

# Credit Rating Report for RONGTENG 2019-1

## Retail Auto Loan Securitization

### Ratings Assigned

Class	Amount (CNY 10000)	Percent as of Total (%)	Rating
Senior A1	500000.00	50.00	AAA <sub>sf</sub>
Senior A2	378000.00	37.80	AAA <sub>sf</sub>
Subordinated	122000.00	12.20	NR
<b>Total</b>	<b>1000000.00</b>	<b>100.00</b>	—

Note: 1.NR - not rated, the same below.

2. The sum of the percentages may not add up to 100 due to rounding.

### Transaction Overview

Cut-off date: December 31, 2018
Legal maturity date of the trust: January 26, 2025
Type of the transaction: Static cash flow ABS
Type of the trust: Special purpose trust
Underlying asset: CNY 10,000,000,000.00 retail auto loan and its related mortgage and security interests issued by SAIC-GMAC Automotive Finance Co Ltd.
Credit enhancement mechanism: Senior/subordinated structure, trigger mechanism
Sponsor/Originator: SAIC-GMAC Automotive Finance Co., Ltd.
Trustee/Issuer: Shanghai International Trust Co., Ltd. (Shanghai Trust)
Asset service agency: SAIC-GMAC Automotive Finance Co., Ltd.
Fund custodian: HSBC Bank (China) Co., Ltd.
Lead underwriter/Book runner: Shenwan Hongyuan Securities Co., Ltd.

### Rating Assigned Date:

February 12, 2019

### Analysts

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### Rating Rationale

China Lianhe Credit Rating Co., Ltd. (hereinafter referred to as “Lianhe Ratings”) has conducted analysis on the transaction structure, legal elements, transaction related institutions, and stress tests on the cash flow modeling of the underlying assets.

The underlying assets in this transaction are retail auto loans held by the trustor SAIC-GMAC Automotive Finance Co., Ltd. (hereinafter referred to as “SAIC-GMAC”) and their related mortgage rights and security interests. The overall dispersal of the pooled assets in this transaction is extremely high (a total number of 245,959 loans), and the weighted-average down payment ratio is 34.38%, which is adequate. More importantly, as the first auto financing company with the largest business scale in China, SAIC-GMAC has extensive experiences in retail auto loan and securitization businesses, excellent historical performance based on its underwriting discipline and high asset quality. The expected cumulative default rate of this pool is 1.87%. On such a basis, the senior/subordinated structure with a trigger mechanism will provide sufficient credit support for the senior securities.

Based on the factors above, Lianhe Ratings assigns a credit rating of AAA<sub>sf</sub> to the Senior A securities (including the Senior A1 and A2 securities) under the “RONGTENG 2019-1 Retail Auto Loan Securitization”.

### Strengths

- Good asset pool quality.** The underlying assets of this transaction include a total of 245,959 retail auto loans issued by SAIC-GMAC. The borrowers are from 31 provinces, autonomous regions and municipalities across China. The outstanding principal of the single largest loan accounts for 0.003% of the

pool, and the weighted average down payment ratio is 34.38%. More importantly, the expected cumulative default rate based on historical performance data is 1.87%, which is excellent. The overall quality of the pooled underlying assets is great.

2. **The senior/subordinated structure provides sufficient credit support for the senior securities.** The senior securities receive 12.20% credit support from the subordinated securities, initially.
3. **As the first auto finance company in China, SAIC-GMAC has extensive experiences in retail auto loan and securitization businesses and has the strong ability to perform servicing.** The loan pooled into this transaction is SAIC-GMAC's retail auto loan. The process, risk control and information system of SAIC-GMAC for carrying out auto loan servicing are quite established. At the end of 2018, SAIC-GMAC had successfully launched 11 asset securitization projects in the interbank market. As the loan service agency of this transaction, it has sufficient infrastructure, personnel, and institutional knowledge and experience to discharge duties as a servicer, in our view.

#### Concerns and Risk Mitigation

1. There are many factors affecting default and recovery of a loan. The statistical methods and related data used in quantitative analysis may have certain modeling risks.  
Risk mitigation: Lianhe Ratings has performed scenario analysis to test the tolerance of senior securities and reduce modeling risks by increasing the default rate, reducing the recovery rate and narrowing the interest rate spread.
2. Once the trust has become effective, the trustor's transfer of the auto loan will have legal effect between the trustor and the trustee, and the right of vehicle pledge attached to the auto loan will be transferred to the trustee at

the same time. However, the mortgage guarantee held by the trustee may not prevail until the mortgage guarantee transfer is registered under the name of the trustee.

Risk mitigation: This transaction has set up a redemption clause for non-conforming assets. In the event that the mortgage held by the trustee cannot prevail, the trustor will redeem the corresponding asset as agreed. Lianhe Ratings will also continue to follow up closely with the performance of the trustor and the trustee and their ability to perform.

3. The global economic recovery is weak, and externalities have put downward pressure on China's economy. Macroeconomic systematic risks may affect the overall credit performance of the asset pool.

Risk mitigation: Lianhe Ratings has already considered these factors, such as the increase of the default rate and the decrease of the recovery rate on the underlying assets as a consequence of the macroeconomic systemic risk when we adjust the parameters in the default model. The above risks are reflected in the ratings assigned.