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For overseas investors participating in the subscription of the Notes through the Northbound Trading under the Bond Connect, the specific arrangements concerning the registration, custody, settlement, remittance and conversion of funds shall follow the *Interim Measures on the Connection and Cooperation Between Mainland and Hong Kong Bond Markets* published by the People's Bank of China and other relevant laws and regulations. China Central Depository & Clearing Co., Ltd. will provide registration, custody and settlement services for the Notes, and Hong Kong Monetary Authority - Central Moneymarkets Unit (HKMA-CMU) will provide registration, custody and settlement services for overseas investors who have opened bond accounts with it.

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**BAVARIAN SKY CHINA 2019-3 ASSET BACKED NOTES**

**OFFERING CIRCULAR**



**BMW AUTOMOTIVE FINANCE (CHINA) CO., LTD.**  
(A limited liability company duly established pursuant to PRC law)  
**Originator/Service**



**CHINA FOREIGN ECONOMY AND TRADE TRUST CO., LTD.**  
(A limited liability company duly established pursuant to PRC law)  
**Trust Company/Issuer**



**CITIC SECURITIES CO., LTD.**

**Joint Lead  
Underwriter/Bookrunner**



**HSBC BANK (CHINA)  
COMPANY LIMITED**

**Joint Lead Underwriter**



**MUFG BANK (CHINA),  
LTD.**

**Joint Lead Underwriter**



**INDUSTRIAL AND  
COMMERCIAL BANK  
OF CHINA LIMITED  
Joint Lead Underwriter**

**November 2019**

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Total issue size: RMB 8,000,000,004.88  
**BAVARIAN SKY CHINA 2019-3 ASSET BACKED NOTES**



BMW AUTOMOTIVE FINANCE (CHINA) CO., LTD.  
(A limited liability company duly established pursuant to PRC law)  
Originator/Service



CHINA FOREIGN ECONOMY AND TRADE TRUST CO., LTD.  
(A limited liability company duly established pursuant to PRC law)  
Trust Company/Issuer

	Amount issued	Yield at issuance	Percentage	Rating (China Ratings)	Rating (CCXI)
Senior Asset Backed Notes	RMB 6,580,000,000.00	Fixed interest rate	82.25%	AAA <sub>sf</sub>	AAA <sub>sf</sub>
Subordinated Notes	RMB 1,420,000,004.88	No coupon rate	17.75%	NA	NA

The Trust Company will place the Senior Asset Backed Notes and Subordinated Notes with the Legal Final Maturity Date of 26 August 2027 on the Trust Effective Date, and pay the Originator the net proceeds of the offering of the Senior Asset Backed Notes. The Subordinated Notes will be retained by the Originator.

**INVESTING IN ASSET BACKED NOTES INVOLVES VARIOUS RISKS. PLEASE REFER TO THE RISK ALERT IN CHAPTER 1 HEREOF.**

Interest will accrue on the asset backed notes from (and including) the Issue Date. On each Payment Date, the Trust Company will pay the investors the principal and interest calculated based on the outstanding principal of the asset backed notes at the beginning of the Interest Period. The first Payment Date of the asset backed notes will be 26 December 2019 (or the first Business Day thereafter, if not a Business Day). Please refer to the Transaction Structure and Transaction Summary in Chapter 2 hereof for the coupon rate of the asset backed notes.

China Central Depository & Clearing Co., Ltd. will credit the asset backed notes to the custody accounts of the Noteholders on the Issue Date. Upon conclusion of the issuance, the Senior Asset Backed Notes will be traded on the national Interbank Bond Market. The Subordinated Notes will not be transferred and traded.

Comparing to the registration application by the Originator pursuant to Circular [2015] No. 7 of People's Bank of China, the commingling reserve arrangement under the transaction structure of these

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Notes has been changed, please refer to section 6 (Description of Credit Enhancement Measures), Chapter 2 of this Offering Circular for the detailed description.

China Bond Rating Co., Ltd. (which is engaged by CITICS as Joint Lead Underwriter and on behalf of the Noteholders, with the consent from the Originator and the Trust Company) and China Chengxin International Credit Rating Co., Ltd. provide the rating services for the Transaction. Please see Chapter 6 hereof for the ratings assigned to the Senior Asset Backed Notes by China Bond Rating Co., Ltd. and China Chengxin International Credit Rating Co., Ltd.

This Offering Circular is published on \_\_\_\_\_ 2019.



CITIC SECURITIES CO.,  
LTD.



HSBC BANK (CHINA)  
COMPANY LIMITED



MUFG BANK (CHINA),  
LTD.



INDUSTRIAL AND  
COMMERCIAL BANK  
OF CHINA LIMITED

**Joint Lead Underwriters**

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## IMPORTANT REMINDER

These Notes are issued in accordance with the Notice of Acceptance of Filing on the Bavarian Sky China 2019-3 Securitization Product issued by China Banking and Insurance Regulatory Commission on 25 October 2019 and has been registered with the People's Bank of China in accordance with Circular [2015] No. 7 of People's Bank of China.

The Issuer confirms that as of the date set forth on the front cover hereof, this Offering Circular contains no falsehoods, misleading statements or major omissions.

The summaries of the Credit Rating Reports, Legal Opinions, Accounting Opinions, Tax Opinions and other professional opinions in this Offering Circular have been verified by the relevant intermediary institutions, and the Issuer shall ensure the genuineness and accuracy of such summaries.

The Notes in this issue represent only corresponding shares in the beneficiary interests in the special purpose Trust and do not constitute liabilities of the Originator, the Trust Company or any other organization towards the investors. The recourse of investors under the Notes in this issue is limited to the Trust Assets. The Originator assumes no obligation or liability for any losses that may arise in the course of the credit asset securitisation other than the duties it may be required to assume as Grantor and Servicer under the Trust Agreement and the Servicing Agreement. The Trust Company's obligation to investors for payment of the principal of and earnings from the Notes is limited to the Trust Assets.

Investors purchasing Notes in this issue should carefully read this Offering Circular and the relevant disclosure documents and make independent investment judgements. The filing acceptance for this Notes issue given by the competent authorities do not constitute any appraisal of the investment value or any judgement of the investment risk of the Notes in this issue.

For overseas investors participating in the subscription of the Notes through the Northbound Trading under the Bond Connect, the specific arrangements concerning the registration, custody, settlement, remittance and conversion of funds shall follow the *Interim Measures on the Connection and Cooperation Between Mainland and Hong Kong Bond Markets* published by the People's Bank of China and other relevant laws and regulations. China Central Depository & Clearing Co., Ltd. will provide registration, custody and settlement services for the Notes, and Hong Kong Monetary Authority - Central Moneymarkets Unit (HKMA-CMU) will provide registration, custody and settlement services for overseas investors who have opened bond accounts with it.

This Offering Circular is prepared in Chinese and the English translation is for reference only.



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## **Chapter 1 Risk Alert**

This Chapter discloses the main risks faced by the Asset Backed Notes and the steps taken in response thereto, and the investors should read this Chapter carefully before making decision on whether to invest in the Asset Backed Notes.

### **1. Credit Risk**

The Borrowers of the Loan Receivables may delay or fail to make their due and payable principal and interest payments on their Loan Receivables for subjective or objective reasons, resulting in delay or failure to pay the principal and gains on the Notes and thus causing loss.

In this Transaction, the following policies will be adopted to manage this risk: (1) the inclusion of Purchased Loan Receivables in the Trust Assets is subject to Eligibility Criteria and, on the Trust Effective Date and Additional Purchase Date, the Originator gives an Asset Warranty on each of the relevant Purchased Loan Receivables entrusted or transferred by it to the Trust Company; if any of the Purchased Loan Receivables is found not to meet the Eligibility Criteria on the relevant Cut-off Date, the Originator is obligated to pay a Deemed Collection to the Trust Company; this policy eliminates to a certain extent the possibility that Loan Receivables with a relatively high chance of default are included in the Trust Assets; (2) to a certain extent, the Originator's strict loan approval procedure, comprehensive post-disbursement management system and effective loan recovery methods reduce the likelihood of defaults on the Loan Receivables and mitigate the loss that would result from such defaults; (3) each of the Loan Receivables included in the Trust Assets is secured by a mortgage of the Financed Vehicle, which reduces to a certain extent the likelihood of Borrower defaults.

### **2. Transaction Structure Risk**

The Transaction involves a relatively large number of participating entities and other entities, and its structure is relatively complex, for instance, the application of replenishment provisions. Therefore, breach of contract on the part of an entity participating in the Transaction or another entity for subjective or objective reasons could cause delays or losses with respect to the payment of principal and interests on the Notes. Such risk chiefly includes the following: (1) risks associated with the replenishment arrangement; (2) improper conduct or breach of contract on the part of the Trust Company, the Servicer or the Issuer Account Bank; and (3) the Servicer's operational risk.

In this Transaction, the following policies will be adopted to manage this risk: (1) pursuant to the terms of the Transaction Documents, the Originator has agreed to select the Additional Loan Receivables that meet the Eligibility Criteria during the Revolving Period, and the Additional Loan Receivables shall also conform to the representations and warranties made by the Originator in respect of the Additional Purchased Loan Receivable. During the Revolving Period, the Servicer shall strictly implement the information disclosure in accordance with the terms of the Transaction Documents and the applicable regulatory

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requirements; (2) the Transaction Documents contain express provisions concerning the rights and obligations of the Trust Company, the Servicer and the Issuer Account Bank and stipulations concerning determination of the liability and compensation for improper conduct or breach of contract on the part of an entity; (2) the *Servicing Handbook* contains detailed provisions on the operations of the Servicer, thus mitigating the Servicer's operational risk.

### **3. Concentration Risk**

Concentration risk refers to the risk that the loans in the asset pool are concentrated in certain aspects due to factors such as the type of borrower, geographical area, automobile brand and model and type of loan.

The Initial Purchased Loan Receivables under the Transaction contains up to 48,855 loans borrowed by 48,846 borrowers from over 10 different industries domiciled in 31 different provinces, autonomous regions or municipality directly under the central government. Loans in the pool may include various types of automobile loan products offered by BMW Finance to individual customers for new vehicles. Loans in the pool are highly dispensed in terms of borrower.

The mortgaged vehicles for the loans in the pool are BMW and MINI vehicles. The brands and models of the vehicles are relatively concentrated. In the case that the brand suffers reputational risk or there is a recall of a specific model, it may adversely affect the valuation and realization of the vehicle. However, considering that BMW and MINI brands have been enjoying a good market reputation for a long term, the concentration risk in respect of automobile brands and models will be alleviated to certain extent.

In addition, the Transaction Document sets up additional eligibility criteria for replenishment to mitigate concentration risks that may be resulted therefrom. In respect of the Additional Purchased Loan Receivables transferred by the Originator to the Trust Company on each Additional Purchase Date, the Trust Agreement requires that the percentage in terms of the outstanding principal balance of the Additional Purchased Loan Receivables from the same province or municipality directly under Central Government of China (based on the locations of the distributors of the relevant Financed Vehicles) is no more than 20%.

The above ensures dispersity of the Initial Purchased Loan Receivables under the Transaction and lowers the concentration risk.

### **4. Liquidity Risk**

The Senior Asset Backed Notes in this Issue will be listed and traded on the National Interbank Bond Market; however, this does not necessarily mean that they will have good liquidity. Investors investing in these Notes may not be able to trade the Notes at will or may experience some discount loss upon transfer.

With regard to this risk, the following countermeasures will be taken for the transaction: (1) The weighted average term of the Senior Asset Backed Notes is relatively short, so the

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anticipated liquidity is likely to be relatively good. (2) In line with market development, the scale of asset securitization product offerings will further increase, the trade platform will become richer, the deregulation of repurchase transactions, etc. will cause the liquidity of asset securitization products to improve. (3) With the implementation of asset securitization pilot project, the investors have an understanding of this type of products, which will help involve more qualified investors in the investments and increase the liquidity accordingly.

## **5. Interest Rate Risk**

8.90% of the Initial Purchased Loan Receivables adopt floating interest rate, and 91.10% adopt fixed interest rate. When PROC adjusts the benchmark interest rate, the Originator may adjust the floating interest rate of the loans accordingly. If the loan interest rate fluctuates, the price of the Notes may be affected.

With regard to this risk, the following countermeasures have been adopted for this transaction. According to the Loan Agreements between the Originator and the Borrowers, the Originator has the right to maintain the interest rates unchanged in the case of adjustment of the corresponding benchmark loan interest rates by PBOC. Further, according to the transaction arrangements, in the event that PBOC adjusts the benchmark loan interest rates, to the extent permitted under applicable laws and regulations, the Servicer will not adjust the interest rates of the Purchased Loan Receivables.

## **6. Risk of Devaluation of Financed Vehicles**

Each of the Trust Assets includes a mortgage of the Financed Vehicle, giving rise to the risk of devaluation of the Financed Vehicle in the wake of the depreciation of the Financed Vehicle and the possible future reduction of the car price.

In this Transaction, the following policy will be adopted to manage this risk: Loan Receivables included in the Trust Assets are subject to the restriction that the rate of down-payment at the time of disbursement may not be lower than 20%. To certain extent, the requirement on the rate of down-payment has covered the potential impact on the Investors' rights caused by devaluation of the Financed Vehicle and will mitigate the risk presented by the devaluation of Financed Vehicles.

## **7. Operational Risk**

Operational risk refers to the risk of loss caused by the Originator as a result of inappropriate or defective internal procedures, personnel or system, or external incidents, including internal procedure risk, institutional risk, legal risk, liquidation risk, IT system risk, personnel risk and external incident risk.

In order to mitigate such risk, the Originator has put in place a compliant operational process for its retail car mortgage loan business, please refer to Section 7 of Chapter 3 (Originator's Management of Its Auto Loans).

## **8. Legal Risk**

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Legal risk refers to the risk of unenforceability of contracts due to imperfectness of the external financial regulations, the misunderstanding or poor implementation of the legal provisions by the parties, or the lack of details of the legal provisions, and all such risks of loss arising from litigation, adverse judgement and inadequacy and lack of legal documentation. Legal risk may arise during the signing and performance of the contracts as well as the dispute resolution stage of the same.

#### **9. Risk of Breach or Material Adverse Change of the Transaction Parties**

There are a number of Transaction Parties involved in this transaction. Despite that the rights and obligations of each Transaction Party have been documented in the Transaction Documents in detail, the Issuer is not able to eliminate the risk that the investors may suffer loss due to the breach or material adverse change of any Transaction Party.

In order to mitigate such risk, certain replacement or termination events in respect of main Transaction Parties (including Servicer) have been contemplated under this transaction. For example, if the Servicer fails to perform its material obligations which is not remedied according to the Servicing Agreement, the Issuer may terminate its appointment of the Servicer by written notice to the Servicer. In the case that an Insolvency Event occurs with respect to the Servicer, the appointment of the Servicer would be automatically terminated. In such cases, a succeeding Servicer will be appointed by the Issuer in accordance with the requirements under the Servicing Agreement.

#### **10. Prepayment Risk of Loan Receivables**

Loan Receivables could be prepaid, causing the actual weighted average tenor and maturity periods of the Notes to be shorter than expected and thus creating reinvestment risk for the Investors.

Further, since the Notes involve replenishment structure, the investors may also face the prepayment risk arising from the early termination of the Revolving Period, for instance, if the assets of the Originator available for the replenishment are insufficient to support the replenishment, the Early Amortisation Event may be triggered and the Notes will early amortize, which would give rise to prepayment risks to the investors.

In this Transaction, the following policies will be adopted to manage this risk: (1) the Loan Agreements entitle the Trust Company to charge Borrowers who prepay the principal and interest of their Loan Receivables within one year (in some of the Loan Agreements, two years) from drawdown a certain prepayment fee, thus reducing the likelihood of principal and interest prepayments by Borrowers; (2) it can be inferred from the Originator's historical data that the percentage of Borrowers who prepay the principal and interest of their Loan Receivables is relatively small.

#### **11. Risk of Limited Recourse over the Trust Assets**

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The Notes represent only the relevant shares in the Trust Interests of the special purpose Trust. They do not constitute obligations to the investors on the part of the Originator or the Trust Company or any other organization. The recourse of the investors under the Notes is limited to the Trust Assets.

With regard to this risk, as specified in the Transaction Documents, the Trust Company, the Originator, the Servicer and the Issuer Account Bank, etc. must perform their respective rights and obligations, which can, to a certain extent, ensure that in the event of loss of the Trust Assets due to default or misconduct on the part of the relevant entity, there will be recourse against the relevant entity in order to recover the losses sustained by the Trust Assets due to such default or misconduct. Accordingly, the fact that the recourse available to investors is limited to the Trust Assets does not mean that all the losses incurred by the Trust Assets will be solely borne by the investors.

## **12. Risk Arising from Inability to Change Mortgage Right Registrations**

Since the number of Loan Receivables included in the Trust Assets is relatively high, the cost of changing each individual mortgage registration would be prohibitive, so the Originator and the Trust Company will not register the mortgage transfers. If a default on a Loan Receivable requires exercise of the mortgage rights in respect of the Financed Vehicle, the failure to change the mortgage registration could make it impossible to use the mortgage as a defence against *bona fide* third parties and ultimately expose the Investors to risk.

While the repayment risk is difficult to predict, in this Transaction, the following policies will be adopted to manage this risk: (1) according to the *Law of the People's Republic of China on Property Rights*, failure to change the mortgage registrations after the Originator has entrusted the Trust Assets (including the mortgage rights) to the Trust Company will have no effect on the legality and validity of the factual transfer of the mortgages by the Originator to the Trust Company; it is just that the Trust Company will not be able to use the mortgage as a defence against *bona fide* third parties when exercising its mortgage rights; (2) the Trust Agreement provides that one of the duties to be fulfilled by the Originator in its capacity of Servicer is to continue to be registered as mortgagee with the registration department of a competent Governmental Authority of the PRC; in addition, the Originator, in its capacity of Servicer, holds the originals of the vehicle registration certificates (indicating the Originator as the mortgagee) on behalf of the Trust Company, so it is very unlikely that a *bona fide* third party would be able to prevent the Trust Company from exercising its mortgage rights.

## **13. Risk Arising if the Beneficiaries of the Ancillary Security Interests Remain the Same**

After the Originator entrusts the relevant Loan Collateral to the Trust Company on the Trust Effective Date, it is possible that for certain reasons (whether or not in the control of the Originator) the beneficiary of the relevant Loan Collateral is not changed promptly. This could affect the realization of the relevant Loan Collateral held by the Trust Company on behalf of the Investors and thus cause the Investors to suffer loss.

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In this Transaction, the following policies will be adopted to manage this risk: (1) according to the *Contract Law of the People's Republic of China*, even if the beneficiary is not changed after the Originator entrust the Loan Collateral to the Trust Company, the legality and validity of the transfer of the rights will not be affected; (2) if the realization of the rights is prejudiced by a third party, the Trust Company may seek recourse against such third party according to law, thus making up for the effect of the prejudice.

#### **14. Risk of Change of Laws**

As an additional risk, the possible future changes in securitization laws may cause investors to bear a heavier tax burden.

With regard to this risk, the following countermeasures have been adopted for this transaction. The average remaining term of the Trust Assets for these Notes is 25.12 months. Accordingly, for the foreseeable life of the Notes, the possibility of a change in the law and of a negative impact from such changes in the law on investors investing in this Issue is relatively slight.

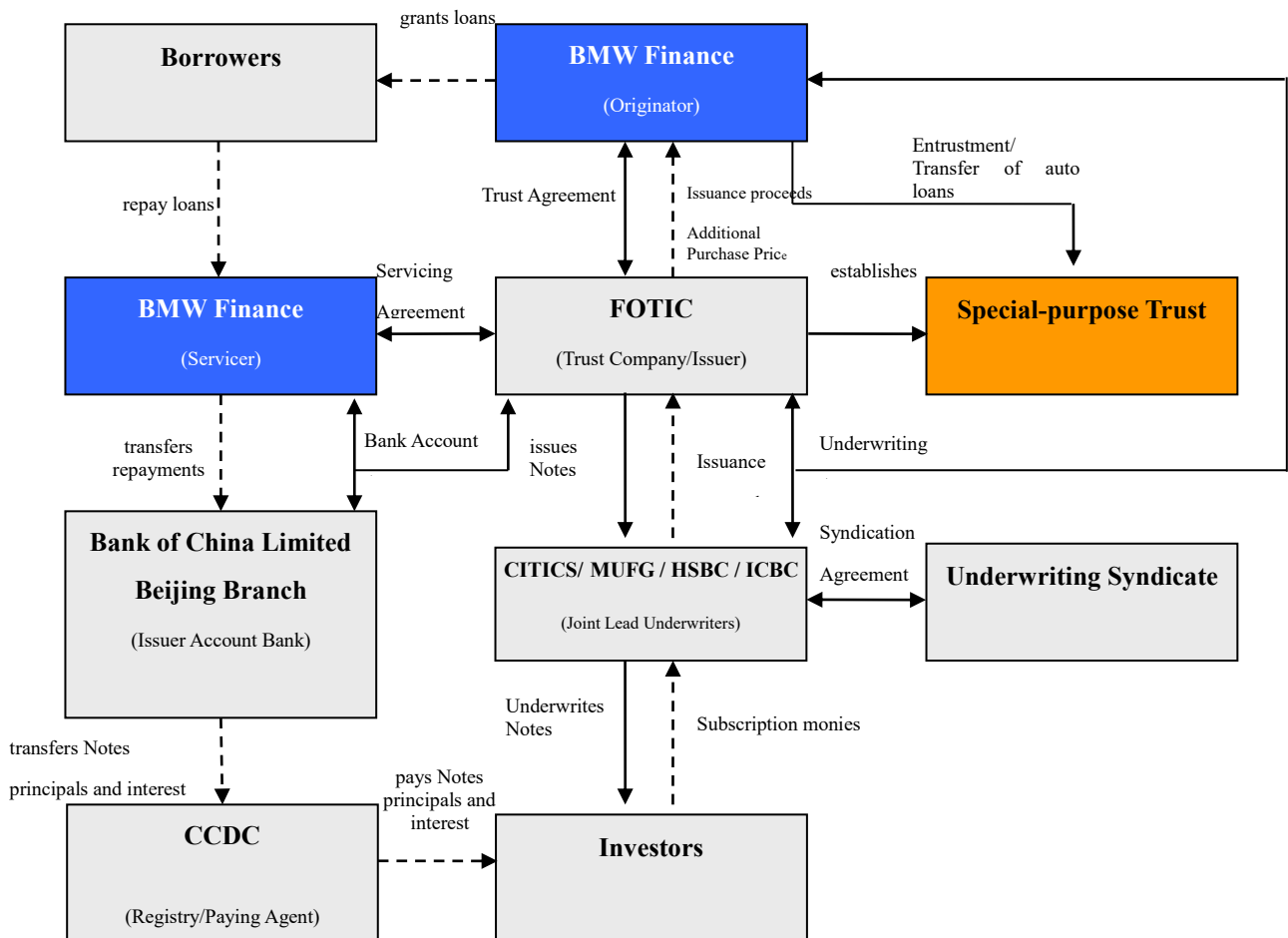
#### **15. Change of Information Comparing to the Registration Application Report**

On 28 October 2019, the Originator disclosed the *Registration Application Report of BMW Automotive Finance (China) Co., Ltd. for the Bavarian Sky China Individual Auto Loan Securitization Projects for the Next Two Years* on the websites of ChinaBond, ChinaMoney and Beijing Financial Assets Exchange. Comparing to the key information disclosed under such Registration Application Report, the primary difference of this transaction is that the Eligibility Criteria has been supplemented by adding the requirements on the mortgage registrations. The other key information related to the Notes remain unchanged.

## Chapter 2 Transaction Structure

### 1. Transaction Structure Chart and Transaction Summary

The following diagram shows the basic transaction structure of the Notes in this issue. Solid lines indicate the legal relationship between the parties and dotted lines show cash flow transfers.



The specific transaction process is as follows:

According to the Trust Agreement, BMW Finance, as the Originator, will entrust all of its rights and claims to the Purchased Loan Receivables to FOTIC, as the Trust Company, and FOTIC will form the Trust. The Trust Company will issue the Notes backed by the Trust Assets and pay the subscription proceeds of the Senior Notes to the Originator after deducting all upfront costs and expenses in relation to the Issue.

The Trust Company will issue Notes to the Originator and pay the relevant Tax, Trust expenses and the principal of and earnings from the Notes in this issue, to the extent of the

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cash generated by the Trust Assets. The Notes in this issue are divided into Senior Asset Backed Notes and Subordinated Notes.

During the Revolving Period, the Originator may offer to transfer Additional Loan Receivables to the Trust Company on the next Payment Date by delivering an Offer in a written or electronic form on an Offer Date falling within the Revolving Period. The Trust Company shall accept the Offer with respect to all Additional Loan Receivables contemplated thereunder and any and all other matters contemplated under the Trust Agreement. If, on the Payment Date following the Offer Date of such Offer, all conditions precedent contemplated under the Trust Agreement (including a complete list of assets of the relevant Additional Loan Receivables) have been accomplished to the satisfaction of the Trust Company or expressly waived by it in writing, the Trust Company shall then apply the credit balance under the Replenishment Sub-account towards the payment of Additional Purchase Price of the Additional Loan Receivables pursuant to the Trust Agreement; in the meantime, such Additional Loan Receivables (including relevant Loan Collateral) shall be deemed to have been transferred to the Trust Company. Afterwards, all rights, benefits and interests (including the Loan Collateral in relation to such Offer) of the Originator in respect of such Additional Loan Receivables shall be transferred to the Trust Company.

BMW Finance, as the Originator, will strictly follow the requirement in *Notice of the People's Bank of China, the China Banking Regulatory Commission and the Ministry of Finance on Relevant Matters Concerning Further Expanding the Pilot Securitization of Credit Assets (No. 127 [2012] of the People's Bank of China)*, as well as relevant risk retention requirements applicable to the originators of credit asset securitizations (*Public Announcement of PBC and CBRC [2013] No. 21*), and plans to hold all of the Subordinated Notes, the size of which is 17.75% of the total issuance size. The holding period will be no shorter than the tenor of the Subordinated Notes.

According to the Underwriting Agreement and the Syndication Agreement, the Trust Company will instruct the Joint Lead Underwriters to underwrite the Senior Asset Backed Notes, and the Joint Lead Underwriters will form a Syndication to complete the underwriting work. The Subordinated Notes will be issued to the Originator through private issue.

According to the Servicing Agreement, the Trust Company will instruct the Servicer to manage and service the day-to-day collections of Purchased Loan Receivables.

According to the Bank Account Agreement, the Trust Company will instruct the Issuer Account Bank to provide bank account services for the cash assets generated by the Trust Assets.

According to the Agency Agreement, the Trust Company will instruct CCDC to provide registrar, custodian and paying agent services for the Notes.

Hong Kong Monetary Authority - Central Moneymarkets Unit (HKMA-CMU) will provide registration, custody and settlement services for overseas investors who have opened bond accounts with it.



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The Trust Company intends to arrange for the Senior Asset Backed Notes to be listed and traded on the National Interbank Bond Market. The Subordinated Bonds will not be listed and traded.

## **2. Profiles of Participants**

### **(1) Profile of the Trust Company**

#### **(a) Basic Details**

The basic details of FOTIC are as follows.

Name in Chinese:	中国对外经济贸易信托有限公司
Name in English:	China Foreign Economy and Trade Trust Co., Ltd.
Legal representative:	Yang Lin
Registered capital:	RMB 2,740,621,140.33
Registered address:	F6, Central Tower, Chemsunny World Trade Centre, No. 28 Fuxingmennei Street, Xicheng District, Beijing
Website:	<a href="http://www.fotic.com.cn/">http://www.fotic.com.cn/</a>

#### **(b) History and Business Overview**

Founded in 1987, China Foreign Economy and Trade Trust Co., Ltd. (FOTIC) is one of the earliest trust companies established in China. It is a wholly-owned subsidiary of Sinochem Group, a Fortune Global 500 company, as well as one of the vice president units of the China Trustee Association.

In 1994, FOTIC was merged into Sinochem Group.

In 2002, FOTIC obtained the permit for legal person trust institution.

In 2008, FOTIC increased its registered capital to RMB 1.2 billion.

In 2010, FOTIC increased its registered capital to RMB 2.2 billion.

In 2018, the controlling shareholder of FOTIC was changed to Sinochem Capital Co., Ltd. and the registered capital was increased to RMB 2.74 billion.

The registered capital of FOTIC is RMB 2.74 billion. Sinochem Capital Co., Ltd. and Sinochem Finance Co., Ltd. each hold 96.97% and 3.03% of the shares in FOTIC respectively.

The main business scope of FOTIC is fund trust, chattel trust, real estate trust, securities trust, other property or property rights trusts, as a sponsor of an investment fund or fund management company engaged in investment fund business, business enterprise assets restructuring, purchase and project financing, corporate finance, financial advisor and other business, the securities underwriting business approved by the relevant departments of the

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state council, handle business of intermediary, consultation and credit investigation, custody and warehousing business, other businesses approved by the laws and regulations or CBIRC.

FOTIC's development goal is to become "a modern financial company that leads innovation, serves real economy and put people first". Over the past 30 years, FOTIC has been implementing the concept of "prospects from promises" in its services and persisting in creating customer-oriented products and improving its product and organization through specialized operation and business innovation to become a modern financial company that leads innovation, serves real economy and put people first. FOTIC is devoted to the provision of comprehensive financial solutions for its customers. Focusing on its six business sectors including micro finance, securities trust, financial institutions, capital market, industrial finance and wealth management, FOTIC holds the qualifications such as national interbank bond trading, assets securitization-specific trust institutions, qualified investor in the block trading system, interbank lending, equity investment with inherent assets, stock index futures trading, entrusted overseas financial management services (QDII), private equity fund manager and observer member of the Asset Management Association of China.

FOTIC currently focuses on micro finance, industrial finance, capital market and wealth management to create chain competitive advantage. In respect of securitization, FOTIC obtained the qualification as the trustee of special purpose trusts in 2006 (Yin Jian Fu [2006] No. 422). By the end of 2016, FOTIC issued varied securitization products with a total size of RMB 47.52 billion, including: Industrial Bank 2007 Xingyuan Series 1 Credit Asset Backed Securities, China Zheshang Bank 2008 Zheyuan Series 1 Small and Medium Enterprises Credit Asset Backed Securities, 2014-2 Kaiyuan Railway Special Credit Asset Backed Securities, Fengyuan 2014-1 Personal Automobile Mortgage Loan Securitization Trust Asset Backed Securities, 2015 Zheyuan Series 1 Credit Asset Backed Securities, 2015-3 Kaiyuan Credit Asset Backed Securities, 2015-7 Kaiyuan Credit Asset Backed Securities, Haoyun 2015-1 Credit Asset Backed Securities, Yanyin 2015-1 Credit Asset Backed Securities, Ruicheng 2016-1 Automobile Mortgage Loan Backed Securities, Ruicheng 2016-2 Automobile Mortgage Loan Asset Backed Securities, Gongyuan 2016-1 Non-Performing Asset Backed Securities, Fengyao 2016-1 Personal Automobile Mortgage Loan Asset Backed Securities, Chongyin 2016-2 Credit Asset Backed Securities, Wanjin 2016-1 Lease Asset Backed Securities, Qifu 2016-1 Personal Housing Mortgage Loan Asset Backed Securities and Gongyuan 2016-2 Non-Performing Asset Backed Securities.

In 2017, FOTIC issued 7 securitization products, including: Fengyao 2017-1 Personal Automobile Mortgage Loan Asset Backed Securities, Ruicheng 2017-1 Personal Automobile Mortgage Loan Asset Backed Securities, Gongyuan 2017-1 Non-Performing Asset Backed Securities, Wanjin 2017-1 Lease Asset Backed Securities, Ruicheng 2017-2 Personal Automobile Mortgage Loan Asset Backed Securities, Gongyuan 2017-6 Non-Performing Asset Backed Securities, Fengyao 2017-2 Personal Automobile Mortgage Loan Asset Backed Securities.

In 2018, FOTIC issued 5 securitization products, including: Zhongyu 2018-1 Non-Performing Asset Backed Securities, Gongyuanzhicheng 2018-1 Non-Performing Asset Backed

Securities, Suliyingfeng China 2018-1 Personal Automobile Mortgage Loan Backed Securities, Gongyuanzhicheng 2018-5 Non-Performing Asset Backed Securities, Suliyingfeng China 2018-2 Personal Automobile Mortgage Loan Backed Securities.

By the end of September 2019, FOTIC has issued 6 securitization products successfully, including: Changying 2019-1 Retail Auto Loan Asset Backed Notes, Xuzhou Yueshui Water Co., Ltd 2019-1 Asset Backed Notes, Silver Arrow China 2018-1 Retail Auto Loan Asset Backed Notes, Shuangyuan CLO Series 2019-1, Changying 2019-2 Retail Auto Loan Asset Backed Notes, Bavarian Sky China Leasing 2019-2 Asset Backed Notes. In addition, FOTIC has been appointed as the trustee of many joint-stock banks, urban commercial banks and automobile finance companies.

### (c) Summary of Financial Position

The main audited financial data of FOTIC from 2016 to 2018 is as follows:

#### Main financial data of FOTIC from 2016 to 2018

Unit: RMB Million

Item	31 December 2018/ 2018	31 December 2017/ 2017	31 December 2016/ 2016
Total assets	15,003.19	12,531.75	7,831.88
Trust assets	449,059.79	500,608.82	476,257.07
Net assets	12,588.65	8,952.67	7,696.35
Revenue	2,997.76	2,584.47	1,995.26
Include: main operating income	2,997.76	2,584.47	1,995.26
Net profit	1,946.14	1,621.44	1,098.17
Net profit margin	64.92%	62.74%	55.04%

## (2) Profile of the Originator

### (a) Basic Particulars

The basic particulars of BMW Finance are as follows:

Name in Chinese:	宝马汽车金融（中国）有限公司
Name in English:	BMW Automotive Finance (China) Co., Ltd.
Legal representative:	Serge Naudin
Registered capital:	RMB 9.8 billion

Registered address:	22 <sup>nd</sup> Floor, Suite B, Gateway Plaza, 18 Xianguangli, North Dongsanhuan Road, Chaoyang District, Beijing
Website:	www.bmw.com.cn

(b) History

BMW Finance was established with CBRC approval on 30 September 2010. Its registered capital is RMB500 million. It is a Sino-foreign equity joint venture registered in Beijing. Its shareholders and the percentages of their shareholdings are as follows: Bayerische Motoren Werke Aktiengesellschaft, holding a 58% share, and BMW Brilliance Automotive Ltd., holding a 42% share.

With the approval of CBRC's Beijing Office, BMW Finance completed its first capital increase in April 2012. Its registered capital was increased to RMB1.7 billion, without any change in the shareholding structure, with Bayerische Motoren Werke Aktiengesellschaft holding a 58% share and BMW Brilliance Automotive Ltd., holding a 42% share.

With the approval of CBRC's Beijing Office, BMW Finance completed its second capital increase in January 2013. Its registered capital was increased to RMB3.7 billion, without any change in the shareholding structure.

With the approval of CBRC's Beijing Office, BMW Finance completed its third capital increase in November 2013. Its registered capital was increased to RMB4.8 billion, without any change in the shareholding structure.

With the approval of CBRC's Beijing Office, BMW Finance completed its fourth capital increase in August 2017. Its registered capital was increased to RMB9.8 billion, without any change in the shareholding structure.

(c) Introduction of main business and current status

BMW Finance is a car financing company approved by CBRC. Its principal business comprises car financing services, including the provision of car purchase loans to individual and corporate customers and the provision of car procurement loans and operating equipment loans to dealers.

The retail car loan business of BMW Finance has made rapid progress since its launch in November 2010. As at the end of March 2019, it was cooperating with nearly 580 car dealers and providing retail car mortgage loan services in more than 270 cities around the country. As at the end of June 2019, the outstanding balance of its retail car mortgage loans exceeded RMB 83.955 billion, and the number of such loans totalled 555, 287.

By end of June 2019, the retail loan products of BMW Finance include BMW and MINI standard retail financing products and Rolls-Royce standard retail financing products. BMW

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and MINI standard retail financing products include Standard Loan Products, Standard Flexible Balance Payment Products, Standard Loan of Ease Products, Standard Wisdom Enjoyment Products, Regular Products for Officially Certified Used Cars, Flexible Balance Payment Loan Products for Officially Certified Used Cars, Loan of Ease Products for Officially Certified Used Cars, Wisdom Enjoyment Products for Officially Certified Used Cars. Rolls-Royce standard retail financing products include standard products.

BMW Finance provides seasonal promotional products according to the sales plan of manufacturer:

- (i) BMW, MINI Loan of Pleasure Plan: down-payment with a minimum of 20%, term of loan from one to three years, a maximum of 30% of the price of vehicles as final repayment, low interest rate, equal monthly instalments from customers;
- (ii) BMW, MINI Loan of Ease Plan: down-payment with a minimum of 20%, annual lump sum repayment of 10% to 16% of the price of vehicles (for MINI, the ratio is 30%) in addition to the ordinary monthly repayments, term of loan from two to three years, low interest rate, low monthly payment;

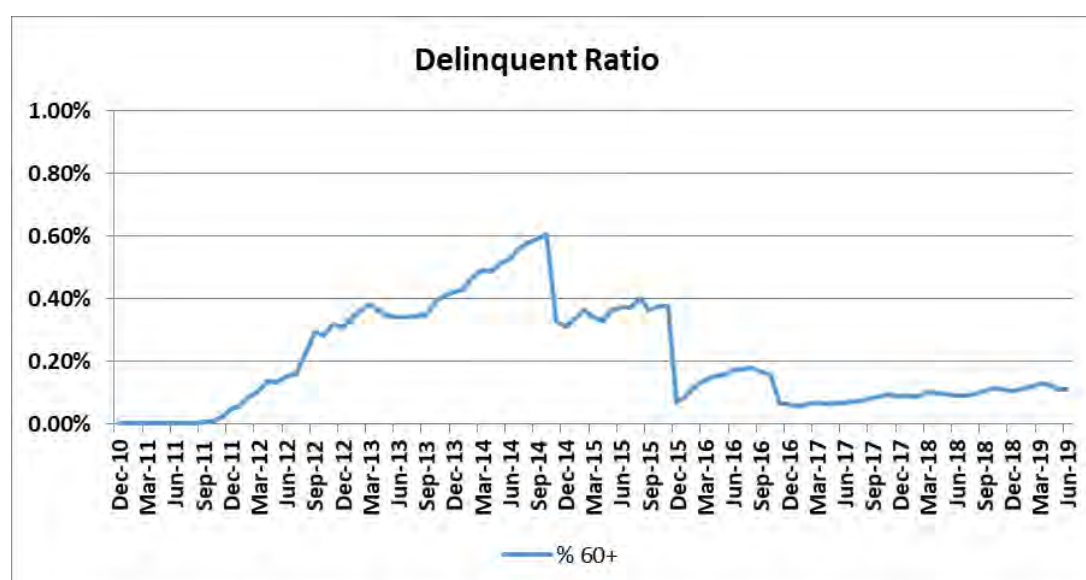
In the meantime, since April 2016, BMW Finance has developed the following products pursuant to the *Guiding Opinions of the People's Bank of China and the China Banking Regulatory Commission on Enhancing the Financial Support for New Consumption Areas*:

- (i) With respect to the ancillary fees in relation to the purchased vehicles, BMW Finance has launched a monthly extension plan which covers vehicle insurance, vehicle purchase tax, key maintenance service for BMW and MINI brands and certain original parts of BMW vehicles (including entire set of wheels, M Performance parts, Wise Eyes automobile data recorder, solar film); starting from December 2018, BMW vehicles can enjoy coverage for extended original warranty. As of June 2019, BMW Finance has entered into a total of 18,164 new ancillary fee product contracts with an increase in loan amount at RMB 131,550 thousand (for ancillary fees only).
- (ii) With respect to the officially certified used cars (formally known as the Honor Choice Used Cars) loan products, the minimum down payment ratio is adjusted to 30%. As of June 2019, BMW Finance has entered into a total of 1,855 new used car loan contracts with an increase in loan amount at RMB 362,770 thousand.
- (iii) Adjusting the minimum down-payment ratio of new energy car loan products to 15%. As of June 2019, BMW Finance has entered into a total of 2,610 new energy car loan contracts with an increase in loan amount at RMB 708,910 thousand.
- (d) Historical Data
  - (i) Overdue Rate

As required by the CBIRC, BMW Finance divides its loans into five categories according to risk, namely normal, watch, substandard, doubtful and loss.

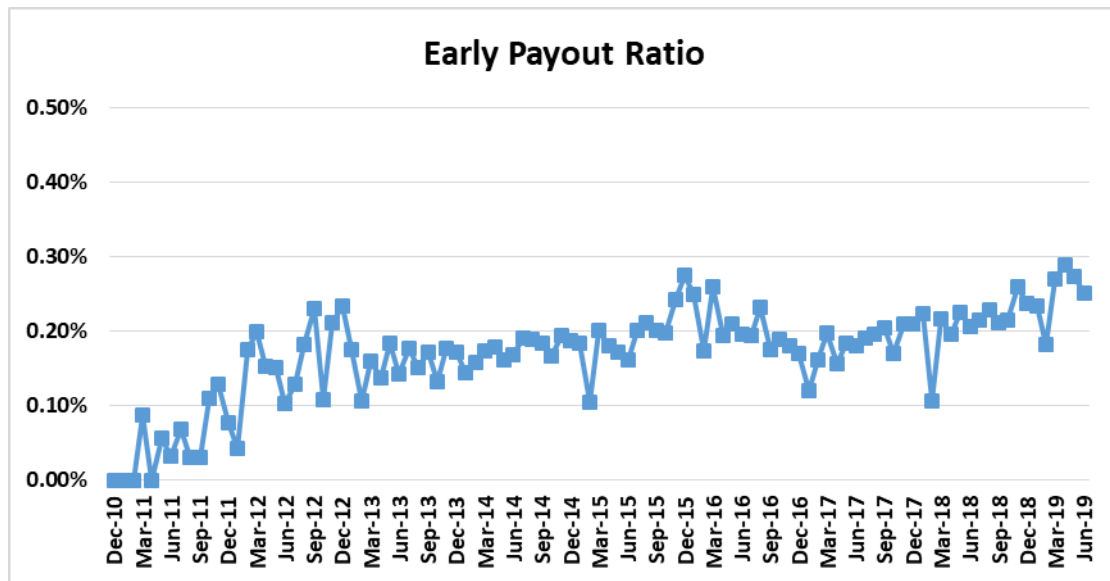
The number of days overdue is one of the major factors considered in the classification of assets. If principal or interest is overdue for 1 to 3 days, the loan should generally be classified as normal. If the principal or interest is overdue for 4 to 29 days, the loan should generally be classified as to be watched. If the principal or interest is overdue for 30 to 89 days, the loan should generally be classified as substandard. If the principal or interest is overdue for 90 to 179 days, the loan should generally be classified as doubtful. If the principal or interest is overdue for 180 or longer, the loan should generally be classified as a loss.

The following graph shows the 60 days+ overdue rate of BMW Finance's retail car loan business from December 2010 to June 2019.



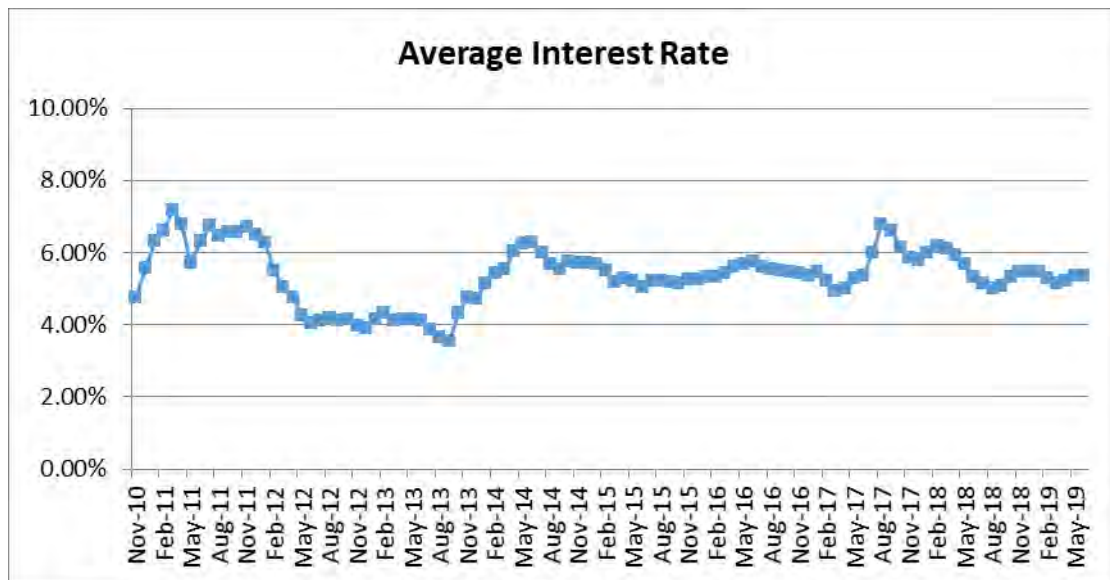
## (ii) Prepayment Rate

The following chart shows prepayments on BMW Finance's monthly retail car mortgage loans from December 2010 to June 2019. The repayment rate is derived by dividing the current principal amount of prepaid loans by the total contract amount of all the loans as at the beginning of the period's month.



(iii) Average Loan Interest Rate

The following chart shows the monthly averages of BMW Finance's retail loans from November 2010 to June 2019. Average loan interest is derived by dividing the sum of the loan interest rates under the contracts whose loans were disbursed that month by the total number of contracts whose loans were disbursed that month. The sum of loan interest rates under the contracts whose loans were disbursed that month does not include manufacturer's discount interest rates.



(e) Summary of Financial Position

The following financial data was taken from BMW Finance's 2016, 2017, 2018 and end of June 2019 financial reports as prepared pursuant to Chinese accounting principles. The

financial reports for 2016, 2017 and 2018 have been audited pursuant to Chinese accounting principles by KPMG Huazhen LLP, which issued a standard, clean opinion thereon.

Unit: RMB'000

	End of June 2019	End of 2018	End of 2017	End of 2016
Total assets	98,657,924	99,293,346	87,354,768	86,718,894
Owners' equity	17,093,426	15,911,819	14,333,941	7,255,777
Operating revenue	2,043,123	3,339,321	3,565,380	2,600,533
Operating profit	1,609,598	2,190,545	2,798,161	1,489,144
Total profit	1,609,685	2,137,213	2,794,224	1,462,942
Net profit	1,181,607	1,577,878	2,078,164	1,129,804

BMW Finance's main regulatory indicators as in June 2019:

	30 June 2019
Capital adequacy ratio	20.08%
Core capital adequacy ratio*	18.93%
Bad debt ratio of retail auto loans**	0.17%

Notes:

\* According to the notes for filling out the Quarterly Statistical Statement of the Capital Adequacy Ratio of a Car Financing Company issued by CBIRC, core capital includes paid-in capital, capital common reserve, surplus common reserve, retained profit and ordinary reserves;

\*\* Bad debts have been calculated according to the approach specified in the CBIRC's *Guiding Principles for Classification of the Asset Risks of Non-Banking Financial Institutions (for Trial Implementation)*.

### **(3) Joint Lead Underwriters**

#### **1. CITIC Securities Co., Ltd.**

CITICS was one of the three pilot securities companies that obtained the qualification to engage in innovative securities activities. Incorporated on 25 October 1995, CITICS continuously adhere to the principle of "Innovation through building up a sound foundation", and has obtained outstanding achievements in network establishment, business exploration, risk control and other sectors. As of end of 2018, with the total assets being RMB 653,133 million CITICS is the largest securities company in the PRC.



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In 2017, CITICS's brokerage, stock underwriting, bonds underwriting, stock exchange transaction, fund management, research and other principal businesses continued to maintain the market leading position.

CITICS has accumulated a wealth of experience in securitization after years' development in fixed income instruments. As of end of 2017, it has launched 444 Securitizations within CIBM in the PRC cumulatively, with CITICS being the Lead Underwriter in 133 securitizations. CITICS will continue to forge ahead with determination and explore the new business areas.

## **2. HSBC Bank (China) Company Limited**

HSBC Bank (China) Company Limited, or "HSBC China", is wholly owned by the Hong Kong and Shanghai Banking Corporation Limited and was locally incorporated on April 2, 2007. As of 31 December 2018, HSBC China has the total assets of RMB476.32 billion, the owner's equity of RMB49.38 billion, and the capital adequacy ratio of 18.3%. The annual operating revenue in 2018 is RMB12.62 billion, with the net profit of RMB3.89 billion. The registered capital is now RMB15.4 billion. As of 31 August 2018, HSBC China has participated in 38 credit asset securitization transactions as underwriter, among which 30 are auto loan securitization transactions. HSBC China has no historical record of default in relation to the asset securitization. In addition to underwriting the asset-backed securities, HSBC China is also involved in the underwriting of many other bonds in the interbank market. In 2018, HSBC participated in the underwriting of 3 domestic financial institution bonds with the total issue amount of RMB27 billion, 2 financial institution panda bonds with the total issue amount of RMB15 billion and 5 enterprises panda bonds with the total issue amount of RMB11.2 billion. As the joint lead underwriter, HSBC participated in the underwriting of 2 sovereign institution panda bonds, with the total issue amount of RMB4 billion.

## **3. MUFG Bank (China), Ltd.**

MUFG (China) is a wholly foreign-owned bank established in June 2007, which restructured from the domestic branch of MUFG Bank Ltd. who belongs to the biggest finance group - MUFG Financial Group in Japan. The head office is based in Shanghai with 14 branches and 6 sub-branches in 13 cities nationwide including Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin etc. The registered capital is RMB10 billion and total assets is RMB156.6 billion as of December 31, 2018.

## **4. Industrial and Commercial Bank of China Limited**

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and Stock Exchange of Hong Kong Limited. Through continuous endeavor and stable development, the Bank has developed into one of the top large listed banks in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness and providing comprehensive financial products and services to 7,033

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thousand corporate customers and 607 million personal customers. The Bank consciously integrates the social responsibility into its development strategies and business management activities, and is widely praised for its development of inclusive finance, support for precise poverty alleviation, protection of environmental resources, and support for public welfare undertakings. The Bank has always focused on its main business, insisting on serving the real economy as the origin, coexisting with the real economy, sharing the wind and rain, and growing together. For six consecutive years, the Bank has ranked among the lists of The Banker's Top 1000 World Banks, the Forbes Global 2000 and ranked the first of the Fortune Global 500 Sub-list of Commercial Banks. For three consecutive years, the Bank has ranked the first of the Brand Finance Banking 500 list.

#### **(4) Issuer Account Bank**

Bank of China Limited acquired the qualification for the custody of securities investment fund in 1988. As one of the first five domestic banks engaging in fund custody business, BOC successfully handled the first deal of asset securitization custody business in China (China Unicom CDMA Network Rental Fee Revenue Plan). Currently, the custody products of Bank of China include a dozen categories and over twenty varieties, covering all the custody products varieties in the market. Upholding the principle of "standard and stable operation", Bank of China is the only one bank who passed both AAF0106 and SAS70 International dual internal control audit and has no record of defaults.

#### **(5) Credit Rating Institutions**

##### **(a) China Bond Rating Co., Ltd.**

China Bond Rating Co., Ltd. was founded by National Association of Financial Market Institutional Investors on behalf of its members in September 2010 with a registered capital of RMB150,000,000. It is one of the new credit rating companies whose operation is mainly funded by the fees paid by the investors. The company's business scope covers credit rating and appraisal, credit data collection, credit rating consulting, enterprise credit evaluation, enterprise credit collection and rating, credit risk management consulting, investment consulting, economic information consulting and enterprise management consulting.

##### **(b) China Chengxin International Credit Rating Co., Ltd.**

China Chengxin International Credit Rating Co., Ltd. ("CCXI") is a pioneer of China's domestic rating business and a leading independent credit rating service provider. Founded in October 1992, CCXI was formerly the rating division of China Chengxin Securities Evaluation Co., Ltd. (renamed "China Chengxin Credit Management Co., Ltd.", in short "CCX"). CCX was the first national-wide credit rating agency approved by the head office of PBOC. In 2006, Moody's Investors Service ("Moody's"), a renowned international rating agency, invested in CCXI and combined the advanced international rating technology and methodologies with domestic rating practices of more than ten years, achieving the localization of the advanced international rating technology. CCXI owns the business qualifications issued by the PBOC, the National Development and Reform Commission, the

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CIRC, the State Economic and Trade Commission and other related ministries and commissions. In the domestic credit rating industry, CCXI has the longest history, the largest business scale and the most market shares. CCXI enjoys a good reputation in the capital markets.

## **(6) Accounting and Tax Advisor**

The accounting firm under this transaction is PricewaterhouseCoopers Zhong Tian LLP.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 250 thousand people who are committed to delivering quality in assurance, advisory and tax services. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity.

PwC China, Hong Kong, Macau, Taiwan and Singapore work together on a collaborative basis, in compliance with local applicable laws. Collectively, we have over 860 partners and strength of over 22,000 people. No matter where the client may be located, PwC can always provide professional services as required and needed. Our highly qualified and experienced professionals listen to different points of views to help organisations solve their business issues and to identify and seek the opportunities. Our industry specialisation allows us to cooperate with our clients to find solutions for their sectors of interests. We are located in the following cities: Beijing, Shanghai, Hong Kong, Shenyang, Tianjin, Dalian, Jinan, Qingdao, Zhengzhou, Xi'an, Nanjing, Hefei, Suzhou, Wuhan, Chengdu, Hangzhou, Ningbo, Chongqing, Changsha, Kunming, Xiamen, Guangzhou, Shenzhen, Macau, Haikou, Taipei, Chungli, Hsinchu, Kaohsiung, Taichung, Tainan and Singapore.

PwC has committed to support the pilot work of asset securitization in China. PwC have participated in bank and non-bank asset securitization work continuously ever since 2005. As an accounting and tax consultant, PwC has involved in several institutions' asset securitization transactions, including state-owned commercial banks, joint-stock banks, city commercial banks, large auto finance companies, leasing companies, construction companies, real estate companies and other financial institutions and non-financial institutions regarding the preparation of asset securitization projects and the reporting for approval of regulatory institutions. The underlying assets involve credit assets, including credit cards, individual consumption loans, personal auto loans, petty loans, personal housing mortgage loans, etc., in a wide variety of fields.

## **(7) Law Firm**

### **(a) FenXun Partners**

FenXun Partners is a Chinese law firm co-founded in 2009 by a group of lawyers with many years of overseas working background and rich domestic working experience. A vast majority of the partners and lawyers graduated from prestigious law schools in China, the United States or the United Kingdom. Most of the partners and lawyers, with both domestic and the

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U.S. New York state qualifications for practicing, have working experiences in domestic or international law firms.

With experience, efficiency and cost advantages, FenXun Partners is committed to providing business leaders with first-class legal services in respect of China's legal affairs in the dynamic Chinese market. The legal service provided by FenXun Partners is a unique combination of the thorough understanding of the national conditions of China and the strong strengths of international legal practice. FenXun Partners has lawyers who specialize in providing legal services to state-owned enterprises, private enterprises, and Chinese-funded institutions, and are good at coordinating and communicating with regulatory authorities. FenXun Partners also has senior lawyers who have practiced in international law firms for many years with extensive trading experience in the United States, Europe, Asia and tax havens, and they have led various projects such as leveraged buyouts, project financing, private equity investments, non-performing asset investments, pre-IPO investments and corporate restructuring, covering industry sectors including resources, power generation, real estate, roads and infrastructures, transportation, technology, media, telecommunications and industrial products.

The China Construction Bank RMBS project and the China Unicom lease income securitization project, that the first group of lawyers to provide legal services for securitization projects including Xusheng Yang, Jianyu Wang of FenXun Partners participated in, are all milestones that led the start of China's securitization. At the same time, lawyers of FenXun Partners also participated in the legislative research and discussion of securitization held by the regulatory authorities, and established a deep and accurate understanding of the development and other specific issues of China's securitization. The partners of FenXun Partners keep close communication with their clients. In order to meet the needs of clients, FenXun Partners will arrange partners and lawyers with rich project experience to take responsibility for the project work throughout the process, and in order to provide services for the project, FenXun Partners is able to quickly mobilize the resources and manpower of the integrated office in accordance with the needs of the project. In the process of providing legal services to the clients, FenXun Partners 's team of lawyers deeply understands the business purpose of the clients, with the basic goal of controlling legal risks and solving problems. In the past projects, FenXun Partners has solved a series of problems, played a key role for the success of the project and was acknowledged by the clients.

On April 15 2015, Baker & McKenzie and FenXun Partners were approved to establish the Baker & McKenzie (Free Trade Zone) joint operation office (Baker & McKenzie FenXun Joint Operation Office) in Shanghai Free Trade Zone which is able to provide customers with Chinese and international legal services that are in line with the international standard and are globally and seamlessly connected.

(b) Baker & McKenzie LLP

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Baker & McKenzie is a large international comprehensive commercial law firm. Founded in 1949, Baker & McKenzie now has 78 offices in 46 countries globally with more than 4,200 lawyers and the largest legal service network in the world.

(i) Germany

Baker & McKenzie set up its first office in Germany in 1963. Baker & McKenzie now has offices in Berlin, Munich and Dusseldorf.

(ii) China

Baker & McKenzie designated resident lawyers to Beijing in the 1980s. In China, Baker & McKenzie has offices in Beijing, Shanghai and Hong Kong with more than 300 lawyers and counsel.

**3. Declarations of Securitisation Transaction Experience and Default Record and Declarations of Affiliation of the Main Transaction Parties**

**(1) Declarations of Securitisation Experience and Default Record**

(a) Originator

BMW Finance, as the Originator in the securitisation transaction, obtained approval from CBRC for the BAVARIAN SKY CHINA 2014-1 TRUST in March 2014, and has successfully completed the bidding and issuance process of this project on 12 June 2014, after which it: (i) obtained the Notice of Acceptance of Filing from CBRC on the BAVARIAN SKY CHINA 2015-1 in March 2015, and has successfully completed the bookbuilding and placement process of this project on 11 June 2015; (ii) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2015-2 on 29 October 2015, and has successfully completed the bookbuilding and placement process of this project on 18 November 2015; (iii) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2016-1 on 13 May 2016, and has successfully completed the bookbuilding and placement process of this project on 14 June 2016; (iv) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2016-2 on 23 September 2016, and has successfully completed the bookbuilding and placement process of this project on 1 December 2016; (v) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2017-1 on 20 March 2017, and has successfully completed the bookbuilding and placement process of this project on 10 April 2017; (vi) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2017-2 on 17 July 2017, and has successfully completed the bookbuilding and placement process of this project on 8 August 2017; (vii) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2017-3 on 21 November 2017, and has successfully completed the bookbuilding and placement process of this project on 7 December 2017; (viii) obtained the Notice of Acceptance of Filing from CBIRC on BAVARIAN SKY CHINA 2018-1 in September 2018, and has successfully completed the bookbuilding and placement process of this project on 17 September 2018; (ix) obtained the Notice of Acceptance of Filing from

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CBIRC on BAVARIAN SKY CHINA 2018-2 in November 2018, and has successfully completed the bookbuilding and placement process of this project on 27 November 2018; (x) obtained the Notice of Acceptance of Filing from CBIRC on BAVARIAN SKY CHINA 2019-1 in March 2019, and has successfully completed the bookbuilding and placement process of this project on 19 March 2019; (xi) obtained the Notice of Acceptance of Filing from CBIRC on BAVARIAN SKY CHINA 2019-2 in July 2019, and has successfully completed the bookbuilding and placement process of this project on 16 July 2019. To date, it has no record of securitisation defaults.

(b) Trust Company

To date, FOTIC, as the Trust Company in the securitisation transaction, has experience with credit asset securitisations in the National Interbank Bond Market. It has professional personnel engaged in credit asset securitisation business and has established a complete system for the management and operation of securitisations, as well as securitisation management systems such as a business processing system, an accounting system, a management information system, etc. To date, it has no record of securitisation defaults.

(c) Servicer

BMW Finance, as the Servicer in the securitisation transaction, obtained approval from CBRC for the BAVARIAN SKY CHINA 2014-1 TRUST in March 2014, and has successfully completed the bidding and issuance process of this project on 12 June 2014, after which it: (i) obtained the Notice of Acceptance of Filing from CBRC on the BAVARIAN SKY CHINA 2015-1 in March 2015, and has successfully completed the bookbuilding and placement of this project on 11 June 2015; (ii) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2015-2 on 29 October 2015, and has successfully completed the bookbuilding and placement process of this project on 18 November 2015; (iii) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2016-1 on 13 May 2016, and has successfully completed the bookbuilding and placement process of this project on 14 June 2016; (iv) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2016-2 on 23 September 2016, and has successfully completed the bookbuilding and placement process of this project on 1 December 2016; (v) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2017-1 on 20 March 2017, and has successfully completed the bookbuilding and placement process of this project on 10 April 2017; (vi) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2017-2 on 17 July 2017, and has successfully completed the bookbuilding and placement process of this project on 8 August 2017; (vii) obtained the Notice of Acceptance of Filing from CBRC on BAVARIAN SKY CHINA 2017-3 on 21 November 2017, and has successfully completed the bookbuilding and placement process of this project on 7 December 2017; (viii) obtained the Notice of Acceptance of Filing from CBIRC on BAVARIAN SKY CHINA 2018-1 in September 2018, and has successfully completed the bookbuilding and placement process of this project on 17 September 2018; (ix) obtained the Notice of Acceptance of Filing from CBIRC on BAVARIAN SKY CHINA 2018-2 in November 2018, and has successfully completed the

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bookbuilding and placement process of this project on 27 November 2018; (x) obtained the Notice of Acceptance of Filing from CBIRC on BAVARIAN SKY CHINA 2019-1 in March 2019, and has successfully completed the bookbuilding and placement process of this project on 19 March 2019; (xi) obtained the Notice of Acceptance of Filing from CBIRC on BAVARIAN SKY CHINA 2019-2 in July 2019, and has successfully completed the bookbuilding and placement process of this project on 16 July 2019. To date, it has no record of securitisation defaults.

(d) Issuer Account Bank

Bank of China Limited acquired the qualification for the custody of securities investment fund in 1988. As one of the first five domestic banks engaging in fund custody business, BOC successfully handled the first deal of asset securitization custody business in China (China Unicom CDMA Network Rental Fee Revenue Plan). Currently, the custody products of Bank of China include a dozen categories and over twenty varieties, covering all the custody products varieties in the market. Upholding the principle of "standard and stable operation", Bank of China is the only one bank who passed both AAF0106 and SAS70 International dual internal control audit and has no record of defaults.

**(2) Declarations of Affiliation**

(a) Originator/Servicer

BMW Finance, as the Originator and Servicer in the securitisation transaction, has no equity affiliation with the Trust Company, the Issuer Account Bank, or the Joint Lead Underwriters.

(2) Trust Company

FOTIC, as the Trust Company in the securitisation transaction, has no equity affiliation with the Originator/Servicer, the Issuer Account Bank, or the Joint Lead Underwriters.

(3) CITICS

CITICS, as the Joint Lead Underwriter and bookrunner in the securitisation transaction, has no equity affiliation with the Originator/Servicer, the Trust Company, the Issuer Account Bank, MUFG, HSBC or ICBC.

(4) HSBC

HSBC, as the Joint Lead Underwriter in the securitisation transaction, has no equity affiliation with the Originator/Servicer, the Trust Company, the Issuer Account Bank, CITICS, MUFG or ICBC.

(5) MUFG

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MUFG, as the Joint Lead Underwriter in the securitisation transaction, has no equity affiliation with the Originator/Servicer, the Trust Company, the Issuer Account Bank, CITICS, HSBC or ICBC.

(6) ICBC

ICBC, as the Joint Lead Underwriter in the securitization transaction, has no equity affiliation with the Originator/Servicer, the Trust Company, the Issuer Account Bank, CITICS, HSBC or MUFG.

(7) Issuer Account Bank

Bank of China Limited Beijing Branch, as the Issuer Account Bank in the securitization transaction, has no equity affiliation with the Originator/Servicer, the Trust Company, or the Joint Lead Underwriters.

**4. Main Content of the Transaction Documents and Main Rights and Obligations of the Parties**

**(1) Main Content of the Transaction Documents**

(a) Trust Agreement

The Trust Agreement will be signed between the Trust Company and the Originator. The Originator, as the Grantor, will entrust the Trust Assets to the Trust Company. The Trust Company will issue Senior Asset Backed Notes on the National Interbank Bond Market. The Subordinated Notes will be retained by the Originator. The principal and interest payments on the Notes will be made from the earnings generated by the Trust Assets. The Trust Agreement stipulates the purpose of the Trust, the formation of the Trust, the repurchase of the Trust Assets, the replenishment arrangement during the Revolving Period, the term and termination of the Trust, the scope and determination method of the Notes and the Beneficiaries, the sequence of distribution of the earnings generated by the Trust Assets, etc. In addition, it sets out in detail the duties and liability for compensation borne by the Trust Company. According to the Trust Agreement, the Senior Asset Backed Notes will be issued book-entry, and physical notes can be issued only in specific circumstances. The Asset Backed Notes Terms & Conditions contain further detailed provisions for matters such as the causes for convening a Controlling Noteholders' Meeting, the quorum for such meetings, the votes and resolutions of such meetings, etc. The Trust Agreement is governed by, and should be interpreted in accordance with, PRC law.

(b) Master Definitions Schedule and Common Terms Agreement

The Master Definitions Schedule and Common Terms Agreement will be signed by, among others, the Trust Company and the Originator. The Master Definitions Schedule set forth in Schedule 1 of this agreement lists the definitions, interpretations or explanations of capitalised terms used in the Transaction Documents.



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(c) Servicing Agreement

The Servicing Agreement will be signed by the Trust Company and the Servicer. The Trust Company intends to instruct the Servicer to provide it with management and other services in connection with the Trust Assets as stipulated in the Servicing Agreement, for which the Servicer will charge a Servicer Fee. The Servicing Agreement sets out in detail the duties and liability for compensation borne by the Servicer. The main duties of the Servicer include recovering those Trust Assets that are Loan Receivables, maintain account records relating to the Trust Assets and issuing Monthly Servicing Reports. Should a Servicer Termination Event occur, the Issuer may at any time terminate its original appointment of BMW Finance as Servicer under the Servicing Agreement by written notice to the Servicer and appoint any other person that is entitled under the governing law, and that has the ability, to provide such services, as the succeeding Servicer.

(d) Bank Account Agreement

The Bank Account Agreement will be signed among the Issuer, the Issuer Account Bank and the Servicer. The Issuer intends to open the Issuer Account with the Issuer Account Bank in the name of China Foreign Economy and Trade Trust Co., Ltd. - Bavarian Sky China 2019-3 Trust and to instruct the Issuer Account Bank to take custody of the Issuer Account and to transfer funds in the Issuer Account as instructed by the Issuer. The Issuer Account Bank will charge remuneration therefor. The Bank Account Agreement further contains provisions on the liability for compensation borne by the Issuer Account Bank. The Issuer will invest the funds in the Issuer Account in the Permitted Investment in accordance with the Bank Account Agreement, which will only be in the form of bank deposit at the Issuer Account Bank.

Should an Issuer Account Bank Replacement Event occur, the Issuer will have the right to close the Issuer Account with the Issuer Account Bank and, as instructed by the Issuer, the Issuer Account Bank must cause the Issuer Account to be transferred to another Eligible Bank (“Successor Bank”) or, if (and only if) the Issuer Account Bank ceases to be an Eligible Bank, the Issuer Account Bank must find an irrevocable and unconditional guarantor with the Required Rating of the Issuer Account Bank to issue a guarantee in support of the Issuer Account Bank in form and substance satisfactory to the Issuer. If an Issuer Account Bank Replacement Event occurs, the Issuer Account Bank should continue to provide its services under the Bank Account Agreement until and unless a Successor Bank has been appointed or the above-mentioned guarantee has been duly issued and is satisfactory in form and substance to the Issuer.

(e) Underwriting Agreement

The Underwriting Agreement will be signed among the Trust Company, the Originator, and the Joint Lead Underwriters. The Joint Lead Underwriters will underwrite the Senior Asset Backed Notes and charge remuneration therefor pursuant to the said agreement.

(f) Syndication Agreement

The Syndication Agreement will be signed between the Joint Lead Underwriters and the Syndication Members. The Syndication Members will underwrite the Senior Asset Backed Notes and charge remuneration therefor pursuant to the said agreement.

**(2) Main Rights and Obligations of the Parties**

<b>Parties</b>	<b>Primary Rights</b>	<b>Primary Obligations</b>
Originator/ Grantor	<ol style="list-style-type: none"> <li>1. To receive the Purchase Price and Subordinated Notes in accordance with the Trust Agreement;</li> <li>2. To exercise the Clean-Up Call Option if the conditions prescribed by the Trust Agreement are met;</li> <li>3. To deliver the Offer to the Trust Company on or prior to the Offer Date for the purpose of transferring the Additional Loan Receivables on the next Payment Date;</li> <li>4. Such other rights to which the Originator is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. To entrust the Trust Assets in accordance with the Trust Agreement;</li> <li>2. To issue an irrevocable power of attorney to the Trust Company on the Trust Effective Date, and to further issue an irrevocable power of attorney after the appointment of the successor Servicer, authorizing the Trust Company and the successor Servicer, respectively to sign and serve the Rights Perfection Notice to the Borrowers, the Insurers and the Security Providers in the name of the Originator.</li> <li>3. To deposit a sum equal to the Required Cash Reserve into the Cash Reserve Sub-account on the Issue Date, to cover the potential liquidity risks in relation to the taxes, expenses and Senior Notes interest under the Transaction Documents;</li> <li>4. To warrant that the Purchased Loan Receivables delivered to the Originator as of relevant Cut-off Date accords with the Eligibility Criteria under the Trust Agreement;</li> <li>5. Upon the occurrence of a Deemed Collection, the Originator shall be deemed as having received a Collection in respect of the affected Purchased Loan Receivable and shall promptly pay to the Issuer</li> </ol>

		<p>the then aggregate Loan Balance of the affected Purchased Loan Receivable.</p> <p>6. To warrant that each of its representations and warranties in respect of the Purchased Loan Receivables under the Trust Agreement as of the relevant Cut-off Date is true and accurate.</p> <p>7. Such other obligations to be performed by the Originator in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</p>
Trust Company / Issuer	<ol style="list-style-type: none"> <li>1. To receive the Trust Company Fee;</li> <li>2. To manage, utilise and dispose of the Trust Assets in accordance with the terms of the Trust Agreement;</li> <li>3. To convene a Controlling Noteholders' Meeting in accordance with the terms of the Trust Agreement;</li> <li>4. To entrust the Servicer and the Issuer Account Bank to provide service for the Trust;</li> <li>5. Such other rights to which the Trust Company/Issuer is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. To arrange for the issuance and registration of asset backed notes;</li> <li>2. To pay the Purchase Price of the Purchased Loan Receivables to the Originator in accordance with the Trust Agreement;</li> <li>3. To accept the Offer and carry out the replenishment, provided that the relevant conditions precedent for the replenishment have been fulfilled to the satisfaction of, or expressly waived by the Trust Company in writing.</li> <li>4. To disclose information of the Trust Assets and Notes on a regular basis;</li> <li>5. To prepare the accounting statements of the Trust Assets, and to arrange for necessary audits, monitoring of ratings and other matters;</li> <li>6. To handle the liquidation upon the liquidation of the Trust, and prepare a liquidation report;</li> </ol>

		<ol style="list-style-type: none"> <li>7. To perform each of its undertakings under the Trust Agreement;</li> <li>8. Such other obligations to be performed by the Trust Company/Issuer in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</li> </ol>
Servicer	<ol style="list-style-type: none"> <li>1. To receive the Servicer Fee.</li> <li>2. To commingle Collections with its own funds.</li> <li>3. Such other rights to which the Servicer is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. To provide services of collection and management relating to the Trust Assets under the Servicing Agreement;</li> <li>2. To keep Records for all taxation purposes as required by applicable laws;</li> <li>3. To hold all Records relating to the Purchased Loan Receivables in its possession to the order of the Issuer and co-operate with the Trust Company and any other party to the Transaction to the extent required under or in connection with the collection or servicing of the Purchased Loan Receivables;</li> <li>4. To make available Monthly Servicing Reports on each Servicer Report Performance Date to the Issuer and, if required, rectify such Monthly Servicing Reports;</li> <li>5. To assist the Auditor and provide information to them upon request;</li> <li>6. To keep custody of the Portfolio Decryption Key, and deliver the Portfolio Decryption Key to the successor Servicer or the Issuer in accordance with the stipulations of the Servicing Agreement;</li> </ol>

		<ol style="list-style-type: none"> <li>Such other obligations to be performed by the Trust Servicer in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</li> </ol>
Issuer Account Bank	<ol style="list-style-type: none"> <li>To receive the fund transferring fee of each period and servicing fee set out in the Issuer Account Bank Fee Letter;</li> <li>To review payment instructions issued by the Issuer;</li> <li>To rely on each payment instruction and treat it as a valid basis for action without further investigation or inquiry;</li> <li>Such other rights to which the Issuer Account Bank is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</li> </ol>	<ol style="list-style-type: none"> <li>To assist the Issuer in opening the Issuer Account;</li> <li>To manage the funds in the Issuer Account, and not to commingle the funds in the Issuer Account and its own funds;</li> <li>To implement the payment instruction made by the Issuer abiding by the applicable law and regulation;</li> <li>To invest the funds in the Issuer Account in Permitted Investments pursuant to the instructions of the Trust Company;</li> <li>Upon the Issuer Account Bank Report Date, to provide the Issuer and the Servicer a hardcopy report in respect of the Issuer Account by mail;</li> <li>Such other obligations to be performed by the Issuer Account Bank in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</li> </ol>
Joint Lead Underwriters	<ol style="list-style-type: none"> <li>To receive the Underwriting Remuneration;</li> <li>To demand the Defaulting Underwriter to reimburse to it the amount of Proceeds which it has paid and the liquidated damages to the Issuer on behalf of the Defaulting</li> </ol>	<ol style="list-style-type: none"> <li>To establish the Syndication, allocate the underwriting portion of the Senior Asset Backed Notes among the Underwriters, and co-ordinate the performance of the respective obligations of the</li> </ol>

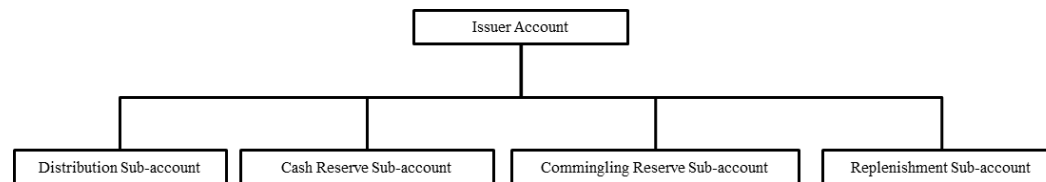
	<p>Underwriter;</p> <p>3. Such other rights to which the Joint Lead Underwriters are entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</p>	<p>Underwriters;</p> <p>2. To advise Issuer in relation to the Issue and assist the Issuer in implementing and completing the Issue, and to assist the Issuer in making the necessary information disclosure in relation to the Issue;</p> <p>3. To assist the Issuer in the registration and depository of the Senior Asset Backed Notes;</p> <p>4. Regardless of whether any other Underwriter has performed and discharged its obligations in relation to the underwriting of the Senior Asset Backed Notes and unless there occurs a force majeure event or the Issuer or the Originator has materially breached its obligations hereunder, to effect the payments in accordance with the Underwriting Agreement in full and on time;</p> <p>5. Such other obligations to be performed by the Joint Lead Underwriter in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.</p>
Syndication Members	To receive the corresponding Underwriting Remuneration.	To perform the underwriting obligations under the Syndication Agreement.
Registry and Paying Agent	To receive the certain service remuneration.	To provide registrar, custodian and paying agent services for the Notes pursuant to the Agency Agreement.

## 5. Cash Distribution Mechanism

### (1) Account Arrangement

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In the Transaction, FOTIC, as the Trust Company, opens the Issuer Account with the Issuer Account Bank in the name of FOTIC and opens the Distribution Sub-account, Cash Reserve Sub-account, the Commingling Reserve Sub-account and the Replenishment Sub-account under the Issuer Account. The specific structure is shown below:



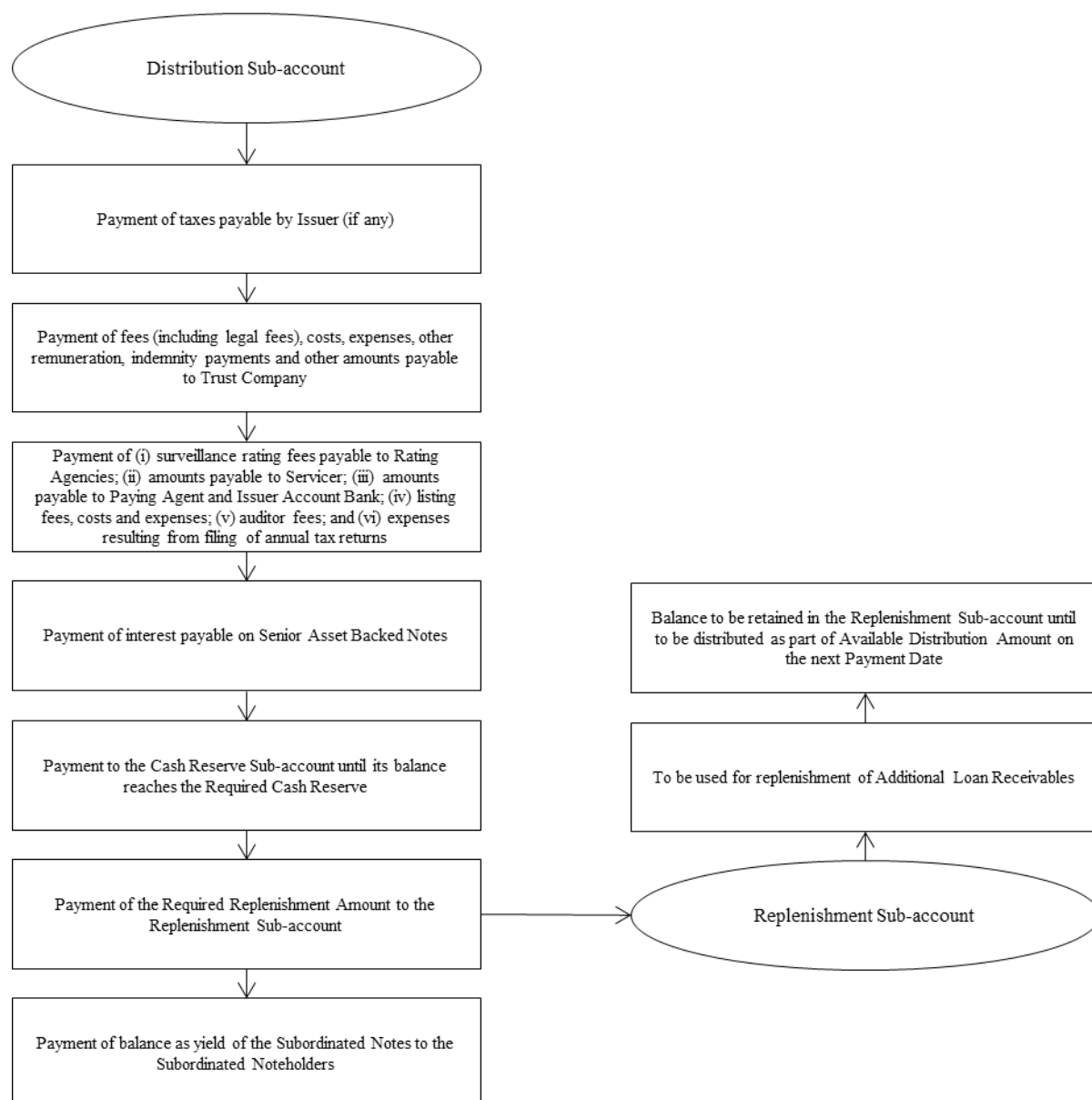
## **(2) Waterfall of Cash Payments**

- (i) Prior to the occurrence of an Enforcement Event

On each Payment Date, the Available Distribution Amount should be allocated in the following manner method and priority:

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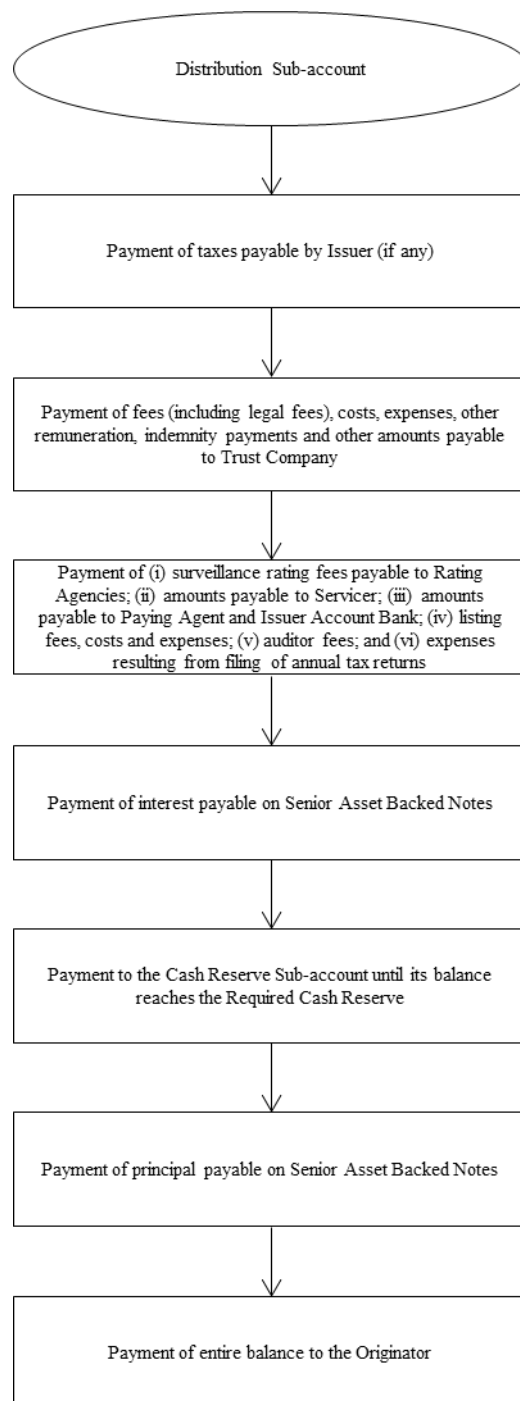
(a) During the Revolving Period





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(b) After the Revolving Period



*first*, amounts payable by the Issuer in respect of taxes under any applicable law;

*second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trust Company under the Trust Agreement;

*third*, on a *pari passu* basis and in proportion to each amount of the aggregate payable amounts (if the remaining Available Distribution Amount is not sufficient to pay the

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amounts set forth in this paragraph), amounts payable to (i) the Rating Agencies in respect of the rating fees, (ii) the Servicer under the Servicing Agreement (including Servicer Fee), (iii) the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (iv) listing fees, costs and expenses, (v) auditor fees and (vi) any fees reasonably required and properly incurred and documented in reasonable detail for the filing of annual tax returns;

*fourth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable to the Senior Noteholders;

*fifth*, to the Cash Reserve Sub-Account, until the amount standing to the credit of the Cash Reserve Sub-Account is equal to the Required Cash Reserve;

*sixth*, within the Revolving Period, to the Replenishment Sub-account an amount equaling to the Required Replenishment Amount with the residual amount to be paid to the Subordinated Noteholders as the yield for the Subordinated Notes;

*seventh*, upon the termination of the Revolving Period, on a *pari passu* basis, to the Senior Noteholders in respect of principal until the Senior Notes are unconditionally repaid in full;

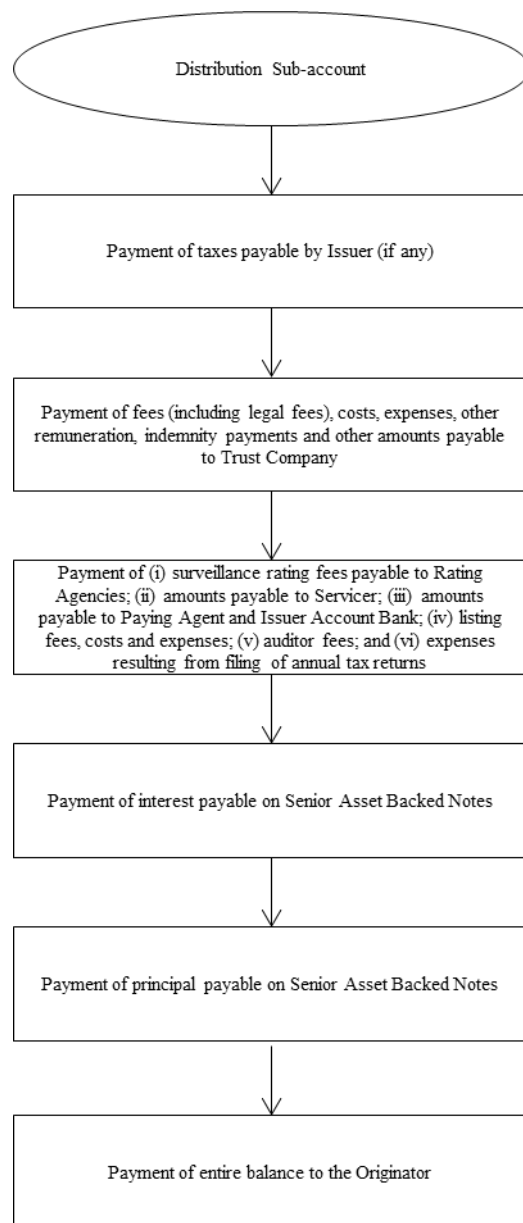
*finally*, upon the termination of the Revolving Period, to pay all remaining excess to the Originator.

On each Payment Date during the Revolving Period, the Required Replenishment Amount will be paid into the Replenishment Sub-account pursuant to the Pre-Enforcement Priority of Payments. The credit balance under the Replenishment Sub-account may be used to purchase Additional Loan Receivables. In the event that the credit balance under the Replenishment Sub-account exceeds the Additional Purchase Price of the Additional Loan Receivables, after payment of the Additional Purchase Price, such residual amount will be retained in the Replenishment Sub-account until to be further distributed as part of the Available Distribution Amount on the following Payment Date.

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(ii) After the occurrence of an Enforcement Event

After the occurrence of an Enforcement Event, the Trust Company should distribute Available Post-Enforcement Funds (and the Issuer will tolerate such distribution) in the following manner and priority:



*first*, amounts payable by the Issuer in respect of taxes under any applicable law;

*second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trust Company under the Trust Agreement;

*third*, on a *pari passu* basis and in proportion to each amount of the aggregate payable amounts (if the remaining Available Distribution Amount is not sufficient to pay the

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amounts set forth in this paragraph), amounts payable by the Issuer to (i) the Rating Agencies in respect of the rating fees, (ii) the Servicer under the Servicing Agreement (including Servicer Fee), (iii) the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (iv) listing fees, costs and expenses, (v) auditor fees and (vi) any fees required and properly incurred and documented in reasonable detail for the filing of annual tax returns;

*fourth*, on a *pari passu* basis, accrued and unpaid interest (including overdue interest) payable by the Issuer to the Senior Noteholders in respect of interest;

*fifth*, on a *pari passu* basis, amounts payable by the Issuer to the Senior Noteholders in respect of principal until the Senior Notes are unconditionally repaid in full;

*finally*, to pay all remaining excess to the Originator.

## **6. Description of Credit Enhancement Measures**

Internal credit enhancement measures have been adopted for the Notes in this issue. These measures can be divided into the following categories:

### **(1) Tiered Structure Design**

The Notes in this issue are divided into Senior Asset Backed Notes and Subordinated Notes, of the following issue sizes and percentages: Senior Asset Backed Notes, RMB 6,580,000,000.00, 82.25%; Subordinated Notes, RMB 1,420,000,004.88, 17.75%.

The Senior Asset Backed Notes and the Subordinated Notes represent the Senior Trust Beneficial Interests and the Subordinated Trust Beneficial Interests, respectively, among the Trust Beneficial Interests. In each payment, the payment of principal and interest on the Subordinated Notes ranks below the payment of principal and interest on the Senior Asset Backed Notes, thus creating credit support for the Senior Asset Backed Notes and achieving the purpose of credit enhancement.

### **(2) Establishment of Reserve Account**

In the Transaction, a Commingling Reserve Sub-account and a Cash Reserve Sub-account will be established to strengthen protection of the payment of principal and interest on the Notes. The said accounts will be sub-accounts of the Issuer Account.

#### **(a) Commingling Reserve Sub-account**

- (1) Before the occurrence of a Servicer Termination Event and until termination pursuant to clause 11 (*Termination*) of the Servicing Agreement, the Servicer is entitled to commingle any Collections with its own funds. Upon the occurrence of a Commingling Risks Mitigation Event which is continuing, the Servicer shall, within thirty (30) calendar days (the "**Performance Period**"), notify the Issuer in writing that it will elect to, with effect from the date of such notification:

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- (A) transfer any Collections to the Issuer Account within two (2) Business Days upon receipt of such Collections, or
  - (B) fund the Commingling Reserve Sub-account (not using any Collections) on or before each Trust Determination Date so as to ensure that the amount standing to the credit of the Commingling Reserve Sub-account on the corresponding Payment Date prior to the application in accordance with the Applicable Priority of Payments is not less than the Commingling Reserve Required Amount as of such Payment Date,

in each case until no Commingling Risks Mitigation Event is continuing.

Following the Performance Period and for so long as such Commingling Risks Mitigation Event remains, the Servicer shall have the right to switch between the above options by written notice to the Issuer.

- (2) In the case that Servicer elects to fund the Commingling Reserve Sub-account in accordance with subparagraph (B) of paragraph (1) above, for so long as a Commingling Risks Mitigation Event is continuing:
  - (A) on each Servicer Report Performance Date, the Servicer shall notify the Trust Company through the Monthly Servicing Report the amount of the Expected Collections applicable to the corresponding Payment Date, with reasonable details on the calculation thereof;
  - (B) at least two (2) Business Days prior to each Trust Determination Date, the Trust Company shall inform the Servicer in writing of the amount of the Commingling Reserve Required Amount applicable to the corresponding Payment Date, with reasonable details on the calculation thereof;
  - (C) on each Payment Date, the amount standing to the credit of the Commingling Reserve Sub-account shall be applied in accordance with the applicable Priority of Payments, to the extent necessary to cover any Servicer Shortfall caused by the Servicer;
  - (D) after the application pursuant to subparagraph (C) above, any Commingling Reserve Excess Amount shall be released to the Servicer which funded such amount on such Payment Date;
  - (E) any amount standing to the credit of the Commingling Reserve Sub-account shall be released to the Servicer which funded such amount if:
    - (i) no Commingling Risks Mitigation Event is continuing; or
    - (ii) the Servicer switches to the option under subparagraph (A) of paragraph (1).

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- (3) Upon the occurrence of an Enforcement Event, the amounts standing to the credit of the Commingling Reserve Sub-account will be, after all of the Issuer's obligations under the Post-Enforcement Priority of Payments have been satisfied, released to the Servicer which funded such amount.

(b) Cash Reserve Sub-account

The Originator shall on the Issue Date deposit a sum equal to the Required Cash Reserve into the Cash Reserve Sub-account. The Trust Company is authorized to deduct such amount from the Purchase Price payable to the Originator and deposit such amount into the Cash Reserve Sub-account.

The Required Cash Reserve shall be used to cover the potential liquidity risks in relation to the taxes, expenses and Senior Notes interests under the Transaction Documents. Upon the earliest of (i) the Legal Final Maturity Date, (ii) the Clean-Up Call Settlement Date or (iii) the Available Distribution Amount as of such date being sufficient to reduce the Senior Notes Outstanding Balance to zero, the Required Cash Reserve will be reduced to zero, and the balance in the Cash Reserve Sub-account shall then be distributed pursuant to the Applicable Priority of Payment. Thereupon, as the Available Distribution Amount is no longer required to be used to replenish the Required Cash Reserve, the balance in the Cash Reserve Sub-account may also be applied against the repayment of the principal of the Notes.

**(3) Excess Spread**

The gains from the Purchased Loan Receivables that exceed the interest on the Asset Backed Notes and the costs arising out of the Trust Assets will provide further credit enhancement for this securitization. Under the order of priority, the excess spread will first be used to repay the principal on the Senior Asset Backed Notes. Before the full repayment of the principal on the Senior Asset Backed Notes, the repayment of principal and interest on the Subordinated Notes will not occur. This structure means that the full amount of excess spread will provide extra protection against the credit risk of the asset pool.

**7. Form of Organisation and Rights of the Controlling Noteholders' Meeting**

**(1) Controlling Noteholders' Meeting**

Matters that will materially affect the interests of the Noteholders, as set out in Paragraph 15.2(a) of the Conditions, will be decided at a Controlling Noteholders' Meeting convened and held in accordance with Paragraph 15.2 of the Conditions. The meeting may be held as a physical meeting or as a telephone conference.

“Controlling Asset Backed Notes” or “Controlling Notes” means (a) in the case where the principal amount of the Senior Notes is not fully paid and discharged, the Senior Notes; and (b) in the case where the principal amount of the Senior Notes is fully paid and discharged, the Subordinated Notes.

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Any resolution passed by a Controlling Noteholders' Meeting convened and held in accordance with this Paragraph 15 of the Conditions will be binding upon all Noteholders of the relevant Class, but resolutions of the parties to the Transaction Documents making changes to the Transaction Documents or the Conditions which also involve changes to the Legal Final Maturity Date, interest rate(s) or payment currency for other Classes of Notes will require a resolution passed by a meeting of the corresponding Class of Noteholders before such change should become effective.

## **(2) Convening**

- (a) Upon the occurrence of one of the following events which, in the opinion of the Trust Company, materially affects the interests of the Noteholders, the Trust Company will convene a Controlling Noteholders' Meeting:
  - (i) the parties to the Transaction Documents amend the Conditions, the Trust Agreement or any other Transaction Document, except for changes considered as minor technical changes or made in accordance with the mandatory requirements of applicable laws and regulations;
  - (ii) the replacement of the Trust Company, Servicer or Account Bank;
  - (iii) the occurrence of an Enforcement Event;
  - (iv) the completion of the trust liquidation proceedings upon the occurrence of a Trust Liquidation Event;
  - (v) the submission of the disposal plan for the non-cash Trust Assets by the Trust Company during the Trust liquidation procedure.
- (b) The Trust Company will convene a Controlling Noteholders' Meeting upon the written request by the Noteholders of more than 10% of the outstanding principal amount of the Controlling Notes in respect of one of the events set out in section (1) above.
- (c) If the Trust Company fails to convene a Controlling Noteholders' Meeting in accordance with section (1) above, holders of more than 10% of the outstanding principal amount of the Controlling Notes may convene a meeting on their own in accordance with section (1) and file a report with PBOC.

## **(3) Notice**

At least 30 days before a Controlling Noteholders' Meeting is to be held, the Trust Company should make an announcement of the time and venue of the meeting, and the manner in which the meeting will be conducted, the agenda, voting and other procedures through the websites of ChinaMoney (<http://www.chinamoney.com.cn>), ChinaBond ([www.chinabond.com.cn](http://www.chinabond.com.cn)) and Beijing Financial Assets Exchange ([www.cfae.cn](http://www.cfae.cn)), and notify the Rating Agencies of the same.

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#### **(4) Quorum**

Attendance of Noteholders holding more than 50% of the outstanding principal amount of the Controlling Notes is required in order to convene a Controlling Noteholders' Meeting for the purpose of considering and passing an ordinary resolution. Attendance of Noteholders holding more than 25% of the outstanding principal amount of the Controlling Notes is required in order to convene an adjourned meeting of the above-mentioned meeting.

Attendance of Noteholders holding more than 75% of the outstanding principal amount of the Controlling Notes is required in order to convene a Controlling Noteholders' Meeting for the purpose of considering and passing a special resolution in relation to the following:

- (a) amending the Legal Final Maturity Date of the Notes;
- (b) reducing or cancelling the principal or interest amount or interest rate of the Notes;
- (c) changing the payment currency of the Notes;
- (d) amending the number of votes required to pass a type of special resolution;
- (e) approving the disposal plan for the non-cash Trust Assets during the Trust liquidation procedure.

Attendance of Controlling Noteholders holding more than 25% of the outstanding principal amount of the Controlling Notes is required in order to convene an adjourned meeting of the above-mentioned meeting.

Attendance of Controlling Noteholders holding 100% of the outstanding principal amount of the Controlling Notes is required in order to convene a Controlling Noteholders' Meeting for the purpose of considering and making a unanimous decision in relation to the following:

- (a) the decision on whether to liquidate the Trust;
- (b) the decision on whether to declare the occurrence of an Enforcement Event and to issue an Enforcement Notice;
- (c) the decision on whether to dismiss the Trust Company.

If the required quorum is not reached within half an hour of the start of the meeting and such meeting was convened in accordance with the request of the Controlling Noteholders, then such meeting should be immediately adjourned. If such meeting was convened by other means, the meeting should be adjourned for not less than 14 days but not more than 42 days.

#### **(5) Voting and Resolutions**

A Controlling Noteholder attending a Controlling Noteholders' Meeting will have one (1) vote for every RMB100 par value of the Controlling Notes it holds.



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Resolutions of a Controlling Noteholders' Meeting are divided into ordinary resolutions, special resolutions and unanimous resolutions:

- (a) Ordinary resolutions require more than 50% of the votes of the Controlling Noteholders attending the Controlling Noteholders' Meeting to pass. All matters may be resolved by passing an ordinary resolutions, except for the matters listed in Paragraphs (b) and (c) below, which are resolved by passing a special resolution and a unanimous resolution, respectively.
- (b) Special resolutions require more than 75% of the votes of the Controlling Noteholders attending the Controlling Noteholders' Meeting to pass.
- (c) Unanimous decisions or unanimous resolutions require 100% of the votes of the Controlling Noteholders attending the Controlling Noteholders' Meeting to pass.

The following matters are resolved by passing a special resolution of a Controlling Noteholders' Meeting:

- (a) approval for proposals involving amendments to the rights of the Noteholders regardless of whether such rights are based on the Conditions, the Transaction Documents or any other documents;
- (b) approval for amendments, rectifications or supplements to any term of the Conditions or the Transaction Documents proposed by the Trust Company or other parties if the Trust Company reasonably considers that such amendment, rectification or supplement may substantially affect the rights of the Noteholders;
- (c) approval for the replacement of the Servicer or the Issuer Account Bank;
- (d) authorisation of the Trust Company to sign and undertake all necessary documents, actions or matters as well as execute any special resolution passed at a Controlling Noteholders' Meeting;
- (e) discharge or waiver of any liability or obligation of the Trust Company in accordance with any Transaction Document;
- (f) appointment of a representative to represent the interests of the Controlling Noteholders (regardless whether such representative is a Controlling Noteholder) or authorisation of the representative to exercise the Controlling Noteholders' power or discretion to pass a special resolution;
- (g) approval of the Trust Company to submit a liquidation report in accordance with Clause 6.3 (*Liquidation Report*) of the Trust Agreement.

The following matters are resolved by passing a unanimous resolution of a Controlling Noteholders' Meeting:

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- (a) the decision on whether to declare the occurrence of an Enforcement Event and to issue an Enforcement Notice;
  - (b) the decision on whether to dismiss the Trust Company.

Within ten (10) days of the close of a Controlling Noteholders' Meeting, the convener shall file a report with PBOC, notify the Rating Agencies and publicise such meeting through the websites of ChinaMoney (<http://www.chinamoney.com.cn>), ChinaBond ([www.chinabond.com.cn](http://www.chinabond.com.cn)) and Beijing Financial Assets Exchange ([www.cfae.cn](http://www.cfae.cn)).

#### **(6) Written Resolutions**

A written resolution signed by all Controlling Noteholders or their representatives will have the same effect as a special resolution or a unanimous decision or unanimous decision passed at a Controlling Noteholders' Meeting duly held and duly convened in accordance with Paragraph 15 of the Conditions. A written resolution signed by Noteholders holding more than 50% of the outstanding principal amount of the Controlling Notes or their representatives will have the same effect as an ordinary resolution passed at a Controlling Noteholders' Meeting duly convened and duly held in accordance with Paragraph 15 of the Conditions. Such written resolutions may be signed in any number of counterparts by the Controlling Noteholders or their representatives.

#### **(7) Unanimous Decision**

Notwithstanding any other provisions of the Conditions, the Noteholders' decision of whether to liquidate the Trust pursuant to Clause 6.2(c) of the Trust Agreement require a unanimous decision of all Noteholders (whose Notes have not been redeemed in full).

### **8. Explanation of Clean-Up Call Option and Deemed Collections Terms**

#### **(1) Clean-Up Call Option**

The Clean-Up Call is an option available to the Originator. Upon (i) termination of the Revolving Period, as of any Payment Date on which the Aggregate Loan Balance is reduced to less than 10% of the Aggregate Loan Balance, or (ii) the principal and interest of the Senior Notes have all been unconditionally repaid as of the last Purchase Date, the Originator will (provided that on the relevant Payment Date no Enforcement Event has occurred) have the option to Acquire all outstanding Purchased Loan Receivables (together with any related Loan Collateral) against payment of Deemed Collections on the Clean-Up Call Settlement Date, subject to the following requirements:

- (a) the Deemed Collections should be at least equal to the sum of (i) the Aggregate Outstanding Principal Balance of all Notes outstanding before the Clean-Up Call Settlement Date plus (ii) accrued interest thereon plus (iii) all claims of any creditors of the Issuer in respect of the Notes which rank prior to the claims of the Noteholders according to the Applicable Priority of Payments; and

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- (b) the Originator should have advised the Issuer of its intention to exercise the Clean-Up Call Option at least one month prior to the contemplated settlement date of the Clean-Up Call Option.

## **(2) Deemed Collections**

“Deemed Collection” means the deemed Collection in respect of relevant Purchased Loan Receivables which, upon the occurrence of any of the following events, the Originator shall pay to the Issuer in accordance with the provisions of the Trust Agreement:

- (a) a Purchased Loan Receivable proves to be in breach of any of the Eligibility Criteria as of the relevant Cut-off Date unless such non-compliance is fully remedied by the Originator to the satisfaction of the Trust Company; or
- (b) a Purchased Loan Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement (for as long as the Originator and the Servicer are identical); or
- (c) the Clean-Up Call Option is rightfully exercised; or
- (d) a Purchased Loan Receivable is reduced or affected due to any modification or amendment to the relevant Loan Agreement (including extension of repayment date of the final balloon instalment under a Loan Agreement which provides for such final balloon instalment) or early termination of the relevant Loan Agreement agreed upon by the parties thereto; or
- (e) any interest or principal amount in connection with a Purchased Loan Receivable which is purported to be assigned to the Trust Company under the Trust Agreement should have been collected in whole or in part during the time period between the relevant Cut-off Date and the Trust Effective Date (in relation to any Initial Purchased Loan Receivables) or relevant Additional Purchase Date (in relation to any Additional Purchased Loan Receivables), and the amounts so collected are treated to have been received on the Trust Effective Date (in relation to any Initial Purchased Loan Receivables) or relevant Additional Purchase Date (in relation to any Additional Purchased Loan Receivables) under Clause 5.2 (*Trust Effective Date / Additional Purchase Date*) of the Trust Agreement.

provided that for the avoidance of doubt, no Deemed Collection will be payable in respect of the Eligible Loan Receivables if the Borrower fails to make due payments solely as a result of its insolvency. Any such Deemed Collection should be at an amount equal to the aggregate Loan Balance(s) of the affected Purchased Loan Receivable(s).

Upon the occurrence of a Deemed Collection, the Originator should be treated as having received a Collection in respect of the affected Purchased Loan Receivable and should promptly pay to the Issuer the then aggregate Loan Balance of the affected Purchased Loan

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Receivable. For the avoidance of doubt, the provisions concerning Deemed Collections will not apply solely because a Borrower fails to pay any amount lawfully owed by it.

The Originator shall hold any Deemed Collection for and to the order of the Trust Company, and shall pay such Deemed Collection to the Distribution Sub-account on the next Collections Transfer Date.

Upon receipt of any Deemed Collection, the relevant Purchased Loan Receivable and the related Loan Collateral shall be re-assigned to the Originator (without recourse or warranty on the part of the Issuer and at the sole cost of the Originator and without any further purchase price payable by the Originator).

## **9. Abstract of the representations, warranties and undertakings of the Issuer and the Originator under the Transaction Documents**

This section is the abstract of the representations, warranties and undertakings of the Issuer and the Originator under the Transaction Documents, and only part of the representations, warranties and undertakings of the Issuer and the Originator under the Transaction Documents are listed below.

### **(1) The Issuer's representations, warranties and undertakings under the Transaction Documents**

The Issuer's undertakings under the Trust Agreement include:

- (a) comply with all applicable laws and regulations of the PRC that may in any way affect its the services, assets and transactions under the Transaction Documents to which the Trust Company is a party, perform its obligations under this Agreement, the Asset Backed Notes Terms & Conditions and the other Transaction Documents to which it is a party, and represent the Trust to only engage in actions necessary to perform its obligations under the Transaction Documents to which it is a party;
- (b) act in the best interests of the Noteholders and the Originator in handling the affairs of the Trust, and to act honestly, in good faith, prudently and effectively in discharging all of its obligations under the Transaction Documents;
- (c) manage the Trust Assets' accounts and records separately and independently from those of its own assets and the accounts and records of other trusts under its management, and subject to the above obligation, for the benefit and interests of the Noteholders, keep proper records of the Trust Assets which have been entrusted to the Trust Company;
- (d) on each Trust Company Report Date, issue a Trust Company Report;
- (e) not commingle the Trust Assets and its own or other assets or other properties or assets held by it.

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The Issuer's representation and warranties under the Underwriting Agreement include:

- (a) it is a trust company duly incorporated and validly existing under PRC law and has the power and authority to carry on its business, enjoy the rights under this Agreement and the other Transaction Documents to which it is a party, and perform this Agreement and the other Transaction Documents to which it is a party;
- (b) it has taken all necessary corporate actions to obtain the necessary authorization to enter and perform this Agreement and the other Transaction Documents to which it is a party, and this Agreement and the other Transaction Documents to which it is a party constitute legal, valid and binding obligations to the Issuer, under which rights can be claimed against the Issuer;
- (c) it has obtained all necessary consent, permission and approval for its entry into and delivery of this Agreement and the other Transaction Documents to which it is a party and for the performance of the obligations under this Agreement and such Transaction Documents, and it has made all necessary filing, registration and notification procedures;
- (d) it has obtained all necessary licenses, qualifications, approvals, consent and other authorizations from the relevant Governmental Authorities (the "Governmental Approvals") for its current business, and by the Closing Date, such Governmental Approvals will remain in full force and effect, and it will satisfy all conditions under such Governmental Approvals, and it has not received any notice in relation to the withdrawal of or amendment to such Governmental Approvals.

**(2) The Originator's representations, warranties and undertakings under the Transaction Documents**

The Originator's representation and warranties under the Master Definitions and Common Terms Agreement include:

**(a) Incorporation**

The Originator has legal personality and is duly incorporated with limited liability as a limited liability company under the laws of the PRC, and has its office at 22nd Floor, Suite B, Gateway Plaza, No.18 Xiaguangli, North Dongsanhuan Road, Chaoyang District, Beijing 100027, People's Republic of China.

**(b) Consents**

The Originator has obtained all authorisations, approvals, licences and consents required in connection with its business pursuant to any Requirement of Law and any Regulatory Direction applicable to the Originator in China.

**(c) Corporate Power**

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The Originator has the requisite power and authority to enter into each relevant Transaction Document and to undertake and perform the obligations expressed to be assumed by it therein.

(d) Authorisation

All acts, conditions and things required to be done, fulfilled and performed in order:

- (i) to enable the Originator lawfully to enter into each relevant Transaction Document; and
- (ii) to enable the Originator lawfully to exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Relevant Transaction Document;

have been done, fulfilled and performed and are in full force and effect or, as the case may be, have been effected and no steps have been taken to challenge, revoke or cancel any such authorisation obtained or effected.

- (e) All Initial Purchased Loan Receivables are eligible in accordance with the Eligibility Criteria on the Initial Cut-off Date;
- (f) On each Additional Purchase Date, the Additional Purchased Loan Receivables transferred on such date are eligible according to the Eligibility Criteria on the relevant Cut-off Date.

The Originator's representations and warranties under the Trust Agreement include:

(in relation to Initial Purchased Loan Receivables) on the Initial Cut-off Date and the Trust Effective Date and (in relation to Additional Purchased Loan Receivables) the Additional Purchase Date:

- (a) the Originator is the sole creditor of, and has the legal right of claim in respect of relevant Purchased Loan Receivables; the Originator has not assigned such right, benefits or interests to any third party, and has not created any security interest or any other encumbrance over such right, benefits or interests;
- (b) to the knowledge of the Originator, the information contained in the Portfolio Information is true, accurate and complete in all material aspects in relation to collection of relevant Purchased Loan Receivables;
- (c) to the knowledge of the Originator, no transaction under the Transaction Documents to which the Originator is a party (including without limitation transfer of the Trust Assets) is fraudulent;

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- (d) to the knowledge of the Originator, all conditions precedent to the performance by relevant Borrower of its obligations under the Loan Agreement have been satisfied or waived according to the Originator's internal policies and procedures;
  - (e) save as those provided in the Transaction Documents, the Originator has not disposed and has not agreed to disposal by any third party of its relevant rights and interests in any Trust Assets;
  - (f) no Trust Asset is the object of any other securitization transaction;
  - (g) save for the governmental authorities' approval, permit, authorization, filing, registration, recordal or other formalities that the Originator has obtained or effected and is current and valid, the Originator is not required to obtain or effect any other governmental authorities' approval, permit, authorization, filing, registration, recordal or other formality to ensure the validity, enforceability against relevant Borrower or admissibility as evidence of any document in relation to the relevant Purchased Loan Receivables;
  - (h) the relevant Loan Receivables have been disbursed by the Originator in its ordinary course of business in accordance with its standard loan procedures and all other applicable requirements of policies, practice and procedures that are related to the loan business;
  - (i) the disbursement of relevant Loan Receivables complies all requirements under PRC law;
  - (j) each relevant Loan Receivables is the relevant Borrower's legal, valid and binding payment obligation, and can be enforced against such Borrower in accordance with the terms of the Loan Agreement; and
  - (k) before entrustment or transfer of any relevant Purchased Loan Receivables to the Trust, there has been no wilful misconduct or gross negligence on the part of the Originator that impacts the Trust Company's legal rights in the Trust Assets.

#### 10. Cash Flow Collection Table

Period	Beginning Balance (RMB)	Scheduled Principal (RMB)	Scheduled Interest after VAT Tax (RMB)	Ending Balance (RMB)	Total Collections (RMB)
08-2019	8,000,000,004.88	310,584,726.02	38,507,842.94	7,689,415,278.86	349,092,568.96
09-2019	7,689,415,278.86	311,959,169.14	37,133,399.82	7,377,456,109.71	349,092,568.96
10-2019	7,377,456,109.71	340,323,263.42	35,752,105.73	7,037,132,846.30	376,075,369.15
11-2019	7,037,132,846.30	338,638,509.57	34,261,374.81	6,698,494,336.72	372,899,884.38
12-2019	6,698,494,336.72	320,628,591.17	32,777,463.00	6,377,865,745.55	353,406,054.17
01-2020	6,377,865,745.55	347,218,858.70	31,362,287.94	6,030,646,886.86	378,581,146.64

02-2020	6,030,646,886.86	317,038,186.78	29,803,549.17	5,713,608,700.08	346,841,735.95
03-2020	5,713,608,700.08	311,522,929.53	28,365,805.21	5,402,085,770.54	339,888,734.74
04-2020	5,402,085,770.54	306,041,884.58	26,942,924.02	5,096,043,885.96	332,984,808.60
05-2020	5,096,043,885.96	296,420,778.01	25,520,261.27	4,799,623,107.96	321,941,039.28
06-2020	4,799,623,107.96	273,391,695.00	24,118,466.82	4,526,231,412.96	297,510,161.82
07-2020	4,526,231,412.96	269,078,274.98	22,814,792.88	4,257,153,137.97	291,893,067.86
08-2020	4,257,153,137.97	264,820,275.02	21,522,860.74	3,992,332,862.96	286,343,135.76
09-2020	3,992,332,862.96	261,967,498.55	20,244,151.77	3,730,365,364.41	282,211,650.32
10-2020	3,730,365,364.41	259,413,679.41	18,973,131.24	3,470,951,685.00	278,386,810.65
11-2020	3,470,951,685.00	257,099,461.49	17,712,366.23	3,213,852,223.51	274,811,827.72
12-2020	3,213,852,223.51	250,793,249.13	16,458,905.04	2,963,058,974.38	267,252,154.17
01-2021	2,963,058,974.38	248,308,078.03	15,228,341.31	2,714,750,896.35	263,536,419.35
02-2021	2,714,750,896.35	236,362,149.78	13,997,089.36	2,478,388,746.57	250,359,239.14
03-2021	2,478,388,746.57	242,063,125.50	12,814,811.64	2,236,325,621.07	254,877,937.13
04-2021	2,236,325,621.07	232,693,494.02	11,594,167.84	2,003,632,127.05	244,287,661.86
05-2021	2,003,632,127.05	224,914,444.51	10,408,686.63	1,778,717,682.54	235,323,131.14
06-2021	1,778,717,682.54	211,505,910.48	9,252,722.36	1,567,211,772.06	220,758,632.84
07-2021	1,567,211,772.06	209,874,187.83	8,168,354.56	1,357,337,584.23	218,042,542.39
08-2021	1,357,337,584.23	197,233,884.19	7,093,958.36	1,160,103,700.04	204,327,842.56
09-2021	1,160,103,700.04	187,896,236.17	6,089,333.93	972,207,463.87	193,985,570.11
10-2021	972,207,463.87	175,678,815.00	5,118,475.46	796,528,648.87	180,797,290.46
11-2021	796,528,648.87	155,900,108.43	4,209,118.62	640,628,540.44	160,109,227.05
12-2021	640,628,540.44	147,760,509.10	3,396,045.41	492,868,031.33	151,156,554.51
01-2022	492,868,031.33	146,148,539.33	2,622,099.33	346,719,492.01	148,770,638.66
02-2022	346,719,492.01	91,768,366.11	1,848,179.93	254,951,125.90	93,616,546.04
03-2022	254,951,125.90	100,155,109.55	1,369,637.77	154,796,016.35	101,524,747.32
04-2022	154,796,016.35	91,840,349.35	845,552.24	62,955,667.00	92,685,901.59
05-2022	62,955,667.00	62,491,386.35	352,247.28	464,280.65	62,843,633.63
06-2022	464,280.65	29,916.99	4,199.85	434,363.67	34,116.83
07-2022	434,363.67	23,817.33	3,944.43	410,546.34	27,761.76
08-2022	410,546.34	24,038.62	3,723.19	386,507.72	27,761.81
09-2022	386,507.72	21,693.27	3,499.88	364,814.45	25,193.15
10-2022	364,814.45	19,256.19	3,299.91	345,558.26	22,556.10
11-2022	345,558.26	19,431.92	3,124.18	326,126.34	22,556.10
12-2022	326,126.34	19,609.26	2,946.84	306,517.09	22,556.10
01-2023	306,517.09	19,788.23	2,767.87	286,728.86	22,556.10
02-2023	286,728.86	19,968.85	2,587.25	266,760.01	22,556.10
03-2023	266,760.01	20,151.13	2,404.97	246,608.89	22,556.10
04-2023	246,608.89	20,335.09	2,221.01	226,273.80	22,556.10
05-2023	226,273.80	20,520.74	2,035.36	205,753.07	22,556.10
06-2023	205,753.07	20,708.10	1,848.00	185,044.97	22,556.10
07-2023	185,044.97	20,897.18	1,658.92	164,147.78	22,556.10
08-2023	164,147.78	21,088.01	1,468.09	143,059.77	22,556.10



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09-2023	143,059.77	21,280.59	1,275.51	121,779.18	22,556.10
10-2023	121,779.18	21,474.95	1,081.15	100,304.23	22,556.10
11-2023	100,304.23	21,671.10	885.00	78,633.13	22,556.10
12-2023	78,633.13	21,869.05	687.05	56,764.08	22,556.10
01-2024	56,764.08	22,068.60	487.27	34,695.48	22,555.87
02-2024	34,695.48	10,202.42	285.66	24,493.06	10,488.08
03-2024	24,493.06	10,286.42	201.66	14,206.64	10,488.08
04-2024	14,206.64	10,371.50	116.97	3,835.15	10,488.46
05-2024	3,835.15	3,835.15	31.58	.00	3,866.72

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## Chapter 3 General Information on the Underlying Assets

The selection criteria for inclusion of each Purchased Loan Receivable in the Trust Assets are set forth below:

- (a) the Loan Agreement is legal, valid and transferable;
- (b) the mortgaged vehicle brands are BMW and MINI;
- (c) the Borrowers are obliged to make monthly repayment (including principals or interests) in accordance the repayment schedules under the Loan Agreements;
- (d) the Loan Receivables can be separated and determined at any time for purposes of ownership and related loan security;
- (e) all Loan Receivables are governed by PRC law;
- (f) one (1) loan payment (whether of principal or interest) has been made on each Loan Receivable by the relevant Cut-off Date;
- (g) the Loan Receivables are denominated in Renminbi;
- (h) the Loan Agreements have been entered into exclusively with Borrowers with place of residence in PRC;;
- (i) as of the relevant Cut-off Date, none of the agreements has a remaining term (including any extensions thereof) exceeding sixty (60) months;
- (j) the total amount of Purchased Loan Receivables entrusted or transferred under the Trust Agreement that originate from Loan Agreements with one and the same Borrower does not exceed RMB5,000,000;
- (k) the Purchased Loan Receivables are “normal” loans according to the CBIRC’s five-level classification of loans, have not been delinquent for a period longer than sixty (60) consecutive days and are not involved in any litigation, arbitration, insolvency or enforcement procedures;
- (l) the Purchased Loan Receivables are free of defences, whether pre-emptive or otherwise), for the agreed term of the Loan Agreements, and Borrowers in particular have no setoff claims thereto or thereunder;
- (m) the status and enforceability of the Purchased Loan Receivables will not be affected by warranty claims or any other rights (including claims that can be set off) of Borrowers (even if the Borrowers were or ought to have been aware of the existence of such defence or right as of the relevant Cut-off Date);
- (n) no Borrower is an employee of the Originator;

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- (o) each Financed Vehicle was brand-new (including vehicles previously used as showroom vehicles) on the date of execution of the relevant Loan Agreement and no such vehicles were second-hand;
  - (p) by the time of disbursement of a loan to any Borrower under the Loan Agreement to which he is party, such Borrower has already made an initial payment equivalent to at least twenty per cent (20%) of the purchase price of the Financed Vehicle;
  - (q) each Loan Agreement requires the Borrower thereunder to insure the relevant Financed Vehicle;
  - (r) Purchased Loan Receivables is secured by the mortgage established on the Financed Vehicles, and the mortgage has been registered in the relevant registration authority of China, and the Originator is the registered primary mortgagee; and
  - (s) in relation to any Additional Purchased Loan Receivables transferred to the Trust Company by the Originator pursuant to clause 2.1(b) of the Trust Agreement on each Additional Purchase Date:
    - (i) the Weighted Average Interest Rate of such Additional Purchased Loan Receivables as at the relevant Cut-off Date is not lower than 3.78% per annum;
    - (ii) on the relevant Cut-off Date, the percentage in terms of the outstanding principal balance of the Additional Purchased Loan Receivables from the same province or municipality based on the locations of the distributors of the relevant Financed Vehicles does not exceed 20%; and
    - (iii) as at the relevant Cut-off Date, the Balloon Loan Ratio is no more than 25%.

The criteria above is applicable on the relevant Cut-Off Date.

The Initial Purchased Loan Receivables statistics as of 31 July 2019 are set forth below. (The size and structure of the Trust Assets will be adjusted due to factors such as the specific issue date, loan principal maturity, prepayment, etc.; the specific data will be those based on the actual amounts issued). All weighted averages in the table are derived by weighting the relevant indicators of each Loan Receivable using the Cut-off Date balance of the principals of the Loan Receivables that form part of the Initial Purchased Loan Receivables.

# **1. Particulars of Number and Amount of Assets in the Pool**

Basic Particulars	Amount	Unit
Principal outstanding	8,000,000,004.88	RMB
Number of borrowers	48,846	#
Number of loans disbursed	48,855	#

Highest amount of principal outstanding of any single loan	1,409,322.59	RMB
Lowest amount of principal outstanding of any single loan	8,666.70	RMB
Average balance of outstanding principal of single loans	163,749.87	RMB
Average principal balance outstanding from the Borrowers	163,780.04	RMB
Contract amount	10,915,962,163.31	RMB
Highest contract amount of any single loan	1,484,000.00	RMB
Lowest contract amount of any single loan	80,000.00	RMB
Average contract amount of single loans	223,435.93	RMB

## 2. Particulars of Term of Assets in the Asset Pool

Basic Particulars	Amount	Unit
Weighted average loan contract term	33.85	Months
Weighted average remaining loan term	25.12	Months
Weighted average loan age*	8.73	Months
Longest remaining loan term for single loan	58.00	Months
Shortest remaining loan term for single loan	3.00	Months

\*Formula for weighted average loan age:  $\{ \sum [ (\text{loan term of each loan in the pool} - \text{the remaining term of such loan}) * \text{outstanding principal balance of such loan} ] \} / \text{total outstanding principal balance of the asset pool}$ .

## 3. Particulars of Interest Rate of Assets in the Pool

Basic Particulars	Amount	Unit
Weighted average annual interest rate on the loan	5.78	%
Highest annual interest rate of any single loan	11.88	%
Lowest annual interest rate of any single loan	0.00	%

## 4. Particulars of Concentration of Assets in the Pool

Basic Particulars	Amount	Unit
Concentration ratio of top one Borrower	0.02	%
Concentration ratio of top ten Borrowers	0.13	%
Concentration ratio of top 20 Borrowers	0.22	%

## 5. Particulars of Collaterals for Assets in the Pool

Basic Particulars	Amount	Unit
Aggregate initial appraisal value of Financed Vehicles	17,641,337,320.50	RMB
Weighted average initial loan mortgage rate	64.64	%
Ratio of New Vehicles in the pool	100.00	%

## 6. Particulars of Borrowers for Assets in the Pool

Basic Particulars	Amount	Unit
Weighted average age of the Borrowers (Individual)	36.96	#
Loan amount ratio of the Borrowers between 30-40	52.60	%
Weighted average annual income of the Borrowers *	317,602.64	RMB
Weighted average income debt ratio of the Borrowers	3.14	/

\* Information of annual income is provided by the Borrowers on the loan application forms.

## 7. Originator's Management of Its Auto Loans

BMW Finance has been implementing its auto loan business for more than eight years. Drawing on the long experience, mature systems and process management of the BMW Group with respect to retail car mortgage loan business in foreign markets, and on the basis of its understanding and familiarisation with the local market, BMW Finance has put in place a compliant operational process for its retail car mortgage loan business. Currently, each of BMW Finance's auto loans passes through the following four phases from disbursement to recovery:

### (1) Application for a Retail Car Mortgage Loan

The customer views the cars at the dealer's showroom. After the customer has confirmed his intention to purchase and take out a loan for a certain model, a financing and insurance manager trained and certified by BMW Finance will introduce the various types of BMW Finance retail auto loans to him. If the customer is willing to accept a loan from BMW Finance, the financing and insurance manager will assist the customer with preparing the documents required for the application and with the online submission of the application to BMW Finance's approval system ("CAP").

The information to be provided by the customer at the time of application is (1) his basic personal information (including information on his income and assets), (2) basic information on the loan and the vehicle and (3) other information and remarks.

### (2) Retail Car Loan Review and Approval

The review and approval procedure of BMW Finance for retail car loans mainly includes four steps as follows:

#### (a) Preliminary review

The finance factoring managers of the distributors will file the ID type, ID number and name of the applicant to the COFIS system, upon which the applicant information will be sent to the "Video Interview" system by COFIS. The finance factoring managers will, through the "Video Interview" system: (1) film the ID document of the applicant; (2) take photo of or film the applicant's signing of the personal credit report enquiry authorization letter (distributors for first and second tier cities will take a photo of the applicant holding the executed personal

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credit report enquiry authorization letter while distributors for third, fourth and fifth tier cities will film the entire signing process) and (3) upload the executed authorization letter.

If the above documents have passed the review, the "Video Interview" system will return the result to COFIS system, upon which the preliminary review will commence. The preliminary review covers four aspects as follows:

- (i) consistency check against the ID Card and name information from the National Citizen's Identity Card Number Enquiry Centre;
- (ii) the blacklist of CBIRC;
- (iii) the internal blacklist;
- (iv) Personal credibility report.

If the applicant passes the preliminary review, the financing and insurance manager can continue entering information on the application in the system and generate a new application. Failure by the applicant to pass the preliminary review means that he does not comply with the requirements of BMW Finance's loan policy and makes it impossible to continue to submit the application.

(b) System Rating

After the application is officially filed in the system, the COFIS system will automatically analyse the personal credit report and the application information, give the applicant a rating based on the internal retail credit scorecard rules and the applicant's credit information, and match the system's internal rules.

(c) Credit Review

Based on the results of the rating for the applicant and the matching of internal rules by COFIS system, the system will generate the feedback of "system automatic approval", "system automatic rejection" or "require manual review". Applications that require manual review will be reviewed in accordance with the following:

(i) Substance of Review

The credit officer will review the authenticity and completeness of the material provided by the applicant, as well as the system rating, purpose of purchase, credit awareness, repayment habit, financial indications of income, the authenticity and stability in relation to the job and income of the applicant will also be examined.

(ii) Method of Review

Includes material review, credit report review, income review and assessment, telephone checks, personal visits, etc.

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(iii) Loan Proposal

Based on the applicant's system rating result and overall circumstances, the retail loan approver will prepare loan proposal based on the retail loan approval policy. If the first approver does not have the adequate authority, the retail loan application system will, based on the retail business approval authority, automatically forward the loan proposal made by the first approver to the second reviewer with the appropriate approval authority for review.

(iv) Loan Approval

The loan approval process strictly follows the "four eyes control" (also known as "double monitoring") principle. For customers with a relatively good comprehensive rating, COFIS system will act as the first approver. The second approver with the appropriate approval authority is required to review once more the applicant's qualifications, examine the application documents and the information from the first approver's investigation, examine the first approver's loan proposal and make a decision as to whether or not to grant a loan.

After the approval, the finance and insurance manager will print out a Car Mortgage Loan Agreement through the COFIS system and execute the contracts with the customer.

**(3) Form of Security**

The mortgage registration procedures are required for all the Financed Vehicles involved in the retail car loan business of BMW Finance, and the registered mortgagee is BMW Finance. Moreover, borrowers of certain Financed Vehicles are requested to provide security. The terms of security will depend on the qualification of the Borrower. For example: for corporate customers, if the co-borrower is a foreigner, a Chinese national guarantor would be required; if the main Borrower is over 60 years old (inclusive) with a relatively low rating or is under 25 years old (inclusive), and the loan amount exceeds RMB300,000, he/she should have a guarantor. For individual customers, there are two types of guarantors: (1) individual closely connected with the Borrower or the co-borrower, including parents, children and siblings; (2) individual who has no family relationship with the Borrower or the co-borrower. The purpose of the latter is to enhance the stability of the application which are less qualified and the repayment ability; for this type of guarantor, the comprehensive qualification threshold is higher than that of the main applicant.

According to the policy guidance under the *Administrative Measures for Automotive Loans* taking effect from 1 January 2018, security requirement can be relaxed for borrowers who, upon the review and evaluation by the lender, are considered to be credit-worthy and capable of loan repayment. Considering the actual business needs for certain areas, starting from August 2018, BMW Finance has launched a pilot no-security program for credit-worthy customers in Beijing and Shanghai. Under such program, borrowers who, upon the review and evaluation by BMW Finance, are considered to be credit-worthy and capable of loan repayment are not required to mortgage the vehicles while BMW Finance retains the right to request for such mortgage. The underlying assets under this securitization transaction do not involve any such unsecured loans.

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#### **(4) Disbursement of Retail Auto Loan**

Two staff members will be assigned to each customer for reviewing his or her contracts, vehicle and insurance information.

##### **(a) Pre-Disbursement Review of Documentation**

BMW Finance will conduct a review of the consistency, validity, truthfulness and completeness of all relevant documentation of the customer. The "Video Interview" will also be conducted during customer's signing of the contract, recording the process of the same and uploading the signature pages upon execution. This further enhances the evidence preservation in respect of the applicant's loan contract execution process.

##### **(b) Disbursement**

The decision whether or not to disbursement the loan will depend on the result of the review.

#### **(5) Management of Retail Auto Loans**

Chiefly involves the following steps:

##### **(a) Mortgage Registration**

A dealer that has not signed a guarantee agreement for a certain period with BMW Finance in respect of retail customer loans will receive a car loan disbursement from BMW Finance only after it has completed the mortgage procedures and returned the original of the vehicle registration certificate for the relevant cars to BMW Finance.

A dealer that has signed a periodic guarantee agreement for a certain period with BMW Finance in respect of retail customer loans can receive a car loan disbursement from BMW Finance first, but it is required to complete the relevant mortgage procedures and to return the original of the vehicle registration certificate to BMW Finance within the period agreed with BMW Finance after disbursement. If the procedures are not carried out within the time limit, the dealer will no longer be eligible for BMW Finance's policy of first disbursing the loans before BMW Finance receives the vehicle registration certificate, duly mortgaged.

##### **(b) Insurance and Renewal Thereof**

At least the following four types of insurance should be taken out for all mortgaged vehicles: vehicle loss and damage insurance, third party liability insurance, theft and robbery insurance and deductible-free special liability. Based on the agreement between BMW Finance and the dealer, the dealer has an obligation to assist with the completion of the insurance for the mortgaged vehicle, with BMW Finance being the first beneficiary.

When renewing his insurance, the customer has the option do so through the dealer or on his own.

##### **(c) Post-Disbursement Customer Service**



BMW Finance's post-disbursement follow-up management consists of various aspects, including file management, changes in customer particulars, prepayment, renewal of insurance, assisting the customer in respect of the balloon extension loan business, coordination and settlement of deduction issues between the customer and the bank, etc.

(d) Recovery

BMW Finance uses the different recovery methods, depending on the number of days for which payment is overdue, as shown below:

Number of days overdue	Recovery method
Within 4 days	Text reminder, IVR self-service voice reminder.
5 to 20 days	Calling from engaged collection agency for outsourced debt recovery, Wechat official account reminder
21 to 60 days	Calling from BMW employees, Wechat official account reminder and issuing payment demand letters.
61 to 120 days	Engaging collection agency for outsourced debt recovery.
121 to 180 days	Engaging (another) collection agency for outsourced debt recovery / recovering the vehicles through vehicle recovery agency.
Above 180 days	Engaging law firm to bring lawsuits; arranging for recovery/internal team to bring lawsuits; in the meantime, using external agents for collection and recovery of vehicles.

In addition, BMW Finance pays a great deal of attention to the establishment and improvement of credit risk management and internal control measures.

BMW Finance requires that the dealers shall designate qualified financial insurance representatives to be in charge of BMW Finance's business and arrange unified trainings and certification exams for their employees. BMW Finance requires that all retail loan applications are submitted, assessed and decided through the retail loan application system and that the notes on and reasons for the credit decisions are recorded in the system, in order to manage the retail loan applications and approval data in a unified manner and ensure the security of customer information. In accordance with the principle of double monitoring, the credit decisions on all retail loan applications are made within the system by two persons with the appropriate approval authority.

BMW Finance's Risk Management Department routinely reviews and updates its policies in relation to the retail loan approval, retail loan scorecard, internal risk policies and limits of

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approval authority etc.. The Credit Approval Department must make its credit decisions in accordance with the rules formulated by the Risk Management Department. The Risk Management Department will inspect the implementation of its retail loan approval policy by means of spot checks at irregular intervals, and it will communicate the results of such checks to the Credit Approval Department. If a spot check reveals operations that are contrary to the policy, the Risk Management Department will assist the Credit Approval Department with correcting the same.

With the increase of asset portfolio, BMW Finance has been actively improving and standardizing its retail approval process. In January 2012, the first version of expert scorecards were introduced and applied. In the fourth quarter of 2013, the optimized expert scorecards were applied to BMW Finance's rating system. In August 2014, BMW launched a new rating system, which has integrated the statistical scorecards and automatic approval recommendation policies. In July 2016, BMW Finance officially launched the system automatic review and approval function. According to the matching results between scorecards and internal business risk rules, loan application with a relatively high overall rating may be automatically approved by BMW Finance's retail review and approval system. The development and update of the BMW Finance retail scorecards entirely relies on the development of the historical data of BMW Finance's asset portfolio. The scorecards have shown strong ability to forecast default risk. The forecast ability and performance of the scorecards will be reviewed and updated annually based on the latest data pool. BMW Finance's Risk Management Department monitors weekly reports on overdue payments from retail customers and observes the overall trend of repayments by retail customers, based on which it takes appropriate precautions.

Risk Management Department and Recovery Department together put in place a recovery protocol and a standard recovery procedure. If a customer payment becomes overdue, the Recovery Department of BMW Finance will request the customer to pay the overdue debt by way of text reminder, telephone and text recovery, outsourced recovery and legal action and recovery etc. The Recovery Department provides the Risk Management Department and the Credit Approval Department monthly recovery results. The relevant personnel in the three departments will hold meetings to discuss the overdue contracts and latest findings each month. Based on the current economic situation or special circumstances arising in particular regions, the Risk Management Department alerts the relevant departments and proposes that they take appropriate precautions with respect to affected customers. The Risk Management Department will make timely policy adjustments to address identified risks.

## Chapter 4 Information on Distribution of Underlying Assets

The tables below illustrate the characteristic distribution of the Loan Receivables in the asset pool as of the Cut-off Date. Due to rounding, the specific amounts may not add up to the total figures.

### 1. Distribution of Loans

#### (1) By Outstanding Principal Balance of Loan Receivables

Outstanding Principal Balance	Principal Balance (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
RMB 0-200,000 (Inclusive)	4,373,462,244.55	54.67%	6,411,648,321.75	58.74%	35,871	73.42%	121,921.95	61.28%
RMB 200,000 - 400,000 (Inclusive)	3,076,250,809.80	38.45%	3,861,594,376.42	35.38%	11,844	24.24%	259,730.73	68.22%
RMB 400,000 - 600,000 (Inclusive)	486,672,860.05	6.08%	570,087,092.74	5.22%	1,048	2.15%	464,382.50	70.83%
RMB 600,000 - 800,000 (Inclusive)	51,774,666.05	0.65%	59,256,920.40	0.54%	80	0.16%	647,183.33	74.82%
RMB 800,000 - 1,000,000 (Inclusive)	7,242,665.45	0.09%	8,223,852.00	0.08%	8	0.02%	905,333.18	72.78%
RMB 1,000,000 - 1,200,000 (Inclusive)	3,187,436.39	0.04%	3,667,600.00	0.03%	3	0.01%	1,062,478.80	76.75%
> RMB 1,200,000	1,409,322.59	0.02%	1,484,000.00	0.01%	1	0.00%	1,409,322.59	74.98%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

#### (2) By quality of Loan Receivables (5-Level Categorization Standard for Loans adopted by CBIRC)

5-Level Categorization	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Normal	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(3) By type of interest rate of Loan Receivables

Type of Interest Rate	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Fixed	7,288,236,108.21	91.10%	9,270,854,602.07	84.93%	42,308.00	86.60%	172,266.15	64.38%
Floating	711,763,896.67	8.90%	1,645,107,561.24	15.07%	6,547.00	13.40%	108,716.04	67.30%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(4) By annual interest rate of Loan Receivables executed in the given year

Annual Interest Rate	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
0%-3% (Inclusive)	548,530,855.48	6.86%	857,051,701.70	7.85%	5,680	11.63%	96,572.33	58.82%
3%-4% (Inclusive)	428,076,981.04	5.35%	658,893,929.04	6.04%	3,163	6.47%	135,338.91	63.25%
4%-5% (Inclusive)	1,669,271,728.93	20.87%	2,141,251,804.35	19.62%	11,085	22.69%	150,588.34	63.06%
5%-6% (Inclusive)	2,443,197,701.32	30.54%	3,425,656,628.20	31.38%	16,002	32.75%	152,680.77	62.58%
6%-7% (Inclusive)	2,138,654,522.11	26.73%	2,826,164,481.42	25.89%	9,879	20.22%	216,484.92	67.71%
7%-8% (Inclusive)	669,986,020.08	8.37%	849,226,757.33	7.78%	2,489	5.09%	269,178.79	71.18%
8%-9% (Inclusive)	56,929,929.24	0.71%	76,752,312.47	0.70%	233	0.48%	244,334.46	72.37%
9%-10% (Inclusive)	11,728,334.14	0.15%	28,544,657.50	0.26%	111	0.23%	105,660.67	65.18%
>10%	33,623,932.54	0.42%	52,419,891.30	0.48%	213	0.44%	157,858.84	65.84%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(5) By security of Loan Receivables

Security	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Secured	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(6) By contract term of Loan Receivables

Contract Term	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
0 - 1 years (Inclusive)	221,786,748.79	2.77%	394,226,358.54	3.61%	2,595	5.31%	85,466.96	52.34%
1 - 2 years (Inclusive)	1,002,219,181.32	12.53%	1,484,300,430.88	13.60%	7,969	16.31%	125,764.74	59.10%
2 - 3 years (Inclusive)	6,750,338,244.99	84.38%	8,934,511,198.78	81.85%	37,884	77.54%	178,184.41	65.85%
3 - 4 years (Inclusive)	21,853,450.42	0.27%	92,840,987.76	0.85%	368	0.75%	59,384.38	70.25%
4 - 5 years (Inclusive)	3,802,379.36	0.05%	10,083,187.35	0.09%	39	0.08%	97,496.91	69.39%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(7) By account age of Loan Receivables

Account Age	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
<= 12 months	6,429,469,641.37	80.37%	7,907,245,223.15	72.44%	36,569	74.85%	175,817.49	64.25%

12 - 24 months (Inclusive)	1,235,179,687.95	15.44%	2,138,838,844.07	19.59%	8,922	18.26%	138,442.02	65.65%
24 - 36 months (Inclusive)	320,680,574.33	4.01%	790,422,912.44	7.24%	3,054	6.25%	105,003.46	68.39%
36 - 48 months (Inclusive)	14,055,961.56	0.18%	75,821,335.15	0.69%	298	0.61%	47,167.66	69.52%
> 48 months	614,139.67	0.01%	3,633,848.50	0.03%	12	0.02%	51,178.31	67.35%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(8) By remaining term of Loan Receivables

Remaining Term	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
<= 12 months	744,544,532.41	9.31%	1,685,352,361.06	15.44%	8,165	16.71%	91,187.33	61.58%
12 - 24 months (Inclusive)	2,243,572,352.29	28.04%	3,347,395,368.10	30.67%	14,980	30.66%	149,771.19	63.51%
24 - 36 months (Inclusive)	5,010,739,784.07	62.63%	5,881,940,774.15	53.88%	25,704	52.61%	194,940.08	65.60%
36 - 48 months (Inclusive)	162,429.41	0.00%	234,660.00	0.00%	2	0.00%	81,214.71	55.36%
48 - 60 months (Inclusive)	980,906.70	0.01%	1,039,000.00	0.01%	4	0.01%	245,226.68	70.62%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(9) By method of principal repayment of Loan Receivables

Method of Principal Repayment	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Equal Installment	6,422,767,367.48	80.28%	8,866,120,372.53	81.22%	40,063	82.00%	160,317	63.95%
Flexible Equal	1,577,232,637.40	19.72%	2,049,841,790.79	18.78%	8,792	18.00%	179,394	67.44%

Installment								
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(10) By contract amount of Loan Receivables

Type of Loan	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Standard Loans	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

Notes: Standard Loan refers to the loan with equal instalment repayment of principal and interest, under which the sum of principal and interest paid each month by the Borrower stays the same so long as the interest rate remains unchanged.

## 2. Distribution of Borrowers

(1) By age of Borrowers when they obtain Loan Receivables

Age of Borrowers	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
18 - 20 (Inclusive)	6,262,354.53	0.08%	7,700,303.40	0.07%	40	0.08%	156,558.86	61.05%
20 - 25 (Inclusive)	360,511,782.22	4.51%	470,134,053.13	4.31%	2,467	5.05%	146,133.68	62.35%
25 - 30 (Inclusive)	1,560,710,480.13	19.51%	2,055,467,692.15	18.83%	10,193	20.86%	153,115.91	63.76%
30 - 35 (Inclusive)	2,127,359,616.25	26.59%	2,860,118,432.76	26.20%	13,216	27.05%	160,968.49	64.67%
35 - 40 (Inclusive)	1,644,546,850.17	20.56%	2,269,454,129.36	20.79%	9,812	20.08%	167,605.67	65.19%
40 - 45 (Inclusive)	953,750,057.25	11.92%	1,339,866,235.25	12.27%	5,417	11.09%	176,066.10	65.42%
45 - 50 (Inclusive)	681,177,087.01	8.51%	966,299,676.06	8.85%	3,790	7.76%	179,730.10	65.23%
50 - 55 (Inclusive)	382,826,633.15	4.79%	541,838,265.55	4.96%	2,192	4.49%	174,647.19	65.20%
55 - 60 (Inclusive)	193,549,786.09	2.42%	274,788,383.91	2.52%	1,131	2.32%	171,131.55	64.90%
60 - 65 (Inclusive)	71,030,746.97	0.89%	102,945,029.14	0.94%	474	0.97%	149,853.90	62.76%
> 65	18,274,611.11	0.23%	27,349,962.60	0.25%	123	0.25%	148,574.07	63.47%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(2) By income of Borrowers

Annual Income of Borrowers	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
< RMB 100,000	1,151,321,052.09	14.39%	1,621,271,610.14	14.85%	8,954	18.33%	128,581.76	62.70%
RMB 100,000 - 200,000 (Inclusive)	2,089,797,301.12	26.12%	2,781,841,907.90	25.48%	14,789	30.27%	141,307.55	63.19%
RMB 200,000 - 500,000 (Inclusive)	3,427,097,970.56	42.84%	4,643,108,113.11	42.54%	19,455	39.82%	176,155.13	65.20%
RMB 500,000 - 1,000,000 (Inclusive)	1,067,745,737.88	13.35%	1,491,352,447.29	13.66%	4,659	9.54%	229,179.17	67.06%
> RMB 1,000,000	264,037,943.23	3.30%	378,388,084.87	3.47%	998	2.04%	264,567.08	67.51%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(3) By industry / occupation of Borrowers when they obtain Loan Receivables

Industry / Occupation	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Residence services and other services	2,102,621,436.65	26.28%	2,784,244,318.01	25.51%	12,760	26.12%	164,782.24	64.31%
Retail	1,219,727,223.56	15.25%	1,579,571,874.37	14.47%	6,972	14.27%	174,946.53	64.73%
Manufacturing	648,846,205.08	8.11%	901,391,040.73	8.26%	3,766	7.71%	172,290.55	65.56%
Wholesale	574,035,227.23	7.18%	763,064,595.40	6.99%	3,024	6.19%	189,826.46	65.16%
Construction	434,282,600.41	5.43%	594,797,285.19	5.45%	2,341	4.79%	185,511.58	64.65%
Education	324,659,284.06	4.06%	440,078,578.40	4.03%	2,330	4.77%	139,338.75	62.99%
Finance	264,136,686.58	3.30%	366,431,090.54	3.36%	1,793	3.67%	147,315.50	64.34%
Information transmission,	254,311,474.90	3.18%	330,457,430.47	3.03%	1,539	3.15%	165,244.62	64.36%



computer service and software								
Leasing and business services	231,016,558.10	2.89%	310,599,068.28	2.85%	1,365	2.79%	169,242.90	66.10%
Others	1,946,363,308.31	24.33%	2,845,326,881.92	26.07%	12,965	26.54%	150,124.44	64.66%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(4) By area where Loan Receivables are extended

Province / Municipality	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Guangdong	1,075,765,857.99	13.45%	1,487,791,472.94	13.63%	5,903	12.08%	182,240.53	68.27%
Zhejiang	1,064,804,573.76	13.31%	1,468,061,017.98	13.45%	6,802	13.92%	156,542.87	62.97%
Sichuan	767,622,375.11	9.60%	1,012,415,465.11	9.27%	4,815	9.86%	159,423.13	61.99%
Jiangsu	693,583,718.94	8.67%	942,907,362.79	8.64%	4,753	9.73%	145,925.46	63.37%
Shandong	404,137,248.98	5.05%	545,840,781.77	5.00%	2,371	4.85%	170,450.13	65.88%
Beijing	384,870,020.08	4.81%	564,645,086.26	5.17%	2,450	5.01%	157,089.80	63.78%
Henan	312,027,677.69	3.90%	410,902,338.30	3.76%	1,698	3.48%	183,761.88	65.41%
Hubei	300,835,953.39	3.76%	403,651,843.97	3.70%	1,872	3.83%	160,702.97	62.93%
Fujian	299,176,136.43	3.74%	407,227,488.90	3.73%	1,756	3.59%	170,373.65	67.52%
Hunan	288,531,840.01	3.61%	397,064,261.00	3.64%	1,791	3.67%	161,100.97	64.49%
Others	2,408,644,602.50	30.11%	3,275,455,044.29	30.01%	14,644	29.97%	164,479.96	64.67%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(5) By credit points of Borrowers

Credit Points	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
1	884,266,604.26	11.05%	1,253,794,906.27	11.49%	7,090	14.51%	124,720.25	54.93%
2	1,850,296,134.65	23.13%	2,488,120,532.49	22.79%	11,873	24.30%	155,840.66	62.22%

3	2,093,659,179.37	26.17%	2,780,851,693.35	25.48%	12,159	24.89%	172,190.08	65.65%
4	2,064,452,686.12	25.81%	2,741,089,547.33	25.11%	11,553	23.65%	178,694.08	67.19%
5	1,107,325,400.48	13.84%	1,652,105,483.87	15.13%	6,180	12.65%	179,178.87	69.76%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

Notes: The larger the credit point is (from 1 to 5), the lower the credit rate is.

(6) By type of Borrowers

Type	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
Individual	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

### 3. Distribution of Collaterals

(1) By initial mortgage rate of Loan Receivables

Initial Mortgage Rate	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
0% - 20% (Inclusive)	1,649,982.88	0.02%	2,769,633.60	0.03%	26	0.05%	63,460.88	17.44%
20% - 40% (Inclusive)	432,264,398.55	5.40%	621,156,378.08	5.69%	4,545	9.30%	95,107.68	37.67%
40% - 60% (Inclusive)	2,725,411,374.24	34.07%	3,668,868,082.75	33.61%	18,280	37.42%	149,092.53	54.57%
60% - 80% (Inclusive)	4,840,674,249.21	60.51%	6,623,168,068.88	60.67%	26,004	53.23%	186,151.14	72.73%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

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(2) By brand of Financed Vehicles

Brand	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
BMW	7,765,874,366.33	97.07%	10,581,837,539.98	96.94%	46,703	95.60%	166,282.13	64.59%
MINI	234,125,638.55	2.93%	334,124,623.33	3.06%	2,152	4.40%	108,794.44	66.36%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

(3) By age of Financed Vehicles

New / Old Vehicles	Principal Outstanding (RMB)	Percentage (%)	Contract Amount (RMB)	Percentage (%)	Number of Loans	Percentage (%)	Average Balance of Per Loan (RMB)	Weighted Average Initial Mortgage Rate (%)
New	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%
Total	8,000,000,004.88	100.00%	10,915,962,163.31	100.00%	48,855	100.00%	163,749.87	64.64%

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## Chapter 5 Basic Information of Notes

### 1. Explanation on the Taxes and Expenses in Respect of the Trust Assets

#### (1) Taxes in Respect of the Trust Assets

According to the *Notice on the Ministry of Finance and the State Administration of Taxation on Tax Policy Issues Concerning Credit Asset Securitization*(ref. Cai Shui [2006] No. 5) issued on 20 February 2006, the *Notice on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax*(ref. Caishui[2016] No.36) issued on 23 March 2016, the *Notice on Value-Added-Tax Policy Concerning Real Estate Developer, Education and Other Industries* (ref. Caishui[2016] No.140) issued by the Ministry of Finance and the State Administration of Taxation on 21 December 2016, the *Supplementary Notice on Value-Added-Tax Policy concerning Asset Management Products*(ref. Caishui[2017] No.2) issued by the Ministry of Finance and State Administration of Taxation on 6 January 2017, the *Notice on Value-Added-Tax Policy Concerning Asset Management Products*(ref. Caishui[2017] No. 56) issued by the Ministry of Finance and the State Administration of Taxation on 30 June 2017, and the *Notice on VAT Policies including the Deduction of Input Tax for Rented Fixed Assets* (ref. Cai Shui [2017] No. 90) issued by the Ministry of Finance and the State Administration of Taxation on 25 December 2017, the Trust Assets are subject to the following taxes:

##### (a) Value-added Tax

According to Caishui [2016] No.140, the asset management company of any asset management products will be deemed as the responsible VAT taxpayer for any VAT taxable activities derived from such products starting from May 1, 2016. Caishui [2017] No. 56 clarifies that the simplified tax calculation method shall apply in such cases and that the VAT rate shall be 3% starting from January 1, 2018. The value-added tax on the VAT taxable activities in connection with the asset management products prior to January 1, 2018 is not required to be paid if not yet settled. Otherwise, the value-added tax already paid can be used for deduction of the value-added tax payable with respect to the asset management products in the months thereafter. The Circular 56 is effective on January 1, 2018. Caishui [2017] No. 90 further provides that for the provision of loan services, income from interest and any other income deemed as interest generated from the loans as of January 1, 2018 shall be included for the determination of sales amount.

##### (b) Income Tax

According to Caishui [2006] No. 5, the portion of gains from the trust project that is distributed to institutional investors in Notes (“Institutional Investors”) in the year in which they were derived currently is not subject to corporate income tax at the trust level. The corporate income tax return on the portion of gains that is not distributed to institutional investors in the year in which they were derived is filed, and the said tax is paid, by the Trust Company at the trust level according to corporate income tax policies. If gains from Trust project taxed at the trust level are subsequently distributed to Institutional Investors, the imposition of tax on the Institutional Investors in respect thereof is handled according to the current corporate income policy on after-tax gains.

#### (2) Details of the Fees

According to the Transaction Documents, the following expenses are payable in respect of the Trust Assets during the life of the Notes:

- (a) all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts to which the Trust Company is entitled under the Trust Agreement and related Transaction Documents;

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- (b) the rating fees paid by the Issuer to the Rating Agencies;
  - (c) the Servicer Fee payable by the Issuer to the Servicer under the Servicing Agreement;
  - (d) the amounts payable by the Issuer to the Paying Agent under the Agency Agreement;
  - (e) the amounts payable by the Issuer to the Issuer Account Bank under the Bank Account Agreement;
  - (f) the listing fees, costs and expenses paid by the Issuer in respect of the Notes;
  - (g) the fees paid to the Auditor by the Issuer;
  - (h) any fees required and properly incurred and documented in reasonable detail by the Issuer for the filing of annual tax returns;
  - (i) all reasonable costs and expenses incurred after the Trust Effective Date by the Servicer or its successor (if any) and the Trust Company for the purpose of serving Rights Perfection Notices or any notices or reports under the Servicing Agreement on, or carrying out relevant registration procedures with, the CBIRC, the PBOC, other Governmental Authorities, Borrowers, Insurers or Security Providers.

**(3) Source of Funds, Payment Steps and Payment Priority for Taxes and Fees Incurred by the Trust Assets**

On each Payment Date, the Available Distribution Amount of the preceding month, as the source of funds for payment of the fees and taxes in respect of the Trust Assets, shall be allocated in the following manner and priority:

- (a) first, amounts payable by the Issuer in respect of taxes under any applicable law;
- (b) second, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trust Company under the Trust Agreement;
- (c) third, on a *pari passu* basis and in proportion to each amount of the aggregate payable amounts (if the remaining Available Distribution Amount is not sufficient to pay the amounts set forth in this paragraph), amounts payable to (i) the Rating Agencies in respect of the rating fees, (ii) the Servicer under the Servicing Agreement (including Servicer Fee), (iii) the Paying Agent under the Agency Agreement, and the Issuer Account Bank under the Bank Account Agreement, (iv) listing fees, costs and expenses, (v) auditor fees and (vi) any fees reasonably required and properly incurred and documented in reasonable detail for the filing of annual tax returns.

**2. Date and Time**

Calculation Date	means the last day of each calendar month, with the first Calculation Date being 30 November 2019 and the last Calculation Date being the last day of the calendar month prior to the last Payment Date.
Clean-Up Call Settlement Date	means, where the Originator gives at least one (1) month prior notice to the Issuer of its intention to exercise the Clean-Up Call Option on the Payment Date set forth in the notice, such Payment Date as set forth in the foregoing notice, provided that all conditions set out in Clause 4 ( <i>Clean-Up Call</i> ) of the Trust Agreement will be satisfied on such Payment Date.
Closing Date	means the delivery date of the Trust Assets, which is the date on which the Originator delivers the Trust Assets to the Trust Company,

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	and it shall be the same day as the Issue Date and the Trust Effective Date.
Collections Transfer Date	means the ninth (9 <sup>th</sup> ) Business Day after each Calculation Date.
Cut-off Date	means (a) in respect of the Initial Purchased Loan Receivables, the Initial Cut-off Date; or (b) in respect of any Additional Purchased Loan Receivables, 24:00 on the first day of the month in which such Additional Purchased Loan Receivables are transferred to the Trust Company.
Initial Cut-Off Date	means 24:00 on 31 July 2019.
Trust Determination Date	means the twelfth (12 <sup>th</sup> ) Business Day after each Calculation Date.
Issue Date	means the interest commencement date of the Notes as specified in the Offering Methods.
Legal Final Maturity Date	means 26 August 2027.
Payment Date	means the 26 <sup>th</sup> day of each month or, in the event such day is not a Business Day, on the next following Business Day unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day. The first Payment Date is 26 December 2019.
Interest Period	means the period starting from (and including) the 26th calendar day of each month and ending on (but excluding) the 26th calendar day of the next month, <u>provided that</u> the first Interest Period shall start from (and including) the Issue Date and end on (but not including) 26th calendar day that falls in 26 December 2019.
Servicer Report Performance Date	means the eighth (8 <sup>th</sup> ) Business Day after each Calculation Date.
Issuer Account Bank Report Date	means the first (1 <sup>st</sup> ) Business Day after each Collection Transfer Date.
Signing Date	means 28 October 2019.
Trust Beneficiary Interest Registration Date	means the Business Day before each Payment Date and the Noteholders documented on the Registry at the end of that day shall be deemed as the Trust beneficiary, who shall be entitled to obtain current principal and interest of the Notes on that Payment Date.
Trust Company Report Date	means the date on which the Trust Company Report is published on the websites of China Money ( <a href="http://www.chinamoney.com.cn">www.chinamoney.com.cn</a> ), ChinaBond ( <a href="http://www.chinabond.com.cn">www.chinabond.com.cn</a> ) and Beijing Financial Assets Exchange ( <a href="http://www.cfae.cn">www.cfae.cn</a> ), which is the fifth (5 <sup>th</sup> ) Business Day prior to the Payment Date.
Trust Effective Date	means the date on which the Originator entrusts the Initial Purchased Loan Receivables to the Trust Company.
Trust Termination	means the date on which the Trust Company completes the

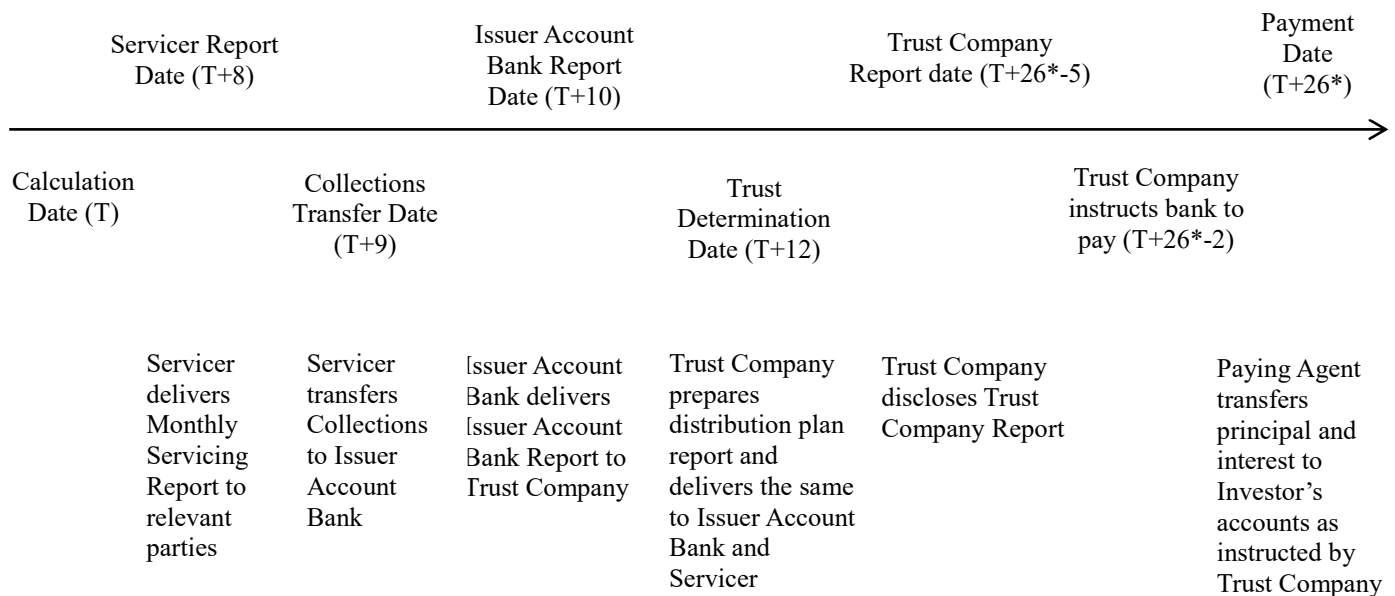
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Date	liquidation of the Trust (including, but not limited to the performance of corresponding payment obligations under the Trust Agreement), and the liquidation report issued by the Trust Company is approved by the Controlling Noteholders' Meeting.
Collections Period	means the period from one Calculation Date (excluding that day) to the next Calculation Date (including that day), provided that the first Collections Period shall commence on the Cut-off Date (excluding that day) and end on the next Calculation Date (including that day).
Monthly Period	means the calendar month immediately prior to each Payment Date.

#### **Replenishment related Date and Time**

Revolving Period	means the period commencing on the Issue Date and ending on the earlier of (i) the Payment Date falling in November 2020 and (ii) the date on which an Early Amortisation Event occurs.
Additional Cut-Off Date	means any Cut-Off Date falling within the Revolving Period.
Offer Date	means any third Business Day preceding any Payment Date falling within the Revolving Period.
Additional Purchase Date	means the Payment Date on which the Additional Loan Receivables are to be transferred to the Trust Company in accordance with Clause 2.1(b) of the Trust Agreement during the Revolving Period.
Early Amortisation Event	<p>means the occurrence of any of the following event during the Revolving Period:</p> <ul style="list-style-type: none"> <li>(a) as any Cut-Off Date, the Cumulative Default Ratio exceeds 1.6%;</li> <li>(b) the occurrence of an Enforcement Event;</li> <li>(c) on two consecutive Payment Days, immediately after the payment of the Additional Purchase Price, the amount deposited into the Replenishment Sub-account exceeds 15% of the Aggregate Loan Balance as at the last Cut-off Date immediately prior to such Payment Day;</li> <li>(d) according to a Trust Company Report, the amount distributable to the Replenishment Sub-account on the immediately following Payment Date would be lower than the Required Replenishment Amount; or</li> <li>(e) the occurrence of a Servicer Termination Event.</li> </ul>

The timeline for payment of the principal of and earnings from the Notes and the disclosure of information by the Trust Company is set forth below:



\* "26" means calendar days, whereas all other days are Business Days.

### 3. Information of Notes

#### (1) Senior Asset Backed Notes

The key features of Senior Asset Backed Notes are as follows:

China Ratings Rating	AAA <sub>sf</sub>
CCXI Rating	AAA <sub>sf</sub>
Size	RMB 6,580,000,000.00
Coupon rate	Fixed rate. The coupon rate is Senior Notes Interest Rate which is determined in accordance with the result of book building.
Interest calculation method	Outstanding balance of principal of Senior Asset Backed Notes × coupon rate × actual number of days in interest calculation period/365, rounded up to two decimal points.
Interest payment method	Monthly
Principal repayment method	Pass-through
Expected Maturity Date	26 April 2022



Expected weighted average term	1.70 year
Legal Final Maturity Date	26 August 2027
Venue for book building and address	CITIC Securities Co., Ltd. Address: Level 22, CITIC Securities Building, No. 48 Liangmaqiao Road, Chaoyang District, Beijing 100026

## (2) Subordinated Notes

The key features of Subordinated Notes are as follows:

Size	RMB 1,420,000,004.88
Coupon rate	No coupon rate
Principal repayment method	Pass-through
Expected Maturity Date	26 May 2022
Legal Final Maturity Date	26 August 2027

## 4. Sensitivity Analysis of Each Class of Notes

### (1) Tiered Structure Design

Given that requirements of the investors and the characteristics of the asset pool cash flow, the Asset Backed Notes in this issue are divided into two tiers as follows: Senior Asset Backed Notes and Subordinated Notes. The percentage of each class is as follows: 82.25 per cent and 17.75 per cent. The credit rating of the Senior Asset Backed Notes by CCXI and China Ratings is, respectively AAA<sub>sf</sub> and AAA<sub>sf</sub>. The Subordinated Notes are unrated.

### (2) Interest Rate on the Notes Issue

Fixed interest rates will apply to the Senior Asset Backed Notes. The Subordinated Notes shall have no coupon rate.

### (3) Weighted Average Term

The weighted average term of the Senior Asset Backed Notes to be issued on this occasion, also referred to as the weighted average collection term, means the average term required for full payment of the entire principal for all Senior Notes. In paying the principal and interest of Senior Asset Backed Notes the method of step-by-step repayment from the senior to the junior will be adopted, and payment will be effected according to the payment sequence and rules established in advance. However, as the source of repayment is the Collections of principal and interest of the Loan Receivables in the asset pool, Collections from the disposal of mortgaged vehicles and revenue from fines or liquidated damages, the status of the collections of cash flow from the Loan Receivables in the asset pool will have a direct impact on the weighted average term of the Senior Notes.

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If there are no late payments, defaults or losses on the Loan Receivables in the asset pool, and assuming the early repayment rate is zero per cent, the weighted average term will be 1.70 years for the Senior Asset Backed Notes.

#### **(4) Interest Rate Sensitivity Analysis**

Fixed interest rates will apply to the Senior Asset Backed Notes, hence the adjustment of the benchmark interests of PBOC will not impact the interest rates of the Senior Asset Backed Notes.

#### **(5) Calculation of the Impact of Early Repayments**

We have carried out a sensitivity analysis with regard to early loan repayments. Given that the coupon interest rate has been decided, early repayment will not have any impact on the yield from Senior Asset Backed Notes. Early repayments for the assets in the pool will mainly affect the anticipated due date and weighted average term of the Senior Asset Backed Notes, and we have also analysed the change in the weighted average term in this section. A quantitative analysis shows that if the early repayment rate rises, the weighted average term of the Senior Notes will decrease, but that there are discrepancies in the degree of change. For details, see the following table:

Early repayment rate (annualized)	Senior Asset Backed Notes (years)
0%	1.70
2%	1.69
4%	1.68
6%	1.67
8%	1.66
10%	1.65

Note: The early repayment rate is annualized monthly data, i.e. the early repayment rate = the balance of loan principal repaid early during that month / balance of loan principal at the beginning of the month.

### **5. Information of Risk Retention**

BMW Finance, as the Originator, will strictly follow the requirement in Notice of the People's Bank of China, the China Banking Regulatory Commission and the Ministry of Finance on Relevant Matters Concerning Further Expanding the Pilot Securitization of Credit Assets (No. 127 [2012] of the People's Bank of China), as well as Document regarding Risk Retention Proportion applicable to the Originators of Credit Asset Securitizations (Public Announcement of PBOC and CBRC [2013] No. 21), and plans to hold all of the Subordinated Notes, the size of which is 17.75% of the total issuance size. The holding period will be no shorter than the tenor of the Subordinated Notes.

### **6. Impact of PRC Law**

Following is a general outline of the factors under PRC law which will affect the Asset Backed Noteholders. This general outline does not constitute an exhaustive description of all the legal issues. Asset Backed Noteholders should factor in the nature of these particular Asset Backed Notes and the Chinese political and legal environment, and carry out any further investigation they deem appropriate based on their own judgment.

#### **(1) The Legal and Regulatory Framework for Credit Asset Securitization Transactions**

In the PRC, credit asset securitization projects mainly mean structured financing activities pursuant to which a financial institution in the banking sector (or another financial institution approved by the CBIRC and the PBOC) acting as the originator places credit assets in the custody of a trustee for the trustee to issue beneficiary securities to institutional investors in the form of asset backed notes and

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pay the earnings on the Asset Backed Notes using the cash generated from the relevant assets. The main oversight authorities for credit asset securitization transactions are the CBIRC and the PBOC. The CBIRC supervises and administers the credit asset securitization business activities of the relevant institutions according to law, and the PBOC supervises and administers the offering and trading of Asset Backed Notes on the National Interbank Bond Market according to law.

BMW Finance's engagement in credit asset securitization business must comply with such laws, administrative regulations, departmental rules and regulatory documents as the *Trust Law of the People's Republic of China* (the "Trust Law"), the *Measures for the Administration of Pilot Projects for Securitization of Credit Assets*, the *Measures for the Regulation of Pilot Projects for the Securitization of Credit Assets of Financial Institutions*, the *Rules for Disclosure of Information on Asset Backed Notes*, and the *Notice on the Record Procedures for the Securitization of Credit Assets* etc. As the trustee of the credit asset securitization transaction, the Trust Company must also comply with laws and regulations for the administration of the industry such as the *Measures for the Administration of Trust Companies*, the *Measures for the Administration of Plans by Trust Companies to Concentrate Assets in Trusts*, etc. In addition, the auto loan component of such business carried by BMW Finance, and the civil legal relationships involved in the taking out of loans, mortgages, etc. must also comply with such financing rules and regulations as the *Measures for the Administration of Auto Financing Companies* and the *Measures for the Administration of Auto Loans*, etc., as well as relevant provisions of civil laws and regulations such as the *General Rules of the Civil Law of the People's Republic of China*, the *General Provisions of the Civil Code of the People's Republic of China*, the *Contract Law of the People's Republic of China* (the "Contract Law"), the *Law of the People's Republic of China on Security* (the "Law on Security"), the *Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Law of the People's Republic of China on Security* (the "Security Interpretations"), the *Civil Procedure Law of the People's Republic of China* (the "Civil Procedure Law"), the *Enterprise Bankruptcy Law of the People's Republic of China* (the "Enterprise Bankruptcy Law"), and the *Law of the People's Republic of China on Property Rights* (the "Property Rights Law").

## **(2) Special Purpose Trusts**

For purposes of the Trust Law, the term "trust" means the acts whereby the grantor, based on his trust in the trustee, entrusts the rights in his property to the trustee and the trustee manages or disposes of such property in his own name in accordance with the wishes of the grantor for the benefit of the beneficiary or for a special purpose. Credit asset securitization business draws on the concept of trust asset independence to create according to law a special purpose trust whose objective is the securitization of assets as a special purpose vehicle in order to realize the requirement of bankruptcy remoteness in credit asset securitization deals.

### **(a) Establishment of a Special Purpose Trust**

As required under the Trust Law, a lawful trust objective is required when establishing a trust, and the trust property must be lawfully owned by the grantor, the property and property rights must be determined, and the trust beneficiary or class of beneficiaries must be determined. The trust will be void if its objective violates laws or administrative regulations or harms the public interest, if it is specifically established for the purpose of instituting a legal action or for recovering a debt, if it is established with illegal property or property which may not be used to establish a trust, or if the trust property cannot be determined.

If the trust is established for a special purpose, the Originator must transfer the credit assets to the trustee of the special purpose trust. To form a trust with trust property composed of credit assets, BMW Finance must carry out the relevant statutory procedures for the transfer of the creditor's rights in the loans and ancillary security interests such as mortgage rights, etc. (for details, see the section titled Transfer of Creditor's Rights and Their Ancillary Security Interests under Retail Loan Receivables).

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In addition, pursuant to the Trust Law, when establishing a trust, if relevant laws and administrative regulations require the trust property to be registered, trust registration should be carried out according to law; otherwise, the trust will not enter into effect. Trust companies shall duly register their trust products with the China Trust Registration Co., Ltd. pursuant to the *Administrative Measures for Trust Registration*. The *Measures for the Administration of Pilot Projects for Securitization of Credit Assets* specify that the originator of the credit assets securitization should publish an announcement in the national media and notify the relevant rights holders of the transfer of credit assets by means of the establishment of a special purpose trust.

Under the relevant provisions of the *Measures for the Administration of Pilot Projects for Securitization of Credit Assets* and the *Measures for the Regulation of Pilot Projects for the Securitization of Credit Assets of Financial Institutions*, the originator and the trustee in a credit assets securitization project should submit the relevant documents and information to, and obtain approval from, the CBIRC and the PBOC for the transfer of credit assets through the creation of a special purpose trust and such matters as offering of asset backed securities on the National Interbank Bond Market or privately.

(b) Independence of Trust Property

Under the Trust Law, the *Measures for the Administration of Pilot Projects for Securitization of Credit Assets* and the *Measures for the Regulation of Pilot Projects for the Securitization of Credit Assets of Financial Institutions*, once the special purpose trust has been established, the trust assets are independent of the original property of the originator, the trustee, the servicer, the account bank, the registry/custodian and any other entity that provides services for the securitization deal. If any such entity is liquidated because it is legally dissolved, legally shut down or legally declared bankrupt, etc., the Trust Assets do not become a part of its liquidation property. None of the originator, the trustee, the servicer, the account bank, the registry/custodian and any other entity that provides services for the securitization deal may exercise any right of set-off against the trust assets as payment for a debt owed to it by asset backed noteholders. The claims and debts created by the trustee in its administration, operation and disposal of different trust assets may also not be set off against each other. No claims may be enforced against the Trust Assets, unless on statutory grounds such as priority repayment rights, rights of set-off or rights of defence held by creditors against the trust assets prior to the establishment of the trust, debts created by the trustee in the handling of trust matters relating to the trust assets or taxes payable on the trust assets themselves.

**(3) Transfer of Creditor's Rights and Their Ancillary Security Interests under Retail Loan Receivables**

(a) Transfer of Creditor's Rights under Retail Loan Receivables

i. Transfer of Creditor's Rights

Pursuant to the Contract Law, if BMW Finance transfers the creditor's rights in a retail auto loan as the original creditor, it does not need to obtain special approval or carry out special registration procedures, and the contract for transfer of the creditor's rights in the retail auto loan will become legally effective between the original creditor and the transferee at the time of its formation. When BMW Finance transfers its creditor's rights in a retail Loan Receivable, it does not need to obtain the debtor's consent, but the original creditor does need to notify the debtor. If the debtor is not notified, the transfer of the creditor's rights in the retail auto loan will not be legally effective vis-à-vis the debtor. Thus, if the debtor continues to perform his obligations to the original creditor bank, and the transferee will have no right to require the debtor to perform its obligation.

With regard to the entry into effect of a notice of transfer of creditor's rights vis-à-vis a debtor, the PRC currently implements the doctrine of actual service of the notice. Except in the case where a state-owned commercial bank transfers creditor's rights in a non-performing loan to a financial asset management company, the transfer of creditor's rights will be effective vis-à-vis the debtors if the

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financial institution transferring the rights notifies each debtor individually of the fact of the transfer.

Furthermore, under the *Measures for the Administration of Pilot Projects for Securitization of Credit Assets*, the financial institution making the transfer of creditor's rights in a loan should publish an announcement in the national media and notify the relevant rights holders of the details of the transfer of the creditor's rights in the loan and of their ancillary mortgage rights through the establishment of a special purpose trust.

## ii. Right of Set-Off and Right of Defence of the Debtor

When BMW Finance transfers creditor's rights in a retail auto loan, the rights of the transferee may be affected by the debtor's right of set-off and the right of defense vis-à-vis the original creditor. Under the Contract Law, if a debtor that receives notice of transfer of creditor's rights from the original creditor has a claim against the original creditor and such claim falls due prior to or at the same time as the transferred creditor's rights in the loan, the debtor may claim the right of set-off against the transferee. Moreover, after the debtor has received notice of the transfer of creditor's rights, any defense which the debtor previously had against the original creditor may be set up against the transferee.

### (b) Transfer of Mortgage Rights Ancillary to Creditor's Rights under Loan Receivables

According to the Law on Security and the Property Rights Law, mortgage rights may not be separated from the obligation secured and transferred severally or used to secure another obligation. If creditor's rights are transferred, the mortgage rights securing the obligation are transferred along with the creditor's rights, unless the law provides otherwise or the parties agree otherwise. In addition, the Contract Law provides that when an obligee transfers his rights, the transferee also obtains the incidental rights concomitant with the claim, unless such incidental rights are personal to the obligee. When BMW Finance transfers creditor's rights under retail Loan Receivable, it must also transfer the vehicle mortgage rights ancillary to such creditor's rights.

According to the Law on Security, when mortgaging a vehicle, the mortgaged property should be registered with the vehicle registration authority and the mortgage agreement will become effective on the date of registration. However, the Property Rights Law provides that when a vehicle is mortgaged, the mortgage rights are created upon the entry into effect of the mortgage agreement and that if the mortgage has not been registered, it may not be used as a defense against *bona fide* third parties. According to the Property Rights Law, the Property Rights Law will prevail in the event of any discrepancy between the Property Rights Law and the Law on Security.

### (c) Transfer of Guarantee Rights Ancillary to Creditor's Rights under Retail Loan Receivables

According to the Law on Security, if BMW Finance lawfully assigns the rights to the principal obligation to a third party during the term of guarantee, the ancillary creditor's rights under the guarantee are assigned as well, without the need to carry out any other procedures. The guarantor continues to bear guarantee liability vis-à-vis the transferee within the scope of the original guarantee. However, if the guarantor has previously agreed with the original creditor that it will be liable as guarantor to the original creditor only or that transfer of the creditor's rights is prohibited, then the guarantor will no longer be liable under the guarantee.

## (4) Realization of Mortgage Rights

### (a) General Provisions

If the debtor under a retail Loan Receivable fails to perform his obligation within the time limit therefor, BMW Finance may receive payment by means of realization of its mortgage rights. To do so, it may agree with the mortgagor to receive payment by converting the mortgaged property into its monetary value or auctioning or selling off of the property. It may also avail itself of legal remedies. According to the Property Rights Law, if the mortgage rights are realized by agreement and such agreement is prejudicial to the rights of another creditor, such other creditor may petition the People's

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Court to rescind the agreement within one year from the date on which it knew or should have the know of the cause for rescission.

(b) General Procedure for Legal Remedies

If the debtor under a retail Loan Receivable fails to repay the loan within the time limit therefor, BMW Finance may institute proceedings with a People's Court. According to relevant provisions of the Civil Procedure Law, after the case has been accepted by the court, the trial should generally be concluded within six months from the date on which the case was put on the docket. The time limit may be extended by six months if necessary due to special circumstances, subject to the approval of the president of the court in question. Further extensions, if needed, require the approval of a superior court. In simple cases, where the facts are clear, the relationship of rights and obligations is clearly defined and the dispute is minor, the People's Court may try the case according to summary procedure, in which case the trial should be concluded within three months from the date on which the case was put on the docket. If the judgement of the first instance court is not appealed, it becomes legally effective immediately. If a party appeals to the People's Court at the next higher level within 15 days from the date of service of the written judgement, the second instance court should conclude the case within three months from the date on which the case was put on the docket for trial at second instance. The time limit may be extended if necessary due to special circumstances, subject to the approval of the president of the court in question. The judgement of the second instance court is final.

If the debtor refuses to perform the legally effective civil judgement, BMW Finance may apply for enforcement to the first instance People's Court within two years from the last day of the prescribed period for performance of the judgement. The People's Court has the right to seal up, seize, freeze, auction or sell off the debtor's mortgaged vehicle. If the debtor fails to fulfil his obligations under the legal instrument within the specified time period after the property has been sealed up or seized, the People's Court may auction or sell off the sealed-up or seized property according to law. The People's Court should first use the method of auction, unless the law or a legal interpretation provides otherwise.

(c) Auction Procedure

i. Ordinary Auction Procedure

BMW Finance may agree with the mortgagor to realize the mortgage rights by means of auction of the mortgage property. According to the *Law of the People's Republic of China on Auctions*, the auction procedure generally involves the appointment of the auction house, the public announcement of the auction and the effecting of the auction. The subject matter of the auction should be an article or property rights that are owned or may legally be disposed off by the appointer. The appointer should appoint an auction house that possesses the appropriate qualifications. The announcement of the auction should be published by the auction house in a newspaper or other media seven days before the auction. The appointer has the right to determine the reserve price of the thing auctioned. If the highest bid is below the reserve price, such bid does not become effective and the auctioneer should stop the auction of the mortgaged vehicle. The auction transaction is concluded when the auctioneer confirms the highest bid by a rap of his gavel or otherwise publicly expresses the conclusion of the purchase. When the auction transaction has been concluded, the purchaser and the auction house should sign a written confirmation of the transaction. The purchaser should pay the price of the subject matter of the auction as stipulated. The appointer and the purchaser should carry out the procedures for transfer of the registration of title with the relevant registry on the strength of the transaction confirmation issued by the auction house and relevant documentation.

The appointer and the purchaser may agree with the auction house on the percentage of the commission. If no percentage has been agreed upon and the auction results in a transaction, the auction house may charge a commission not to exceed 5% of the transaction price from the

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appointer and the purchaser. If the auction does not result in a transaction, the auction house may charge the appointer the agreed-upon fee or, if no fee has been agreed upon, the reasonable auction expenses paid.

ii. Procedure for Auctions During Enforcement by the People's Court

According to the *Regulations of the Supreme People's Court Concerning the Auctioning and Selling Off of Property by People's Courts in the Course of Civil Enforcement*, if a People's Court wishes to auction a mortgaged vehicle in order to enforce a legally effective judgement, it should appoint an auction house that possesses the appropriate qualifications and supervise the auction. An appropriately qualified appraisal institution should be appointed to appraise the value of the vehicle to be auctioned. The creditor and the debtor may request the court not to have the value appraised. The People's Court will determine the reserve price with reference to the appraised value. If no value has been appraised, the court will refer to the market value and solicit the opinions of the parties. At the first auction, the reserve price determined by the court may not be less than 80% of the appraised value or the market value. If the auction fails or the mortgaged vehicle is re-auctioned, the reserve price may be reduced in view of the circumstances, but each reduction may not exceed 20% of the previous reserve price.

Fifteen days before the auction of the mortgaged vehicle, the auction house should announce the mortgage within the scope and in the media determined by the parties through consultations or determined by the People's Court. Five days before the auction, the People's Court should, in writing or by another appropriate method allowing confirmation of receipt, notify the creditor that applied for enforcement, the mortgagor, the known security right holders and the pre-emptive purchasers or other persons with other pre-emptive rights to attend the auction. If nobody bids or the highest bid is lower than the reserve price, and the creditor that applied for enforcement or another enforcing creditor present at the auction applies for permission or agrees to accept the auctioned mortgaged vehicle at that auction's reserve price, the vehicle should be turned over to that creditor to set off the debt. If the auction results in a transaction, or if the auction fails and the mortgaged vehicle is used to set off the debt, the People's Court should rule accordingly and title to the vehicle will pass when the ruling of the transaction or setoff is served on the purchaser or acceptor. The purchaser should pay the price to the People's Court or remit it to the account designated by the People's Court within the time limit determined in the announcement of the auction or set by the People's Court.

If nobody bids at the auction or the highest bid is lower than the reserve price, and neither the creditor that applied for enforcement nor any other enforcing creditor present at the auction applies for permission or agrees to accept the auctioned mortgaged vehicle at that auction's reserve price, another auction should be held within 60 days. If the second auction also fails, the People's Court may convert the immovable or other property right into its monetary value and turn it over to the person that applied for enforcement or other enforcing creditor to set off the debt, according to law. If the person that applied for enforcement or other enforcing creditor refuses to accept the mortgaged vehicle or if it is not legally possible to deliver the vehicle to set off the debt, a third auction should be held within 60 days. If the third auction fails and the person that applied for enforcement or other enforcing creditor refuses or is legally unable to accept the mortgaged vehicle to set off the debt, the People's Court should make a public announcement of the selling off of the vehicle within seven days from the date on which the third auction is concluded. If no one is willing to purchase the mortgaged vehicle at the reserve price of the third auction within 60 days from the date of the public announcement, and the person that applied for enforcement or any other enforcing creditor still does not express his acceptance of the property to set off the debt, the seal should be broken or the property un-frozen, and the property should be returned to the mortgagor, unless the mortgaged vehicle can be otherwise used for enforce purposes.

If the auction results in a transaction, the auction house may charge the purchaser a commission of a certain percentage. If the auction house was determined by public auction, the commission

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should be charged according to the amount determined in the winning bid. If the auction does not result in a transaction or if the appointment of the auction house is withdrawn for a reason not attributable to the auction house, the reasonable expenses already paid for the auction by the auction house should be borne by the enforcing party.

**(d) Distribution Sequence of the Proceeds of Realization of the Mortgage Rights**

According to relevant provisions of the Property Rights Law, the Law on Security and the Security Interpretations, the proceeds from the conversion of mortgaged property into its monetary value or the auctioning or selling off of mortgaged property should first be used to pay the obligation to the mortgagee. If the same vehicle has been mortgaged to two or more creditors, the proceeds of the auction or selling off of the mortgaged property should be applied to payment in the following sequence: (i) if the mortgage rights have been registered, payment should be made in accordance to the precedence of registration; if the creditors rank equally, payment should be made in proportion to the obligations; (ii) registered mortgage rights rank above non-registered mortgage rights; (iii) payments in respect of non-registered mortgage rights are made in proportion to the obligations.

If the monetary value into which the mortgaged vehicle is converted or the proceeds of the auction or selling off of the mortgaged vehicle are less than the value agreed upon when the mortgage was created, payment should be made according to the value realized by the mortgaged property, and the shortfall should be paid by the debtor. If the monetary value in which the mortgaged vehicle is converted or the proceeds of the auction or selling off of the mortgaged vehicle exceed the amount of the obligation, the excess portion will belong to the mortgagor.

The sequence of payment of an obligation using the monetary value in which the mortgaged property is converted or the proceeds of the auction or selling off of the mortgaged property may be determined by the mortgagor and the mortgagee in the contract. If the mortgagor and the mortgagee have not agreed on such sequence, payment should be made in the following sequence: (i) expenses for realization of the mortgage rights; (ii) interest on the principal obligation; (iii) principal obligation.

**(5) Impact of the Bankruptcy Law on the Realization of Mortgage Rights**

At present, the main PRC laws and regulations governing the bankruptcy of enterprises with legal personality include (1) the Enterprise Bankruptcy Law and (2) the *Regulations of the Supreme People's Court on Several Issues Concerning the Trial of Enterprise Bankruptcy Cases*. In addition, if a financial institution goes into bankruptcy, the State Council may formulate implementing measures pursuant to the Enterprise Bankruptcy Law and other relevant laws.

According to current legal framework for bankruptcies, all of the property belonging to the debtor at the time of the acceptance of the bankruptcy petition and the property obtained by it during the period between the acceptance of the bankruptcy petition and the conclusion of the bankruptcy procedures is property of the debtor. After the debtor has been declared bankrupt, it is known as a bankrupt and its property is known as property in bankruptcy. A holder of security rights in specific property of the bankrupt is entitled to priority payment with respect to such property. If such creditor's exercise of its right to priority payment does not enable full payment, the creditor's rights in respect of which no payment was obtained will participate in the distribution as ordinary creditor's rights.

The administrator has the right to petition the People's Court to rescind any of the following acts involving the property of the debtor done during the year prior to the People's Court's acceptance of the bankruptcy petition: (1) transfers of property without consideration; (2) transactions carried out at obviously unreasonable prices; (3) the provision of security in the form of property for debts that are not secured by property; (4) early discharges of debts which have not fallen due; and (5) renouncements of claims. If the debtor is insolvent and its assets are insufficient to discharge all of its debts or it clearly lacks the capacity to discharge such debts, and it was still



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discharging debts to certain of its creditors within the six months prior to the People's Court's acceptance of the bankruptcy petition, the administrator has the right to petition the People's Court to rescind the same, unless such individual discharges of debt were or are beneficial to the property of the debtor. The following acts involving property of the debtor are invalid: (1) the concealment or transfer of property to shirk debts; (2) the fabrication of debts or the acknowledgement of debts which are not genuine. The manager should timely draft a plan for selling the property in bankruptcy and submit the same to the creditors meeting for discussion. The sale of the property in bankruptcy should be accomplished by way of an auction, unless otherwise resolved by the creditors meeting. A bankrupt enterprise may be wholly or partially sold off. When an enterprise is to be sold off, its intangible assets and other property may be sold off separately. Property which, according to state regulations, cannot be auctioned or the transfer of which is restricted, must be disposed of by the method specified by the state.

The property in bankruptcy will be applied to the discharge of claims in the following sequence after the discharge, on a priority basis, of the bankruptcy expenses and common interest debts: (1) the wages and the medical and disability subsidies and support owed to employees and their families by the bankrupt, basic old age insurance and basic medical insurance premiums payable into the individual accounts of the staff and workers and owed by the bankrupt and the compensation payable to the staff and workers in accordance with laws and administrative regulations; (2) the social insurance premiums other than those mentioned in the preceding item owed by the bankrupt and taxes owed by the bankrupt; and (3) common claims in bankruptcy. If the property in bankruptcy is insufficient to satisfy the discharge requirements of a certain tier, the distribution to such tier will be effected on a pro rata basis.

If a financial institution such as a commercial bank, securities company or insurance company, etc. is unable or clearly lacks the capacity to pay all of its debts, the State Council's financial regulator may petition a People's Court for restructuring or bankruptcy liquidation of the financial institution. If the said regulator lawfully takes such measures as taking over management of or taking custody of a financial institution whose operations are facing a material risk, it may petition the People's Court to stay any civil action or enforcement procedure in which the financial institution is the defendant or is the judgment debtor.

#### **(6) Impact of the Property Rights Law on the Realization of Mortgage Rights**

The Property Rights Law has been implemented since 1 October 2007. On the one hand, it has taken and consolidated some of the provisions of the Law on Security and the Security Interpretations, and on the other hand it supplements and amends the Law on Security and the Security Interpretations. According to the Property Rights Law, the Property Rights Law will prevail in the event of any discrepancy between the Law on Security and the Property Rights Law.

As concerns the registration of motorised vehicle mortgages, the Law on Security provides that when a vehicle is mortgaged, the mortgaged property should be registered with the vehicle registration authority and the mortgage agreement will become effective on the date of registration. However, the Property Rights Law provides that when a vehicle is mortgaged, the mortgage rights are created upon the entry into effect of the mortgage agreement and that if the mortgage has not been registered, it may not be used as a defense against *bona fide* third parties. Accordingly, if the transfer of mortgage rights occurs after the entry into effect of the Property Rights Law, the relevant provisions of the Property Rights Law will apply.

As concerns the transfer of creditor's rights and their ancillary mortgage rights, the Property Rights Law states clearly that mortgage rights may not be separated from the obligation secured and transferred severally or used to secure another obligation. If creditor's rights are transferred, the mortgage rights securing the obligation are transferred along with the creditor's rights, unless the law provides otherwise or the parties agree otherwise. As concerns the realization of mortgage rights, if the debtors fails to pay his debt on maturity or a cause for realization of mortgage rights as

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agreed upon by the parties arises, the mortgagee may agree with the mortgagor to receive payment on a priority basis by converting the mortgaged property into its monetary value or auctioning or selling off of the property. If such agreement is prejudicial to the rights of another creditor, such other creditor may petition the People's Court to rescind the agreement within one year from the date on which it knew or should have the know of the cause for rescission. If the mortgagor and the mortgagee have not agreed on the method for realization of the mortgage, the mortgagee may petition the People's Court to auction or sell of the mortgaged property. When mortgaged property is converted into its monetary value or sold off, reference should be made to its market value.

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## Chapter 6 Agents' Opinions

### 1. Summary of Due Diligence Opinion and Legal Opinion

#### (1) Summary of Legal Due Diligence Report

FenXun Partners is the legal counsel to BMW Finance (“Counsel”). This legal due diligence report (this “Report”) sets out our findings on the Sampled Loans (as defined below) of the underlying assets for the purpose of the Bavarian Sky China 2019-3 Asset Backed Notes (this “Project”).

#### PART 1: INTRODUCTION

This Report is prepared on the basis of:

1. the documents in relation to this Project that were provided to us by BMW Finance in the office room on the 22nd Floor, Tower B, Gateway Plaza, No. 18 Xia Guang Li North Road, East Third Ring, Chaoyang District, Beijing on 28 and 30 August, and 9 and 10 September 2019 and in response to our legal due diligence document list and various verbal and written requests made during our review of the documents in the office room of BMW Finance; and
2. written replies made by the various employees of BMW Finance (nominated by the management of BMW Finance) on behalf of BMW Finance during our communications with these employees by e-mail on 28 August 2019 (the “Interviews”).

This Report has been prepared solely for BMW Finance in relation to this Project and may not be relied upon by any other party or for any other purpose without our prior written consent.

For the purpose of this Report, we have assumed that:

1. all documents furnished to us as copies conform to the original documents and that the signatures and/or chops on the original documents are genuine;
2. the employees of BMW Finance whom we interviewed were competent and were authorized to answer our questions; and
3. no documents furnished to us have been amended subsequently, and all such documents remain in full force and effect in the same form submitted to us for examination, and that no other relevant document or information has been withheld from us.

#### PART 2: REVIEW AND ANALYSIS

##### I. Sampled Loans

Given the large number of auto loans involved in the trust assets of this Project, the on-site legal due diligence has been conducted by way of random sampling review. Counsel reviewed 145 loan files (collectively, the “Sampled Loans”) selected by BMW Finance on the basis of random sampling.

##### II. Findings

1. The auto loans involved in the trust assets of this Project belong to retail loan products. BMW Finance has formulated special policies, procedures or guidelines for application, approval,

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disbursement and administration of the auto loans. BMW Finance has also developed standard loan templates including automobile mortgage loan contracts.

2. The Automobile Mortgage Loan Contract Version 7.0, Version 7.1 and Version 7.2 have consolidated the contents of loan contract, mortgage contract and direct debit authorization into one single contract, including the principal terms and the general terms. Some of the Sampled Loan contracts contain a third party guarantee. The automobile mortgage loan contracts have been all legally and validly signed by the borrower (mortgagor) thereto and BMW Finance. The guarantor (if any) has legally and validly signed the automobile mortgage loan contracts as guarantor thereto.
3. It is expressly stated in these loan contracts that BMW Finance is entitled to transfer its rights thereunder without obtaining prior consent of the borrower/mortgagor/guarantor.
4. Among the 145 contracts, some of them contain co-mortgagors (i.e. co-borrowers who serve as co-mortgagors as well). However, the owner of the vehicle in the motor vehicle register certificate can only serve as one of the co-mortgagors.
5. In respect of all Sampled Loans, they substantially conform to the criteria in relation to legal matters among the Eligibility Criteria set for the trust assets of this Project.
6. As of 31 July 2019, the mortgage registration for the corresponding mortgage over vehicles in respect of all Sampled Loans has been completed. The registered primary mortgagee is BMW Finance.

### **III. Legal Analysis**

#### **1. Co-mortgagors**

Where the co-mortgagors jointly have the title to the mortgaged property, the mortgage loan contract jointly signed by these co-mortgagors is legal and valid. Where the title to the mortgaged property is solely owned by one of the co-mortgagors, the other co-mortgagors who do not have the title to the mortgaged property may have breached his/her representations and warranties as they represented to the lender that he/she has the same legal, valid and complete ownership of the mortgaged property. Notwithstanding the foregoing, the owner of the mortgaged property is certainly one of the co-mortgagors who will enter the mortgage loan contract. The mortgage will be established when the mortgage loan contract comes into effect. If the mortgage has been registered in accordance with article 188 of the Property Law, such mortgage shall have the legal effect against the bona fide third party. Therefore, if the mortgage loan contract is legally and validly signed by the mortgagor who has the title to the mortgaged property, the relevant mortgage will be legally and validly established. If some of the co-mortgagors do not have the ownership of the mortgaged property, we are of the view that this will not adversely affect the validity of the automobile mortgage loan contracts or mortgagee right of BMW Finance.

### **IV. Documents Reviewed by Counsel**

1. Policy & Procedure-Settlement Process Manual
2. Policy & Procedure-Contract Management Process Manual
3. SF3-CN Anti-Fraud Guideline
4. Retail Product Definition
5. SF5-CN Retail Credit Acceptance Guideline
6. SF5-CN Retail Collection Guideline
7. Retail Credit Acceptance Instructions-Balloon Extension

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8. Temporary Guarantee Management Guideline
  9. Retail Automobile Loan Cooperation Agreement
  10. Agreement on Dealer Temporary Maximum Guarantee over Retail Automobile Loans
  11. The files of the Sampled Loans, mainly including automobile mortgage loan contracts, motor vehicle registration certificates, individual borrowers' ID card copies, real property certificate, marriage certificate, guarantor's ID card copies, vehicle invoices copies, and information recorded in BMW Finance system as follows: loan disbursement time and amount of the loan, historical repayment time and amount by the borrower as of 31 July 2019, amount of the down payment, etc..

## **(2) Summary of Legal Opinion**

As instructed by BMW Finance, FenXun lawyers conducted due diligence on the Trust Assets from a legal perspective. FenXun lawyers have developed a due diligence checklist for the due diligence exercise and have conducted on-site legal investigations at BMW Finance. According to the documents pertinent to the Trust Assets furnished by BMW Finance, and in reliance on FenXun lawyers' professional judgments, document review in relation to the Trust Assets are completed on an on-site and off-site basis and interviews are taken through emails and whether the sampled "Loan Receivables" are in line with the Eligibility Criteria of the Trust Assets has also been examined. FenXun lawyers also reviewed BMW Finance's internal administration documents in relation to procedures and standards for advances of auto loans and post-loan follow-up administration and reviewed the legal documents in connection with the Trust Assets by way of sampling review.

According to the Security Law, the Bankruptcy Law, the Property Law, the Trust Law, the Pilot Measures for Administration of Credit Assets Securitization, the Pilot Measures for Supervision and Administration of Credit Assets Securitization by Financial Institutions, the Notice on Relevant Matters Concerning Further Expanding the Pilot Securitization of Credit Assets, the Notice on Filing Workflow for Credit Assets Securitization and other laws and regulations, FenXun lawyers have examined the legal documents deemed necessary to be examined by us, including, but not limited to:

- (1) Letter of CBRC Concerning the Approval for the Establishment of BMW Automotive Finance (China) Co., Ltd. issued by CBRC on 24 July 2009 to BMW Finance;
- (2) Opening approval issued by CBRC on 6 September 2010 to BMW Finance;
- (3) Approval issued by CBRC BJ on 7 January 2013 to BMW Finance in respect of increase of its registered capital and changes of its articles of association;
- (4) Approval issued by CBRC BJ on 26 August 2013 to BMW Finance in respect of the change of its registered capital and amendments to its articles of association;
- (5) Approval issued by CBRC BJ on 19 July 2017 to BMW Finance in respect of increase of its registered capital;
- (6) Approval issued by CBRC BJ on 19 December 2017 to BMW Finance in respect of amendment to its articles of association;
- (7) Approval issued by CBIRC BJ on 7 January 2019 to BMW Finance in respect of amendment to its articles of association;
- (8) Business License (uniform social credit code: 91110000717884675K) issued by Beijing Administration for Industry and Commerce on 2 February 2019 to BMW Finance;
- (9) PRC Financial License (institution code: N0012H211000001) issued by CBRC BJ on 15 September 2010 to BMW Finance;

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- (10) Current articles of association of BMW Finance (7 January 2019);
  - (11) The capital verification report on BMW Finance issued by KPMG Huazhen LLP (毕马威华振会计师事务所) on 10 August 2017;
  - (12) The resolution adopted by BMW Finance's board of directors on 5 December 2018 to approve the Issue and the execution of Transaction Documents (as defined below) to which BMW Finance is a party;
  - (13) Approval issued by CBRC on 15 February 2015 to BMW Finance in respect of its qualification to practice credit assets securitization business;
  - (14) Business License (uniform social credit code: 91110000100006653M) issued by Beijing Administration for Industry and Commerce on 13 December 2018 to FOTIC;
  - (15) PRC Financial License (institution code: K0003H111000001) issued by CBRC on 10 January 2008 to FOTIC;
  - (16) Approval issued by CBRC on 8 December 2006 to FOTIC for it to acquire the qualification of a special purpose trust;
  - (17) Audit reports of FOTIC for 2017 and 2018;
  - (18) Business License (uniform social credit code: 91110000801102701B) issued by Beijing Administration for Industry and Commerce on 28 December 2015 to Bank of China Limited Beijing Branch;
  - (19) PRC Financial License (institution code: 0003B211000001) issued by CBRC BJ on 4 January 2008 to Bank of China Limited Beijing Branch;
  - (20) Business License (uniform social credit code: 914403001017814402) issued by the Shenzhen Administration for Market Regulation on 25 January 2016 to CITICS;
  - (21) Securities and Futures Business License of the PRC issued by the China Securities Regulatory Commission on 26 July 2016 to CITICS;
  - (22) Business License (uniform social credit code: 91310000664339541Q) issued by Shanghai Administration for Industry and Commerce on 11 June 2018 to MUFG;
  - (23) PRC Financial License (institution code: B0288H231000001) issued by CBRC Shanghai on 5 July 2018 to MUFG;
  - (24) Business License (uniform social credit code: 913100007989808015) issued by Shanghai Administration for Industry and Commerce on 21 August 2017 to HSBC;
  - (25) PRC Financial License (institution code: B0047H131000001) issued by CBRC on 9 August 2017 to HSBC;
  - (26) Business License (uniform social credit code: 91100000100003962T) issued by Beijing Administration for Industry and Commerce on 19 June 2019 to ICBC;
  - (27) PRC Financial License (institution code: B0001H111000001) issued by CBRC on 5 June 2007 to ICBC;

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- (28) PBOC Written Decision on Approval of Administrative Licensing issued by PBOC on 17 October 2019 ( Yin Shi Chang Xu Zhun Yu Zi [2019] No. 183) to BMW Finance and FOTIC;
  - (29) Filing Notice for the Auto Mortgage Loan Securitization Project under the Bavarian Sky China 2019-3 Trust issued by CBIRC (Innovation Department) on 25 October 2019; and
  - (30) Offering Circular of Asset-Backed Securities under the Bavarian Sky China 2019-3 Trust, Trust Agreement, Master Definitions and Common Terms Agreement, Servicer Fee Letter, Servicing Agreement, Bank Account Agreement and Underwriting Agreement executed by the parties (collectively, the "**Transaction Documents**").

The legal opinion issued by FenXun lawyers is mainly based on the following assumptions:

- (1) all signatures, stamps and seals on the foregoing documents are true, all documents submitted to us as originals are true and complete, all documents submitted to us in the form of copy, fax or email are complete and conform to the originals; no documents or data have been amended, superseded or otherwise altered after having been submitted to us;
- (2) all facts (save for the representations and warranties on legal issues on which FenXun lawyers have specifically opined in this legal opinion) stated in the foregoing documents are correct, true, accurate and complete;
- (3) the Transaction Documents executed by a party on the Closing Date to which it is a party are the true reflection of the will of that party, and there exists no illegal or fraudulent purpose;
- (4) there exist no factual circumstances or other arrangements between the parties executing the Transaction Documents that would constitute an adverse effect on the legal validity of the terms in those Transaction Documents to which it is a party or the legal opinions issued by FenXun lawyers;
- (5) the entrustment of the Trust Assets from BMW Finance to FOTIC is carried out on the basis of fair market conditions and terms;
- (6) BMW Finance executed the Trust Agreement, and when it entrusts the Trust Assets to FOTIC pursuant thereto, BMW Finance has solvency, and that FOTIC and BMW Finance have no reason to believe that BMW Finance will become insolvent within a reasonably foreseeable period of time;
- (7) neither BMW Finance nor FOTIC believes the entrustment of the Trust Assets from BMW Finance to FOTIC may harm the interests of any creditor of BMW Finance, and that BMW Finance does not intend to satisfy some of its creditors with priority by using the income obtained from the entrustment of the Trust Assets to FOTIC and the Issue of asset-backed securities ;
- (8) the Trust Assets to be entrusted by BMW Finance according to the Trust Agreement do not constitute or do not substantially constitute the whole of BMW Finance's assets;
- (9) the sampled auto loans provided by BMW Finance to FenXun lawyers are representative and are able to represent the entire Trust Assets in all material aspects.

Based on the above, FenXun Partners opines as follows:

- 1. Main transaction entities to the Issue

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- (1) As verified by FenXun lawyers, BMW Finance is a financial institution duly established and qualified to engage in loan business in the PRC. BMW Finance has obtained, pursuant to its articles of association, all necessary internal authorisations for the execution, delivery and performance of the Transaction Documents to which it is a party. The execution of the Transaction Documents to which it is a party and performance of its obligations thereunder by BMW Finance will not violate its articles of association or any PRC laws or regulations. Upon satisfaction of all conditions precedent, if any, to the effectiveness of those Transaction Documents executed by BMW Finance, such Transaction Documents will be legally binding upon it and the relevant parties thereto may request it to perform its contractual obligations according to the provisions thereof.
  - (2) As verified by FenXun lawyers, FOTIC is a trust company duly established and validly existing in the PRC. It has been approved by CBRC to be qualified to act as trust company for special purpose trusts; and it has the eligibility to execute and perform the Transaction Documents to which it is a party. The execution of the Transaction Documents to which it is a party and performance of its obligations thereunder by FOTIC will not violate any PRC laws or regulations. Upon satisfaction of all conditions precedent, if any, to the effectiveness of those Transaction Documents executed by FOTIC, such Transaction Documents will be legally binding upon it and the relevant parties thereto may request it to perform its contractual obligations according to the provisions thereof.
  - (3) As verified by FenXun lawyers, Bank of China Limited Beijing Branch is a commercial bank branch duly established and validly existing in the PRC. It has the eligibility to execute and perform the Transaction Documents to which it is a party. The execution by Bank of China Limited Beijing Branch of the Transaction Documents to which it is a party will not violate any PRC laws or regulations. Upon satisfaction of all conditions precedent, if any, to the effectiveness of those Transaction Documents executed by Bank of China Limited Beijing Branch, such Transaction Documents will be legally binding upon it and the relevant parties thereto may request it to perform its contractual obligations according to the provisions thereof.
  - (4) As verified by FenXun lawyers, CITICS is a joint stock company duly established and validly existing in the PRC. It has the eligibility to execute and perform the Transaction Documents to which it is a party. The execution of the Transaction Documents to which it is a party and performance of its obligations thereunder by CITICS will not violate any PRC laws or regulations. Upon satisfaction of all conditions precedent, if any, to the effectiveness of those Transaction Documents executed by CITICS, such Transaction Documents will be legally binding upon it and the relevant parties thereto may request it to perform its contractual obligations according to the provisions thereof.
  - (5) As verified by FenXun lawyers, MUFG is a commercial bank duly established and validly existing in the PRC. It has the eligibility to execute and perform the Transaction Documents to which it is a party. The execution of the Transaction Documents to which it is a party and performance of its obligations thereunder by MUFG will not violate any PRC laws or regulations. Upon satisfaction of all conditions precedent, if any, to the effectiveness of those Transaction Documents executed by MUFG, such Transaction Documents will be legally binding upon it and the relevant parties thereto may request it to perform its contractual obligations according to the provisions thereof.
  - (6) As verified by FenXun lawyers, HSBC is a commercial bank duly established and validly existing in the PRC. It has the eligibility to execute and perform the Transaction Documents to which it is a party. The execution of the Transaction Documents to which it is a party and performance of its obligations thereunder by HSBC will not violate any PRC laws or regulations. Upon satisfaction of all conditions precedent, if any, to the effectiveness of those Transaction Documents executed by HSBC, such Transaction Documents will be legally binding upon it and the relevant parties thereto may request it to perform its contractual



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obligations according to the provisions thereof.

- (7) As verified by FenXun lawyers, ICBC is a commercial bank duly established and validly existing in the PRC. It has the eligibility to execute and perform the Transaction Documents to which it is a party. The execution of the Transaction Documents to which it is a party and performance of its obligations thereunder by ICBC will not violate any PRC laws or regulations. Upon satisfaction of all conditions precedent, if any, to the effectiveness of those Transaction Documents executed by ICBC, such Transaction Documents will be legally binding upon it and the relevant parties thereto may request it to perform its contractual obligations according to the provisions thereof.
2. As verified by FenXun lawyers and according to the Representations and Warranties in Trust Agreement, the creditor of the loans sampled is BMW Finance, and such loans are in conformity with the eligibility criteria regarding the Trust Assets set forth in the Trust Agreement, and a trust can be duly established on them.
3. According to Article 15 of the Trust Law, after BMW Finance entrusts the trust assets to FOTIC according to the Trust Agreement, the trust assets will no longer be the property of BMW Finance but will become Trust Assets. During the Revolving Period, in regard to the Additional Loan Receivables that meet the Eligibility Criteria in the Offer delivered by BMW Finance in accordance with Clause 2.1 of the Trust Agreement, when FOTIC has paid the Additional Purchase Price with the funds in the Replenishment Sub-account, such Additional Loan Receivables will no longer be the property of BMW Finance but will become Trust Assets. If, after the Trust is validly created, BMW Finance is dissolved, revoked or declared bankrupt according to law, under the circumstance that BMW Finance is not the sole beneficiary of the trust, the Trust Assets will not be regarded as its bankrupt property; where BMW Finance is the sole beneficiary of the trust and the trust is terminated, the Trust Assets will be its bankrupt property.
4. Upon completion of the Issue, the asset-backed securities will only represent the corresponding share in the trust beneficial rights, but not the liabilities owed by BMW Finance or FOTIC to the Noteholders. As the Originator and the Servicer, other than those obligations and responsibilities undertaken by it in the Transaction Documents to which it is a party, BMW Finance does not bear any other obligations or responsibilities with respect to any losses that the Noteholders may incur. However, if FOTIC commits a negligence, fraud, wilful misconduct or violates its obligations under the Transaction Documents, the Noteholders may bring an action or arbitration against FOTIC.
5. According to Article 16 of the Trust Law, after BMW Finance entrusts the trust assets to FOTIC, the Trust Assets will not belong to the bankrupt property of FOTIC. If FOTIC goes into bankruptcy proceedings, the Noteholders will not be influenced by FOTIC's creditors of bankruptcy but will continue to be entitled to the trust income under the Trust.
6. After BMW Finance entrusts the Trust Assets to FOTIC or transfers the Additional Loan Receivables to FOTIC, the obligee of the Trust Assets or the Additional Loan Receivables will be changed from BMW Finance to FOTIC. If BMW Finance fails to notify the Borrowers of the fact that the Trust Assets have been entrusted to FOTIC after the Trust is created or the Additional Loan Receivables have been transferred to FOTIC after the Additional Purchase Date, then it might be the case that some Borrowers may claim, pursuant to Article 80 of the Contract Law, that the assignment of claims is ineffective to them. However, failure to notify the Borrowers does not affect the Bavarian Sky China 2019-3 Trust to legally obtain of the Trust Assets or the Additional Loan Receivables.
7. Article 192 of the Property Law stipulates that mortgage rights may not be separated from the claim and transferred singly, nor used to secure other claims. If a claim is transferred, the

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mortgage rights shall be transferred along with it, unless otherwise provided for by law or agreed upon by the parties. Article 204 stipulates that where part of claim is transferred before the claim secured by the mortgage of maximum amount is determined, the mortgage right of maximum amount may not be transferred, unless otherwise agreed upon by the parties. According to the due diligence carried out by FenXun lawyers, there exists no prohibition or limitation of the concurrent transfer of mortgage rights and claims in the sampled automobile mortgage loan contracts provided by BMW Finance, neither is there any circumstance under which a maximum mortgage is created over the Trust Assets provided by BMW Finance for the Issue. Therefore, FenXun lawyers are of the opinion that, when BMW Finance transfers the Trust Assets to FOTIC, the relevant auto mortgage rights will be transferred to FOTIC concurrently.

8. This Issue is subject to the registration at PBOC.
9. Transaction Documents pertinent to the Issue
  - (1) As verified by FenXun lawyers, the Transaction Documents pertinent to the Issue are in conformity with the requirements of the laws and regulations.
  - (2) As verified by FenXun lawyers, the Transaction Documents pertinent to the Issue have set forth all necessary matters required by the applicable laws and regulations, and the content thereof is not in violation of any mandatory stipulations of the applicable laws and regulations.

## **2. Transaction Overview and Summary of Accounting Opinion**

### **Summary of Accounting Opinion related to the proposed Bavarian Sky China 2019-3 Asset-Backed Securitization of Auto Mortgage Loan originated by BMW Automotive Finance (China) Co., Ltd. through the PRC Inter-Bank Bond Market**

PricewaterhouseCoopers Zhong Tian LLP (“PwC”) were engaged to issue the Accounting Opinion on the proposed accounting treatment with respect to the timing of derecognition of the credit asset to be applied by BMW Automotive Finance (China) Co., Ltd. (“BMW Finance”, as the “Grantor” or “Originator”). These accounting treatments are related to the proposed transaction of the Bavarian Sky China 2019-3 Asset-Backed Securitization (“ABS”) of Auto Mortgage Loan through the PRC Inter-Bank Bond Market.

This English version of PwC’s Accounting Opinion is provided for reference purposes only. In the event of any conflict in meaning between the Chinese version of PwC’s Accounting Opinion and the English translation, the Chinese version shall prevail.

#### **Purpose**

PwC’s Accounting Opinion is based on the “Measures for Administration of Credit Assets Securitization” (hereinafter referred to as “Pilot Measures”), jointly issued by the People’s Bank of China and the China Banking Regulatory Commission (hereinafter referred to as CBRC) in 2005, and “Notice of the Registration Procedures of Credit Asset Securitization”, issued by CBRC in 2014. PwC’s Accounting Opinion is issued for the credit asset securitization transactions and is only included in the declaration and filing documents reported to PBOC and CBIRC, not for any other purposes.

#### **Basis**

This Accounting Opinion specifically addresses the Company’s accounting with respect to the timing of the derecognition of the credit asset in the proposed credit asset securitization transactions by

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BMW Finance according to the Accounting Standards for Business Enterprises No. 23 Transfers of Financial Assets (“ASBE 23”) and No. 33 Consolidated Financial Statements (“ASBE 33”, collectively the “Accounting Standards”), issued by the Chinese Ministry of Finance (“MOF”) in 2006 and 2014, separately.

## **Responsibility**

BMW Finance is responsible for ensuring that all records, documents and other information we need about this business are properly maintained and provided, and that the information provided is authentic, accurate and complete. BMW Finance is responsible for compiling the auto mortgage information of the underlying asset pool in accordance with its books and records, monitoring relevant internal controls and ensuring that we have unrestricted access to all records, documents and information related to this business.

It is the responsibility of BMW Finance's management to authorize the establishment of a trust, truly transfer BMW Finance's credit assets to China Foreign Economy and Trade Trust Co., Ltd. (“FOTIC”), and properly apply the applicable accounting policies to actual transactions. BMW Finance shall appoint appropriate management personnel to take charge of all management responsibilities and management decisions, evaluate and decide whether to adopt the recommendations we provide, implement the proposed solutions, and bear the results of using this services or the service outcomes.

PwC's responsibility is to issue a written opinion on the accounting treatment principles for the timing of derecognition of the credit assets prepared by the BMW Finance credit asset securitization transaction in accordance with the requirements of the management measures and the accounting standards. PwC provide services based on the information provided by BMW Finance. PwC have not accepted the entrustment and will not assume any of the functions of BMW Finance Management, or make any management decisions on our behalf. PwC's judgment of the proper use of accounting standards for the specific transaction is based solely on the facts, conditions and assumptions provided to PwC and the transaction structure to be implemented as described below. If these facts, conditions, assumptions, and the transaction structure to be implemented are inconsistent with the information provided to PwC, PwC may come to a different judgement. BMW Finance is responsible for notifying us of any changes in the facts, conditions, assumptions and transaction structure to be implemented as described in this report. At the time of this service, PwC will not perform audits or other assurance work in accordance with the practice standards developed by the Chinese Institute of Certified Public Accounting. Therefore, PwC do not provide audit opinions or other forms of assurance conclusions about relevant services or information on which the services is based.

## **Management's opinion on accounting treatment**

The accounting principles prepared by BMW Finance include:

- BMW Finance will consolidate the “Bavarian Sky China 2019-3 Asset-Backed Securitization of Auto Mortgage Loan” trust in its consolidated financial statements;
- BMW Finance, together with its consolidated special purpose trust, will not derecognize auto mortgage credit assets, and will recognize the Asset-Backed Securities issued for the special purpose trust as a new liability in the company and consolidated statements.

## **Management's analysis**

According to the structure of the proposed transaction, the special purpose trust is entrusted to FOTIC by BMW Finance for the purpose of separating BMW Finance's transferred auto mortgage loan assets from its own bankruptcy risk. As the servicer of this transaction, BMW Finance will dispose the default loans and related collaterals in accordance with the provisions of the Servicing Agreement, and has the right to resolve any defaulted loan debts. Therefore, BMW Finance has the right to control

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the special purpose trust it has entrusted to FOTIC to set up, is entitled to the variable returns by holding all subordinated Asset-Backed Securities and is able to use its rights regarding the special purpose trust to influence its return amount.

According to the relevant provisions of Accounting Standards No. 33, BMW Finance controls the special purpose trust of “Bavarian Sky China 2019-3 Asset-Backed Securitization of Auto Mortgage Loan”, and shall consolidate the financial status and operating results of the special purpose trust in the preparation of the consolidated financial statements.

The Cash Reserve Sub-account is the reserve deposits established to prevent the service organization from not being able to perform the obligations of its service organization in a timely manner in accordance with the Servicing Agreement when a specific event occurs. In addition, the cash flow of the “Bavarian Sky China 2019-3 Trust” after receiving the automotive mortgage loan commissioned by BMW Finance came entirely from the automotive mortgage loan in the pool.

According to the relevant provisions of the "Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets", after the consolidation of the special purpose trust, BMW Finance still retains the contractual right of the cash flow, and provides liquidity reserve support for the special purpose trust, which does not satisfy the requirements of the first item of Clause 2, Article 4 of Accounting Standards No. 23. The requirement articulated that “when a comparable cash flow is received from a financial asset, it is obligated to pay it to the ultimate recipient”. Therefore, BMW Finance does not satisfy the conditions for derecognition of financial assets and will not terminate the recognition of relevant underlying assets. Instead, the Asset-Backed Securities issued for the specific purpose trusts are recognized as a new liability in the company and consolidated statements.

### **Summary of PwC’s comments**

Based on PwC's reading of the proposed transaction descriptions and understanding of relevant accounting standards, PwC have no objection to the accounting principles laid down by BMW Finance, that is, BMW Finance will consolidate “Bavarian Sky China 2019-3 Trust” in its consolidated financial statements; BMW Finance will not terminate the recognition of the auto mortgage loan assets entrusted to FOTIC, and the Asset-Backed Securities issued for the specific purpose trust will be recognized as a new liability in the company and consolidated statements.

The detailed factors in considering the accounting treatment of BMW Finance and PwC’s specific comments have been recorded in PwC’s Accounting Report.

### **Use of the Accounting Opinion**

The accounting opinion are only issued for 'this credit asset securitization transaction. This report and all or part of this report may not be distributed or relayed to any third party without our prior written permission. PwC understand and hereby agree that this report is provided to People's Bank of China and China Banking and Insurance Regulatory Commission. No other institution or individual has the right to use this report in any form or for any purpose, and shall not be permitted to disclose, presents, reproduces, provides or give any third party an opportunity to access this report or any of its contents without PwC’s prior written permission. BMW Finance shall ensure that a written commitment is obtained prior to the above disclosure.

In addition, PwC hereby declare that PwC do not assume any obligations or responsibilities (including but not limited to inadvertence) to any other third party, including but not limited to People's Bank of China and China Banking and Insurance Regulatory Commission. In the preparation of any marketing documents involving the contents of the Exchange or this report, BMW Finance shall obtain prior consent from PwC for the relevant content. If this report is used for distribution, publication, reproduction or other use in violation of these Terms, PwC shall not be liable for any damages suffered by BMW Finance, third parties or other parties.

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## Use of the Summary of Accounting Report

The Summary of Accounting Report is intended solely for BMW Finance's disclosure purpose in the offering circle of the proposed transaction of the Bavarian Sky China 2019-3 ABS of Auto Mortgage Loan through the PRC Inter-Bank Bond Market, and shall not be used for any other purposes. PwC shall accept no obligation or responsibility to any other parties for the Summary of Accounting Opinion.

### 3. Summary of Assumptions and Analysis of the Rating Agencies

#### (1) Credit ratings summary of China Ratings

In its rating of the Bavarian Sky China 2019-3 Auto Loan ABS, China Ratings has taken into consideration such factors as the quality of underlying assets involved under these Notes, credit enhancement measures and transaction structure, as well as conducting quantitative analysis with portfolio credit risk analysis model and the cash flow model.

In China Ratings' opinion, in terms of underlying assets, with regard to the loans in the initial pool, the assets in the pool are relatively dispersive. The borrower's age distribution is reasonable. The occupation and income status are good. The weighted average income to debt ratio is relatively high. Loans involved are secured by mortgage over the new vehicles. The underlying assets are generally of a high credit quality. In respect of the replenishment, the Transaction Documents set up eligibility criteria for assets to be purchased. Under normal circumstances, the characteristics of the asset pool will be maintained in a certain range, and the historical default rate of similar assets is at a low level. In terms of credit enhancement measures, credit support provided by Subordinated Notes to Senior Notes is 17.75% of the loan balance in the asset pool. In terms of transaction structure, the revolving structure solves the problem of mismatched maturities between underlying assets and securities; however, the criteria and ability of the Originator to select the assets will bring some uncertainty to the future performance of the asset pool. The organizations involved in the transaction have relevant service eligibility. The credit trigger mechanism has been well established, and set-off, commingling and liquidity risks are relatively low.

Based on the result of the rating models, China Ratings assigns the following ratings to this Transaction: Senior Notes are rated at AAA<sub>sf</sub>, Subordinated Notes are unrated.

#### Strengths

- **The credit quality of initial underlying assets is high.** The underlying assets of this securitization transaction are the retail auto mortgage loans originated by BMW Finance, which have a well-defined target borrowers with stable income as well as strong will and ability to repay. The representations and warranties on the loan receivables in the Transaction Documents set out restrictions in respect of the five-category classification of assets into the pool, the loan balance cap and the brands of the mortgaged vehicles, etc., which to some extent guarantee the future credit performance of additional purchased assets. The weighted average age of borrowers of the initial underlying asset is 36.96 years old. In general, the income level of the borrowers in this age group is relatively stable and most of them are on a rising career path with an increasing income level. The family situation is relatively stable, the repayment willingness is relatively strong and the repayment capability is relatively stable. At the same time, the weighted average income-to-debt ratio of the borrowers of the pooled loans is 3.14, which may provide certain enhancement to repayment.
- **The initial underlying assets are relatively dispersive and concentration risk is relatively low.** The underlying assets of this project are retail automobile mortgage loans.

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There are a total of 48,855 loans with the maximum outstanding principal balance of one single loan at RMB1,409,300, accounting for 0.02% of the total. The outstanding principal balance of the top 10 borrowers accounts for 0.13% of the total, and the concentration level of the loan amount is low. The borrowers are from 31 provinces. The percentage of the outstanding principal balance for the top one region is 13.45%, and the regional dispersion level is medium; the percentage of the outstanding principal balance for top one brand is 97.07%, and the brand concentration level is very high. Considering that the Originator is currently in good operating condition, overall, the underlying assets dispersion is relatively high, and the concentration risk is relatively low.

- **Purchasing capacity of underlying assets is sufficient, and there is credit triggering mechanism for early amortization, which will, to certain extent, reduce the uncertainty caused by the revolving structure.** In terms of the continuous purchasing capacity of underlying assets, the Originator has a large remaining balance of retail auto loans. China Ratings believes that the continuous purchase of underlying assets can be achieved within the operating period of trust, which means the purchase rate is sufficient. In addition, the Enforcement Events and other Early Amortization Events specified in the Transaction Documents will directly lead to the end of the replenishment. Such credit triggering mechanism can, to certain extent, reduce the uncertainty caused by the revolving structure.
- **Senior/Subordinated structure provides some credit support to Senior Notes.** Credit support provided by Subordinated Notes to Senior Notes is 17.75% of the principal balance in the asset pool.
- **External liquidity reserve account provides credit support for Senior Notes.** The Originator should deposit an amount equivalent to the Required Cash Reserve (about RMB80 million) to the Cash Reserve Sub-account on the issuance date, which will be replenished if the balance in such sub-account is lower than the Required Cash Reserve (unless an Enforcement Event has occurred); such reserve will be used to prevent potential liquidity risks related to tax payment, expenditure and the interest of Senior Notes. The cash reserve provides credit support for Senior Notes.
- **The risk generated from transaction structure is relatively low.** The Originator of this security, as an auto finance company, does not have retail deposit business. In addition, it is required by eligibility criteria that the purchased loan receivables are free of defenses, whether preemptory or otherwise for the agreed term of the loan agreements and that the borrowers in particular have no set-off claims, which significantly reduces the set-off risk. This ABS also sets the commingling reserve account. In the event of a Commingling Risks Mitigation Event, the Collections must be transferred to the Issuer Account within two Business Days after receipt of such amount, or, funds must be deposited to the Commingling Reserve Sub-account to ensure that the amount in the Commingling Reserve Sub-account is not less than the required Commingling Reserve.

## Concerns

- **Both the revolving structure and the criteria and ability of the Originator to select the assets may bring some uncertainty to the future performance of the asset pool.** This ABS adopts a revolving structure. There are greater uncertainties about its actual credit performance than a static asset pool, though strict eligibility criteria for underlying assets guarantee the characteristics and credit quality of future underlying assets to some extent. China Ratings has taken this risk factor into due consideration in the cash flow model, and stress-tested the impact of subsequent changes of underlying assets on repayments of the securities based on key factors that impact credit risks of the securities.
- **Since the static sample pool is inconsistent with the underlying asset pool in some**

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**characteristics and they experienced different macro-environments, estimation of the default distribution parameters may include some level of inaccuracy.** China Ratings, based on relevant statistical information of static sample pool provided by the Originator, has constructed 54 static sample pools. The asset pool and the static sample pool are different in terms of payment method and LTV Ratio at Origination. In addition, the different macro-economic situations between the static sample pool and the asset pool may also lead to some errors when calculating expected default distribution of the underlying asset pool. China Ratings has taken these factors into account in the credit risk models and has adjusted parameters of the default distribution of the underlying assets accordingly.

- **Repayments of the securities are greatly affected by actual issuing rates.** For this ABS transaction, the weighted-average interest rate of the initial asset pool is 5.78%. As required in transaction documents, the weighted average interest rate of Additional Purchased Loan Receivables as at the relevant Cut-off Date is no less than 3.78%. If coupon rates of Senior Notes are too high when issued, repayments of the securities will be adversely impacted. China Ratings conducted stress tests based on different interest rate of Additional Purchased Loan Receivables and Senior Notes' issuing rates, with considerations of current market conditions.
- **The initial asset pool contains balloon loan which may increase the tail risk of this ABS.** The outstanding principal balance of mortgage loans with balloon payment accounts for 19.72% of the overall asset pool while balloon amount accounts for 11.38% of total outstanding principal balance. The uncertainty of balloon payment may increase the tail risk of this ABS.
- **The macro economy is facing great downward pressure, which may have an adverse impact on the future credit performance of the underlying assets.** Since 2019, due to the external environment and insufficient domestic demand, the macroeconomic growth rate has continued to be under pressure. The macroeconomic growth rate in the second quarter has dropped to 6.2%, 0.2% below the first quarter. The Chinese economy continues heading to the bottom. From the perspective of production, the industrial production has not improved. The profits of the industrial enterprises have been repaired but still at a low level. From the perspective of demand, the speed of manufacturing investment is at a low speed level, and the growth rate of infrastructure investment has declined. Since the beginning of the year, the growth rate of real estate investment which supports the economy with high growth rate has reached an inflection point. The growth rate of exports and imports has been affected by the trade friction and insufficient internal and external demand. Consumption is still weak in general. In the medium and long term, the inflection point of the growth rate of the domestic population has been reached, the demographic dividend is gradually disappearing, and China's economic growth will follow the law of economic growth to slow down in an orderly manner. In the short term, the slowdown in global economic momentum will continue, the problem of high domestic debt leverage has not been effectively resolved, the consumption growth begins to lose momentum, all of which have affected China's economic growth to some extent. From the perspective of consumption, the growth rate of total retail sales of consumer goods is steadily slower and the growth rate of real disposable income continues to be lower than the real economic growth rate, which further inhibits the consumption capacity and might cause an adverse impact on the sales of the automobile. For the automobile industry, the overall market is still showing weakness. In the second quarter of 2019, automobile sales decreased by 13.5% on a year-on-year basis and the passenger cars and the commercial vehicles by 14.3% and 9.7% on a year-on-year basis respectively. The drop was increased as compared with the previous period. On the supply side, the capacity structure has not changed significantly. The rate of capacity utilization was weakened by the decline in sales volume. At the same time, affected by the price reduction promotion for destocking, the overall profitability of the industry has declined, and the industry's prosperity tends to be weakened. As a result, the differentiation of the corporate

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credit risk among the enterprises in the automotive industry is intensifying, and auto finance companies may also face certain risks of decreased asset quality. 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.

## **(2) Credit ratings summary of CCXI**

CCXI rated the credit of the Senior Asset Backed Notes of Bavarian Sky China 2019-3 Trust based on the robustness of the legal structure of the transaction and the underlying assets, the credit quality of the asset portfolio, the credit enhancement provided by the senior/subordinate mechanism, the structural features of the transaction, which include the priority of payments, the change of the priority of payments following an event of default, the establishment of cash reserve account, and the arrangement of backup Servicer, etc., and the credit quality of BMW Finance and its experience and capacity as a Servicer, etc..

CCXI is of the view that the underlying assets are of a relatively low amount with respect to a single loan and thus are well diversified. In respect of the interest rate, the weighted average interest rate of the underlying assets is 5.78%, which is of a relatively high level and can provide strong support for the payment of principle and interests under the Notes. In respect of the term, the weighted average term is 33.85 months and the weighted average remaining term is 25.12 months, which are generally under a short account age but with a long remaining term. Based on the features of the underlying assets and its analysis of the historical data of BMW Finance, CCXI made assumptions in respect of the testing parameters in the general situation and pressure situation, and further calculate the level of anticipated loss of the various tranches of the Notes based on the anticipated cash flow and payment mechanism of the cash flow of the underlying assets. According to the calculation results under the pressure situation, CCXI's rating of Bavarian Sky China 2019-3 Trust is as follows: Senior Asset Backed Notes are rated as AAA<sub>sf</sub>; no credit rating was conducted on the Subordinated Notes.

The ratings above reflect the possibility of anticipated degree of loss, timely payment of interest and full repayment of the principal on or before the legal maturity date of the Senior Asset Backed Notes, but the ratings do not constitute any constructive advice to the investors on purchasing or holding the Notes above.

### **Strengths**

- The repayment of interest and principal follows the senior/subordinate cash flow structure. Senior Notes benefit from 17.75% of credit enhancement provided by Subordinated Notes.
- All Purchased Loan Receivables are “normal” loans according to CBIRC’s 5-category loan classification standard<sup>2</sup> as of the Cutoff Date. The underlying assets are of good quality and their credit performance is stable.
- The Originator shall on the Issue Date deposit a sum equal to 1.00% of the Initial Pool Balance into the Cash Reserve Sub-account<sup>3</sup>, which provides liquidity support during the life of the transaction and at the end also serves to repay the Senior Notes.
- The Originator and Servicer is BMW Finance, a joint venture of BMW Group and BMW Brilliance Automobile (“BMW”). It is a non-bank financial company regulated by CBIRC. With the high growth of sales of BMW automobiles in the China market, the auto finance business of BMW Finance has also experienced strong expansion. While maintaining healthy business growth, BMW Finance established a sound risk control system. By the end of June 2019, the NPL ratio is as low as 0.17%, which outperforms the industry average.



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## Concerns and Mitigants

- In the initial portfolio, there are 6,547 loans accruing interest at a floating rate, which account for 8.90% of the whole OPB. While the coupon rates of Senior Class Notes are fixed rate, the differences of interest rate types between the assets and the asset backed notes may cause interest rate spread risk.

Mitigant: Based on the agreement between the borrowers and the originator, BMW Finance has the right to maintain the interest rate fixed when corresponding PBOC benchmark lending interest rates decrease. Besides, according to the transaction documents, subject to the permission of Applicable Law, the originator will not adjust the interest rates of assets in the portfolio if PBOC adjusts the base rates. CCXI has taken into the consideration of the adverse effect caused by the diminishing of excess spread in its expected loss analysis of the Senior Notes.

- Limited historical data. Due to the limitation of the company's business history and information system, BMW Finance could only provide historical performance data from January 2014 onward. Some data have already shown the whole loan cycle, however, the time span is relatively short and does not reflect a complete economic cycle. As such, utility of the historical performance in forecasting the future performance of the asset portfolio is limited.

Mitigant: CCXI made adjustments to the results of historical data analysis based on macro-economic conditions, industrial development and the business development of the Originator, in order to forecast the future credit performance of the asset portfolio. In its credit analysis, CCXI has fully factored in the limitation of historical data and the impact of future economic movement on the asset portfolio.

- Lack of mortgage re-registration. Under the current transaction arrangement, the auto Loan Receivables in the collateral portfolio will be transferred to the Trust but the underlying mortgage registration will not be modified. As a result, the mortgage over the Financed Vehicle may not be upheld against bona fide third party claims, which may adversely affect the trust beneficial rights.

Mitigant: CCXI took into consideration of such potential adverse effect in its recovery assumptions.

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## **Chapter 7 Follow-Up Arrangements**

### **1. Follow-Up Rating Arrangements**

#### **(1) Follow-Up Rating Arrangements of China Ratings**

China Ratings will perform continued monitoring of the credit rating of the securities during the effectiveness of credit rating of this ABS. For Senior ABS, issued by the end of last year which has not matured and whose principal is not paid off, the credit rating tracking report will be published before Jul 31 in the current year.

China Ratings will continuously keep a close watch on the credit quality of the ABS, and strives to collect and understand information that may affect the quality of this ABS. During the effective period of this ABS, Issuer/Originator should timely provide China Ratings with documents including but not limited to loan/asset report, trustee report, annual financial report, trust property status. If any material event that may affect ABS credit rating arises, trustee/servicer should, within 3 days upon being aware of the event, inform China Ratings and provide China Ratings with related documents. If China Ratings notices material event that may affect credit rating of this ABS, China Ratings should ask Originator, loan/asset servicer, trustee and lead underwriter to provide related documents so as to determine whether adjustment is needed for credit rating. Credit rating can be revoked if China Ratings can by no means acquire effective rating information.

#### **(2) Follow-Up Rating Arrangements of CCXI**

During the life of the Asset Backed Notes, CCXI will provide follow-up ratings of the Senior Asset Backed Notes; i.e. until such time as the capital balance of the Senior Asset Backed Notes is zero, CCXI will check the credit performance of the asset pool, and evaluate the credit position of BMW Finance and of the Issuer Account Bank. CCXI will provide dynamic tracking of the credit position of this transaction by means of periodic reports concerning its inspections of the Servicer, the Trust Company and the Issuer Account Bank, in order to determine whether there have been any changes to the level of risk and credit quality of the Notes. During the life of the Senior Asset Backed Notes, CCXI will issue the follow-up rating report no later than 31 July of each year starting from the next year of the Issue, and if the rating of the Asset Backed Notes changes, CCXI will inform the Trust Company in a timely manner and announce the same to investors on its company website.

### **2. Information Disclosure Arrangements During the Life of the Notes**

#### **(1) Information Disclosure Method**

During the life of the Notes in this issue, information will be disclosed through the release of Trust Company Reports by the Trust Company, the release of follow-up rating reports by the Rating Agencies as agreed upon, the release of a Trust liquidation report by the Trust Company and the release of other reports deemed necessary by the Trust Company. Noteholders can understand the management, utilization, disposal and receipts and expenditures of the Trust by reading the above-mentioned reports.

#### **(2) Timing and Content of Information Disclosures**

The Trust Company should disclose relevant information to Noteholders on the websites of China Money ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)), ChinaBond ([www.chinabond.com.cn](http://www.chinabond.com.cn)) and Beijing Financial Assets Exchange ([www.cfae.cn](http://www.cfae.cn)), and by other means required by the PBOC. The Trust Company should ensure that information disclosures are truthful, accurate and complete and do not contain any falsehoods, misleading statements or major omissions.

The Grantor and other institutions engaged by the Trust Company in providing services to the Trust

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shall promptly provide relevant information and reports to the Trust Company, and shall ensure that such information is truthful, accurate and complete.

The Grantor, the Trust Company and other institutions engaged by the Trust Company in providing services to the Trust shall not leak any relevant information before the disclosure of the same.

During the issuance stage of the Asset Backed Notes, the Trust Company shall, at least five (5) Business Days prior to the Issue Date, disclose the Trust Announcement, the Offering Circular, the Rating Reports, the Issuing Announcement, the Issuing Methods and the list of Syndication Members etc. in accordance with the requirements under the relevant laws and regulations, the *Guidance on Information Disclosure of Asset-backed Securitization of Individual Automobile Loans (Trial)* and the related formatting requirements. On the date of completion of the issuance of the Asset Backed Notes or on the immediately following Business Day, the Trust Company shall disclose the relevant issuance results.

During the term of the Asset Backed Notes, on the fifth Business Day prior to each Payment Date, the Trust Company shall provide the National Interbank Bond Market and CCDC the Trust Company Report, which will reflect the status of the Trust Assets and the information in relation to the repayment of the principle and interest under the Notes. By 30 April each year, the Trust Company should publish the Trust Company Report concerning the preceding year, which shall be audited by the Auditor.

The Trust Company should reach agreement with the Rating Agencies on the arrangements for follow-up ratings of the Senior Asset Backed Notes, and it shall, by 31 July of each year during the life of the Senior Asset Backed Notes, disclose the previous year's follow-up ratings reports to the Noteholders.

If an unexpected major event that has a material impact on the value of the Trust Assets occurs, the Trust Company should provide information disclosure materials to the CCDC within three Business Days after it became aware or should have become aware of such event, and submit a report to the PBOC and the CBIRC. "Unexpected major events" include, without limitation:

- (a) inability or expected inability of the Trust Company to pay the principal and interest of Senior Asset Backed Notes on schedule or other matters which may affect the rights of the Noteholders;
- (b) the Trust Company and the Servicer violating laws or regulations, or an Enforcement Event occurs which could have a materially adverse effect on the rights of the Noteholders;
- (c) the credit rating of Senior Asset Backed Notes is changed;
- (d) other matters which should be disclosed in accordance with the Trust Agreement;
- (e) another matter that regulations of an oversight authority such as the PBOC, the CBIRC, etc. require to be publicly announced; or
- (f) other matters which must be publicly announced as specified in law.

At least 30 days before a Controlling Noteholders' Meeting is to be held, the Trust Company should make an announcement of the time and venue of the meeting, and the manner in which the meeting will be conducted, the agenda, voting and other procedures through the websites of ChinaMoney (<http://www.chinamoney.com.cn>), ChinaBond ([www.chinabond.com.cn](http://www.chinabond.com.cn)) and Beijing Financial Assets Exchange ([www.cfae.cn](http://www.cfae.cn)), and notify the Rating Agencies of the same.

Within ten (10) days of the close of a Controlling Noteholders' Meeting, the convener shall file a report with PBOC, notify the Rating Agencies and publicise such meeting through the websites of

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ChinaMoney (<http://www.chinamoney.com.cn>), ChinaBond ([www.chinabond.com.cn](http://www.chinabond.com.cn)) and Beijing Financial Assets Exchange ([www.cfae.cn](http://www.cfae.cn)).

**(3) Other disclosure matters**

Noteholders, as verified by the Trust Company and whose names are entered into the Registry, may inspect copies of the Trust Agreement, other Transaction Documents and the specific information in relation to the Trust Assets during normal office hours at the principal place of business of the Trust Company (which is currently at F6, Central Tower, Chemsunny World Trade Centre, No. 28 Fuxingmennei Street, Xicheng District, Beijing).

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# MASTER DEFINITIONS

## 1. Definitions

Except where expressly stated to the contrary or where the context otherwise requires, the definitions set out in this Master Definitions Schedule shall apply to terms or expressions referred to but not otherwise defined in each Transaction Document.

**"Account Records"** means all books, records and information prepared and retained by the Issuer Account Bank in relation to the Issuer Account.

**"Acquire", "Acquired", "Acquiring" or "Acquisition"** when used in respect of any asset, relates to an asset that has been, is being, or will be, purchased, acquired or assumed, as the case may be.

**"Additional Cut-Off Date"** means any Cut-Off Date falling within the Revolving Period.

**"Additional Loan Receivables"** means the additional Loan Receivables to be transferred to the Trust Company on the Additional Purchase Date in accordance with Clause 2.1(b) of the Trust Agreement.

**"Additional Purchase Date"** means the Payment Date on which the Additional Loan Receivables are to be transferred to the Trust Company in accordance with Clause 2.1(b) of the Trust Agreement during the Revolving Period.

**"Additional Purchase Price"** means, in respect of any Additional Loan Receivables, the aggregate Loan Balance of such Additional Purchased Loan Receivables as of the relevant Cut-Off Date.

**"Additional Purchased Loan Receivables"** means the Additional Loan Receivables transferred by the Originator to the Trust Company in accordance with the Trust Agreement and as more specifically described in Clause 2.1(b) of the Trust Agreement.

**"Adverse Claim"** means any mortgage, charge, pledge, hypothecation, lien, floating charge or other security interest or encumbrance or other right or claim under the laws of any jurisdiction, of or on any Person's assets or properties in favour of any other Person.

**"Affiliate"** means, in relation to any Person, any entity controlled, directly or indirectly by the Person, any entity that controls, directly or indirectly the Person or any entity directly or indirectly under common control with such Person (for this purpose, "control" of any entity or Person means ownership of a majority of the voting power of the entity or Person).

**"Agency Agreement"** means the agency agreement between CCDC and the Trust Company dated on or about the Signing Date.

**"Aggregate Loan Balance"** means, in respect of all Purchased Loan Receivables held by the Issuer at any time, the aggregate of the Loan Balance but excluding the Defaulted Loan Receivables.

**"Aggregate Outstanding Notes Balance"** means the aggregation of the Senior Outstanding Notes Balance, and Subordinated Notes Outstanding Balances as of any Payment Date.

**"Applicable Insolvency Law"** means any applicable bankruptcy, insolvency or other similar law affecting creditors' rights now or hereafter in effect in any jurisdiction.

**"Applicable Priority of Payments"** means, as applicable, either the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments.

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**"Asset Backed Notes Terms & Conditions"** or **"Conditions"** means the terms and conditions set out in Schedule 7 to the Trust Agreement.

**"Assets List"** means, in respect of the Initial Loan Receivables or Additional Loan Receivables as of the relevant Cut-off Date, a list prepared by the Originator setting out the relevant information of each Borrower in form and substance satisfactory to the Trust Company, which can be provided in the format of electronic document, compressed films or such other form acceptable to the Trust Company (also refer to Schedule 2 to the Trust Agreement).

**"Auditor"** means a reputed audit firm approved by the Trust Company and the Originator from time to time.

**"Authorized Signatory"** means the person who is authorized by the board of a party under the Transaction Documents or the internal procedure of that party to sign any of the Transaction Documents or any report required by the Transaction Documents on behalf of that party.

**"Available Distribution Amount"** means, with respect to any Payment Date, the sum of:

- (a) any Collections received by the Servicer during the Monthly Period ending immediately prior to such Payment Date;
- (b) any proceeds received from the realisation of Financed Vehicles in accordance with the Trust Agreement and/or the Servicing Agreement during such Monthly Period;
- (c) any profits received by the Issuer from any investment in the Permitted Investments;
- (d) the balance in the Commingling Reserve Sub-account upon the occurrence and continuation of a Commingling Risks Mitigation Event, to the extent necessary to cover any Servicer Shortfall caused by the Servicer, and until such Servicer Shortfall has been paid in full;
- (e) the balance in the Replenishment Sub-account as of such Payment Date; and
- (f) the balance in the Cash Reserve Sub-account as of such Payment Date.

**"Available Post-Enforcement Funds"** means, from time to time, all moneys standing to the credit of the Issuer Account including, for the avoidance of doubt, (a) any enforcement proceeds in respect of the Loan Collateral credited to the Issuer Account and/or to any account of the Trust Company or Receiver following an Enforcement Event, (b) the balance in the Commingling Reserve Sub-account, to the extent necessary to cover any Servicer Shortfall caused by the Servicer, and (c) the balance in the Cash Reserve Sub-account.

**"Balloon Loan Ratio"** means, as of any Additional Cut-Off Date, the ratio of A/B, where:

A refers to the sum of the outstanding principal balance of (i) the Purchased Loan Receivables which are Balloon Loan Receivables, and (ii) the Additional Purchased Loan Receivables to be transferred to the Trust Company on the next Payment Date which are Balloon Loan Receivables; and

B refers to the sum of the outstanding principal balance of the Purchased Loan Receivables, and (ii) the Additional Purchased Loan Receivables proposed to be transferred to the Trust Company on the next Payment Date.

**"Balloon Loan Receivable"** means a Loan Receivable, the Loan Agreement of which provides for a final balloon instalment in addition to the monthly instalments, and such final balloon instalment is above zero.

**"Bank Account Agreement"** means the agreement dated on or about the Signing Date by and among the Trust Company, the Issuer Account Bank and the Servicer, governing the opening, operation and custody of the Issuer Account and the funds therein.

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**"Bankruptcy Law"** means the Bankruptcy Law of the PRC which was published by the Standing Committee of the National People's Congress on 27 August 2006 and came into effect on 1 June 2007.

**"Borrower"** means, in respect of a Loan Receivable, any natural person to which the Originator has advanced one or more auto-loans according to the terms of the relevant Loan Agreement.

**"Business Day"** means any day on which commercial banks in the PRC are open for business, except Saturdays, Sundays and nationwide public holidays.

**"Calculation Date"** means the last day of each calendar month, with the first Calculation Date being 30 November 2019 and the last Calculation Date being the last day of the calendar month prior to the last Payment Date.

**"CBIRC"** means China Banking and Insurance Regulatory Commission.

**"CBRC"** means China Banking Regulatory Commission.

**"CCDC"** means China Central Depository & Clearing Co., Ltd..

**"CCXI"** means China Chengxin International Credit Rating Co., Ltd.

**"China Ratings"** means China Bond Rating Co., Ltd.

**"CITICS"** means CITIC Securities Co., Ltd.

**"Class"** means, as the context may require, the senior class of the Notes or the subordinated class of the Notes.

**"Clean-Up Call Option"** means the Originator's right to exercise a clean-up call as more specifically described in Clause 4 (*Clean-Up Call*) of the Trust Agreement.

**"Clean-Up Call Settlement Date"** means, where the Originator gives at least one (1) month prior notice to the Issuer of its intention to exercise the Clean-Up Call Option on the Payment Date set forth in the notice, such Payment Date as set forth in the foregoing notice, provided that all conditions set out in Clause 4 (*Clean-Up Call*) of the Trust Agreement will be satisfied on such Payment Date.

**"Closing Date"** means the delivery date of the Trust Assets, which is the date on which the Originator delivers the Trust Assets to the Trust Company, and it shall be the same day as the Issue Date and the Trust Effective Date.

**"Collections"** means any amounts, proceeds or financial benefits, received on or in connection with the Purchased Loan Receivables and Loan Collateral, in fulfilment of the financial obligations of a Borrower. The Collections shall include, *inter alia*:

- (a) all collections of the Loan Instalments under the Purchased Loan Receivables that have been paid by the Borrowers during the relevant Monthly Period;
- (b) the Deemed Collections, if any, paid in the relevant Monthly Period; and
- (c) any recovery proceeds received by means of realisation of the Financed Vehicles or other related security in accordance with the Servicer's customary practice as applicable from time to time during the relevant Monthly Period.

**"Collections Period"** means the period from one Calculation Date (excluding that day) to the next Calculation Date (including that day), provided that the first Collections Period shall commence on the Initial Cut-off Date (excluding that day) and end on the next Calculation Date (including that

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day).

**"Collections Transfer Date"** means the ninth(9<sup>th</sup>) Business Day after each Calculation Date.

**"Commingling Reserve Excess Amount"** means, as of any Payment Date during the continuance of a Commingling Risks Mitigation Event, an amount equal to balance in the Commingling Reserve Sub-account in excess of the Commingling Reserve Required Amount.

**"Commingling Reserve Reduction Amount"** means, as of any Payment Date during the continuance of a Commingling Risks Mitigation Event, the product of (i) the Aggregate Loan Balance as of the Calculation Date immediately preceding such Payment Date and (ii) the difference, if positive of (A) over (B) where:

**A** is the result of (x) the Aggregate Loan Balance plus the balance in the Cash Reserve Sub-account as of the Calculation Date immediately preceding such Payment Date, less the Senior Notes Balance after the distribution of the Available Distribution Amount on such Payment Date (assuming there is no Servicer Shortfall), divided by (y) the Aggregate Loan Balance as of the Calculation Date immediately preceding such Payment Date; and

**B** is 18.75%,

provided that if A is lower than B, the Commingling Reserve Reduction Amount shall be zero.

**"Commingling Reserve Required Amount"** means, as of any Payment Date during the continuance of a Commingling Risks Mitigation Event, an amount equal to the Expected Collections less the Commingling Reserve Reduction Amount.

**"Commingling Risks Mitigation Event"** means, if at any time for as long as the Originator remains as the Servicer, (a) in relation to the CCXI rating system, the Originator's credit rating is below A+; or (b) in relation to the China Ratings rating system, the Originator's credit rating is below BBB+.

**"Common Terms"** means the provisions set out in Schedule 2 to this Agreement.

**"Conditions Precedent"** means the conditions precedent as set out in Schedule 10 (*Conditions Precedent related to Entrustment of Purchased Loan Receivables*) to the Trust Agreement.

**"Controlling Asset Backed Notes"** or **"Controlling Notes"** means (a) in the case where the principal amount of the Senior Notes are not fully paid and discharged, the Senior Notes; and (b) in the case where the principal amount of the Senior Notes are fully paid and discharged, the Subordinated Notes.

**"Controlling Noteholders"** means the holders of the Controlling Asset Backed Notes.

**"Controlling Noteholders' Meeting"** means the meeting of the Controlling Noteholders convened and held in accordance with Condition 15 of the Asset Backed Notes Terms & Conditions.

**"Cumulative Default Ratio"** means, in respect of a Collections Period, the ratio of A/B, where:

A refers to sum of :

- (1) the outstanding principal balance of the Purchased Loan Receivables that has become Defaulted Loan Receivables during such Collections Period; and
- (2) for Purchased Loan Receivables that became Defaulted Loan Receivables during the previous Collections Periods, the outstanding principal balance of such Purchased Loan Receivables at the time when they became Defaulted Loan Receivables.

B refers to the outstanding principal balance of the Purchased Loan Receivables as of the relevant



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Cut-off Date.

**"Cut-off Date"** means (a) in respect of the Initial Purchased Loan Receivables, the Initial Cut-off Date; or (b) in respect of any Additional Purchased Loan Receivables, 24:00 on the first day of the month in which such Additional Purchased Loan Receivables are transferred to the Trust Company.

**"Deemed Collection"** means the deemed Collection in respect of Purchased Loan Receivables which, upon the occurrence of any of the following events, the Originator shall pay to the Issuer in accordance with the provisions of the Trust Agreement:

- (a) a Purchased Loan Receivable proves to be in breach of any of the Eligibility Criteria as of the relevant Cut-off Date unless such non-compliance is fully remedied by the Originator to the satisfaction of the Trust Company; or
- (b) a Purchased Loan Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement (for as long as the Originator and the Servicer are identical); or
- (c) the Clean-Up Call Option is rightfully exercised; or
- (d) a Purchased Loan Receivable is reduced or affected due to any modification or amendment to the relevant Loan Agreement (including extension of repayment date of the final balloon instalment under a Loan Agreement which provides for such final balloon instalment) or early termination of the relevant Loan Agreement agreed upon by the parties thereto; or
- (e) any interest or principal amount in connection with a Purchased Loan Receivable which is purported to be assigned to the Trust Company under the Trust Agreement shall have been collected in whole or in part during the time period between the relevant Cut-off Date and the Issue Date (with respect to the Initial Purchased Loan Receivables) or the relevant Additional Purchase Date (with respect to the Additional Purchased Loan Receivables), and the amounts so collected are treated to have been received on the Issue Date (with respect to the Initial Purchased Loan Receivables) or the relevant Additional Purchase Date (with respect to the Additional Purchased Loan Receivables).

provided that for the avoidance of doubt, no Deemed Collection shall be payable in respect of the Eligible Loan Receivables if the Borrower fails to make due payments solely as a result of its insolvency. Any such Deemed Collection shall be at an amount equal to the aggregate Loan Balance(s) of the affected Purchased Loan Receivable(s).

**"Defaulted Loan Receivable"** means, at any time, a Purchased Loan Receivable (a) which is overdue for more than ninety (90) days, (b) the relevant Borrower and/or the Security Provider insolvent or is involved in any bankruptcy proceedings, or (c) which, in the opinion of the Servicer, (i) is unlikely to be collected or (ii) should have been written off by the Servicer in accordance with the Servicer's customary practices from time to time, in each case, if it has not been entrusted to the Trust.

**"Disclosure Guidelines"** means the Guidelines on Information Disclosure for Personal Auto Loan Asset Backed Securities which was published by National Association of Financial Market Institutional Investors on 15 May 2015 under the authorization of PBOC and came into effect on the same date.

**"Early Amortisation Event"** means the occurrence of any of the following event during the Revolving Period:

- (a) as any Cut-Off Date, the Cumulative Default Ratio exceeds 1.6%;
- (b) the occurrence of an Enforcement Event;
- (c) on two consecutive Payment Days, immediately after the payment of the Additional Purchase Price, the amount deposited into the Replenishment Sub-account exceeds 15% of the

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Aggregate Loan Balance as at the last Cut-off Date immediately prior to such Payment Day;

- (d) according to a Trust Company Report, the amount distributable to the Replenishment Sub-account on the immediately following Payment Date would be lower than the Required Replenishment Amount; or

the occurrence of a Servicer Termination Event.

**"Eligible Bank"** means a bank incorporated in China with the Required Rating or above.

**"Eligibility Criteria"** means the eligibility criteria set out in Clause 14.1 (*Purchased Loan Receivables*) of the Trust Agreement.

**"Eligible Loan Receivable"** means any Loan Receivable satisfying the Eligibility Criteria as of the relevant Cut-off Date.

**"Enforcement Event"** means any of the following events or circumstances:

- (a) subject to the availability of funds in accordance with the Applicable Priority of Payment, a default occurs in the payment of interest on any Payment Date (and such default is not remedied within five (5) Business Days of its occurrence) or the payment of the Principal Amount on the Legal Final Maturity Date (and such default is not remedied within five (5) Business Days of its occurrence) in respect of the Controlling Notes (other than the Subordinated Notes);
- (b) the Issuer fails to perform or observe any of its other obligations under the Conditions or the Transaction Documents (other than the Subordinated Notes) and, in each such case such failure is continuing for a period of thirty (30) days (or such longer period as approved at a Controlling Noteholders' Meeting) following the service by the Noteholders on the Issuer of a notice requiring the same to be remedied, provided that no notice shall be required if it is the unanimous decision of the Controlling Noteholders at a Controlling Noteholders' Meeting that such failure is incapable of being remedied;
- (c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Senior Notes, or any Transaction Document (other than under or in respect of the Subordinated Notes); or
- (d) an Insolvency Event has occurred with respect to the Issuer resulting in a Trust Company Replacement Event, provided that it shall not be an Enforcement Event until after a unanimous decision has been made by the Controlling Noteholders at the relevant Controlling Noteholders' Meeting that the replacement of the Trust Company with another trust company which meets the Trust Company Qualified Standard is not viable.

**"Enforcement Notice"** means a notice delivered as soon as reasonably practicable by the Noteholders to the Trust Company upon the occurrence of an Enforcement Event in accordance with Clause 12.1 of the Conditions.

**"Expected Collections"** means, as of any Payment Date during the continuance of a Commingling Risks Mitigation Event, the sum of the Collections received or expected to be received by the Servicer during the Monthly Period in which such Payment Date falls and the immediately following Monthly Period (as calculated by the Servicer based on the scheduled Loan Instalments under the relevant Loan Agreements).

**"Fee Letters"** means the Trust Company Fee Letter, the Servicer Fee Letter, and the Issuer Account

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Bank Fee Letter.

"**FenXun**" means FenXun Partners.

"**Financed Vehicles**" means the vehicles financed under the Loan Agreements.

"**Governmental Authority**" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including without limitation any court, and any Person owned or controlled by any of the foregoing.

"**HSBC**" means HSBC Bank (China) Company Limited.

"**ICBC**" means Industrial and Commercial Bank of China Limited.

"**Initial Cut-Off Date**" means 24:00 on 31 July 2019.

"**Initial Loan Receivables**" means the initial Loan Receivables to be entrusted to the Trust Company on the Trust Effective Date in accordance with Clause 2.1(a) of the Trust Agreement.

"**Initial Notes Balance**" means, in respect of any Note, the initial balance of such Note as of the Issue Date.

"**Initial Purchased Loan Receivables**" means the Initial Loan Receivables entrusted by the Originator to the Trust Company in accordance with the Trust Agreement and as more specifically described in Clause 2.1(a) of the Trust Agreement.

"**Initial Purchase Price**" shall be the Proceeds of all Notes (being the Aggregate Loan Balance of the Purchased Loan Receivables as of the Initial Cut-off Date) less all upfront costs and expenses in relation to the Issue.

"**Interbank Bond Market**" means the interbank bond market of China.

"**Interbank Lending Centre**" means the National Interbank Funding Centre.

"**Insolvency Event**" means, with respect to the Originator, the Servicer, the Trust Company the Issuer or the Issuer Account Bank, as the case may be, each of the following events: (i) the making of an assignment, conveyance, composition or marshalling of assets for the benefit of its creditors generally or any substantial portion of its creditors; (ii) the application for, seeking of, consents to, or acquiescence in, the appointment of a receiver, custodian, trust, liquidator or similar official for it or a substantial portion of its property; (iii) the initiation of or consent to any case, action or proceedings before any court or Governmental Authority against it under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws and such proceedings are not being disputed in good faith with a reasonable prospect of discontinuing or discharging the same; (iv) the levy or enforcement of a distress or execution or other process upon or sued out against the whole or any substantial portion of its undertaking or assets and such possession or process (as the case may be) shall not be discharged or otherwise shall not cease to apply within sixty (60) days; (v) an order is made against it or an effective resolution is passed for its winding-up; and (vi) it is deemed unable to pay its debts within the meaning of any liquidation, insolvency, composition, reorganisation or other similar laws in the jurisdiction of its incorporation or establishment (provided that, for the avoidance of doubt, any assignment, charge, pledge or lien made by the Trust Company for the benefit of the Noteholders under the Trust Agreement shall not constitute an Insolvency Event in

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respect of the Trust Company).

**"Insurance Claims"** means any claims against any Insurer in relation to any damaged Financed Vehicle to which the Originator or the Issuer (as the case may be) is entitled.

**"Insurer"** means such insurance company acceptable to the Originator with which the insurances in relation to the Financed Vehicles are maintained.

**"Interest Amount"** means the amount of interest payable by the Issuer on a Senior Note on a Payment Date accrued during the Interest Period relating to such Payment Date as further described in Condition 6 of the Asset Backed Notes Terms & Conditions.

**"Interest Period"** means the period starting from (and including) the 26th calendar day of each month and ending on (but excluding) the 26th calendar day of the next month, provided that the first Interest Period shall start from (and including) the Issue Date and end on (but not including) 26th calendar day that falls in December 2019 as further described in Condition 6 of the Asset Backed Notes Terms & Conditions.

**"Issuance Failure"** shall have the meaning ascribed to such term in the Trust Agreement.

**"Issue"** means the issue of the Senior Notes and/or the Subordinated Notes by the Issuer.

**"Issue Date"** means the interest commencement date of the Notes as specified in the Offering Methods.

**"Issue Expenses"** means all upfront costs and expenses in relation to the Issue, including the book running fees for the Issue of the Notes, the issuance registration service fees, bank wiring charges and other related expenses in relation to the Issue.

**"Issuer Account"** means the account opened and maintained in the name of the Issuer with the Issuer Account Bank for the purpose of the Transaction pursuant to the Transaction Documents, including the Cash Reserve Sub-account, Distribution Sub-account, the Commingling Reserve Sub-account and the Replenishment Sub-account, as further described in the Trust Agreement.

**"Issuer Account Bank"** means Bank of China Limited Beijing Branch or any permitted successor or assignee in accordance with the Bank Account Agreement.

**"Issuer Account Bank Fee Letter"** means the fee letter in relation to the fees payable to the Issuer Account Bank for the services which it provides under the relevant Transaction Documents.

**"Issuer Account Bank Report"** means the monthly report prepared by the Issuer Account Bank pursuant to the Bank Account Agreement.

**"Issuer Account Bank Report Date"** means the first (1<sup>st</sup>) Business Day after each Collection Transfer Date.

**"Issuer Account Bank Required Rating"** means, (a) in relation to the CCXI rating system, the credit rating of A; or (b) in relation to the China Ratings rating system, the credit rating of AA-.

**"Joint Lead Underwriter"** means each of CITICS, HSBC, MUFG and ICBC.

**"Legal Final Maturity Date"** means 26 August 2027.

**"Loan Agreement"** means each contractual framework, as applicable in the form of standard business terms or otherwise, governing (immediately prior to any transactions under the Trust Agreement) the Originator's relationship with the respective Borrowers with regard to the Loan

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Receivables.

**"Loan Balance"** means, in respect of any Purchased Loan Receivable held by the Issuer at any time, the loan principal amount of such Purchased Loan Receivable which remains outstanding from time to time.

**"Loan Collateral"** means (a) security interest in respect of Financed Vehicles, (b) Insurance Claims, and (c) any other collateral provided by the relevant Borrower to the Originator under or in connection with the relevant Loan Agreement, in each case to the extent and subject as acquired by the Originator.

**"Loan Instalment"** means any loan instalment due and payable by the Borrower in the future (whether principal or interest) under the Loan Agreement to which it is a party.

**"Loan Receivables"** means the loan receivables under the Loan Agreements entered into by the Originator with the Borrowers, together with the existing, unreleased and non-discharged security created over the Financed Vehicles (including mortgages over such vehicles and (where applicable) guarantees from third parties) for the purpose of financing the acquisition of such vehicles.

**"Majority"** means, as the context may require, 75 per cent.

**"Master Definitions Schedule"** means this Schedule 1 to this Agreement.

**"Material Adverse Effect"** means in relation to any Person, any effect that results in, or could reasonably be expected to result in, the Insolvency Event of that Person or otherwise hinders or could reasonably be expected to hinder not only temporarily, the performance of that Person's obligations under any of the Transaction Documents as and when due.

**"Measures on Trust Companies"** means the Measures for Administration of Trust Companies which was published by CBRC on 23 January 2007 and came into effect on 1 March 2007.

**"Monthly Period"** means the calendar month immediately prior to each Payment Date.

**"Monthly Servicing Report"** shall have the meaning ascribed to such term in the Servicing Agreement.

**"MUFG"** means MUFG Bank (China), Ltd.

**"Notes"** means the Senior Notes and the Subordinated Notes.

**"Noteholders"** means the Senior Noteholders and the Subordinated Noteholders.

**"Notice"** means any notice, notification, confirmation, request, approval, consent or other communication given or delivered by one Transaction Party to one or more other Transaction Parties under or in connection with any Transaction Document.

**"Obtained Consent"** means in respect of any Transaction Document and a particular Transaction Party a consent such Transaction Party has obtained from any Governmental Authority in respect of Transaction or any relevant Transaction Document.

**"Offer"** means an offer in written or electronic form, meeting the requirements set out in Clause 2.3 (*Purchased Loan Receivables Information*) of the Trust Agreement.

**"Offer Date"** means any third Business Days preceding any Payment Date falling within the Revolving Period.

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**"Offering Circular"** means the offering circular prepared in connection with the Issue.

**"Offering Methods"** means the Offering Methods for Bavarian Sky China 2019-3 as designated by the Issuer for the Issue in accordance with the relevant laws of the PRC.

**"Outstanding Notes Balance"** means in respect of any Note as of any Payment Date, the Initial Notes Balance as reduced by the aggregate of payments of principal made in accordance with the Applicable Priority of Payments prior to such Payment Date.

**"Originator VAT"** means, with respect to any Purchased Loan Receivables, the portion representing the value added tax and surcharges thereof which the Originator is required under the applicable laws and regulations to assume in respect of the Purchased Loan Receivables.

**"Originator Warranties"** means the warranties given by the Originator in respect of the Purchased Loan Receivables set out in Clause 14 (*Representations and Warranties*) of the Trust Agreement.

**"Paying Agent"** means CCDC.

**"Paying Transaction Party"** means where any Transaction Party is under an obligation created by a Transaction Document to make a payment to another Transaction Party, the Transaction Party who is to make such payment.

**"Payment Date"** means the 26<sup>th</sup> day of each month or, in the event such day is not a Business Day, on the next following Business Day unless that day falls in the next calendar month, in which case the date will be the first preceding day that is a Business Day.

**"PBOC"** means the People's Bank of China.

**"Permitted Entity"** means an entity which satisfies the Required Rating or above.

**"Permitted Investments"** means any amount standing to the credit of the Issuer Account invested by the Issuer, provided that:

- (a) any such investment must be denominated and payable in RMB;
- (b) any such investment may only be made:
  - (i) in deposits with Permitted Entities; or
  - (ii) in national bonds; or
  - (iii) in interbank policy-driven financial bonds at least with AAA rating in the CCXI rating system or with similar rating in the rating system of the other Rating Agencies; and
- (c) any such investment shall mature no later than the next following Payment Date.

For the avoidance of doubt, no such investment shall be made, in whole or in part, actually or potentially, in tranches of other asset-backed securities, credit linked notes, swaps or other derivatives instruments, or synthetic securities.

**"Person"** means an individual, partnership, joint stock company, limited liability company, trust, joint venture or other entity, or a government or political subdivision, agency or instrumentality thereof.

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**"Pilot Measures"** means the Measures for Administration of Credit Assets Securitization which was published by CBRC and PBOC on 20 April 2005 and came into effect on the same date, and the Notice on Relevant Matters Concerning Further Expanding the Pilot Securitization of Credit Assets which was published by CBRC, PBOC and the Ministry of Finance on 17 May 2012 and came into effect on the same date.

**"Pilot Supervision Measures"** means the Pilot Measures for Supervision and Administration of Credit Assets Securitization by Financial Institutions which was published by CBRC on 7 November 2005 and came into effect on 1 December 2005.

**"Portfolio Decryption Key"** means the password required to decrypt the encrypted Portfolio Information.

**"Portfolio Information"** means a file of information sent by the Originator and/or the Servicer to the Issuer, including the names and addresses of the Borrowers (in an encrypted form) as well as the non-encrypted and non-personal information in respect of the Loan Agreements as set out in Schedule 2 (*Data Contained in the Portfolio Information*) to the Trust Agreement.

**"Post-Enforcement Priority of Payments"** means the priority of payments set out in Schedule 12 (*Post-Enforcement Priority of Payments*) to the Trust Agreement.

**"PRC"** or **"China"** means the People's Republic of China (for the purpose of the Transaction Documents, excluding Taiwan and the Special Administrative Regions of Hong Kong and Macau).

**"Pre-Enforcement Priority of Payments"** means the priority of payments set out in Schedule 11 (*Pre-Enforcement Priority of Payments*) to the Trust Agreement.

**"Principal Amount"** means the amount of principal payable by the Issuer on a Note on a Payment Date.

**"Proceeds"** means, in respect of the Senior Notes, all funds collected and collectable from the Issue of such Notes, which is equivalent to the total nominal amount of the Senior Notes, and also the amount of the Aggregate Loan Principal Balance less the nominal amount of the Subordinated Notes.

**"Purchased Loan Receivables"** means the Initial Purchased Loan Receivables and the Additional Purchased Loan Receivables collectively.

**"Rating Agencies"** means CCXI and China Ratings.

**"Receiver"** means any Person appointed (and any additional Person appointed or any of its successors) as administrator, receiver or manager of all or any of the Trust Assets by the Trust Company in accordance with the terms of the Trust Agreement or other Transaction Documents or the applicable laws and regulations.

**"Receiving Transaction Party"** means, where any Transaction Party is under an obligation created by a Transaction Document to make a payment to another Transaction Party, the Transaction Party which is to receive such payment.

**"Records"** means, in respect of any Purchased Loan Receivable, all Loan Agreements, invoices, receipts, correspondence, notes of dealings and other documents, books, books of account, registers, records and other information (especially computerised data, tapes, discs, punch cards, data processing software and related property and rights) maintained (and recreated in the event of destruction of the originals thereof) with respect to such Purchased Loan Receivable and the related

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Borrower to the extent relevant for the collection or servicing of the Purchased Loan Receivables.

**"Registry"** means CCDC.

**"Regulatory Direction"** means, in relation to any Person, a direction or requirement of any Governmental Authority with whose directions or requirements such Person is accustomed to comply, provided that such a direction or requirement does not contravene any Requirement of Law.

**"Relevant Transaction Document"** means in respect of a Transaction Party each Transaction Document such Transaction Party is to enter into or has entered into.

**"Relevant Transaction Party"** means in respect of a Relevant Transaction Document each Transaction Party that is to enter into or has entered into such Relevant Transaction Document.

**"Renminbi" or "RMB"** means the lawful currency of China for the time being.

**"Required Cash Reserve"** means (a) RMB 80,000,000.05; or (b) zero upon the earliest of (i) the Legal Final Maturity Date, (ii) the Clean-Up Call Settlement Date or (iii) the Available Distribution Amount as of such date being sufficient to reduce the Senior Notes Outstanding Balance to zero.

**"Required Rating"** means, (a) in relation to the CCXI rating system, the credit rating of AA-; or (b) in relation to the China Ratings rating system, the credit rating of AA-.

**"Required Replenishment Amount"** means, as of any Payment Date, the amount by which the Aggregate Outstanding Notes Balance exceeds the Aggregate Loan Balance as of the Cut-Off Date immediately preceding such Payment Date.

**"Requirement of Law"** in respect of any Person shall mean:

- (a) any law, treaty, rule, requirement or regulation;
- (b) a notice by or an order of any court having jurisdiction;
- (c) a mandatory requirement of any regulatory authority having jurisdiction; or
- (d) a determination of an arbitrator or Governmental Authority.

**"Revolving Period"** means the period commencing on the Issue Date and ending on the earlier of (i) the Payment Date falling in November 2020 and (ii) the date on which an Early Amortisation Event occurs.

**"Rights Perfection Notice"** means the notice issued or to be issued pursuant to Clause 8.4 (*Rights Perfection Notice*) of the Trust Agreement in such form as set out in Schedule 3 (*Form of Rights Perfection Notice*) to the Trust Agreement.

**"Rules for Information Disclosure of Asset Backed Notes"** means the Rules on the Information Disclosure of Asset Backed Securities which were published by PBOC on 13 June 2005 and came into effect on the same date.

**"Security Law"** means the Security Law of the PRC which was published by the Standing Committee of the National People's Congress on 30 June 1995 and came into effect on 1 October 1995.

**"Security Provider"** means a Person that provides a guarantees or other security to secure the performance of the Borrowers' obligations under the Purchased Loan Receivables and the Loan Collateral.



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**"Secrecy Rules"** means any personal data secrecy rules or regulations with which the Relevant Transaction Party shall comply with respect to the Purchased Loan Receivables and the Loan Collateral from time to time.

**"Senior Asset Backed Notes" or "Senior Notes"** means the Notes representing the Senior Trust Beneficial Interests issued by the Issuer on the Issue Date with a total nominal amount of RMB 6,580,000,000.00 consisting 65,800,000 individual Senior Notes, each in the nominal amount of RMB100 and ranking senior to the Subordinated Notes with respect to the payment of interest and principal.

**"Senior Trust Beneficial Interests"** means the interests ranking prior to Subordinated Trust Beneficial Interests and distributed from the Trust, represented by the Senior Notes.

**"Senior Noteholders"** means the holders of the Senior Notes.

**"Senior Notes Interest Rate"** means such fixed interest rate per annum applicable to Senior Notes as determined by means of bookbuilding and published in the Issue Results Announcement.

**"Senior Notes Outstanding Balance"** means, as of any Payment Date, the sum of the outstanding principal balances of all Senior Notes.

**"Servicer Fee"** means the remuneration paid to the Servicer by the Trust Company in accordance with the Servicer Fee Letter.

**"Servicer Fee Letter"** means the fee letter in relation to the fees payable to the Servicer for the services which it provides under the relevant Transaction Documents.

**"Servicer Report Performance Date"** means the eighth (8<sup>th</sup>) Business Day after each Calculation Date.

**"Servicer Shortfall"** means a shortfall in respect of on-payments of Collections due and payable by the Servicer to the Issuer pursuant to the terms of the Servicing Agreement.

**"Servicer Termination Event"** means the occurrence of any event described in paragraphs (a) to (f) below:

- (a) an Insolvency Event has occurred with respect to the Servicer;
- (b) the Servicer fails to make any payment or deposit required by the terms of the Relevant Transaction Document within five (5) Business Days of the date such payment or deposit is required to be made;
- (c) the Servicer fails to perform any of its material obligations under the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer;
- (d) any representation or warranty in the Servicing Agreement or in any report provided by the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer and has a Material Adverse Effect in relation to the Issuer;
- (e) CBIRC imposes sanctions against the Servicer pursuant to Article 29 of the Measures for Administration of Auto-Finance Companies which will have material adverse impact on the Servicer's ability to perform its obligations under the

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Servicing Agreement;

- (f) the Servicer is dissolved by CBIRC pursuant to Article 30 of the Measures for Administration of Auto-Finance Companies.

**"Servicing Agreement"** means the servicing agreement between the Servicer and the Trust Company dated on or about the Signing Date.

**"Signing Date"** means 28 October 2019.

**"Subordinated Trust Beneficial Interests"** means the interests which rank secondary to the Senior Trust Beneficial Interests that are distributed from the Trust, represented by the Subordinated Notes.

**"Subordinated Notes"** means the Notes issued by the Issuer on the Issue Date representing the Subordinated Trust Beneficial Interests, with a total nominal amount of RMB 1,420,000,004.88, and ranking junior to the Senior Notes with respect to the payment of interest and principal.

**"Subordinated Notes Outstanding Balances"** means, as of any Payment Date, the Outstanding Notes Balances of the Subordinated Notes.

**"Subordinated Noteholders"** means the holders of the Subordinated Notes.

**"Subscription Cutoff Date"** shall have the meaning ascribed to such term in the Underwriting Agreement.

**"Syndication"** means all companies responsible for underwriting the Senior Asset Backed Notes in accordance with the Syndication Agreement.

**"Syndication Member"** or **"Underwriter"** means one or more or all companies responsible for underwriting the Senior Asset Backed Notes in accordance with the Syndication Agreement.

**"Syndication Agreement"** means the syndication agreement between, *inter alia*, the Joint Lead Underwriters and the other Underwriters in relation to the underwriting of the Senior Class Notes.

**"Tax"** shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority in China and **"Taxes"**, **"taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly.

**"Tax Authority"** means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world which has the power to impose or levy any Tax.

**"Tax Credit"** means any credit received by a Transaction Party from a Tax Authority in respect of any Tax paid by such Transaction Party.

**"Tax Deduction"** means any deduction or withholding on account of Tax.

**"Transaction"** means the Transaction Documents, together with all agreements and documents executed in connection with the issuance of the Senior Notes and the Subordinated Notes, the performance thereof and all other acts, undertakings and activities connected therewith.

**"Transaction Documents"** means the Conditions, the Trust Agreement, the Master Definitions and Common Terms Agreement, the Bank Account Agreement, the Servicing Agreement, the Offering

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Circular, the Fee Letters and the Underwriting Agreement.

**"Transaction Party"** means any Person who is a party to a Transaction Document and **"Transaction Parties"** means some or all of them.

**"Trust"** means the special purpose trust known as **"Bavarian Sky China 2019-3 Trust"** set up under the Trust Agreement.

**"Trust Agreement"** means the trust agreement dated on or about the Signing Date and entered into by and between the Originator and the Trust Company.

**"Trust Assets"** means all assets entrusted by the Originator to the Trust Company under the Trust Agreement (for the avoidance of doubt, excluding any Originator VAT), and as more specifically described and referred to in Clause 2 (*The Trust*) of the Trust Agreement.

**"Trust Beneficiary Interest Registration Date"** means the Business Day before each Payment Date and the Noteholders documented on the Registry at the end of that day shall be deemed as the Trust beneficiary, who shall be entitled to obtain current principal and interest of the Notes on that Payment Date.

**"Trust Company Fee"** means the fee payable to the Trust Company under the Trust Company Fee Letter.

**"Trust Company Fee Letter"** means the fee letter of the Trust Company for the Trust Company Fee and other relevant expenses for the entrusted services under the Transaction Documents.

**"Trust Company Qualified Standard"** means, with respect to a trust company:

- (a) it has the financial license issued by CBRC or CBIRC;
- (b) it has obtained the qualification for Special Purpose Trust from CBRC or CBIRC;
- (c) it satisfies such other conditions stipulated by the CBRC, CBIRC and PBOC; and
- (d) it has been approved by the Controlling Noteholders' Meeting to act as Trust Company and Issuer of the Trust and the Notes (except for the original Trust Company).

**"Trust Company Replacement Event"** means any of the following events:

- (a) the Trust Company fails to make a payment, transfer or deposit according to the Trust Agreement or other Transaction Documents, unless such action is due to the fraud, breach of contract, wilful misconduct or negligence of the other party or parties to the Transaction Documents or any third party unrelated to the Trust Company;
- (b) the Trust Company materially fails to comply with or perform the covenants or obligations set forth in the Trust Agreement or other Transaction Documents;
- (c) the Trust Company materially violates any representations or warranties it has made in or pursuant to the Trust Agreement or Transaction Documents;
- (d) the Trust Company no longer satisfies the Trust Company Qualified Standard;
- (e) any Insolvency Event occurs to the Trust Company;
- (f) the Trust Company is replaced by the Controlling Noteholders' Meeting for fraud, breach of contract, wilful misconduct or negligence; or
- (g) the Trust Company resigns.

**"Trust Company Report"** means the monthly report prepared and issued by the Trust Company in

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the form set forth in Schedule 8 to of the Trust Agreement.

**"Trust Company Report Date"** means the date on which the Trust Company Report is published on the websites of China Money ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)), ChinaBond ([www.chinabond.com.cn](http://www.chinabond.com.cn)) and Beijing Financial Assets Exchange ([www.cfae.cn](http://www.cfae.cn)), which is the fifth (5<sup>th</sup>) Business Day prior to the Payment Date.

**"Trust Determination Date"** means the twelfth (12<sup>th</sup>) Business Day after each Calculation Date.

**"Trust Effective Date"** shall have the meaning ascribed to such term in the Trust Agreement.

**"Trust Beneficial Interests"** means all rights of the beneficiaries of the Trust under the Trust, including the Senior Trust Beneficial Interests and the Subordinated Trust Beneficial Interests.

**"Trust Law"** means the Trust Law of the PRC which was published by the Standing Committee of the National People's Congress on 28 April 2001 and came into effect on 1 October 2001.

**"Trust Liquidation Event"** means any of the following events:

- (a) the Originator's creditors' rights and interests are impaired by the establishment of the Trust, as a result of which the Trust is cancelled by the competent people's court or arbitration body;
- (b) the Trust Company sells all outstanding Purchased Loan Receivables to the original Originator; or
- (c) the occurrence of any of the following events that occurs the earliest:
  - (i) the final repayment or otherwise discharge of the last Loan Receivable, or disposal of all properties obtained from enforcement of the Loan Collateral;
  - (ii) the payment of all amounts payable to all Noteholders pursuant to the Trust Agreement; and
  - (iii) the Legal Final Maturity Date takes place.

**"Trust Termination Date"** means the date on which the Trust Company completes the liquidation of the Trust (including, but not limited to the performance of corresponding payment obligations under the Trust Agreement), and the liquidation report issued by the Trust Company is approved by the Controlling Noteholders' Meeting.

**"Underwriting Agreement"** means the underwriting agreement between the Trust Company, the Joint Lead Underwriters and the Originator in relation to the underwriting of the Senior Class Notes.

**"Underwriting Remuneration"** means the remuneration payable by the Originator to the Joint Lead Underwriters in accordance with clause 3.2(A) of the Underwriting Agreement in consideration of the underwriting commitment and the related underwriting services.

**"Weighted Average Interest Rate"** means the weighted average interest rate of the relevant Purchased Loan Receivables calculated in accordance with the following formula:

Weighted Average Interest Rate =  $\Sigma(\text{outstanding principal balance of each relevant Purchased Loan Receivable} * \text{interest rate of such Purchased Loan Receivable}) / \text{aggregate outstanding principal balance of the relevant Purchased Loan Receivables}$ .

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Unless otherwise defined therein or the context requires otherwise, capitalized terms used in the Trust Company Report shall have the meanings ascribed to them in this Clause 1.2:

**"Enforcement Cost"** means the costs and expenses incurred by the Servicer in connection with the enforcement of the Defaulted Loan Receivables.

**"Enforcement Cost Deduction"** means, in respect of a Collections Period, the amount of Enforcement Cost actually deducted by the Servicer during such Collections Period from the Collections of the Defaulted Loan Receivables, which represents the amount of Enforcement Cost the Servicer has prepaid for the Defaulted Loan Receivables before such Collections Period but has not been reimbursed.

**"No Arrears after Disposal"** means, in respect of a Loan Agreement, the Borrower thereunder has repaid the relevant Loan Receivables then due without arrears after non-litigation and/or litigation procedures.

**"Non-litigation Disposal"** means non-litigation methods including demand, negotiation and arbitration etc..

**"Weighted Average Remaining Term of Loans"** means the weighted average remaining term of the Purchased Loan Receivables calculated in accordance with the following formula:

Weighted Average Remaining Term of Loans =  $\Sigma(\text{outstanding principal balance of each Purchased Loan Receivable} * \text{remaining term of such Purchased Loan Receivable}) / \text{aggregate outstanding principal balance of Purchased Loan Receivables}$

## **2. PRINCIPLES OF INTERPRETATION AND CONSTRUCTION**

### **2.1 Knowledge**

- 2.1.1 References in any Transaction Document to the expressions "so far as the Originator is aware" or "to the best of the knowledge, information and belief of the Originator" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Originator.
- 2.1.2 References in any Transaction Document to the expressions "so far as the Servicer is aware" or "to the best of the knowledge, information and belief of the Servicer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Servicer usually entrusted with the lending business of the Originator.
- 2.1.3 References in any Transaction Document to the expressions "so far as the Issuer is aware" or "to the best of the knowledge, information and belief of the Issuer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of the senior officers of the Issuer.
- 2.1.4 References in any Transaction Document to the expressions "so far as the Trust Company is aware" or "to the best of the knowledge, information and belief of the Trust Company" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Trust Company.

### **2.2 Interpretation**

In any Transaction Document, the following shall apply:

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- 2.2.1 a document being in an "**agreed form**" means that the form of the document in question has been signed off or agreed by each of the proposed parties thereto;
- 2.2.2 any reference to an "**agreement**", "**deed**" or "**document**" shall be construed as a reference to such agreement, deed or document as the same may from time to time be amended, varied, novated, supplemented, replaced or otherwise modified;
- 2.2.3 in the computation of periods of time from a specified date to a later specified date, the word "**from**" means "**from and including**" and the words "**to**" and "**until**" each mean "**to but excluding**".
- 2.2.4 "**periods**" of days shall be counted in calendar days unless Business Days are expressly prescribed;
- 2.2.5 any reference to any "**Person**" appearing in any of the Transaction Documents shall include its successors and permitted assigns;
- 2.2.6 a reference to any person defined as a "**Transaction Party**" or in any Transaction Document or in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests;
- 2.2.7 unless specified otherwise, "**promptly**", "**immediately**", "**forthwith**" or any similar expression used in a Transaction Document shall mean without undue delay; and
- 2.2.8 a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred.

## 2.3 Statutes and Treaties

Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

## 2.4 Time

Any reference in any Transaction Document to a time of day shall, unless a contrary indication appears, be a reference to Beijing time.

## 2.5 Schedules

Any Schedule to, or Appendix or Annex to, a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule, Appendix or Annex were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule, Appendix or Annex.

## 2.6 Headings

Section, Part, Schedule, Paragraph and Clause headings are for ease of reference only. They do not form part of any Transaction Document and shall not affect such Transaction Document's construction or interpretation.

## 2.7 Sections

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Except as otherwise specified in a Transaction Document, any reference in a Transaction Document to:

- 2.7.1 a "*Section*" shall be construed as a reference to a Section of such Transaction Document;
- 2.7.2 a "*Part*" shall be construed as a reference to a Part of such Transaction Document;
- 2.7.3 a "*Schedule*", an "*Appendix*" or an "*Annex*" shall be construed as a reference to a Schedule, Appendix or Annex of such Transaction Document;
- 2.7.4 a "*Clause*" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and
- 2.7.5 "*this Agreement*" shall be construed as a reference to such Transaction Document together with any Schedules, Appendices or Annexes thereto.

2.8 **Number**

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

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Originator/Servicer

**BMW Automotive Finance (China) Co., Ltd.**

Registered address: 22<sup>nd</sup> Floor, Suite B, Gateway Plaza, 18 Xiaguangli, North Dongsanhuan Road,  
Chaoyang District, Beijing

Contact persons: Wang Xin, Hao Feihong  
Contact telephone numbers: 010-84558600, 010-84147035  
Fax number: 010-84558700  
Post code: 100027  
Website: <http://www.bmw.com.cn>

Issuer/Trust Company

**China Foreign Economy and Trade Trust Co., Ltd.**

Registered address: F6, Central Tower, Chemsunny World Trade Centre, No. 28 Fuxingmennei Street,  
Xicheng District, Beijing, People's Republic of China

Contact persons: Wang Hao, Li Zhuona  
Contact telephone numbers: 010-57392586, 010-59567686  
Fax number: 010-59568906  
Post code: 100031  
Website: <http://www.fotic.com.cn>

Joint Lead Underwriter/Bookrunner

**CITIC Securities Co., Ltd.**

Registered address: North Building, II Excellence Time Plaza, No.8 Zhongxin 3rd Road, Futian  
District, Shenzhen, Guangdong, China

Contact persons: Wang Yan, Guo Hui, Wang Zezhou  
Contact telephone numbers: 010-60833796, 010-60836285, 010-60833287  
Fax number: 010-60833504  
Post code: 100125  
Website: <http://www.citics.com>



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Joint Lead Underwriter

**HSBC Bank (China) Company Limited**

Registered address: Room 01-05 and Room 07-09 on the 20th Floor, Room 01-03 on the 22nd Floor, 23rd Floor, Room 01-04 and Room 12-16 on the 25th Floor, Room 01-12 and Room 15-16 on the 26th Floor, Room 01-11 on the 27th floor, Room 01-09 and Room 12-16 on the 28th Floor, 29th Floor, Room 04-08 on the 30th Floor, Room 01 and Room 03-16 on the 31st Floor, 32nd Floor, Room 01-03 and Room 15-16 on the 33rd Floor, 35th Floor, Room 01-02 and Room 04-16 on the 36th Floor, 37th Floor, Room 01-08 and Room 10-16 on the 38th Floor, HSBC Building, Shanghai International Finance Centre, No. 8 Century Avenue, China (Shanghai) Pilot Free Trade Zone, Shanghai

Contact persons: Yang Chao

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Fax number: +86 21 2320 8384

Post code: 200120

Website: [www.hsbc.com.cn](http://www.hsbc.com.cn)

Joint Lead Underwriter

**MUFG Bank (China), Ltd.**

Registered address: 22F, AZIA Center, No.1233 Lujiazui Ring Road, China (Shanghai) Free Trade Pilot Zone, People's Republic of China

Contact persons: Makoto Aoki, Guanjie He

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Post code: 200120

Website: <https://www.mufg.jp/english>

Joint Lead Underwriter

**Industrial and Commercial Bank of China Limited**

Registered address: No.55 Fuxingmennei Street, Xicheng District, Beijing

Contact persons: He Shiyue

Contact telephone numbers: 010-81011218

Fax number: 010-66107567

Post code: 100818

Website: [www.icbc.com.cn](http://www.icbc.com.cn)

Financial Advisor

**The Hongkong and Shanghai Banking Corporation**

Registered address: 1 Queens Road Central, Hong Kong

Contact persons: Kyson Ho, Vivian Zhang

Contact telephone number: 00852-28222224

Fax number: 00852-34092599

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Issuer Account Bank

**Bank of China Limited Beijing Branch**

Registered Address: Block A, C, E, Kaiheng Center, No.2 Chaoyangmennei Street, Dongcheng District, Beijing

Contact person: Zhai Zhaojing, Qi Heyi

Contact telephone number: 010-85123388, 010-59207067

Contact fax number: 010-85197050, 010-59207072

Post code: 100010

Website: <http://www.boc.cn>

Registry/Paying Agent

**China Central Depository & Clearing Co., Ltd.**

Registered address: No. 10, Jinrong Street, Xicheng District, Beijing

Contact telephone: 010-88170748, 88170738

Post code: 100033

Website: [www.chinabond.com.cn](http://www.chinabond.com.cn)

Rating Agencies

**China Bond Rating Co., Ltd.**

Registered address: 6/F, Tower 2, Yingtai Center, 28 Financial Street, Xicheng District, Beijing

Contact person: Shen Hai, Li Zekun, Li Bo

Contact telephone number: 010-88090130, 010-88090013, 010-88090024

Fax number: 010-88090162

Post code: 100032

Website: [www.chinaratings.com.cn](http://www.chinaratings.com.cn)

**China Chengxin International Credit Rating Co., Ltd.**

Registered address: Room. 60101, Unit 1, No. 2 Nan Zhu Gan Hu Tong, Dongcheng District, Beijing

Contact person: Wang Li, Kang Yi, Wang Tianwei, Lv Bo

Contact telephone number: 010-66428877

Fax number: 010-66426100

Post code: 100010

Website: [www.ccxi.com.cn](http://www.ccxi.com.cn)

Accounting/Tax Adviser

**PricewaterhouseCoopers Zhong Tian LLP**

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Legal Advisors

**FenXun Partners**

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**Baker & McKenzie**

Shanghai Representative Office

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