

## Structured Finance Rating Report

# Driver China fifteen Auto Loan Backed Securities

March 20, 2024

### Preliminary Rating:

Class A    AAA<sub>spc(sf)</sub>

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\*This rating report is based on information as of March 20, 2024. This report is for the purpose of regulatory filing as required by the relevant laws and regulations only. This report does not constitute a recommendation to buy, hold, or sell securities.

\* The rating(s) presented in this report is effective until and unless we make any further updates.

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**Tear Sheet**

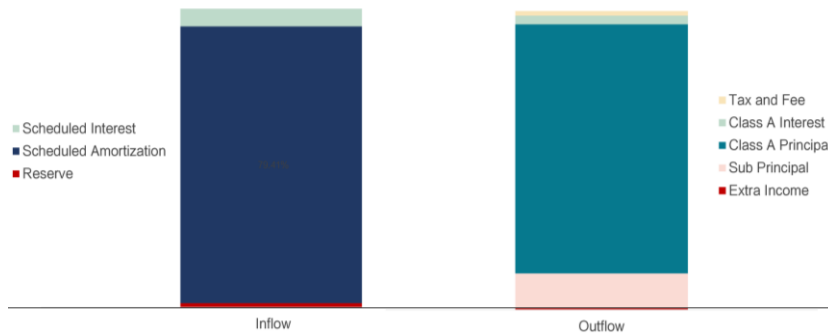
Structure	Rating	Amount (CNY million)	% of Total ODRB	% of Total Note	Coupon Rate Type	Repayment Method <sup>1</sup>	S&P Global (China) Ratings CE Buffer (%)
A	AAA <sub>spc(sf)</sub>	5,232.00	87.20	87.64	Fixed	PassThrough	> 0
Sub	NR	738.00	12.30	12.36	Fixed	PassThrough	-
<b>Total Liability</b>	-	<b>5,970.00</b>	<b>99.50</b>	<b>100.00</b>	-	-	-
OC	-	30.03	0.50	-	-	-	-
<b>Total Asset (Discounted)</b>	-	<b>6,000.03</b>	<b>100.00</b>	-	-	-	-

**Credit Quality of the Securitized Assets Analysis:** S&P Global (China) Ratings analyzed the originator's operational framework, risk management, track record, historical static and dynamic pool data, aggregated and securitized assets and other qualitative and quantitative factors to derive our base-case assumptions which are further refined by forward-looking considerations. We have formed a base-case assumption of a default rate (1.40%) and recovery rate (15.00%). After applying the specific stress multiple and recovery haircut, the stressed default and recovery rate are 7.00% and 7.50% respectively under our AAA<sub>spc(sf)</sub> rating stress scenario.

**Credit Analysis Assumptions**

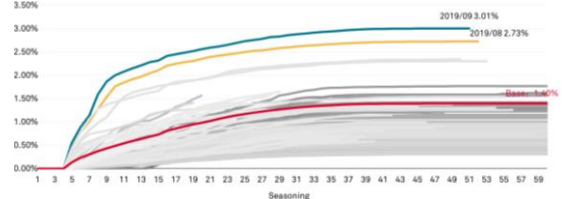
Base-case Default Rate (%)	1.40
Base-case Recovery Rate (%)	15.00
Rating Stress Scenario	AAA <sub>spc(sf)</sub>
Stress Multiples (x)	5.00
Recovery Haircut (%)	50.00
Default Rate (%)	7.00
Recovery Rate (%)	7.50

**Stress Scenarios and Cash Flow Analysis:** The table below illustrates the cash flow distribution under our most stress scenario derived from a combination of default timing assumptions, prepayment rate assumptions, different triggers and payment structures, tax, fees and expenses assumptions. We believe that even under our most stressed scenario, there should be additional mortgage loan assets still available after the principal and interest of the Class A notes have been fully repaid. The excess credit enhancement provided by these assets is an additional "CE buffer," which represents our view on the extra cushion that we believe will be available as additional protection for the Class A notes.



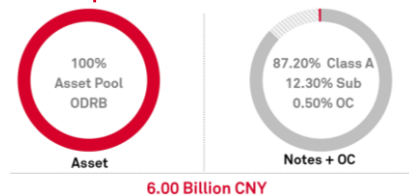
**Originator Overview:** VWFC is a wholly owned subsidiary of Volkswagen Financial Services AG, which is a non-banking financial institution providing exclusive auto finance service and aiming to increase the sales of Volkswagen group's auto in China. VWFC's retail business started in 2004. As of the end of June 2023, VWFC's registered capital was CNY8.2 billion, total assets reached CNY72.64 billion, CNY67.13 billion of which were granted loans.

**Static 90+ Cumulative Default Rate:** Based on static pool performance, the max accumulative default rates are around 3.01% under 91 -120 DPD bucket in the past five years, and the five-year WA 91 -120 DPD default rate is 1.03%.



**Dynamic Pool CPR:** Based on dynamic data, VWFC's historical prepayment rate ranged from 0.5% to 6.9% in the past five years.

**Transaction Capital Structure:**



6.00 Billion CNY

**Transaction Key Information:**

Originator/Service	VWFC
Trustee	FOTIC
Account Bank	ICBC BJ
Cut-off Date	31 January 2024
Expected Closing Date	30 May 2024
Legal Maturity Date	26 March 2031

Special Arrangement Overcollateralization, Cash Collateral, Red/Black Pool, Discounted Receivable Mechanisms, Non-Fully Sequential

Transaction Comparison	Driver China 15 (Red Pool)	Driver China 14 (Black Pool)	SAC 2023-2	Changying 2023-5	Fuyuan 2023-3	Generation 2023-5
Originator	VWFC	VWFC	MBAFC	GWAFC	FAFC	Genius AFC
Closing Date	2024/5/30(Expected)	2022/10/26	2023/9/12	2023/11/30	2023/10/17	2023/12/12
Number of Loans	95,615	101,103	55,215	77,587	24,491	112,429
Outstanding Principal Balance (CNY bn)	5.90	7.84	9.19	4.55	2.15	5.50
Outstanding Discounted Receivables Balance (ODRB) (CNY bn)	6.00	8.00	N/A	N/A	N/A	N/A
Average OPB (CNY)	61,674	77,545	166,465	58,693	87,787	48,919
WA Seasoning (month)	13.52	9.24	7.46	4.14	5.08	7.32
WA Remaining Tenor (month)	29.52	30.31	33.70	28.02	29.06	24.47
WA Asset Yield (%)	5.28	5.11	5.31	1.39	2.61	2.59
WA OLV (%)	65.84	64.99	62.37	65.96	54.57	59.67
Revolving Period (Y/N)	N	N	Y	Y	N	Y
Structure (%)	A 87.20 Sub 12.30	89.20 10.30	87.04 4.58	84.76 9.22	88.37 4.65	84.82 15.18
OC+YSOC (if any)	0.50	0.50	8.38	6.01	6.98	0.00

Note 1: The principal repayment is not fully sequential (Pass through till Class A target note balance).

## Rating Summary

Transaction Name	Report Type	Rating Type	Rating Date
Driver China fifteen Auto Loan Backed Securities	New Issue	Preliminary Rating	March 20, 2024

## Rating Rationale

S&P Global (China) Ratings has assigned rating AAA<sub>spc(sf)</sub> to the Driver China fifteen Auto Loan Backed Securities (Driver China 15) senior notes of Class A. The rating primarily reflects the following:

- **Credit Quality of the Securitized Assets:** We analyzed the originator's operational framework, risk management and track record, historical static and dynamic pool data, aggregated and securitized assets, and other qualitative and quantitative factors to derive our base-case assumptions which are further refined by forward-looking considerations. We have formed a base-case assumption of the default rate (1.40%) and recovery rate (15.00%). After applying the specific stress multiple and recovery haircut, the stressed default and recovery rate are 7.00% and 7.50% respectively under our AAA<sub>spc(sf)</sub> rating stress scenario.
- **Payment Structure and Cash Flow Mechanics:** We model various combinations under default timing assumptions, prepayment rate assumptions, different triggers and payment structures, tax, fees and expenses assumptions. The Class A notes are expected to be able to withstand stresses commensurate with the ratings assigned to the notes, and still meet payment obligations in a timely manner. We estimated the final S&P Global (China) Ratings CE buffer to be greater than 0%.
- **Operational and Administrative Risk:** The direct debit payment mechanism will reduce VWFC's operation risk to some extent. Although there is no back-up servicer, the upfront cash reserve can provide liquidity support to the transaction. We believe the participants in this transaction are capable of fulfilling the duties and responsibilities stipulated in the agreement given their experience and past track record.
- **Counterparty Risk:** Our assessment of counterparty risk takes into account payment interruption risk, account bank risk, commingling risk and set off risk etc. The transaction documents have incorporated various credit quality triggers to mitigate the abovementioned counterparty risk.
- **Legal and Regulatory Risk:** This transaction is structured in accordance with China's Trust Law and China Asset Securitization scheme. We believe the SPT's legal structure meets the principle of true sale and bankruptcy remoteness in securitization. Through our legal analysis, the borrower notification, mortgage re-registration and other legal risk have been mitigated by the arrangements stipulated in the transaction documents.

## Credit Highlights

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>— Credit positive pool traits. The WA seasoning is 13.52 months, and the WA remaining tenor is 29.52 months, with a WA CLTV ratio of 45.07%.</li> </ul>	<ul style="list-style-type: none"> <li>— Relatively short history for auto loans and auto ABS in China; the data available for analysis has not gone through a full economic cycle.</li> </ul>
<ul style="list-style-type: none"> <li>— Geographical or obligor concentration risk is relatively low in the portfolio. The top 10 largest obligors account for 0.33% of total ODRB. The average ODRB is CNY 62,752. A total of 95,615 loans are spread across 31 provinces, autonomous regions and municipalities directly under the central government.</li> </ul>	<ul style="list-style-type: none"> <li>— The payment structure is not fully sequential. Collections on the receivables could be allocated to the subordinated notes under target overcollateralization arrangements.</li> </ul>
<ul style="list-style-type: none"> <li>— The Class A notes have a credit enhancement of 12.80% by subordinated notes and overcollateralization with extra CE buffer based on our assessment.</li> </ul>	<ul style="list-style-type: none"> <li>— The transaction is exposed to account bank risk, commingling risk, and payment interruption risk.</li> </ul>
<ul style="list-style-type: none"> <li>— The transaction adopts a cash collateral account to provide liquidity support for Class A interest payment.</li> </ul>	<ul style="list-style-type: none"> <li>— The transaction may be exposed to borrower notification risk and re-registration risk.</li> </ul>
<ul style="list-style-type: none"> <li>— VWFC leverages the global experience and capability for risk management, with adaptations and local expertise reflective of more than a decade of operations in China.</li> </ul>	

## Related Methodologies, Models & Research

### Methodology Applied:

- S&P Ratings China--Structured Finance Methodology

### Related Research & Commentary:

- Commentary: Understanding Our Approach to China Consumer Asset-Backed Securities
- China's Auto ABS Sector Deep Dive: 2024 Edition

### Model Applied:

- SPG China Ratings Structured Finance Cash Flow Engine

## 1. Macro-Economic and Industry Trend

We expect China's GDP growth to come under pressure in 2024 in the face of stressed soft property sector and dented confidence among enterprises and consumers, but policy stimulus should act as a positive factor amid such headwinds. We believe new regulations and policies are aimed at common prosperity and greater self-reliance, marking a shift in China's growth strategy. Taking this long-term strategy into consideration, we have increasingly shifted our focus from economic growth rate to factors such as deleveraging and lowering inequality.

We expect the credit quality of the vehicle manufacturing industry to remain stable in 2024. Passenger car sales may slightly increase compared to 2023, as growing electric vehicle (EV) sales acts as a stabilizer for domestic vehicle sales and car exports contribute continued growth. However, most automakers are facing profit margin pressure due to intensified competition. Despite enjoying some cost advantages led by decreasing raw material costs, automakers are still motivated to enter a price war to boost sales in the face of new EV model rollouts and decline in internal combustion engine (ICE) vehicle sales. Despite profitability challenges, we think automakers' abundant cash flows should help keep their financial risks at a stable level. Meanwhile, most enterprises can maintain stable credit quality through solid government support or relying on their own strengths.

We expect the asset scale of auto finance industry to remain steady in 2024 and EV-related business to become a new growth driver for the industry. Although the auto finance industry has seen mounting competition pressure in recent years, we believe the domestic penetration rate still has room for further growth. The asset quality of the auto finance industry has not deteriorated significantly in the past few years. The overall risk management level and personal credit risk control mechanisms are mature, with asset quality continuing to stay at a good level. We believe that in the next 12 months, auto finance companies should maintain sound capital adequacy and profitability, with solid and stable funding channels. Personal auto loans would remain among the best-performing retail assets in China.

For 2024, we expect the issuance of personal auto loan asset-backed securities ("auto loan ABS") to remain stable, and originators will still mostly be auto finance companies. Asset credit quality and product performance are set to remain stable, while divergence among originators and different types of underlying assets may continue, which would be closely associated with targeted customer groups, marketing policy, and risk control and underwriting of originators. Meanwhile, with progress in key technologies such as EV battery evolution, construction of relevant infrastructure and improved used EV circulation, we expect an increasing number of originators to go "greener" in the future. In addition, the Administrative Measures for Auto Finance Companies issued in 2023 has extended the business scope of auto finance companies and its impact on these companies remains to be seen in terms of product design and risk control.

## 2. Transaction Overview

This new auto loan backed securities transaction is the 15<sup>th</sup> auto loan securitization transaction originated by VWFC since 2014. A special purpose trust (SPT) named

**Auto loan ABS sectors' credit quality and performance are set to remain stable in 2024. Credit performance may become more divergent among different brands and originators.**

Driver China fifteen Trust will be set up according to the trust agreement entered by the originator – VWFC, and the trustee – China Foreign Economy and Trade Trust (FOTIC).

The “CE buffer” in Table 1 represents the excess credit enhancement supported by available assets after the senior class notes’ timely payment of interest and ultimate payment of principal have been addressed under S&P Global (China) Ratings’ most stressed scenario according to the assigned ratings. It represents our view on the extra cushion to absorb loss for the senior notes based on the current capital structure and relevant assumptions. It is not equivalent to this transaction’s breakeven CE.

Table/Chart 1 Basic Structure

Structure	Rating	Amount (CNY mn)	% of Total ODRB	% of Total Note	Coupon Type (%)	Expected Maturity <sup>1</sup>	CE Buffer (%)
A	AAA <sub>spc(ef)</sub>	5,232.00	87.20	87.64	Fixed	2027/3/26	> 0
Sub	NR	738.00	12.30	12.36	Fixed	2027/3/26	-
<b>Total Liability</b>	-	<b>5,970.00</b>	<b>99.50</b>	<b>100.00</b>	-	-	-
OC	-	30.03	0.50	-	-	-	-
<b>Total Asset<sup>2</sup></b>	-	<b>6,000.03</b>	<b>100.00</b>	-	-	-	-

Note1: Expected maturity with clean-up call.

Note2: ODRB as of cut-off date.

NR – Not Rated

Source: Transaction documents, compiled by S&P Global (China) Ratings.

The transaction is backed by a pool of eligible auto loan receivables and associated rights (including the collaterals as of the closing date). A total of 95,615 receivables are full-recourse loans and collateralized. The weighted average (WA) seasoning of the portfolio is 13.52 months, with a WA remaining term to maturity of 29.52 months. The WA original loan to value (OLTV = 1-down-payment ratio) ratio is 65.84%. The portfolio is well diversified, with underlying loans spread across more than 300 cities in 31 provinces, autonomous regions and municipalities directly under the central government. The largest concentration is in Beijing with 4.29% of the portfolio, calculated by outstanding discounted receivables balance.

Driver China 15 follows its global Driver series’ standards which generally adopt an interest and principal combined waterfall with red/black pool and discounted receivable mechanisms. The discounted rate for this transaction is 4.5841%, which is intended to address the tax, senior fees, and the Class A and subordinated notes’ interest. The transaction has a cash reserve of CNY72 million to set aside for covering any shortfall in tax, senior fees and Class A interest payments. The table and chart below display the transaction’s main participants, structure diagram, key dates, as well as the payment frequency.

Table/Chart 2 Key Dates and Payment Cycle

Category	Date/Frequency
Cut-off Date	31 January 2024
Expected Closing Date	30 May 2024
First Payment Date	26 June 2024
Payment Frequency	Monthly

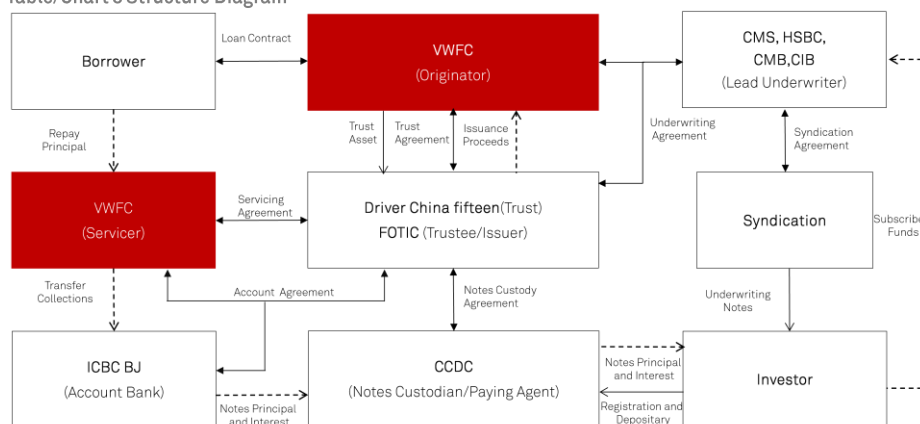
**S&P Global (China) Ratings estimates that the Class A notes of the 15<sup>th</sup> auto loan ABS transaction originated by VWFC have a CE buffer of greater than 0%.**

**The portfolio is well diversified with positive credit pool traits. Red pool/black pool, discounted balance mechanisms and cash reserve account are applied in this transaction.**

Category	Date/Frequency
Legal Final Maturity Date	26 March 2031

Source: Transaction documents, compiled by S&P Global (China) Ratings.

Table/Chart 3 Structure Diagram



Source: Transaction documents, compiled by S&P Global (China) Ratings.

### 3. Credit Quality of the Securitized Assets

#### 3.1. Originator/Servicer

##### 3.1.1 Originator/Servicer Background

VWFC, under the regulation of National Financial Regulatory Administration (NFRA), is a wholly owned subsidiary of Volkswagen Financial Services AG, which is a non-banking financial institution providing exclusive auto finance service and aiming to increase the sales of Volkswagen group’s auto in China. VWFC initially set up its representative office in Beijing in 1998, which was officially founded in Beijing in August 2004. As of the end of June 2023, VWFC’s registered capital is CNY8.2 billion. VWFC’s total assets reached CNY72.64 billion, of which CNY67.13 billion were granted loans.

VWFC's primary business was to provide retail and wholesale financing (mainly for taxi companies and driving schools) for vehicle purchases in China. The brands supported by VWFC include locally manufactured vehicles by FAW-Volkswagen, Shanghai Volkswagen, Volkswagen Anhui and imported vehicles from Volkswagen AG, under brand names such as Volkswagen, Audi, Skoda, Jetta, Porsche, Bentley and Lamborghini etc.

##### 3.1.2 ABS Issuance Experience

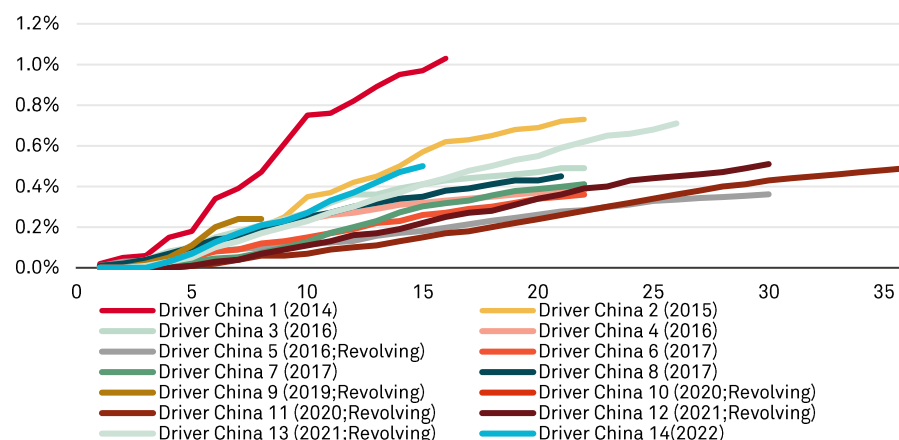
VWFC has rich experience in auto loan securitization. This is its 15<sup>th</sup> issuance since the first issuance of the Driver China series in the interbank bond market in 2014. All Driver China securitization transactions follow the global standards of its parent company’s Driver series. The first registration issuance quota was approved in 2015. VWFC’s 5<sup>th</sup> registration issuance quota was approved in March 2024 with a total limit of CNY 16 billion.

**As of the end of June 2023, VWFC’s registered capital was CNY8.2 billion. VWFC’s total assets reached CNY72.64 billion, of which CNY 67.13 billion were granted loans.**

As of the end of December 2023, VWFC had completed 14 auto securitization transactions with total issuance amount<sup>1</sup> of about CNY66.4 billion. A total of 12 transactions have already seen an executed clean-up call. These transactions performed well as the cumulative default rates were all under 0.8% except for the first transaction issued in 2014 with 1.03%.

**VWFC is an experienced originator with 14 Auto ABS transactions (issuance amount of CNY66.4 billion) as of the end of December 2023.**

Table/Chart 4 Historical Driver China Cumulative Default Rate



Sources: Public information, compiled by S&P Global (China) Ratings.

Note1: Overcollateralization amount is not included in the issuance amount of ABS transactions.

### 3.1.3 Loan Products Analysis

Since VWFC launched its retail business in 2004, its credit products can be classified into two groups: Non-Balloon Credit and Balloon Credit with a final balloon payment.

Various types of retail products are designed to fit customers' different needs. All these products are offered at a fixed interest rate. If the borrower applies for loan prepayment, which shall be subject to the approval of VWFC, liquidated damages will be charged for prepayment. Based on the repayment type, non-balloon credit could also be classified into two groups: Classic Credit Payment, where the borrower repays loans in equal monthly payments, the term of loan of new cars is usually between 12 to 60 months. The down payment of the traditional power automobile loans must be at least 20% of the car price with condition, and the down payment of the new energy automobile loans must be at least 15% of the car price with condition. And Structured Payment, where the customer repays the loan in equal monthly payments for each period however the monthly payments can be different from period to period. Total loan tenor should contain no more than 6 periods. The term of the loan shall not exceed 60 months. The down payment of the traditional power automobile loans must be at least 20% of the car price with condition, and the down payment of the new energy automobile loans must be at least 15% of the car price with condition. As for Balloon Credit product, the term of loan of new cars is usually between 12 to 60 months. The down payment of the traditional power automobile loans must be at least 20% of the car price with condition; the down payment of the new energy automobile loans must be at least 15% of the car price with condition; the final balloon payment must be no more than 25% of the loan. As for Exquisite Easy Loan, the term of loan is between 12 to 36 months which is lower compared with Classic Credit and Balloon Credit. The down payment shall be 30% of the car price (for used car: 30% of the appraised price of the car), the final balloon payment shall be 35% of the car price. while for Enjoyable Balance Loan, the term is fixed at 12, 13 or 18 months, and the term for new cars of

certain brands could be extended to 36 months. The down payment shall be no less than 50% of the car price, and the final balloon payment shall be no more than 50% of the car price. For all balloon credit products, the final balloon payment can be settled through a one-off payment, extension of tenor or trade-in of used cars for new ones.

### 3.1.4 Origination and Underwriting

VWFC has established a well-developed dealership network in China. As of June 30, 2023, VWFC conducted business in more than 324 cities in China and had 3,190 authorized dealers.

We view that VWFC follows a standard loan origination process with stringent loan underwriting policies. After a borrower signs an automobile sales contract, the dealer reviews and enters loan application data into VWFC's contract management system. VWFC's credit-scoring system will review the application and suggest a credit score for automatic approval, manual approval, or reject the application. For loan applications requiring manual review, a loan examiner with the corresponding review authority shall conduct an assessment. The result will pass to the dealership after automatic and manual review process. Dealerships will not be involved in VWFC's internal underwriting process and VWFC's credit review and approval department is an independent department which has strict separation policies from its sales divisions.

VWFC uses its internally developed credit scoring system to review and assess the borrower's credit quality and conduct quantitative analysis on different loan risks. The credit scoring system is based on a statistic regression model, which considers borrowers' basic information (including but not limited to occupation, family, property information, etc.), loan history (including but not limited to down payment, terms, etc.), any other related information from PBOC's credit bureau and external credit data analysis. The credit grade ranking is separated into 15 different levels which correspond to different levels of risk exposure.

### 3.1.5 Arrears Management and Collection

The main payment method under regular circumstances remains direct debit through cooperative banks. VWFC is responsible for monitoring collateral's mortgage registration status and borrowers' loan repayments. VWFC classifies customers into different categories based on their overdue days and applies different collection approaches accordingly. During the first 4 days past due (DPD) period, collections would be made through SMS remind, wechat remind and dunning letter. During the 5-30 days past due (DPD) period, collections would be made through outsourcing of early collection, dunning letters, text messages and collection by outsourced collection servicer. During the 31 to 90 DPD period, collection activity would include outsourcing of deep collection, field visit collection, issuing a serious warning call or termination of contract. Generally, when an instalment has been overdue for more than 90 days, collectors will make the suggestion of contract termination and send it to the head of risk management department or administrative officers with corresponding authority for final approval. All the terminated contracts (excluding the ones with confirmed fraud or definite incapability to repay) will be transferred to outsourced collection servicer for collection activities and then to litigation team for court procedures. However, if the contract is overdue for less than 90 days, but the customers expressly indicate the incapability to repay or prove there is a fraud in the loan and the terms could not be normally fulfilled as judged by collectors, termination could also be

**VWFC has a well-developed dealership network, and a standard loan origination process with stringent loan underwriting policies.**

**VWFC closely monitors loan performance. Default loans are usually collected through cash payments rather than vehicle disposition.**



conducted with the approval of Head of Risk Management or administrative officers with corresponding authority.

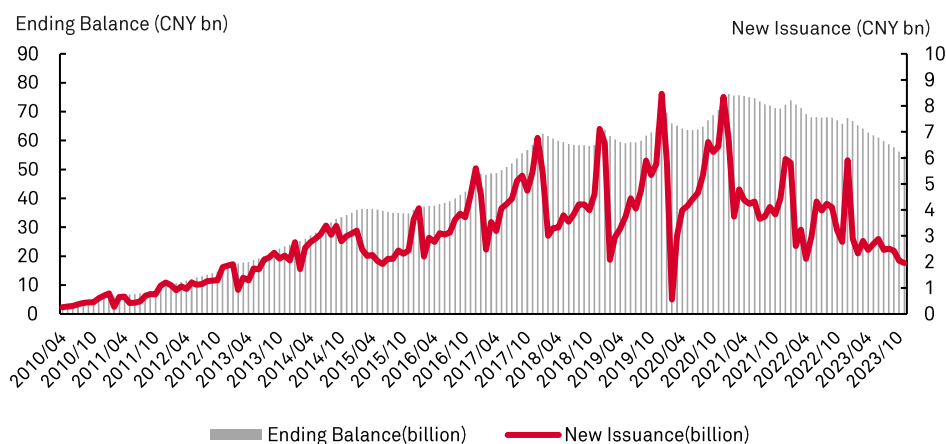
In general, loans are regarded as default when overdue for more than 90 days or receivable that was not received on time which resulted in the termination of such Loan Contract by the Servicer in accordance with its customary practice from time to time. And generally loans will be charged-off when overdue for more than 120 days. Terminated contracts and fraudulent contracts may also be regarded as default or loss. According to our analysis of the Driver China series trustee report, interview with VWFC, and market research, default loans are usually collected through cash payments rather than vehicle disposition.

### 3.2. VWFC Aggregate Portfolio Analysis

VWFC's portfolio has grown rapidly in the past few years. As of the end of June 2023, the penetration rate of VWFC was 10.90%, with a non-performing loan ratio of 0.54%. VWFC's retail business receivable balance<sup>1</sup> was CNY59.29 billion as of the end of June 2023 and has declined in recent three years. Under the impact of macroeconomic movement and competitive auto-finance industry, the amount of new loans issued since 2021 has declined.

**As of the end of June 2023, VWFC's penetration rate was 10.90%, and its NPL ratio was 0.54%.**

Table/Chart 5 VWFC's Auto Loan Book Overview and Growth (Dynamic pool data)



Sources: VWFC, compiled by S&P Global (China) Ratings.

Note1: The retail business receivable balance data is provided by the VWFC.

### 3.3. VWFC Securitized Portfolio Analysis

#### 3.3.1. Securitized Pool Overview

The asset portfolio provided by the originator had a total ODRB of CNY6.00 billion as of the cut-off date January 31, 2024. We estimate the securitized portfolio accounts for approximately 11% of VWFC's total loan book. The loans are randomly selected subject to the eligibility criteria.

Table/Chart 6 Asset Pool Summary

Pool Summary (as of cut-off date)	Driver China 15
Number of Loans	95,615
Number of Borrowers	94,573
ODRB (CNY million)	6,000.03
Average ODRB (CNY)	62,752.00
Discount Rate (%)	4.5841

WA OLV (%)	65.84
WA CLTV (%)	45.07
WA Interest Rate (%)	5.28
WA Seasoning (months)	13.52
WA Remaining Term (months)	29.52
Top Three Car Brands (%)	FAW-VW/52.24; SVW /21.01 FAW-Audi/14.34
Top 10 Obligor (%)	0.33
Individual Customer (%)	94.34
Non-balloon loans (%)	99.68
New Car (%)	95.24

Note: All the percentages are based on ODRB; decimal difference may be caused by rounding rules.  
Source: Transaction documents, compiled by S&P Global (China) Ratings.

### 3.3.2. Pool Stratification and Asset Characteristics

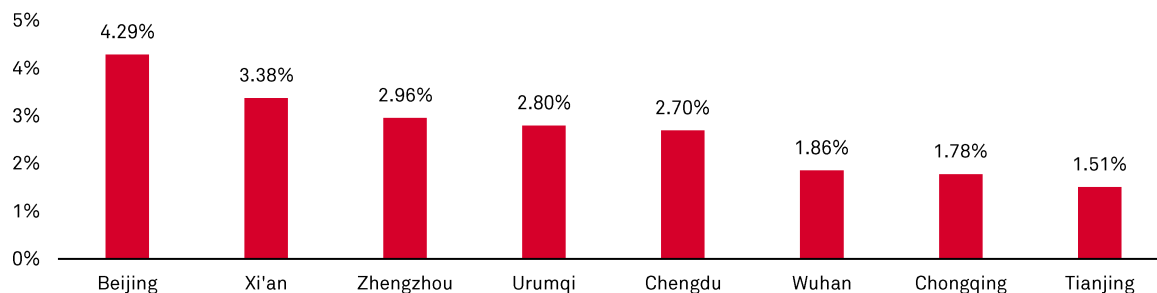
This transaction’s pool stratification is similar to the Driver China series with positive credit pool traits. As of the pool-cut date, the portfolio had a WA seasoning of 13.52 months, with a WA remaining term of 29.52 months and a WA CLTV of 45.07%. The discounted rate for this transaction is 4.5841%, and average ODRB is CNY62,752.00. Top 10 obligors’ concentration is 0.33%. The portfolio is well diversified, with underlying loans spread across more than 300 cities in 31 provinces, autonomous regions and municipalities directly under the central government.

Table/Chart 7 Geographic Concentration (By province; over 3% of ODRB)

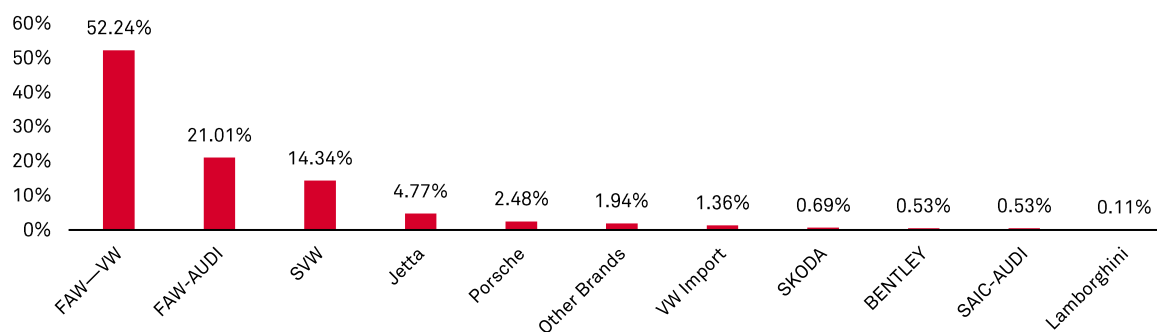


Table/Chart 8 Geographic Concentration (By city; over 1.5% of ODRB)

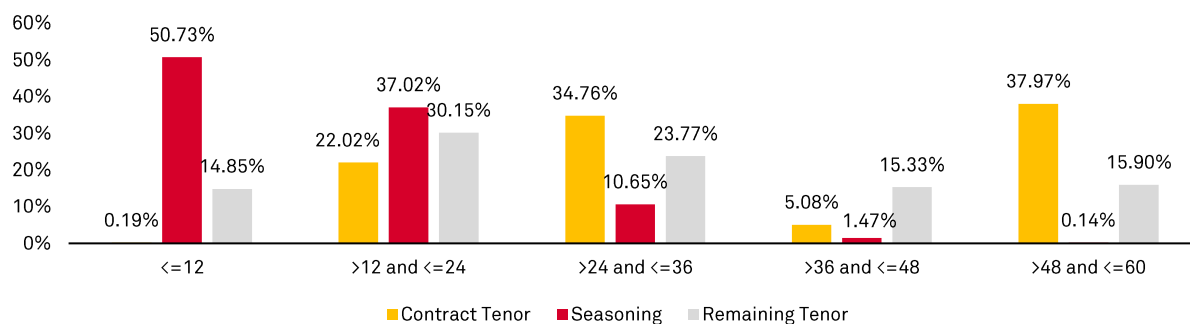
Structured Finance Report: Driver China fifteen Auto Loan Backed Securities (Red Pool)



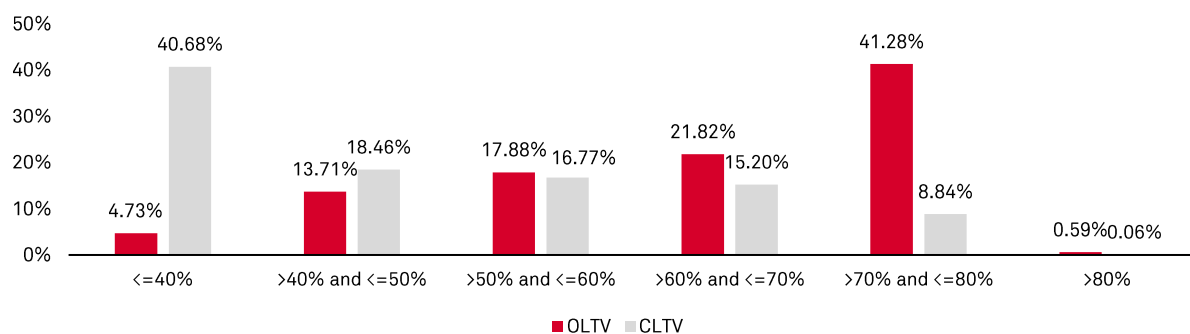
Table/Chart 9 Auto Brand (Percentage of ODRB)



Table/Chart 10 Loan Tenor, Loan Seasoning and Remaining Tenor (Percentage of ODRB)

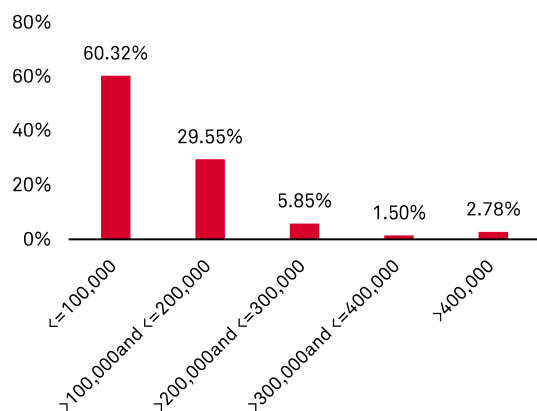


Table/Chart 11 CLTV & OLTV (Percentage of ODRB)

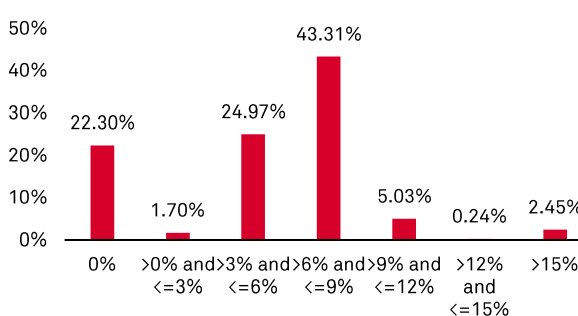


Note \*: OLTV=1-down-payment ratio, CLTV=(1-down-payment ratio)\*outstanding principal balance/original loan balance.

Table/Chart 12 ODRB (Percentage of ODRB)



Table/Chart 13 Asset Yield (Percentage of ODRB)



### 3.3.3. Peer Comparison

Table/Chart 14 Peer Comparison

Transaction Name	Driver China 15 (Red Pool)	Driver China 14 (Black Pool)	SAC 2023-2	Changying 2023-5	Fuyuan 2023-3	Generation 2023-5	
Originator	VWFC	VWFC	MBAFC	GWAFC	FAFC	Genius AFC	
Closing Date	2024/5/30(Expected)	2022/10/26	2023/9/12	2023/11/30	2023/10/17	2023/12/12	
<b>Asset Characteristics</b>							
Number of Loans	95,615	101,103	55,215	77,587	24,491	112,429	
Number of Borrowers	94,573	99,492	55,202	77,456	24,491	112,408	
OPB (CNY bn)	5.90	7.84	9.19	4.55	2.15	5.50	
ODRB (CNY bn)	6.00	8.00	N/A	N/A	N/A	N/A	
Average OPB (CNY thousand)	61.70	77.55	166.46	58.69	87.79	48.92	
WA Contract Tenor (month)	43.03	39.55	41.16	32.16	34.14	31.79	
WA Seasoning (month)	13.52	9.24	7.46	4.14	5.08	7.32	
WA Remaining Term (month)	29.52	30.31	33.70	28.02	29.06	24.47	
WA Interest (%)	5.28	5.11	5.31	1.39	2.61	2.59	
WA OLV (%)	65.84	64.99	62.37	65.96	54.57	59.67	
New Vehicle (%)	95.24	94.87	100.00	100.00	100.00	100.00	
Collateral Location (%)	Shandong /8.00	Shandong /9.89	Guangdong /12.62	Xinjiang /8.93	Jiangsu /11.32	Henan /6.48	
<b>Transaction Characteristics</b>							
Issuance Amount (CNY bn)	5.97	7.96	8.42	4.28	2.00	5.50	
% by Note	Class A (%)	87.64	89.65	95.00	90.19	95.00	84.82
	Sub (%)	12.36	10.35	5.00	9.81	5.00	15.18
% by Asset	Class A (%)	87.20	89.20	87.04	84.76	88.37	84.82
	Sub (%)	12.30	10.30	4.58	9.22	4.65	15.18
OC (%)	0.50	0.50	8.38	6.01	6.98	0.00	
Revolving (Y/N)	N	N	Y	Y	N	Y	

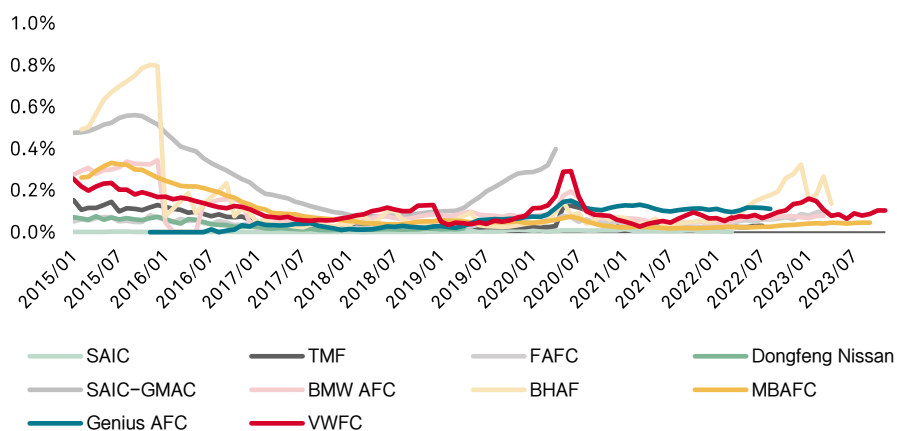
Sources: Public information, compiled by S&P Global (China) Ratings.

### 3.4. Credit Assessment

Based on S&P Global (China) Ratings' structured finance methodology, the history and background of the originator and servicer are typically one of the points we start from when assessing the credit quality of the securitized assets. Historical performance data is the foundation for developing our base-case default, recovery, and net loss rates assumptions, which are further refined by forward-looking considerations.

We analyzed VWFC's dynamic data from April 2010 to November 2023. The chart below compares VWFC and other AFC's historical auto loan book performance. In January 2015, VWFC upgraded its IT system, allowing it to conduct monthly automatic charge off. VWFC's delinquencies represented by 90+ DPD bucket have ranged from 0.03% to 0.29% on a dynamic basis in the past five years. However, an obvious fluctuation can be seen in the 90+ DPD delinquency rate in the first quarter of 2020, which can largely be attributed to the macroeconomic stress and the risk exposure of used car loans; the 90+ DPD delinquency rate rose during first quarter of 2023, due to economic downturn and VWFC's relief policy for borrowers, but fell back in second quarter of 2023.

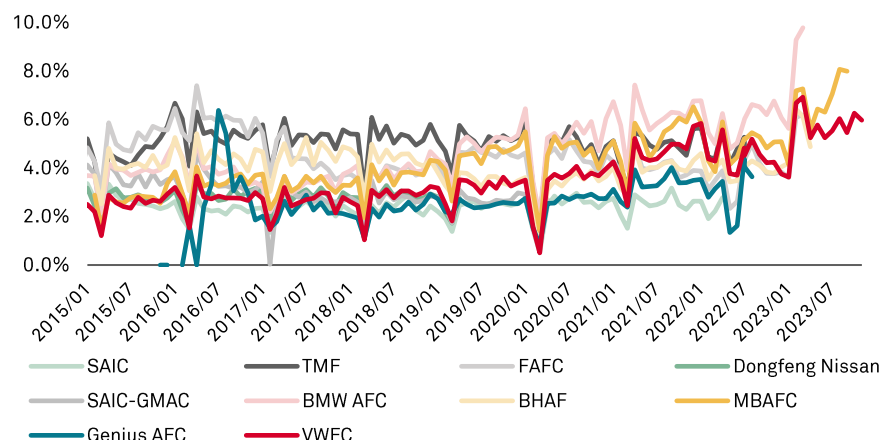
Table/Chart 15 Dynamic Data Analysis – 90+ DPD Delinquency Rate Comparison



Sources: Public information, compiled by S&P Global (China) Ratings.

The chart below shows VWFC's historical annualized conditional prepayment rate (CPR). The ratio became more stable in recent five years, ranging between 0.5% and 6.9%, with an average of 4.2%. In February and March 2023, VWFC's prepayment rate has shown an upward trend. The rise in prepayment is mainly due to borrowers' increased willingness to repay, given that interest rate has declined. And the CPR fell back in the second quarter of 2023. VWFC's prepayment performance is in line with our expectations and is consistent with the industry trend. S&P Global (China) Ratings' standard prepayment speed vector assumptions were applied in the cashflow analysis and stress testing scenarios.

Table/Chart 16 Dynamic Data Analysis – Historical CPR Comparison



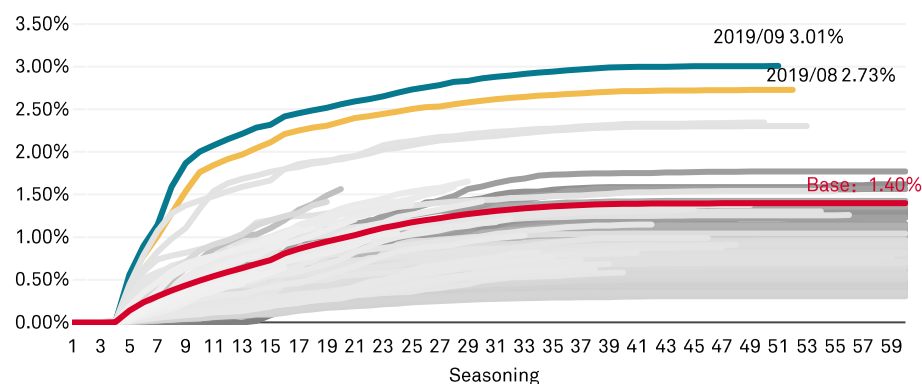
**VWFC's prepayment trend has corresponded to the behavior of other AFC auto loan borrowers over the past five years and been in line with our expectations.**

Note: CPR is calculated based on VWFC's dynamic data. The formula is as following:  $CPR = 1 - (1 - \text{prepayment amount in the month} / \text{the outstanding loan balance in the beginning of the month})^{12}$ .  
Sources: Public information, compiled by S&P Global (China) Ratings.

We have also analyzed the static pool performance from April 2010 to November 2023. The payout ratios for 132 vintages out of a total of 160 vintages were over 80%, among which 98 vintages have been fully paid off. We generally apply historical gradient factors to extrapolate younger vintages and predict future performance.

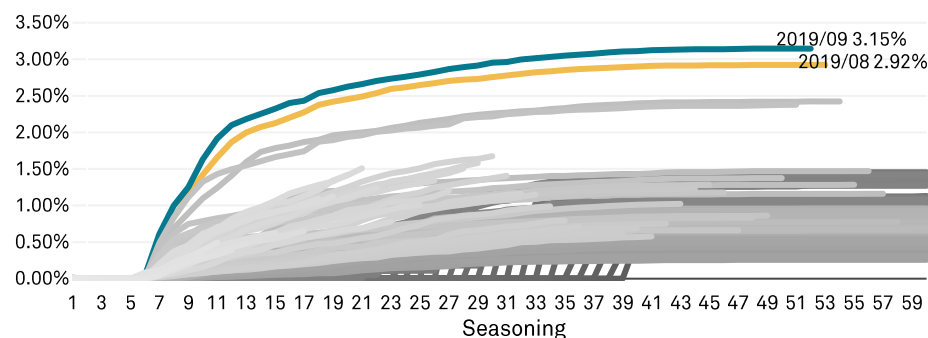
In our credit analysis, we view the 91–120 DPD delinquency rate as an important indicator for default proxy. The WA cumulative delinquency rate of all vintages with more than 60 performance periods was 0.74% based on actual performance data. Among these vintages, we observed that 2019 August and September vintages had the highest cumulative delinquency rate, which saw cumulative delinquency rates of 2.73% and 3.10% and corresponding charge off rates of 2.92% and 3.15% respectively. According to VWFC due diligence interviews, the credit performance during the above period could be mainly attributed to the rapid growth of used car business, the delinquency rate of which was significantly higher than that of new cars. VWFC has taken a series of measures to manage the risk exposure of used car business, such as reducing the new issue loan balance of used cars and strengthening the channel management and risk control process, etc. Default loans issued in the above-mentioned period have been almost written off. We can see the delinquency rate after 2019 has been stabilized, and we expect its future credit performance to be relatively under control. The charts below display VWFC's historical 91-120 DPD cumulative delinquency rates and charge-off rates, respectively.

Table/Chart 17 Static Pool Analysis—Historical Cumulative 91-120 DPD Delinquency Rate



Sources: VWFC, compiled by S&P Global (China) Ratings.

Table/Chart 18 Static Pool Analysis—Historical Charge-off Rate



Note: As loans were written off manually prior to 2015, historical charge-off rates in early years exhibited some volatility.

Sources: VWFC, compiled by S&P Global (China) Ratings.

The WA vintages' extrapolated cumulative 91-120 DPD delinquency rates are under 1.0%. We took into consideration that the portfolio has a WA seasoning of 13.52 months, and that 99.68% of loans in the portfolio are non-balloon loans. Additionally, the proportion of used cars in the securitized pool is relatively low of 4.76%. We also observed that the extrapolated cumulative delinquency rate of several 2022 vintages is relatively high, which is impacted by the macroeconomic movement and risk profiles of issued loans at those periods. As the auto finance industry is affected by wider macroeconomic trends, changes in the corresponding market and product strategies may lead to uncertainty over future credit performance.

Overall, we believe that VWFC's asset performance has remained relatively stable after experiencing the external challenges in the past three years. We have formed our base-case assumptions based on our analysis of VWFC's operational framework, risk management and track record, historical static and dynamic pool data, aggregated and securitized assets, and other qualitative and quantitative factors. The assumptions are further refined by forward-looking considerations. We expect the base-case default rate for this transaction to be 1.40%. The stress multiple is 5.0 under AAA<sub>spc(sf)</sub> rating stress scenario. The stressed default rate is estimated at 7.00%. We also analyzed the migration rate of 91-120 DPD delinquent loans, charge-off rate, and recovery policies, etc., to form the base-case recovery rate. We expect the recovery rate for this transaction to be 15.00%. After applying a 50% haircut under AAA<sub>spc(sf)</sub> stress scenario, the stressed recovery rate is 7.50%.

**Under AAA<sub>spc(sf)</sub> rating stress scenario, the default rate for this transaction is 7.00% and the recovery rate is 7.50%.**

Table/Chart 19 Credit Analysis Assumptions

Credit Analysis Assumptions	
Base-case Default Rate (%)	1.40
Base-case Recovery Rate (%)	15.00
<b>Rating Stress Scenario</b>	AAA <sub>spc(sf)</sub>
Stress Multiple (x)	5.00
Recovery Haircut (%)	50.00
Default Rate (%)	7.00
Recovery Rate (%)	7.50

Sources: S&P Global (China) Ratings' assumption.

## 4. Payment Structure and Cash Flow Mechanics

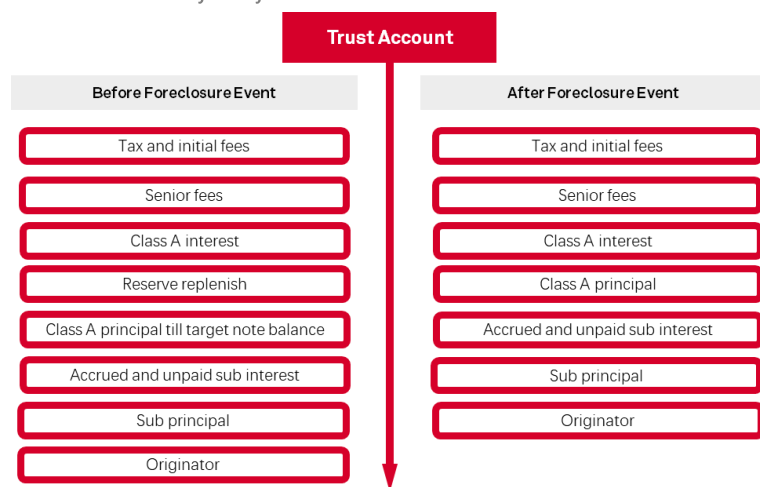
The SPT will issue fixed-rate senior notes and subordinated notes at par. Available funds for distribution include principal and interest collections, cash collateral account (if applicable), interest income from distribution account, investment earnings, etc. In our cash flow analysis, we typically do not give any credit to enforcement proceeds, insurance proceeds, investment earnings and obligor fees, etc.

This transaction does not split the interest account and principal account under the trust account. The interest collections on the rated notes are calculated based on the principal outstanding balance. The trust account has two sub-accounts, namely the Cash Collateral Account and the Distribution Account, which are managed and reconciled by the Account Bank independently in terms of accounting treatment. This transaction sets up foreclosure event and clean-up call event.

### 4.1 Payment Structure

Before the foreclosure event comes into effect, the collections, investment earnings and other available distribution amounts will be paid to tax and initial fees, and senior fees, then to Class A interest, replenishing the cash collateral account. The remaining amount will be used to pay down Class A principal till the target balance is reached. If the target balance is reached, the remaining amount will be used to pay accrued and unpaid subordinated interest, subordinated principal and the originator. Please refer to the below chart for the summarized priority of payments.

Table/Chart 20 Priority of Payments



Sources: Transaction documents, compiled by S&P Global (China) Ratings.



The waterfall for this transaction is not a fully sequential payment mechanism (no subordinated notes' principal paydown till the senior notes' principal has been fully paid). The transaction adopts credit enhancement (CE) increase triggers and a target overcollateralization (OC) mechanism. The target note balance is calculated based on the CE Condition and Class A target OC percentage. When CE Conditions are not triggered, the principal of Class A will be paid down to the target balance based on 23% Class A target OC percentage. Upon the occurrence of a CE Condition, servicer replacement event, or aggregate ODRB as of the end of the preceding monthly period is less than 10% of the aggregate cut-off date ODRB, Class A target OC percentage will increase to 100%, which translates to a fully sequential principal amortization structure. Please refer to the below table for the CE Condition and Class A Overcollateralization Percentage.

Table/Chart 21 CE Condition and Class A Overcollateralization Percentage

Overcollateralization Percentage		
Actual OC%	Class A Target OC%	
Expected Closing Date	Before CE Increase Condition is in effect	CE Increase Condition is in effect
12.80%	23%	100%
CE Increase Condition		
If the cumulative gross loss ratio exceeds 1.20% before or on the payment date of March 2025		If the cumulative gross loss ratio exceeds 2% on any payment date
If the cumulative gross loss ratio exceeds 1.60% for any payment date from April 2025 but prior to or during November 2025		

Source: Transaction documents, compiled by S&P Global (China) Ratings.

Distribution shall be made from the Cash Collateral Account on any Payment Date prior to the occurrence of a Foreclosure Event, if and to the extent the General Cash Collateral Amount exceeds the Specified Cash Collateral Account Balance (CNY72 million) and no Credit Enhancement Increase Condition is in effect, firstly to the Subordinated Noteholders, secondly, prior to a clean-up call exercise, to the Subordinated Noteholders for repayment of outstanding principal amounts of Subordinated Notes on condition that the outstanding principal amounts of Subordinated Notes after repayment is no less than 5% of the then outstanding principal amount of the Notes; or after the exercise of a clean-up call, to the Subordinated Noteholders for repayment of outstanding principal amounts of Subordinated Notes until it has been reduced to zero.

#### 4.2 Cash flow analysis and stress test

Both assets and notes are at fixed rates, hence this transaction is not exposed to interest rate risk due to different benchmark rates and adjustment frequencies. The table below summarizes our key assumptions for cash flow analysis and stress testing.

Table/Chart 22 Summary of Cash Flow Modelling Assumptions

Cash Flow Modelling Assumptions	
Rating stress scenario	AAA <sub>spc(sf)</sub>
Default Rate (%)	7.00
Recovery Rate (%)	7.50
Additional asset characteristics stress	N/A
Additional originator/servicer stress	N/A
Payment structure assumptions	Not fully sequential (Pass through till Class A target note balance)
Recovery period	6 months

**Driver China 15 Class A notes have passed all our cash flow modelling stress scenarios. S&P Global (China) Ratings CE buffer estimated at greater than 0%.**

### Cash Flow Modelling Assumptions

Constant prepayment speed vector	High (12%), base (4%), and low (0%)
Interest Rate Assumption	Class A: 3.06%, Sub:4.54%
Extra pressure on structure	Sub leakage Scenarios
Other qualitative or quantitative adjustments	N/A

Sources: S&P Global (China) Ratings' assumption.

Our stress testing includes different stress scenarios from a combination of default timing assumptions (front-end, base-case and back-end), prepayment rate assumptions (high, constant and low) and sub leakage assumptions (front-end, base), while modeling different combinations under different payment structures, tax, fees and expenses assumptions, and various triggers. We expect the asset cash flows to be able to withstand stresses commensurate with the ratings assigned to the notes, and still meet payment obligations in a timely manner. Based on the above analysis, Driver China 15 Class A notes have passed all our cash flow modelling stress scenarios. The CE buffer under the most stressed scenario is estimated at greater than 0%, representing excess credit enhancement supported by available assets after the Class A notes' timely payment of interest and ultimate payment of principal have been addressed under S&P Global (China) Ratings' most-stressed scenario, according to the assigned ratings.

In addition to the above stress scenario testing and ratings assigned to this transaction, we have also conducted a separate sensitivity analysis. This analysis measures how the initial rating of the security may vary based on only changing the default rate or/and recovery rate. It provides insight on the sensitivity of the rating; it is intended to consider potential rating migration under a heightened stress environment well beyond our AAA<sub>spc(sf)</sub> stress scenario. It does not have an impact on our cash flow analysis results or the rating assignment. The table below displays the outcome of our sensitivity analysis.

Table/Chart 23 Sensitivity Analysis

Stress Scenarios	Driver China 15	Default Rate+20%	Recovery Rate-20%	Default Rate+20%; Recovery Rate-20%
Default Rate (%)	7.00	9.90	7.00	9.90
Recovery Rate (%)	7.50	7.50	6.00	6.00
Rating*	AAA <sub>spc(sf)</sub>	AAA <sub>spc(sf)</sub>	AAA <sub>spc(sf)</sub>	AAA <sub>spc(sf)</sub>

Note\*: The outcome of the above analysis does not represent our rating assignment on the transaction.

Sources: S&P Global (China) Ratings' assumption.

## 5. Operational and Administrative Risk

This transaction is the 15<sup>th</sup> auto securitization transaction that VWFC originated and acts as the trust servicer. As the servicer, VWFC collects and applies payments on the loans, investigates and administers delinquent, defaulted and charged-off loans and otherwise manages the loans. There are no observed past servicer issues relating to failure to perform the duties in these transactions. As with previous transactions, borrowers generally enter into a direct debit collection agreement with VWFC. This payment mechanism will reduce VWFC's servicing workload. We believe VWFC's IT infrastructure and operational model are capable of fulfilling the duties and responsibilities stipulated in the agreement, given that VWFC can leverage the global experience of its Driver series, along with the adaptations made and local expertise accumulated after more than a decade of operations in China.

**We believe the participants in this transaction are capable of fulfilling the duties and responsibilities stipulated in the agreement given the current arrangements, their experience and past track record.**

There is no back-up servicer on this transaction. However, there is a cash collateral account. VWFC will deposit an upfront cash reserve with CNY72 million (accounting for 1.2% of ODRB on the trust effective date) to the cash collateral account. This reserve is to provide liquidity support to the transaction by covering any shortfall on tax, senior fees and interest of senior tranche.

ICBC, through its Beijing branch, acts as the account bank for the trust. The account bank opens and maintains all the bank accounts for the trust. FOTIC, as the trustee, will operate the cash flow of the accounts on behalf of the trust. Any cash flow operations will be strictly executed under the terms of various legal agreements. The detailed cashflow information is expected to be disclosed publicly via a monthly trust report. The monthly trust report published by FOTIC is expected to follow the detailed regulatory public disclosure requirements of the PBoC and NFRA. The remaining counterparties, such as the paying agent - China Central Depository and Clearing Co, are all experienced securitization service providers. We believe the participants in this transaction are capable of fulfilling the duties and responsibilities stipulated in the agreement given the current arrangements, their experience and past track record.

## 6. Counterparty Risk

### 6.1. Account bank risk and mitigants

We typically expect the minimum eligible counterparty's credit quality (i.e., the level below which a counterparty typically commits to implementing remedies) to be equivalent to a high AA<sub>spc</sub>- level or above to be able to support an AAA<sub>spc(sf)</sub> rating on the securities. If the trigger is breached, the trustee needs to appoint a successor account bank that meets the minimum credit quality provisions within 90 calendar days. In addition, permitted investments are limited to deposits with the eligible banks subject to the eligible fund custodian's credit quality requirements.

### 6.2. Payment interruption risk and mitigants

The transaction documents stipulate that the rights perfection notice must be sent out within 5 business days upon the occurrence of a servicer replacement event. VWFC should inform the trustee to select an eligible backup servicer upon the servicer's credit quality deteriorating and no longer being considered sufficient by S&P Global (China) Ratings to support the outstanding rating on the notes. Also, the servicer must transfer all assets and related information to the back-up servicer within 30 calendar days. This transaction has also set up a cash collateral account to satisfy tax and fees, senior fees, and interest of Class A. We believe the payment interruption risk is mitigated by the transaction arrangements and liquidity reserve.

### 6.3. Commingling risk and mitigants

The transaction is exposed to potential commingling risk when VWFC, the servicer, holds the monthly collection up to a month and sets up a monthly collateral account before the distribution to the trust account. The transaction documents stipulate that if VWFC's credit quality is no longer considered sufficient by S&P Global (China) Ratings to support the outstanding rating on the notes, the collections will be transferred to the distribution account twice a month. In addition, servicer will advance an amount into the distribution Account. We believe the commingling risk is mitigated by the above structure.

**The transaction documents have incorporated various credit quality triggers to mitigate relevant counterparty risk.**

#### 6.4. Set-off risk and mitigants

VWFC is not an authorized deposit-taking institution in China and borrowers in the collateral pool do not include employees. Therefore, we believe there is no set-off risk in this transaction.

### 7. Legal and Regulatory Risk

This transaction is structured in accordance with China's Trust Law and China Asset Securitization Scheme. We believe the SPT's legal structure meets the principle of true sale and bankruptcy remoteness in securitization. This transaction is exposed to legal and regulatory risk, such as borrower notification risk and collateral re-registration risk.

#### 7.1. Borrower notification risk

The asset transfer will be publicly announced on the trust effective date according to the regulations. The transfer between the originator and trust is legally effective based on "The Civil Code of the People's Republic of China", but the originator will not necessarily notify the borrower at this time. The Civil Code stipulates that there are no legal implications for the borrower if they are not notified by the originator about the transfer. Therefore, there is a risk that borrowers may continue to make payments to the originator acting as the servicer even if the servicer is no longer performing its duties. This risk can be mitigated by the rights perfection notice arrangement.

#### 7.2. Collateral re-registration risk

When the originator transfers the collateral loan to the trust, it shall also transfer the collateral related to the loan in the meantime. However, the registration of the changes to the collateral is not completed on the trust effective date; therefore, the transaction is exposed to the risk that the trust company's collateral rights may not be upheld against a bona fide third party. It is common practice in China's auto loan securitization market as underlying collaterals are usually spread across the whole country, and re-registration of the title regarding the automobile collateral is a manual and lengthy process. We believe the risk can be reduced via the arrangements stipulated in the transaction documents and the originator's representations and warranties.

**Through our legal and regulatory risk analysis, the borrower notification, and collateral re-registration risk have been sufficiently mitigated by the arrangements stipulated in the transaction documents.**

## Appendix 1: Ratings Definitions

Category	Definition
AAA <sub>spc(sf)</sub>	The repayment ability is extremely strong, generally not impacted by any adverse economic environment, and the default risk is extremely low.
AA <sub>spc(sf)</sub>	The repayment ability is very strong, not considerably impacted by any adverse economic environment, and the default risk is very low.
A <sub>spc(sf)</sub>	The repayment ability is comparatively strong, comparatively vulnerable to the impact of adverse economic environment, and the default risk is comparatively low.
BBB <sub>spc(sf)</sub>	The repayment ability is average, comparatively impacted by adverse economic environment, and the default risk is average.
BB <sub>spc(sf)</sub>	The repayment ability is comparatively weak, materially impacted by adverse economic environment, and the default risk is comparatively high.
B <sub>spc(sf)</sub>	The repayment ability relies comparatively on fair economic environment and the default risk is very high.
CCC <sub>spc(sf)</sub>	The repayment ability relies extremely on fair economic environment and the default risk is extremely high.
CC <sub>spc(sf)</sub>	Lower protection in situation of bankruptcy or reorganization and the repayment may not be generally guaranteed.
C <sub>spc(sf)</sub>	Unable to make the repayment.

\* Ratings from AA<sub>spc(sf)</sub> to CCC<sub>spc(sf)</sub> may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Ratings are designated by "spc", e.g. AA<sub>spc(sf)</sub>+. "spc" stands for S&P Ratings (China) Co., Ltd.

## Appendix 2: Surveillance Plan

### Driver China fifteen Auto Loan Backed Securities

#### Surveillance Plan

S&P Ratings (China) Co, Ltd. shall monitor the credit conditions of the rated securities and certain entities deemed a type of credit dependency in this transaction (including entities such as loan servicers and bank account providers) on an ongoing basis. We shall monitor the changes in the credit quality of the asset pool and the repayment of the securities, consider the relevant reports released by the aforementioned relevant entities and other relevant information, and apply the appropriate methodology to determine any impact on the rated securities.

## Appendix 3: Eligibility Criteria

The originator represents and warrants the Issuer that all Entrusted Loan Receivables comply with the Eligibility Criteria on the relevant Cut-Off Date. The key eligibility criteria are outlined as below:

- (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 preemptory 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 VWFC;
- (h) according to VWFC'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 installments (which include interest payments) have been paid in respect of each of the Purchased Receivables and that each Purchased Receivable requires monthly payments to be made within sixty (60) months of the date of origination of each Loan Contract and may also provide for a final balloon payment;
- (l) each of the Purchased Receivables will have at least no less than (6) and no more than (58) instalments;
- (m) the total outstanding amount of Purchased Receivables entrusted under the Trust Agreement pursuant to the Loan Contracts with one and the same Borrower does not exceed RMB4,000,000 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 VWFC's records, no insolvency proceedings have been initiated against any of the Borrowers during the term of the relevant Loan Contract up to the Cut-Off Date;
- (p) each Loan Contract under which the relevant Receivables arise provides for a mortgage of the relevant Financed Object;
- (q) the Purchased Receivables are "normal" loans according to NFRA's "5-category" loan classification method;
- (r) the Purchased Receivables are denominated in RMB;
- (s) at the time each Loan Contract was entered into, the Receivable under such Loan Contract was approved by the Originator in the ordinary course of the Originator's business; and
- (t) the maximum delinquent days of each Purchased Receivable were historically no more than 60 days.

## Appendix 4: Asset Stratification Summary

Asset Stratification Summary	
Number of loans	95,615
Number of borrowers	94,573
Outstanding contract balance (CNY million)	10,057.88
ODRB (CNY million)	6,000.03
Outstanding principal balance (CNY million)	5,896.97
Largest contract balance (CNY thousand)	2,966.60
Largest ODRB (CNY thousand)	2,146.85
Largest OPB (CNY thousand)	2,061.16
Average contract balance (CNY thousand)	105.19
Average ODRB (CNY thousand)	62.75
Average OPB (CNY thousand)	61.67
WA interest rate (%)	5.28
Highest interest rate (%)	17.98
Lowest interest rate (%)	0.00
WA contract tenor (month)	43.03
Longest contract tenor (month)	60.00
Shortest contract tenor (month)	12.00
WA remaining term (month)	29.52
Longest remaining term (month)	58.00
Shortest remaining term (month)	6.00
WA seasoning (month)	13.52
Longest seasoning (month)	54.00
Shortest seasoning (month)	2.00
WA borrowers' age (age)	37.21
WA OLV (%)	65.84
WA CLTV (%)	45.07
Non-balloon (%) / Balloon (%)	99.68 / 0.32
Aggregate original estimated value of vehicle (CNY billion)	16.34
New vehicle / used vehicle (%)	95.24 / 4.76
Top city (%)	Beijing / 4.29
Top province (%)	Shandong / 8.00



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