

Rongteng 2019-2 Auto Loan-Backed Securities

Ratings

Class	Amount (CNY 10,000)	Percent as of Total (%)	Rating
Senior A1	400,000.00	40.00	AAA _{sf}
Senior A2	485,000.00	48.50	AAA _{sf}
Subordinated	115,000.00	11.50	NR
Total	1,000,000.00	100.00	—

Note: 1. NR stands for not rated; the same below.

2. Figures and percentages may not sum due to rounding, the same below.

Transaction Overview

Cut-off date: May 31, 2019
 Legal maturity date: June 26, 2025
 Type of the transaction: Static cash flow ABS
 Type of the trust: Special-purpose trust
 Underlying assets: CNY 10,000,000,000 worth of auto loans issued and held by SAIC-GMAC Automotive Finance Co., Ltd. and associated mortgage rights and security interests
 Credit enhancement mechanisms: Senior/subordinated structure, trigger mechanisms
 Trustor/originator: SAIC-GMAC Automotive Finance Co., Ltd.
 Trustee/Issuer: COFCO Trust Co., Ltd.
 Loan service provider: SAIC-GMAC Automotive Finance Co., Ltd.
 Fund custodian: Shanghai Branch of China Construction Bank Corporation
 Lead underwriter/bookrunner: Shenwan Hongyuan Securities Co., Ltd.
 Co-underwriter: Agricultural Bank of China Limited, Bank of Nanjing Co., Ltd., Mizuho Bank (China), Ltd., Tebon Securities Co., Ltd.

Rating Assigned Date

July 5, 2019

Analysts

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Rationale

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

The underlying assets in this transaction are auto loans issued and held by SAIC-GMAC Automotive Finance Co., Ltd. (hereinafter referred to as “SAIC-GMAC”), the originator, and associated mortgage rights and security interests. The assets in the pool are highly diversified, including a total of 202,299 loans, with a reasonable down-payment-to-mortgage ratio of 30.98%. More importantly, as China’s first and biggest car financing company, SAIC-GMAC has extensive experience in both auto loans and securitization. Its static pools have had excellent credit performance, with an expected cumulative default rate¹ of 1.69% and an average default loan recovery rate of 69.87%. Based on the excellent quality of the asset pool, the senior/subordinated structure with trigger mechanisms will provide enough credit support for the senior securities.

Taking all the above into consideration, Lianhe Ratings assigns AAA_{sf} to the senior A securities (including senior A1 and senior A2 securities, the same below) under Rongteng 2019-2 Auto Loan-Backed Securities.

Strengths

- The underlying assets in the transaction are of good quality.** The underlying assets in the transaction include 202,299 auto loans issued by SAIC-GMAC, with the single largest loan accounting for 0.0037% of the pool and a weighted average down-payment-

loans and calculates default rates using this standard.

¹When rating auto loan-backed securities, Lianhe Ratings defines loans overdue for more than 30 days as default

to-mortgage ratio of 30.98%. The borrowers are from 31 provinces, autonomous regions and municipalities across China. More importantly, its pools have an excellent historical performance record, with an expected cumulative default rate of 1.69% and an average default loan recovery rate of 69.87%. The underlying assets in the pool are of good quality.

2. **The senior/subordinated structure provides enough credit support for the senior securities.** The senior securities receive credit support of 11.50% from the subordinated securities.
3. **As China's first car financing company, SAIC-GMAC boasts extensive experience in auto loans and securitization, and has very strong capabilities to fulfill its duties as the loan service provider of the transaction.** The assets in the pool are auto loans issued by SAIC-GMAC, which has well-developed car loan issuance process, risk control procedure and information system. As of the end of May 2019, SAIC-GMAC had successfully launched 12 asset securitization projects in the interbank market. It has very strong capabilities to fulfill its duties as the loan service provider of the transaction.

Concerns and Risk Mitigation

1. Many factors may affect default on loan repayment and subsequent loan recovery. The mathematical methods and related data used in quantitative analysis may lead to modeling risk.
Risk mitigation: By raising the default rate, reducing the loan recovery rate and lowering the interest spread level, Lianhe Ratings has tested the senior securities' tolerance of

defaults by loan borrowers, with an aim to minimize the modeling risk.

2. Once the trust becomes effective, the trustor's transfer of the auto loans will have legal effect between the trustor and the trustee, and the vehicle pledge rights associated with the auto loans will be simultaneously transferred to the trustee. However, the mortgage guarantee held by the trustee may not be effective against bona fide third parties before 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 is not effective against bona fide third parties, the trustor will redeem the corresponding asset as agreed. Lianhe Ratings will also continue to monitor the diligence of the trustor and the trustee and their ability to perform their duties.
3. Given a weak global economic recovery and complex externalities, China's economy faces continued downward pressure. Macroeconomic systematic risks may affect the overall credit performance of the asset pool.
Risk mitigation: Lianhe Ratings has already considered these factors, such as a higher default rate and a lower recovery rate of the assets in the pool due to macroeconomic systemic risks, when adjusting the parameters in the default model. The above risks are reflected in the ratings assigned.