant statistical information provided by the Originator, CBR has constructed 85 static sample pools. With regard to average distribution of retail loans by contract term[6], loans with a contract term of less than two years account for 59.66%, those with a term of 2-4 years account for 38.86%, and those with a term of more than four years account for 1.49%. As for down payment, those with a down payment of less than 40% account for 40.97%, those with a down payment of 40%-60% account for 40.82%, and those with a down payment of more than 60% account for 18.21%. With respect to repayment methods[7], non-balloon and ballon loans account for 95.00% and 5.00%, respectively.

3. Pre-loan Approval and Post-loan Management

In terms of pre-loan management, VWFC controls risks in three aspects: **(i) The first is loan issuance 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.**(ii) The second is the loan approval process.** VWFC's credit team consists of about 50 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, 70% 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. **(iii) The third is the loan service process.** VWFC provides loan services through three teams in the retail customer service department: The payment control team is responsible for handling the loan disbursement process and checking payment documents.The hotline team is responsible for managing incoming and outgoing calls, And reflect any changes in customer information received over the phone to the loan contract. The document management team is responsible for managing the archiving, lending or release of customer documents.

In terms of post-loan management, three VWFC Risk Management Department departments 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 five days of overdue, the collection is mainly carried out through message and WeChat reminders; overdue 6-30 days, there will be additional telephone calls and external agencies for collection, VWFC will also send dunning letters for collection at the same time; overdue 31-90 days VWFC will supplement the door-to-door collections; overdue above 90 days, VWFC will initiate a lawsuit. The weighted average recovery rate of loans overdue for more than 30 days based on the migration rate of default loans in static pools is 46.88%.

B. Analysis of Macro Economy and the Industry

The macro economy has returned to normal, but the pace of recovery has slowed marginally. Under the diversified development of the automotive segment, differentiated product positioning may

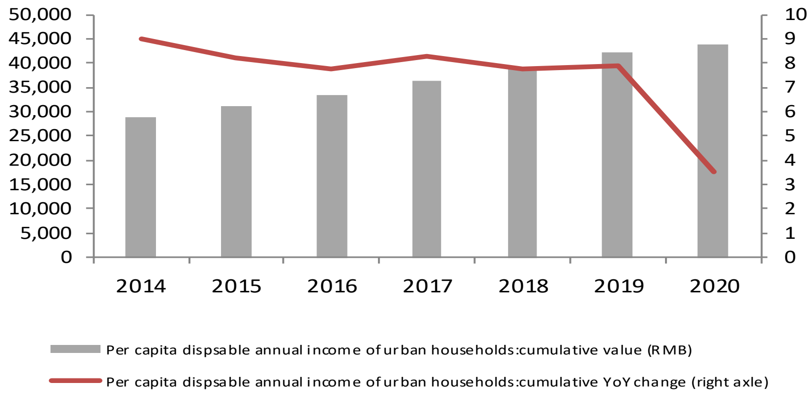
[6] The Data of contracts term and down payment is the percentage of loan issued amount in Static Pool
[7] The Data of repayment methods is the percentage of loan unpaid principal in Mother Pool

intensify institutional differentiation.

Affected by the epidemic, China's real GDP grew by 2.3% in 2020, with a decrease of 3.7% from 2019, but it is still the only major economy in the world that has achieved positive growth. In quarterly terms, GDP growth rates were -6.8%, 3.2%, 4.9%, and 6.5%. China's macroeconomy was severely impacted by the epidemic in the first quarter and has improved since the second quarter. Real estate investment and export-industrial production chains are the main driving force of China's economic growth, while consumption and manufacturing investment is still in slow recovery. In the medium to long term, with the aging of the population and the slowdown in labor force growth, China's potential economic growth rate will continue to decline. China's economic growth rate will slow down in an orderly manner following the law of economic growth. In the short term, the domestic economy will continue to return to normal, but the pace of recovery will slow down. Industrial production chain led by export growth may be the main driver of domestic economic growth. From the perspective of automobile consumption, the epidemic had a greater impact on automobile consumption in 2020. In the first quarter, national automobile sales fell by 42.4% year on year. Since the second quarter, with the release of the backlog of pre-epidemic demand and the implementation of policies to promote automobile consumption, automobile sales have rebounded strongly, The year-on-year growth rate of automobile consumption for the whole year was -1.9%, and the rate of decline was narrower than that of 2019. In the short term, the growth rate of automobile sales is expected to turn from negative to positive. In the medium to long term, China's automobile sales will still be dominated by the increase in vehicles, and demand will continue to grow at a low speed.

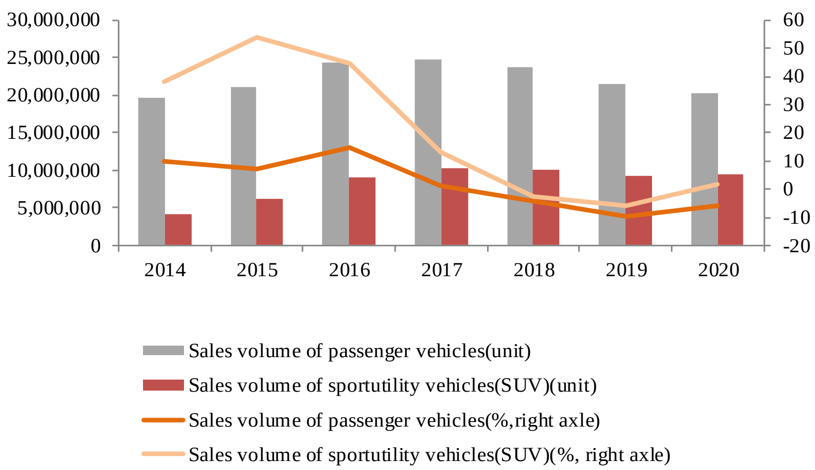
At present, the basic assets of AUTO ABS products are mainly standard loans mortgaged by passenger cars, while the product development is mature and the risks are controllable. With the support of policies to guide the sustainable development of auto finance, carbon peaks, and carbon neutrality goals, the market demand structure and customer group structure changes are expected to drive auto finance to usher in diversified and high-level development. The types of AUTO ABS basic assets will be more diversified, and some sponsors may consider entering the pool of second-hand cars, new energy vehicles, commercial vehicle mortgage loans, credit loans, and loans with diversified repayment methods. While the auto finance industry is ushering in a diversified, competitive landscape, it has put forward higher requirements for the ability of institutions to grasp risk points in various subdivisions. The differences in risk control capabilities between financial institutions will become more pronounced, and the divergence of the credit performance of AUTO ABS underlying assets will intensify. In the process of quantitative analysis of the credit quality of CBR's basic assets, the macroeconomic cycle and industry situation of the current securities have been considered.

Chart 2: Disposable Income of Urban Households



Source: wind, compiled by CBR

Chart 3: Sales Volume of Passenger Vehicles



Source: wind, compiled by CBR

III. Analysis of the Underlying Assets

A. Characteristics of the Underlying Assets

The underlying assets of this ABS transaction are retail auto loans granted by VWFC, which have a low historical overdue rate and NPL ratio and enjoy a good quality of assets. The developments and historical performance of the auto mortgage loan business as well as the features and credit conditions of the initial asset pool serve as the basis for analyzing the credit quality of the asset pool by CBR.

The initial underlying assets of this Transaction are 105,931 auto loans issued by the Originator between June 2017 and August 2021, with the total outstanding principal balance of 797,572.48 (RMB 10K). Of the collaterals involved in the loans, new cars account for 97.50% of the total outstanding principal balance.

The maximum outstanding principal balance on a single loan account for 0.04%, suggesting a low concentration. The borrowers are located in 31 provinces, municipalities and autonomous regions, with Shandong accounting for the largest percentage at 10.93% of the total outstanding principal balance, suggesting a moderate geographic concentration. The loans into the pool involve many brands, such as Volkswagen and Audi, among which, Volkswagen accounts for the largest percentage at 55.13%, indicating a moderate brand concentration. In view of the good business conditions of the Originator, the underlying assets are well diversified, and the concentration risk is relatively low.

Table 3: Distribution of Outstanding Principal Balance[8]

Outstanding Principal Balance (RMB 10k)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,5]	47,656	44.99	159,406.71	19.99
(5,10]	37,714	35.60	266,999.05	33.48
(10,15]	10,651	10.05	129,436.23	16.23
(15,20]	4,941	4.66	85,150.00	10.68
(20,25]	2,167	2.05	48,165.03	6.04
(25,30]	1,037	0.98	28,191.94	3.53
(30,35]	510	0.48	16,585.08	2.08
>35	1,255	1.19	63,638.44	7.97
Total	105,931	100.00	797,572.48	100.00

Table 4: Geographic Distribution of Borrowers

Location	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Shandong	11,774	11.11	87,195.36	10.93
Zhejiang	7,812	7.37	55,212.23	6.92
Henan	7,274	6.87	51,093.42	6.41
Guangdong	5,791	5.47	47,769.04	5.99
Hebei	7,864	7.42	43,273.55	5.43
Sichuan	5,599	5.29	39,974.02	5.01
Shaanxi	3,827	3.61	37,209.38	4.67
Jiangsu	5,860	5.53	36,604.45	4.59
Yunnan	3,976	3.75	33,210.92	4.16
Liaoning	3,680	3.47	31,595.97	3.96
Jilin	3,361	3.17	28,408.13	3.56
Beijing	2,846	2.69	26,813.69	3.36
Hunan	3,634	3.43	25,706.85	3.22
Fujian	3,252	3.07	25,373.98	3.18
Guizhou	2,601	2.46	22,743.90	2.85
Anhui	3,427	3.24	22,542.95	2.83
Heilongjiang	2,496	2.36	22,080.72	2.77

[8] 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 (%)
Hubei	3,199	3.02	21,766.02	2.73
Xinjiang	2,521	2.38	19,776.32	2.48
Shanxi	2,556	2.41	18,620.94	2.33
Tianjin	2,705	2.55	17,650.04	2.21
Inner Mongolia	2,043	1.93	16,519.98	2.07
Chongqing	1,743	1.65	13,802.02	1.73
Jiangxi	1,722	1.63	12,796.40	1.60
Gansu	1,314	1.24	12,415.49	1.56
Guangxi	1,164	1.10	10,032.74	1.26
Qinghai	492	0.46	5,223.38	0.65
Shanghai	648	0.61	4,975.29	0.62
Ningxia	455	0.43	3,961.21	0.50
Hainan	209	0.20	2,367.20	0.30
Tibet	86	0.08	856.90	0.12
Total	105,931	100.00	797,572.48	100.00

Table 5: Distribution of Loans into the Pool by Brand

Brand	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
Volkswagen	74,645	70.47	439,690.04	55.13
Audi	16,241	15.33	243,765.86	30.56
Jetta	8,417	7.95	38,886.82	4.88
Porsche	643	0.61	27,525.94	3.45
Volkswagen import	1,042	0.98	21,150.94	2.65
SKODA	4,206	3.97	19,077.23	2.39
BENTLEY	23	0.02	3,660.46	0.46
Lamborghini	3	0.00	532.85	0.07
Others	711	0.67	3,282.32	0.41
Total	105,931	100.00	797,572.48	100.00

The borrowers are mainly aged 20-40, with a weighted average age of 36.39. With respect to both career and income, they are mostly in an upward movement, with a weighted average income-to-debt ratio (ITD) of 2.68, indicating a strong guarantee to the loan repayment.

Table 6: Distribution of Borrowers by Age[9]

Age (yr)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[18,20]	940	0.94	5,894.97	0.81
(20,30]	30,153	30.31	209,212.40	28.94
(30,40]	39,355	39.55	291,933.05	40.38
(40,50]	19,823	19.92	146,654.57	20.29
(50,60]	8,126	8.17	60,761.20	8.40
(60,70]	1,067	1.07	8,208.49	1.14

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

Age (yr)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
>70	34	0.03	258.26	0.04
Total	99,498	100.00	722,922.95	100.00

Table 7: Distribution of Borrowers by Annual Income[10]

Annual Income (RMB 10k)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
[0,5]	994	1.00	5,085.52	0.70
(5,10]	29,826	29.98	146,001.13	20.20
(10,20]	43,690	43.91	275,454.15	38.10
(20,50]	20,464	20.56	209,045.67	28.91
(50,100]	3,119	3.13	57,090.85	7.90
>100	1,405	1.41	30,245.64	4.18
Total	99,498	100.00	722,922.95	100.00

The loans into the pool have a weighted average contract term of 36.22 months, a weighted average seasoning of 8.05 months, and a weighted average remaining term to maturity of 28.17 months, standing at a moderate level.

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]	757	0.71	6,644.97	0.83
(12,24]	55,909	52.78	278,872.75	34.97
(24,36]	37,352	35.26	354,982.81	44.51
(36,48]	2,600	2.45	27,866.32	3.49
(48,60]	9,313	8.80	129,205.64	16.20
Total	105,931	100.00	797,572.48	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]	36,817	34.76	364,615.38	45.72
(6,12]	45,924	43.35	318,888.21	39.98
(12,18]	15,271	14.42	78,455.52	9.84
(18,24]	4,993	4.71	25,814.91	3.24
(24,30]	2,821	2.66	9,193.41	1.15
(30,36]	84	0.08	513.82	0.06
(36,42]	13	0.01	68.54	0.01
(42,48]	4	0.00	12.03	0.00
(48,54]	4	0.00	10.65	0.00
Total	105,931	100.00	797,572.48	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]	1,827	1.72	4,517.58	0.57
(6,12]	16,474	15.55	57,946.14	7.27
(12,18]	32,168	30.37	161,267.69	20.22
(18,24]	20,919	19.75	151,559.06	19.00
(24,30]	13,780	13.01	146,643.62	18.39
(30,36]	9,789	9.24	126,680.18	15.88
(36,42]	1,404	1.33	14,432.78	1.81
(42,48]	2,085	1.97	25,358.43	3.18
(48,54]	3,978	3.76	53,526.19	6.71
(54,60]	3,507	3.31	55,640.79	6.98
Total	105,931	100.00	797,572.48	100.00

The weighted average interest rate on loan is 4.49%, which is at a moderate level.

Table 11: Distribution of Loans into the Pool by Current Interest Rates

Interest Rate (%)	No. of Loans	Percentage (%)	Balance of Loans (RMB 10k)	Percentage (%)
0.00	48,356	45.65	209,203.04	26.23
(0.0,1.0]	695	0.66	5,159.38	0.65
(1.0,2.0]	3,276	3.09	16,993.02	2.13
(2.0,3.0]	1,548	1.46	10,219.39	1.28
(3.0,4.0]	8,243	7.78	59,832.67	7.50
(4.0,5.0]	8,990	8.49	89,994.51	11.28
(5.0,6.0]	12,929	12.21	135,511.77	16.99
(6.0,7.0]	11,450	10.81	131,202.63	16.45
(7.0,8.0]	6,350	5.99	82,589.42	10.36
(8.0,9.0]	2,449	2.31	32,399.66	4.06
(9.0,10.0]	594	0.56	16,093.74	2.02
(10.0,11.0]	55	0.05	1,051.76	0.13
(11.0,12.0]	376	0.35	4,535.90	0.57
(12.0,13.0]	339	0.32	810.42	0.10
(13.0,14.0]	124	0.12	866.16	0.11
(14.0,15.0]	9	0.01	76.62	0.01
(15.0,16.0]	148	0.14	1,032.37	0.13
Total	105,931	100.00	797,572.48	100.00

The weighted average initial loan-to-value ratio is 63.71%, standing at a moderate level, which reduces expected loss to an extent. Of the collaterals involved in the loans, new cars account for 97.50%, and the liquidation of the collaterals plays a role in improving the recovery rate.

[10] The annual income of the borrower is the annual income of the individual borrower

Table 12: 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]	97	0.09	430.44	0.05
(20,30]	1,050	0.99	5,481.37	0.69
(30,40]	3,693	3.49	23,552.76	2.95
(40,50]	17,068	16.11	107,516.59	13.48
(50,60]	32,030	30.24	181,818.19	22.80
(60,70]	33,626	31.74	272,134.35	34.12
(70,80]	18,367	17.34	206,638.78	25.91
Total	105,931	100.00	797,572.48	100.00

B. Quantitative Credit Risk Analysis of the Portfolio[11]

The initial underlying assets of this ABS are characterized by a large number of loans, a high diversification and a high degree of homogeneity, and their default distribution is statistically stable. In light of this, CBR adopts the actuarial method to work out the portfolio credit risk level of the underlying asset pool by selecting the static sample pool having similar characteristics to the underlying asset pool based on the historical credit performance of such static pool, while giving overall considerations to the factors that may have an impact on the credit performance of the underlying assets, such as differences between the static sample pool and the initial underlying assets, future changes in economic conditions, the Servicer's ability to fulfill its duties and features of the underlying asset pool.

1. Historical Data Analysis

(1) Analysis of Static Sample Pools

Sample Selection

Based on relevant statistical information from Aug 2010 to Jun 2021 provided by the Originator, CBR has constructed 85 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.

Cumulative Default Rate of the Static Asset Pool

Based on the 85 static sample pools, CBR has respectively computed the growth in average default rate in each term, followed by the calculation of average cumulative default rate for each term during the life of the securitized asset pool, and then obtained the expected cumulative default rates during the life of the securitized asset pool. Then, it works out the default time distribution by calculating the percentage of the expected default rate for each term to the expected cumulative default rate in the duration (for details,

[11] The ratings assigned by CBR to this Transaction are based on the Methodology for Rating Auto Loan Asset-backed Securities (2019 Edition) published by CBR. For details, see

see Stress Testing).

Chart 4: Cumulative Default Rates of Static Sample Pools

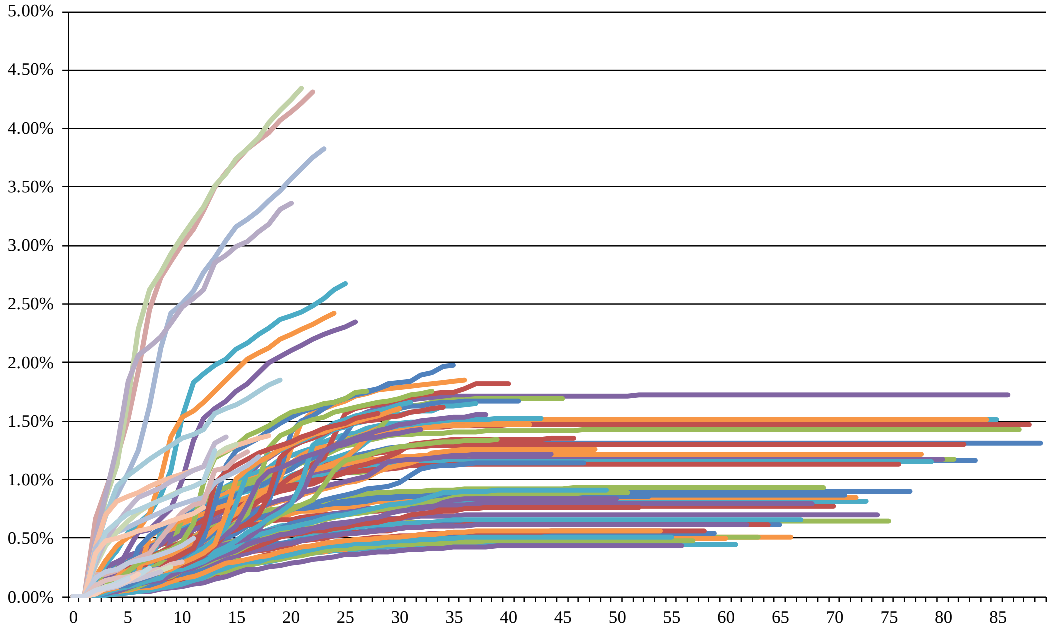
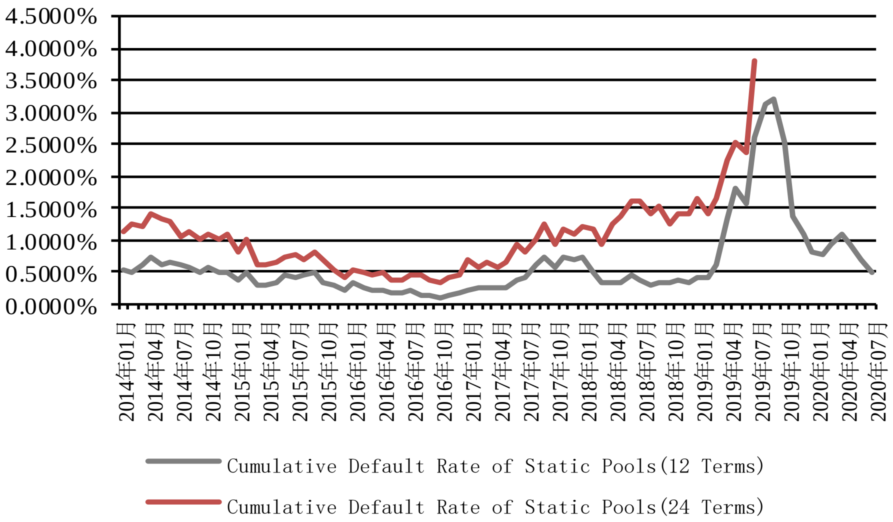


Chart 5: 12-Term and 24-Term Cumulative Default Rates of Static Pools



Besides, as each sample has a different statistical period, the expected cumulative default rate of each static sample pool in the duration of the asset pool to be securitized may be mapped by dividing the cumulative default rate of each static sample pool at the end of its statistical period by the percentage of its corresponding cumulative default rate during such period to the expected cumulative default rate in the duration. The mean of cumulative default rate estimated using the static sample pools of this Transaction is 1.09%.

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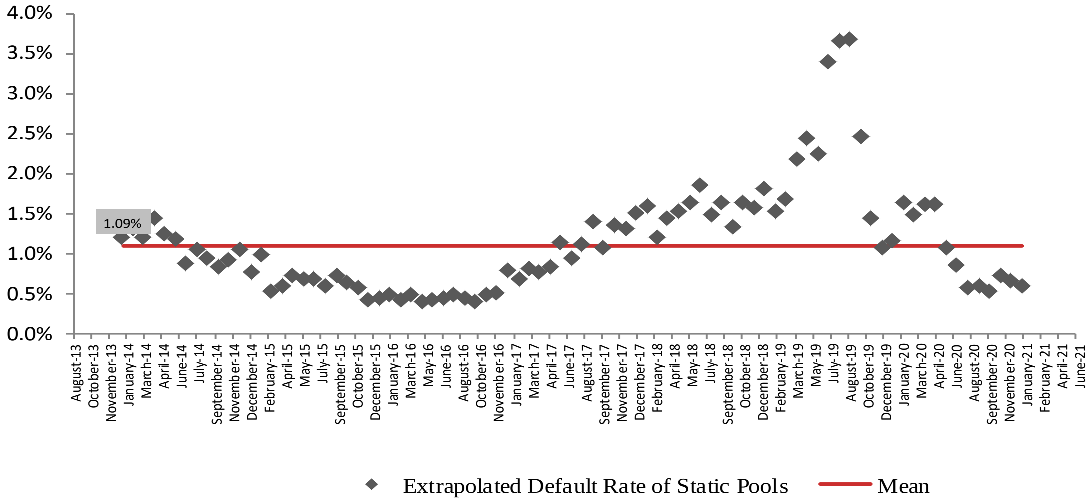
http://www.chinaratings.com.cn/CreditRating/Technical/Method/127806.html.

Chart 6: Mapped Cumulative Default Rates



(2) Estimation and Adjustments of Default Distribution Parameters

CBR assumes that the cumulative default rate of the asset pool to be securitized follows the log normal distribution. It estimates the default distribution parameters (μ , σ) of the underlying assets by using the maximum likelihood estimation (MLE) approach based on the cumulative default rates of the static sample pools. And on this basis, CBR adjusts the parameters by fully considering factors such as the macroeconomic environment, the difference in statistical properties between the static pool and the underlying asset pool and credit quality of the underlying assets.

There are inconsistencies in characteristics such as contract term between the static sample pool and the underlying asset pool

CBR has compared the statistical characteristics of the static sample pool with those of the underlying assets. In terms of contract term, the asset pool to be securitized with a contract term of 0-12 months (inclusive), 12-24 months (inclusive), 24-36 months (inclusive), 36-48 months (inclusive) and 48-60 months (inclusive) accounts for 0.83%、34.97%、44.51%、3.49%、16.20%, respectively, while the figures of the static pool are 14.85%, 44.81%, 38.11%, 0.75%, 1.49%. In terms of initial LTV, the asset pool to be securitized with an initial LTV ratio of 20-40% (inclusive), 40%-60% (inclusive) and 60%-80% (inclusive) accounts for 3.64%、36.28% and 60.03%, respectively, while the figures of the static pool are 18.21%, 40.82% and 40.97%, indicating differences in the initial LTV ratio between the asset pool to be securitized and the static pool. Compared with the historical credit performance period of the static pool, no material changes have taken place in the risk control level and credit policies of the Originator/Servicer at the Cut-off Date of the asset pool. CBR will continue to track any changes in participants' ability to fulfill their duties in the duration. In addition, the underlying assets are more prone to the slowdown in macro-economic growth than the assets in the static pool, which may have an adverse impact on the future credit performance of the underlying assets.

Overall, as the characteristics of the loans in the static pool are inconsistent with those of the to-be-securitized asset pool, CBR has made corresponding adjustments to the default distribution parameters of the underlying assets in the credit risk model.

Statistical Distribution of Static Pools

The contract terms and LTV ratios of the static sample pools provided by the Originator are distributed as follows.

Chart 7: Distribution of Static Sample Pool by Contract Term

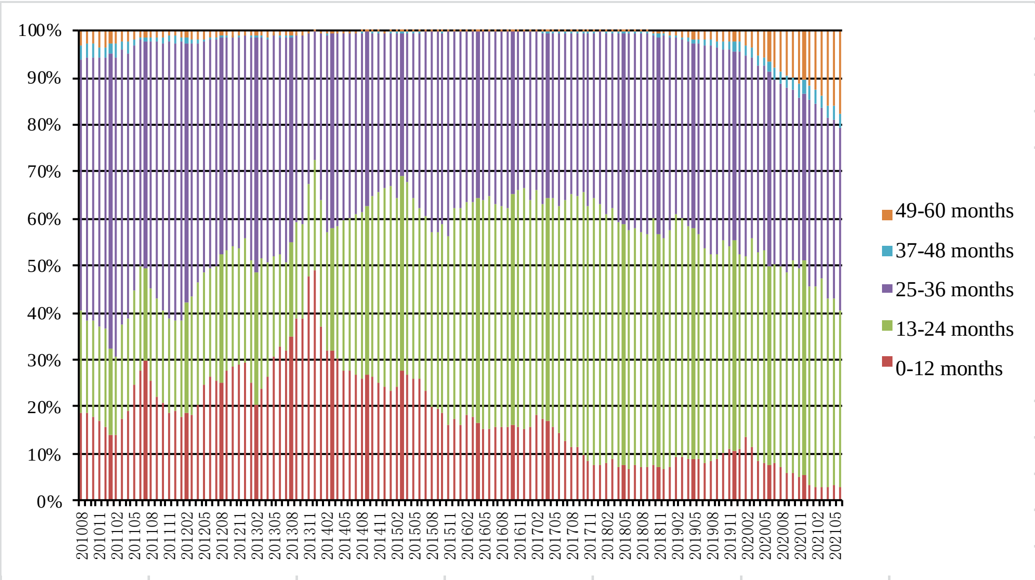


Chart 8: Distribution of Static Sample Pool by LTV Ratio

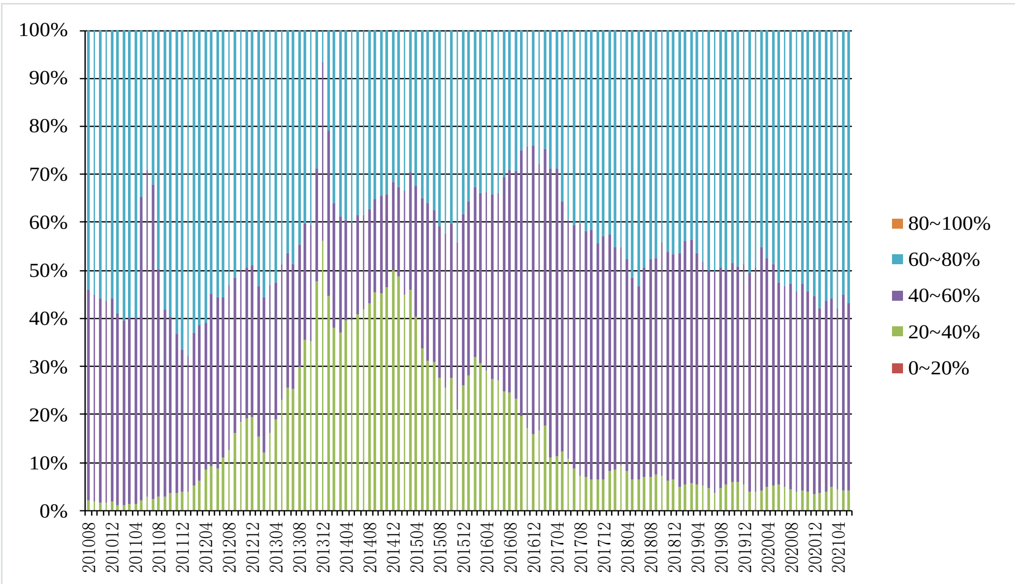


Table 13: Statistical Comparison of the Underlying Asset Pool with the Static Sample Pool

	Underlying Assets	Mean of Static Pool
Cut-off Date	Oct. 31, 2021	—
Amount (RMB 10k)	797,572.48	393,104.33
No. of Loans	105,931	43,576.89

	Underlying Assets	Mean of Static Pool
Average Balance on a Single Loan (RMB 10k)	7.53	9.02
Contract Term (m)		
(0,12]	0.83%	14.85%
(12,24]	34.97%	44.81%
(24,36]	44.51%	38.11%
(36,48]	3.49%	0.75%
(48,60]	16.20%	1.49%
LTV		
(0,20%]	0.05%	0.00%
(20%,40%]	3.64%	18.21%
(40%,60%]	36.28%	40.82%
(60%,80%]	60.03%	40.97%
(80%,100%]	0.00%	0.00%
Repayment Type		
Non-ballon loan	98.96%	95.00%
Ballon loan	1.04%	5.00%

Table 14: Adjusted Parameter Estimates

Default Distribution Parameters	
μ_D	σ_D
-4.3672	0.6512

2. Characteristics of the Asset Pool

As the auto financial market started late in China, it has not yet gone through a full business cycle and has not been fully exposed to risks. As a result, the static pool data provided by the Originator may be unable to truly and fully reflect the risk characteristics of the asset pool. So, while taking into account the historical data provided by the Originator, CBR gives consideration to the credit quality of the assets into the pool and calculates the expected cumulative default rate by making comparison with the characteristics of asset pools of similar products.

CBR assesses the characteristic factors that may have an impact on credit risks of the asset pool with the scorecard model and calculates the overall score for the future credit performance of the asset pool, while working out the expected cumulative default rate of the asset pool based on the time distribution of the industry's benchmark cumulative default rate by developing the mapping relationship among the expected cumulative default rate, the term of the asset pool and the scorecard model. CBR selects stress multiplier in a certain range based on the credit quality of the asset pool, and multiplies the expected default rate of the asset pool by the multipliers corresponding to different target rating levels to determine the default rate of the underlying asset pool required for the rated securities at the target rating level.

3. 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 Originator's risk management level, the climate of the automotive industry, and macroeconomic conditions.

Table 15: TDR of Rated Securities

Credit Rating	TDR
AAA_{sf}	18.14%
$AAA-_{sf}$	16.80%
$AA+_{sf}$	15.22%
AA_{sf}	14.23%
$AA-_{sf}$	13.18%
$A+_{sf}$	11.53%
A_{sf}	10.57%
$A-_{sf}$	9.51%
$BBB+_{sf}$	8.23%
BBB_{sf}	7.12%

IV. Cash Flow Analysis

A. Structure Overview

The total amount issued in this ABS transaction is RMB 7.96 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.

Normally, the Distributable Amount that shall be no more than the Class A Accumulation Amount is used for additional purchase in the revolving period. After the revolving period ends, the Distributable Amount is used to pay principal of Senior Notes until the target balance on such notes is reached in normal principal repayments, and the remaining amount will be used to pay principal of Subordinated Notes. That means Subordinated Notes will, along with Senior Notes, receive principal repayment.

B. Revolving Mechanism

As stipulated in transaction documents, the revolving period is 3 months, during which, the Distributable Amount after deducting tax, payables on Senior Notes and interests that shall be no more than the Class A Accumulation Amount will be used to purchase new receivables from the Originator on the Additional Purchase Date each month; however, in the event that any Credit Enhancement Condition, Foreclosure Event or Early Amortization Event is triggered, the revolving period will end.

The eligibility criteria for the purchased receivables are consistent with the Eligibility Criteria for Assets in the Pool (see Appendix III).

As for the specific purchase procedures, once all preconditions are met for an additional purchase, the Originator will deliver a transfer notice and a list containing information on each receivable and each borrower to the Trustee, which shall be stamped with official seal by the both sides. Then, the Trustee will pay consideration to the Originator to complete the purchase of underlying assets.

Overall, the revolving structure, to some extent, maintains the size of the asset pool in the operating period of the Trust and addresses the maturity mismatch between the underlying assets and the ABS. However, the relatively loose eligibility criteria for the purchased receivables may lead to a deviation of the characteristics of the underlying assets in the duration of the ABS from the initial asset pool. Under the revolving structure, there are still great uncertainties about the future credit performance of the underlying assets, and their actual performance may differ from the initial asset pool. Further, the criteria adopted by and ability of the Originator to select assets will lead to some uncertainties about the future performance of the asset pool.

C. 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 Senior 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

CBR figures out the weighted average recovery rate of loans overdue for more than 30 days based on the migration rate of default loans, and then sets the recovery rate of such loans overdue for more than 30 days at 46.88% based on the characteristics such as the loan-to-value ratio of the asset pool (initial LTV is at 63.71%) and the percentage of seasoning to contract term (at 22.23%) etc, with consideration of the industry average recovery situation and the impacts of macroeconomic factors on the recovery rate. And the resulting recovery rate is used as the benchmark.

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 as 54.41% for the first year, 36.02% for the second year, 9.31% for the third year, 0.23% for the fourth year, and 0.03% for the fifth year.

Based on historical prepayment rates obtained from static and dynamic sample pools, the baseline prepayment rate is set at 3.04% p.a.

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, spread reduction, lower prepayment rate, 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	46.88%	0
Recovery term (m)	6	—
Default Time Distribution	54.41% for Year 1, 36.02% for Year 2, 9.31% for Year 3, 0.23% for Year 4 and 0.03% for Year 5.	Front-end loading Senior Notes; the adjusted upper limit is 74.41% for Year 1, 25.59% for Year 2.
Class A Notes Issuing Rate	3.16%	—
Prepayment Rate	3.04%	The upper limit is 0.25 times

Table 17: Stress Testing Results of Class A Notes

Main Stress Testing Conditions	Does it pass the AAA$-_{sf}$ stress testing	Does it pass the AA$+_{sf}$ stress testing
Baseline Conditions	Yes	Yes
The recovery rate is set at 0, and the others are baseline	No	—
The recovery rate is reduced by 10%, and the other conditions are baseline	Yes	Yes
The recovery rate is reduced by 20%, and the other conditions are baseline	Yes	Yes
The prepayment rate is set at 1.52% p.a., and the other conditions are baseline	Yes	Yes
The prepayment rate is set at 0.76% p.a., and the other conditions are baseline	Yes	Yes
The default time distribution is front-end loaded by 10.00%, and the other conditions are baseline	Yes	Yes
The default time distribution is front-end loaded by 20.00%, and the other conditions are baseline	Yes	Yes
Spread narrows by 25BPs, and others are baseline conditions	Yes	Yes
Spread narrows by 50BPs, and others are baseline conditions	Yes	Yes
The recovery rate is reduced by 10%, the prepayment rate is set at 1.52%, the default time distribution is front-end loaded by 10%	Yes	Yes
The recovery rate is reduced by 20%, the prepayment rate is set at 0.76%, the default time distribution is front-end loaded by 20%	Yes	Yes

Based on the stress testing results, Class A Notes are able to pass the cash flow stress testing for the AA$+_{sf}$ rating in the worst stress scenario where the recovery rate is reduced by 20%, the prepayment rate is set at 0.76%, the default time distribution is front-end loaded by 20%,but unable to pass the worst stress testing for the AAA$-_{sf}$ rating where the recovery rate is set at 0, and the others are baseline.

Therefore, CBR believes that the credit rating for Class A Notes determined by the quantitative credit risk analysis of the portfolio and the cash flow stress testing model is capped at AA＋$_{sf}$.

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 AA＋$_{sf}$, 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[12]. 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}, each of which 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

[12] 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.

Lognormal Distribution Method builds up a static asset pool with characteristics similar to those of the to-be-securitized asset pool based on the theory that default and loss of underlying assets follow the lognormal distribution and simulates the future credit performance of the asset pool to be securitized based on historical credit performance of multiple static pools.

Scorecard Model is an indicator system for building a tree structure by breaking down the factors affecting the expected cumulative default rate of underlying assets. The system identifies credit quality of borrowers in the underlying asset pool, loan characteristics and participants' ability to fulfill their duties, determines the weight of indicators involved therein with the pairwise comparison matrix, develops the standards for scores corresponding to indicator values of various factors, and then calculates the overall score of the future credit performance of the asset pool using the linear factor model.

Stress Multiples Method is intended to calculate the overall score for the future credit performance of the asset pool by assessing characteristic elements of the to-be-securitized asset pool with the scorecard model, while working out the expected cumulative default rate of the specific asset pool to be securitized based on the time distribution of the industry's benchmark cumulative default rate, and then obtain the TDR at different target credit ratings based on stress multiples required for such credit ratings.

Appendix III: Eligibility Criteria for Assets in the Pool

The Originator further represents and warrants, with respect to the Initial Receivables as of the Initial Cut-Off Date and the Additional Receivables as of the Additional 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 mature no earlier than six (6) months and no later than fifty-eight (58) months after the Cut-Off Date;

(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 CBIRC’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) 1.2 per cent. for any Payment Date prior to or during September 2022; or

(b) 1.6 per cent. for any Payment Date from October 2022 but prior to or during May 2023; or

(c) 2.0 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: Early Amortisation Event

Shall mean any of the following:

(a) the occurrence of a Servicer Replacement Event;

(b) the Accumulation Balance on two consecutive Payment Dates exceeds fifteen (15) per cent. of the Discounted Receivables Balance;

(c) on any Payment Date falling after three (3) consecutive Payment Dates following the Issue Date, the Class A Actual Overcollateralisation Percentage is determined as being lower than 10.80 percent.;

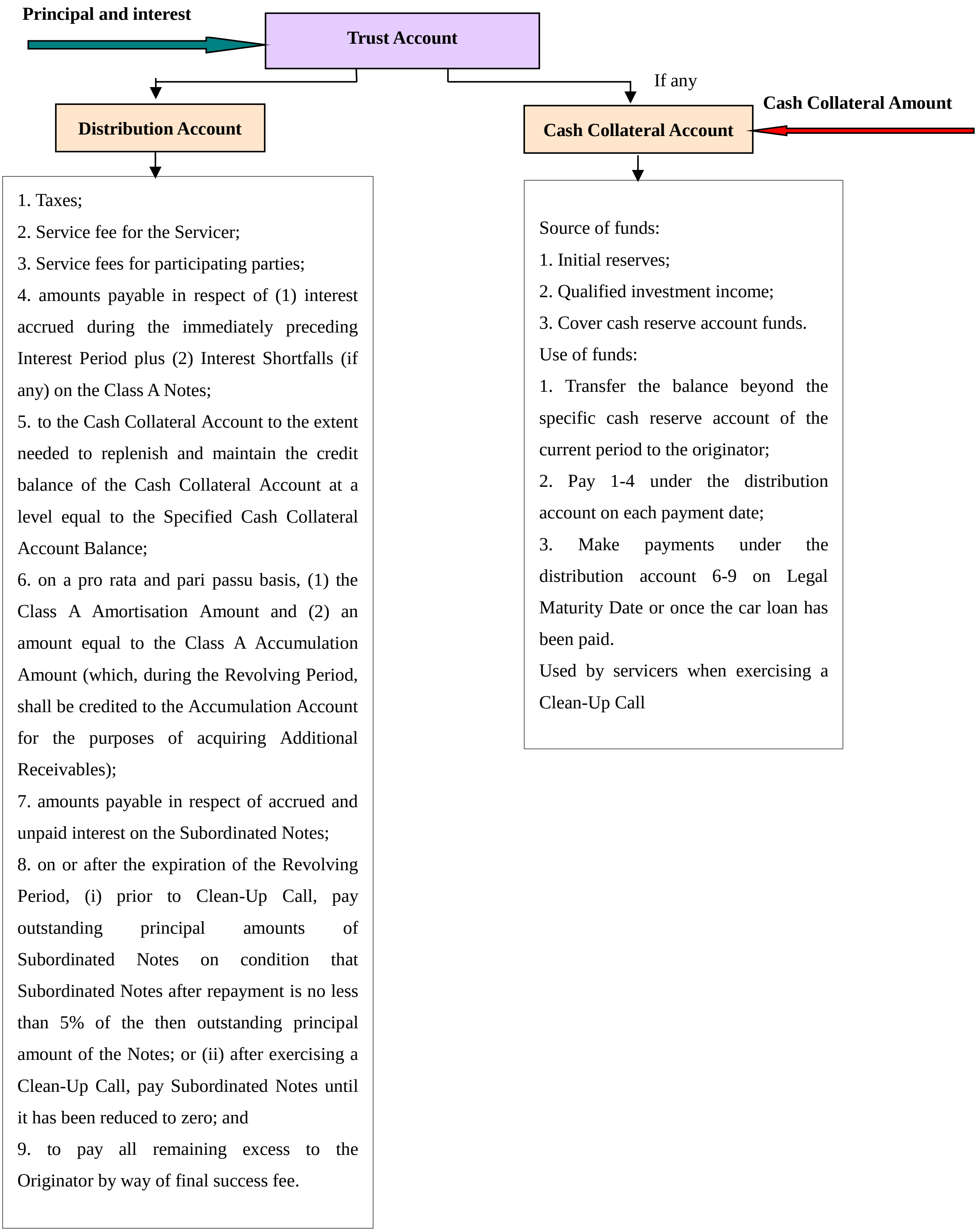
(d) the Originator ceases to be an Affiliate of Volkswagen Financial Services AG or any successor thereto;

(e) the Originator fails to perform its repurchase obligations under Clause 3 of the Trust Agreement;

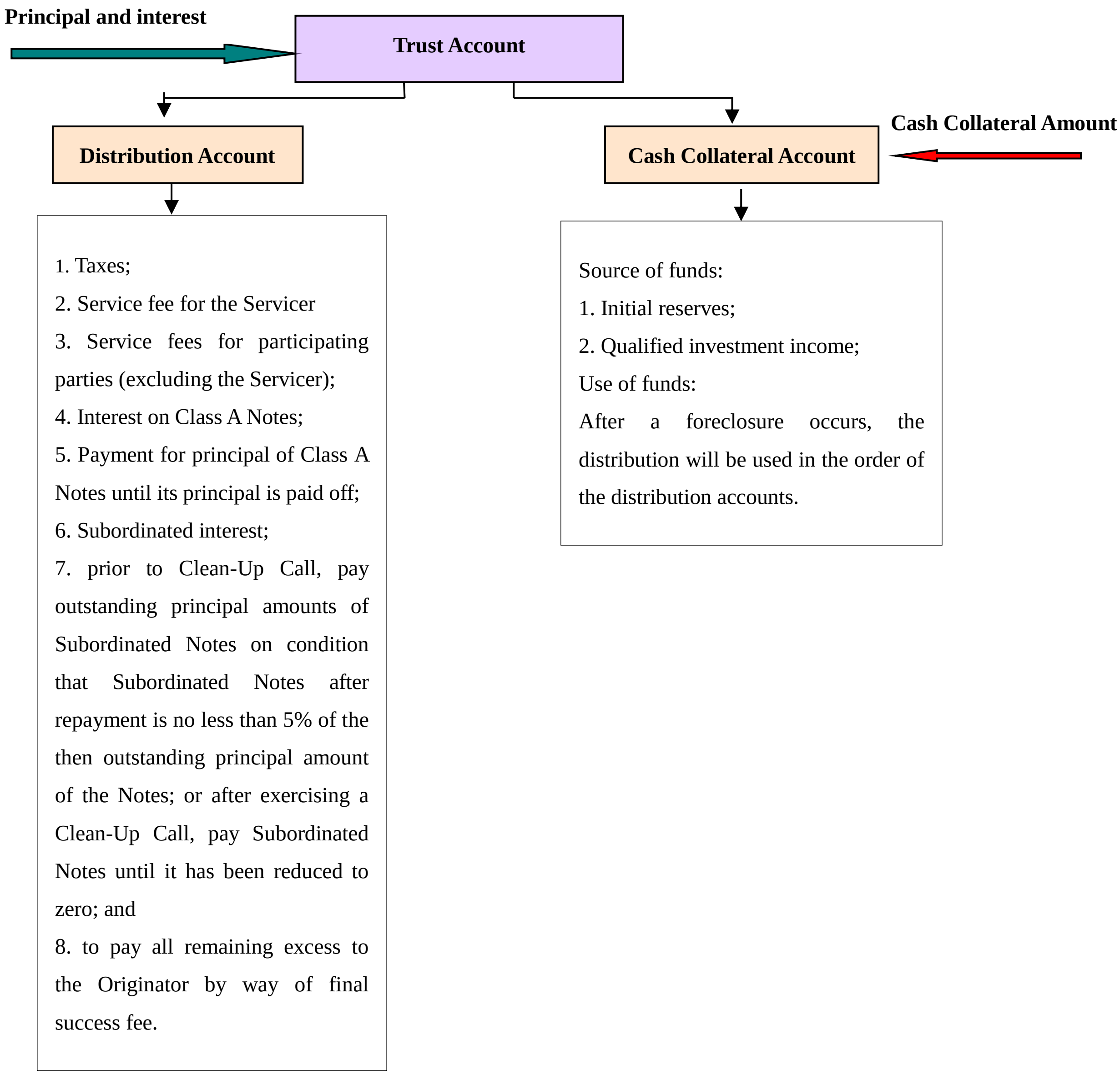
(f) a Credit Enhancement Increase Condition is in effect; or

(g) the occurrence of a Foreclosure Event.

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



Appendix VIII: 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 the informational purpose only and is not conclusion or suggestion about a decision.

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.

7. 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.

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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