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S&P Global
China Ratings

Structured Finance Rating Report

# Jianxin 2020-7 Non-performing Asset Backed Securities

**November 17, 2020**

**Preliminary Rating:**

Senior Notes AAA$_{spc(sf)}$

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

*This document is prepared in both English and Chinese. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency between the English version and the Chinese version.

## Tear Sheet

| Structure | Preliminary Rating | Amount (CNY Million) | % of Total Notes | % of Total OBPIF | Coupon Rate Type | Repayment Method | Credit Enhancement[1] (%) | S&P Global (China) Ratings CE Buffer (%) |
|---|---|---|---|---|---|---|---|---|
| Senior Notes | $AAA_{spc(sf)}$ | 395.00 | 77.60 | 11.54 | Fixed | Pass-through | 88.46 | 0 |
| Subordinated Notes | NR | 114.00 | 22.40 | 3.33 | - | - | - | - |
| **Total Liabilities** | - | **509.00** | **100.00** | **14.87** | - | - | - | - |
| Overcollateralization (OC) | - | 2,913.44 | - | 85.13 | - | - | - | - |
| **Total Outstanding Balance of PI&F** (Total OBPIF) | | **3,422.44** | **-** | **100.00** | **-** | **-** | **-** | **-** |

**Asset Type:** Credit card non-performing loan.

**Key Credit Enhancement Factors and Analysis**: S&P Global (China) Ratings considers an originator's operation model, non-performing loan (NPL) management policy, collection ability and historical experience, static pool and related data performance, securitized asset features, actual recovery performance, etc., as well as forward-looking analysis to adjust its base recovery assumption. Our unadjusted base-case recovery rate is 21.65% and our adjusted base-case recovery benchmark is 19.50%. A 30% discount rate is then applied under the $AAA_{spc(sf)}$ stress scenario for this transaction to reflect the corresponding uncertainty. The final recovery assumption is 13.65%.

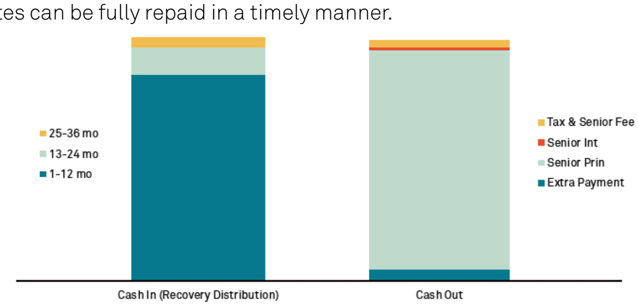
| Credit Analysis Assumptions | |
|---|---|
| Unadjusted Recovery Baseline (%) | 21.65 |
| Adjusted Recovery Baseline (%) | 19.50 |
| Stress discount rate for this transaction (%) | 30 |
| Stress Recovery Assumption (%) | 13.65 |

**Actual Recoveries:**

| Month | Actual Recovery (CNY Mn) | % of Senior Notes |
|---|---|---|
| July | 109.27 | 27.66 |
| August | 79.38 | 20.10 |
| **Total** | 188.65 | 47.76 |

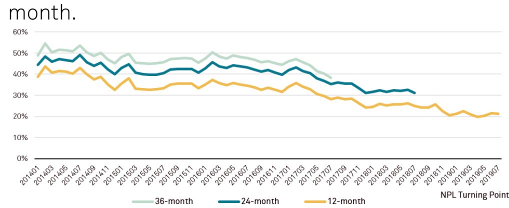
**Stress Scenarios and Cash Flow Analysis:** Based on the notes' rating, transaction structure, priority of payments, trigger events and expense assumptions, our cash flow analysis of credit card non-performing assets securitization products tests whether the rated notes can repay the principal and interest on time by forming different stress scenarios combinations from the two dimensions of recovery amount and recovery timing.

At the same time, we consider the impact of the actual recoveries on cash flow. The chart below shows an example of the distribution of cash inflows and outflows over the life cycle of this transaction under our stress scenario. We believe the principal and interest of the senior notes can be fully repaid in a timely manner.

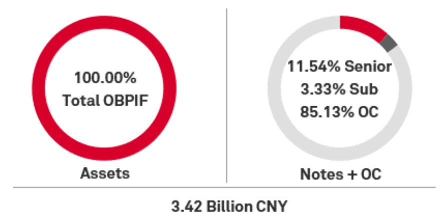



**Originator Overview:** CCB is the second largest commercial bank in China by total assets, which stood at CNY25.44 trillion at the end of 2019. It is also a global systemically important bank. As of the end of 2019, CCB's personal loans and advances totaled about CNY6.48 trillion, an increase of 10.92% over the previous year, where credit card loans accounted for about 11.44% and the credit card NPL outstanding balance was CNY7.65 billion. The credit card NPL ratio was 1.03%, 0.05% up from the end of 2018.

**Static Pool Recovery Rate:** We analyzed CCB's static data from Jan 2014 to June 2020. The chart below shows the recovery performance of NPLs in each month.




**Transaction Capital Structure:**




**Transaction Key Information:**

| | |
|---|---|
| Originator/Servicer | CCB |
| Trustee | CCB Trust |
| Account Bank | PAB BJ |
| Cut-off Date | 1 July 2020 |
| Expected Closing Date | 23 November 2020 |
| Legal Maturity Date | 26 July 2024 |
| Liquidity Support | Cash Reserve |

| Transaction Comparison | | Jianxin 2020-7 | Jianxin 2020-4 | Gongyuanzhicheng 2020-2 | Nongyinglixin 2020-2 | Zhongyu 2018-1 | Huiyuan 2020-1 |
|---|---|---|---|---|---|---|---|
| Originator | | CCB | CCB | ICBC | ABC | BOC | CITIC |
| Closing Date | | 2020/11/23(expected) | 2020/9/18 | 2020/6/24 | 2020/6/23 | 2018/6/12 | 2020/4/24 |
| Total Number of Loans | | 173,447 | 174,063 | 294,216 | 94,340 | 12,662 | 144,277 |
| Total OBPIF[2] (CNY million) | | 3,422.44 | 3,078.00 | 4,035.28 | 1,630.51 | 1,554.94 | 3,583.43 |
| Average OBPIF per Loan (CNY'000) | | 19.73 | 17.70 | 13.70 | 17.30 | 122.80 | 24.80 |
| WA Delinquency Term (month) | | 9.27 | 6.00 | 6.21 | 5.29 | 12.83 | 5.58 |
| Top Ten Borrower Total OBPIF (%) | | 0.33 | 0.31 | 0.23 | 0.46 | 1.85 | 0.19 |
| WA Initial Credit Line (CNY'000) | | 33.27 | 24.70 | 36.10 | 40.30 | 196.90 | 95.10 |
| NPL Category by OBPIF (%) | Substandard | 15.59 | 23.09 | 25.79 | 26.62 | 2.99 | 48.33 |
| | Doubtful | 58.43 | 54.63 | 38.61 | 51.92 | 14.86 | 22.54 |
| | Loss | 25.98 | 22.28 | 35.60 | 21.46 | 82.15 | 29.13 |
| Senior Notes Issuance/Total OBPIF (%) | | 11.54 | 11.86 | 6.82 | 7.30 | 8.23 | 9.35 |
| Total Issuance/Total OBPIF (%) | | 14.87 | 15.33 | 8.65 | 9.91 | 10.41 | 11.44 |

Note 1: Credit enhancement include both subordination notes' support and over collateralization. The actual overcollateralization will be dependent on the recovery given the underlying assets are all credit card NPL.
Note 2: OBPIF stands for outstanding balance of principal, interest, and fee.

## Rating Summary

| Transaction Name | Report Type | Rating Type | Rating Date |
|---|---|---|---|
| Jianxin 2020-7 Non-performing Asset Backed Securities | Presale | Preliminary Rating | November 17, 2020 |

## Rating Rationale

S&P Global (China) Ratings has assigned preliminary rating $AAA_{spc(sf)}$ to the Jianxin 2020-7 Non-performing Asset Backed Securities (Jianxin 2020-7) Senior Notes.

The preliminary rating primarily reflects the following:

— **Credit Quality of the Securitized Assets:** We analyzed the originator's operation model, NPL management policy, collection ability and historical experience, static pool and related data performance, securitized asset features and actual recovery performance. We estimated the recovery rate for the portfolio to be 13.65% under our $AAA_{spc(sf)}$ rating stress scenario.

— **Payment Structure and Cash Flow Mechanics:** Based on our cash flow analysis and stress testing, we expect senior notes to be able to pay principal and interest on time and in full under the current notes' rating, transaction structure and related assumptions. Our analysis and stress scenarios for the transaction include various combinations such as recovery amount, recovery timing, interest rate and expenses. Under our most stressed scenario, the final S&P Global (China) Ratings CE buffer is 0%.

— **Operational and Administrative Risk:** The servicer China Construction Bank (CCB) has rich experience in managing NPL securitization products. We believe the bank's IT infrastructure and operation model are capable of fulfilling the duties and responsibilities stipulated in the agreement. Although there is no back-up servicer on this transaction, the transaction will set aside a cash reserve to provide liquidity support. Besides, the transaction is exposed to collection agency due diligence risk, but we believe the participants in this transaction are capable of fulfilling the duties and responsibilities stipulated in the agreement given their experience and past track record.

— **Counterparty Risk:** Our assessment of counterparty risk takes into account payment interruption risk, account bank risk, commingling risk and set off risk etc. The transaction documents have incorporated various credit quality triggers to mitigate the abovementioned counterparty risk.

— **Legal and Regulatory Risk:** This transaction is structured in accordance with China's Trust Law and China Asset Securitization scheme. We believe the SPT's legal structure meets the principle of true sale and bankruptcy remoteness in securitization. Through our legal analysis, risks related to borrower notification, statute of limitation on recovering credit card debt, conflict of interest and other legal risk have been sufficiently mitigated by the arrangements stipulated in the transaction documents.

## Credit Highlights

| Strengths | Weaknesses |
|---|---|
| — Positive credit pool traits. The average OBPIF per loan is 19,732CNY, and the WA delinquent period is 9.27 months, in line with the average for the Jianxin series. | — There is significant uncertainty concerning the recovery of credit card NPLs. Recovery may be influenced by the borrower's own financial status, regional economic development level, macroeconomic environment, the servicer's collection policies, the due diligence of collection agencies and regional judicial practices. |
| — Geographic or obligor concentration risk is relatively low in the portfolio. There are a total of 173,447 loans in the portfolio, and the top 10 obligors' total OBPIF accounts for 0.33% of the portfolio, with obligors spread across 37 provinces, autonomous regions and municipalities directly under the central government. | |
| — The transaction adopts a cash reserve account to provide liquidity support, which is 1.5 times the sum of all taxes, priority expenses (expenses payable prior to the repayment of priority interest) and priority interest payable in the current period. | — The transaction is exposed to account bank risk, payment interruption risk, commingling risk, set off risk, lack of back up servicer risk and collection agency due diligence risk. |
| — The senior notes have relatively high credit enhancement. The actual recovery during the ramping-up period (CNY188.65 million, accounting for 47.76% of senior notes) provided good support for payment of senior notes. | — The transaction may be exposed to risks related to borrower notification, statute of limitation on recovering credit card debt, conflict of interest and other legal risks. |

## Related Methodologies, Models & Research

### Methodology Applied:

— S&P Ratings China--Structured Finance Methodology

### Related Research & Commentary:

— Commentary: Understanding Our Approach to China Consumer Asset-Backed Securities

— Mega Banks: Strong Enough to Withstand COVID-19

— FAQs on Banks' Nonperforming Assets and Securitization

## 1. Macro-Economic and Industry Trend

**Recent fluctuations in industry recovery rates reflect the short-term impact of COVID-19, and the long-term impact remains to be seen. Based on the transaction structure and actual recovery of most credit card NPL securitization projects, the overall solvency of senior notes is good.**

S&P Global (China) Ratings expects China is likely to maintain above-average economic growth performance relative to other middle-income economies in the next few years. However, growth is likely to come under the pressure of uncertainties over the COVID-19 pandemic, U.S.-China tensions, and ongoing efforts to restructure the economy and reduce financial risks. Over a shorter horizon, we see China's economy is healing from the shocks of COVID-19. We expect positive growth for 2020 even as the world experiences a significant drop in output. China's growth rate in 2021 will be above trend, with a handover from policy-led infrastructure investment to private demand needed to secure a self-sustaining recovery.

According to a series of reports on China's financial stability and the general operation of the country's payment system published by the People's Bank of China (PBoC) in recent years, a total of 746 million credit cards were issued with an outstanding balance of CNY7.6 trillion by the end of 2019. The overall credit card sector non-performing-loan (NPL) ratio stood at 1.6% at the end of 2018, the same as 2017. NPL ratios for the credit card sector have maintained a level below 2% over the past decade. In recent years, major Chinese internet companies have joined the consumer finance sector by utilizing their competitive advantages in diversified marketing channels and e-commerce. The change this has brought about to the market dynamic has gradually influenced consumer behavior and payment habits, while also posing new challenges to traditional payment methods.

In the first half of 2020, the COVID-19 outbreak had a huge impact on the tourism, retail and restaurants and catering sectors. The downstream impact on the credit card sector was reflected by low issuances and transaction volumes. Overall industry delinquencies have risen significantly in the past few months. Also, certain delinquent loans might become NPLs due to collection work not being executed efficiently in the first quarter when the outbreak was at its peak. However, we believe the sector's performance in terms of asset quality will improve in the second half of 2020, thanks to the wider economic recovery and relevant fiscal and financial support policies.

China's NPL securitization sector was established in 2006, with the first pilot program issued by asset management companies (AMCs). Only 4 NPL securitization products were issued between 2006 and 2008 when the whole securitization market was shut down due to the global financial crisis. In 2016, eight regulatory authorities restarted the sector. Qualified originators gradually expanded from AMCs to different type of banks, and underlying assets grew from covering only corporate loans to include various asset types, such as residential mortgages, personal loans, and credit card receivables etc. We believe that NPL securitization may become an increasingly common method for handling NPL assets, especially for unsecured retail assets which cannot be processed in batch sales according to regulations.

As of the end of June 2020, a total of 60 credit card NPL securitization transactions were issued in the market. These products were all of a senior and subordinated tranche structure, with the average senior notes' size accounting for 8.2% of total outstanding asset balance. The senior notes are normally paid off in 2 to 3 payment periods, with an average repayment period of 5.4 months. We have observed that overall debt recovery in the industry has recently been on a downward trend, which may be related to various factors such as the wider economic environment, regulatory policies, industry reform, and companies adopting different calculating bases. Also, the recent fluctuations in recovery rates reflect the short-term impact of COVID-19. The long-term impact remains to be seen. However, current actual recovery rates in the sector show clear divergence among different types of originators, and overall repayment history of senior notes is good.

## 2. Transaction Overview

This new NPL transaction is the seventh NPL securitization transaction originated by China Construction Bank Corp. (CCB) in 2020. It is also CCB's 27th NPL securitization transaction since 2008. A special purpose trust (SPT) named Jianxin 2020-7 Non-performing Loan Securitization Trust will be set up according to the trust agreement entered by the originator – CCB, and the trustee – China Construction Bank Trust Co., Ltd (CCB Trust).

**The average OBPIF by borrower is low, and concentration risk is low. A liquidity reserve has been set up for this transaction.**

The following tables illustrate the basic tranches' information, key dates, and payment cycle. The "CE buffer" in table 1 represents the excess credit enhancement (CE) supported by available assets after the senior notes' timely payment of interest and ultimate payment of principal have been addressed under our most stressed scenario, according to the assigned ratings. It represents our view on the extra cushion to absorb losses for the senior notes based on the current capital structure and relevant assumptions. The "hard CE" includes both subordinated notes' support and overcollateralization. However, actual overcollateralization will be dependent on the actual recovery amount given the underlying assets are all credit card NPLs.

Table/Chart 1 Basic Structure

| Structure | Preliminary Rating | Amount (CNY Mn) | % of Notes | % of Assets | Coupon *(%) | Expected Maturity Date | CE (%) | CE Buffer (%) |
|---|---|---|---|---|---|---|---|---|
| Senior Note | $AAA_{spc(sf)}$ | 395.00 | 77.60 | 11.54 | 3.75 | 2021/7/26 | 88.46 | 0 |
| Subordinated Note | NR | 114.00 | 22.40 | 3.33 | N/A | 2024/7/26 | - | N/A |
| **Total Liabilities** | - | **509.00** | **100.00** | **14.87** | - | - | - | - |
| OC | - | 2,913.44 | - | 85.13 | - | - | - | - |
| **Total OBPIF** | - | **3,422.44** | - | **100.00** | - | - | - | - |

NR – Not Rated; N/A – Not Applicable
Note*： Coupon rate is S&P Global (China) Ratings' assumption.

Table/Chart 2 Key Dates and Frequency

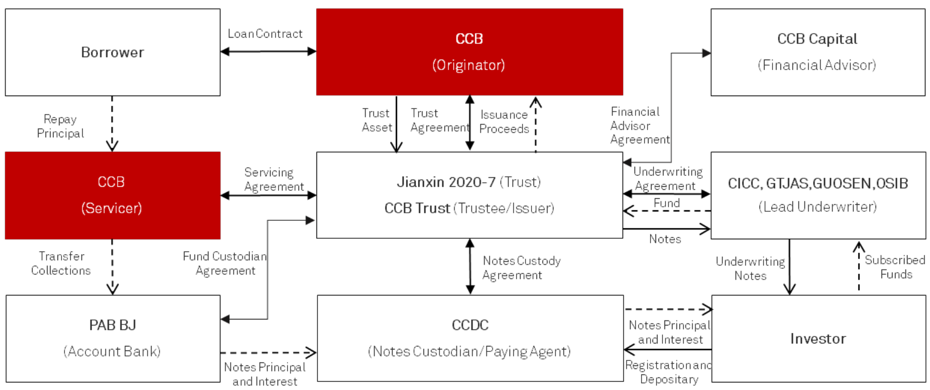
| Category | Date/Frequency |
|---|---|
| Cut-off Date | 1July 2020 |
| Expected Closing Date | 23 November 2020 |
| First Payment Date | 26 January2021 |
| Payment Frequency | Quarterly |
| Legal Final Maturity Date | 26 July 2024 |

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

The transaction is backed by a static portfolio of non-performing credit card receivables that are classified as substandard, doubtful, and loss - in accordance with the originator's loan risk classification criteria. There are 173,447 receivables in the portfolio, with a total outstanding balance of principal, interest and fee (Total OBPIF) at CNY3.42 billion, and the average OBPIF per borrower is about CNY21,815. The weighted average (WA) delinquency term is 9.27 months, where the WA non-performing seasoning (the months after loans become non-performing) is 6.27 months. Loans with non-performing seasoning of less than 6 months accounted for 82.57% of total OBPIF. The top 10 obligors' total OBPIF accounted for 0.33% of the portfolio, with the obligors spread across 37 provinces, autonomous regions and municipalities directly under the central government, and 10.60% of the total OBPIF are in Guangdong.

The transaction's assets collection does not distinguish between principal, interest or expenses. That includes the execution costs to be paid to the servicer, which are costs, expenses and taxes reasonably incurred during asset disposal. The asset disposal expenses in the transitional period (from the cut-off date to the trust establishment date) shall be borne by the originator. The net recoveries after the execution fee shall be distributed in accordance with the trust agreement. The transaction sets up a liquidity cash reserve that is 1.5 times the sum of all taxes, priority expenses (expenses payable prior to the repayment of priority interest) and priority interest payable in the current period. The chart below displays the transaction's main participants and structure diagram.

Table/Chart 3 Structure Diagram




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

## 3. Credit Quality of the Securitized Assets

### 3.1. Originator/Servicer

#### 3.1.1 Originator/Servicer Background

**CCB is a global systemically important bank. By the end of 2019, CCB's personal loans and advances totaled about CNY6.48 trillion with an outstanding credit card balance of CNY741 billion. The credit card NPL ratio was 1.03%.**

CCB was established in 1954 and is headquartered in Beijing. The bank was listed on the Hong Kong Stock Exchange in October 2005 and the Shanghai Stock Exchange in September 2007. CCB is the second largest commercial bank in China by total assets, which stood at CNY25.44 trillion at the end of2019. The Financial Stability Board updated its list of global systemically important banks (G-SIBs) in 2015, adding CCB as the seventh Asian G-SIB.

CCB differentiates itself from other competitors by specializing in providing loans for infrastructure projects and the residential mortgage sector. As of the end of 2019, CCB's personal loans and advances totaled about CNY6.48 trillion, an increase of 10.92% over the previous year, mainly made up of residential mortgages, credit cards, personal consumer loans, personal assistance loans and other loans, where credit card loans accounted for about 11.44%.

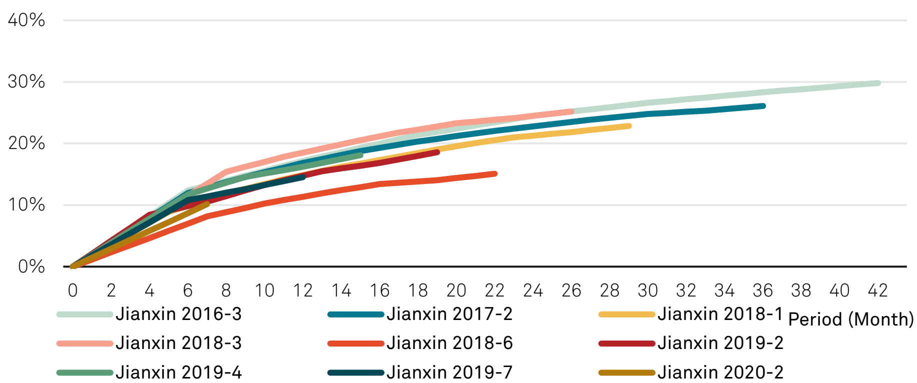
The CCB Credit Card Center was established in December 2002. By the end of 2019, CCB had issued 133 million credit cards, representing total consumption of CNY3.15 trillion and an outstanding balance of CNY741 billion, accounting for a market share of around 10%. By the end of 2019, the NPL outstanding balance of CCB's credit card business was CNY7.65 billion, and the credit card NPL ratio was 1.03%. Overall, CCB leads the industry in total credit card issuance, consumption, loan size and credit performance.

#### 3.1.2. Originator/Servicer NPL Securitization Overview

As an experienced NPL securitization issuer, CCB issued 23 NPL transactions as of the end of June 2020, totaling around CNY20.1 billion, accounting for 25% of issuance in the NPL market. By the end of June 2020, the issued underlying asset types of NPL securitization products included residential mortgages, corporate loans, credit card receivables, personal consumer loans and personal commercial real-estate mortgages. Among these there were 9 credit card NPL securitization transactions, totaling about CNY3.64 billion.

According to the latest trustee report (July 2020), senior notes for 8 of the 9 credit card NPL securitization transactions have been fully paid off. The weighted average senior notes' principal repayments in the first payment cycle account for about 84% of the total issuance amount, and the weighted average paid-off period is about 6.47 months. The recovery performance of CCB's credit card NPL securitization products has been good. The two transactions with the longest recovery period, Jianxin 2016-3 (47 months) and Jianxin 2017-2 (36 months), had a cumulative recovery rate of 30.72% and 26.10% respectively.

**Table/Chart 4 CCB's History on Credit Card NPL Securitization Transactions (Including Ramping-Up Period)**




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

The CCB housing finance department and consumer credit department are the leading management departments overseeing CCB's personal NPL securitization operations. They are responsible for the overall management of the personal NPL securitization business, taking the lead in initiating and implementing projects. The credit card center is responsible for the credit card NPL securitization asset pool and related services. It is also in charge of managing local branches' collection and handling of non-performing credit card assets, managing credit card NPL securitization data, as well as dealing with credit card NPL securitization related financial accounting issues, etc.

### 3.1.3. Originator/Servicer Credit Card Post-Lending and Collection Management

**CCB has a robust credit card arrears management system and collection management policy, and strictly manages external collection agencies.**

CCB's credit card business is subject to its unified post-lending management system. The main post-lending management work includes risk classification, assessment and provisioning, post-lending inspection and monitoring, early risk warning and disposal, and repayment monitoring. CCB classifies the risks of personal credit card business into five categories according to the risk management measures for bank credit assets. Credit card NPL refers to the credit card assets which are classified into substandard, doubtful and loss categories according to the risk classification standards of CCB. Once a CCB credit card account is classified as non-performing, The CCB credit card center will suspend all the cardholder's CCB credit card accounts.

The disposal of CCB credit card NPL claims is mainly carried out by the bank's credit card center, branches, appointed agencies and law firms. The headquarter credit card center is responsible for the management of the non-performing credit card claims of the whole bank. Its main responsibilities include the formulation and assessment of the whole bank's credit card collection and disposal plan, the formulation and improvement of relevant policies and systems for collection business, the construction of related systems for its collection business and the centralized collection of specific types of customers. The branch is responsible for the specific operations of the credit card collection business, including the refinement of collection targets, the daily management of the collection business and the implementation of overdue customer collection work within its purview.

CCB has formulated management measures for the collection of delinquent credit card loans, outsourcing collections, deposit deduction operations and other credit card NPL-related collection activity. It has also established a collection system covering SMS, telephone calls, letter, door-to-door, judicial, outsourcing and other collection means. In 2016, it developed a system for real-time savings account deductions for delinquent credit card loans, which improved collection efficiency. For NPLs over 90 days past due, CCB adopts collection measures such as telephone calls, face-to-face, judicial, and public announcements, and adopts differentiated collection strategies based on customers' basic characteristics, profession, social status, and delinquency amount. CCB may handle the collection process itself or outsource the collection work, depending on the size of the collection and available manpower. For borrowers who still cannot make repayments after repeated collection efforts, CCB can take judicial measures such as filing a report to the public security organ, filing a lawsuit to the court, or applying for arbitration to an arbitration institution.

#### 3.1.4. Collection Agencies Management and Latest Collection Overview

CCB will determine the degree of cooperation with external collection agencies according to their management capability, industry status, financial soundness, business reputation, enterprise culture, technical strength, quality of service, emergency response capacity, information security mechanism, familiarity with the banking sector and qualifications based on a trade cooperation survey. At the same time, the bank will conduct regular comprehensive evaluation of external collection agencies by looking at aspects including recovery performance, service quality and collection measures in place. Future cooperation with external collection agencies is decided according to the evaluation results. Thanks to a strict admission mechanism, so far there have been no risk incidents or reputational risk associated to the bank brought by the selected outsourced collection agencies.

Based on interviews with CCB and their top two outsourcing collection agencies, we have observed that the two agencies' business cover a nationwide scope, and their partners include major state-owned banks, joint-stock banks, licensed consumer finance, auto finance and internet companies. At present, collection methods have mainly been based on telephone calls, supported by external visits. Historical recovery data show that recovery levels are influenced by a variety of factors, such as higher debt levels in developed coastal regions, or younger borrowers being more likely to receive family support with their debts. Collection activity in February and March this year was greatly affected by the COVID-19 outbreak, but work has since resumed, with April seeing an improvement in the overall collection situation. In addition, in recent years increased supervision of the collection industry will benefit leading collection agencies in the medium and long term.

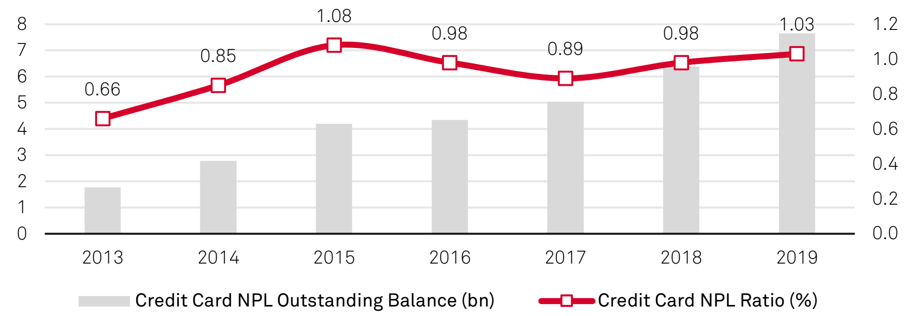
### 3.2. CCB Aggregate Portfolio Analysis

#### 3.2.1. Overall Asset Quality

The CCB credit card outstanding NPL balance has increased year-over-year in tandem with the increase in outstanding credit card loans, but the NPL ratio remains at a relatively stable level. By the end of 2019, the NPL ratio of CCB's overall personal loans and advances was 0.41%, while that of credit card loans was 1.03%. The chart below shows the CCB credit card NPL outstanding balance and NPL ratio over the years.

**CCB's credit card NPL ratio remains at a relatively low level and it leads the industry in terms of asset quality and credit card NPL recovery rate.**

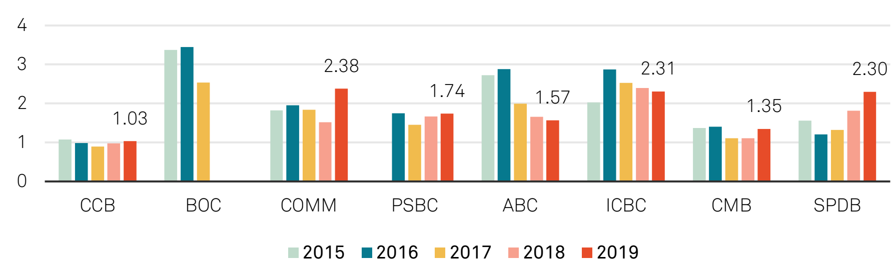
Table/Chart 5 CCB Credit Card NPL Outstanding Balance and NPL Ratio




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

Compared with its peers, CCB's credit card NPL ratio is also at a low level, and it leads the industry in terms of asset quality. The chart below compares credit card NPL ratios of CCB and its peers in the past five years.

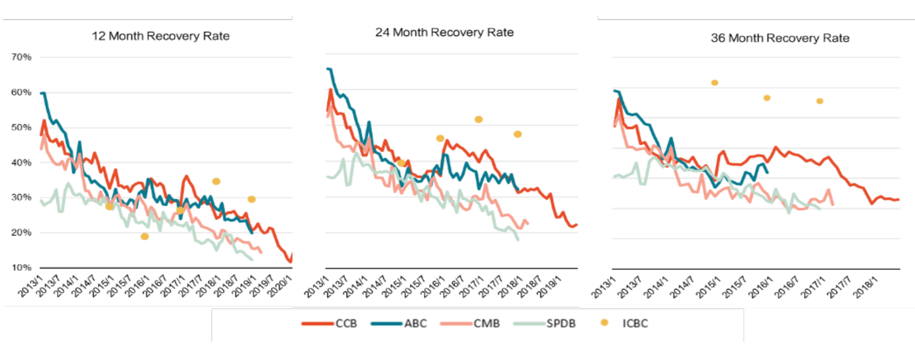
Table/Chart 6 Sample Banks Credit Card NPL Ratio (%)




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

In addition, we compared CCB and its peers on their 12, 24, and 36-month recoveries on NPL credit cards. Overall, the recovery trends of each bank are relatively consistent with each other, and recovery rates have shown a declining trend in the past two years. CCB has a high recovery rate among its peers and a longer period of information disclosure.

Table/Chart 7 Sample Banks Credit Card NPL Recovery Rate (%)




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

Note: ICBC disclosed credit card NPL recovery rate for NPL in December each year only.

## 3.3. Securitized Portfolio Analysis

### 3.3.1. Securitized Pool Overview

The asset loans are randomly selected subject to the eligibility criteria. As of the cut-off date on July 1, 2020, the key characteristics of the asset pool are shown below.

**The portfolio characteristics follow other products in the Jianxin series, and portfolio concentration risk is low.**

Table/Chart 8 Pool Summary

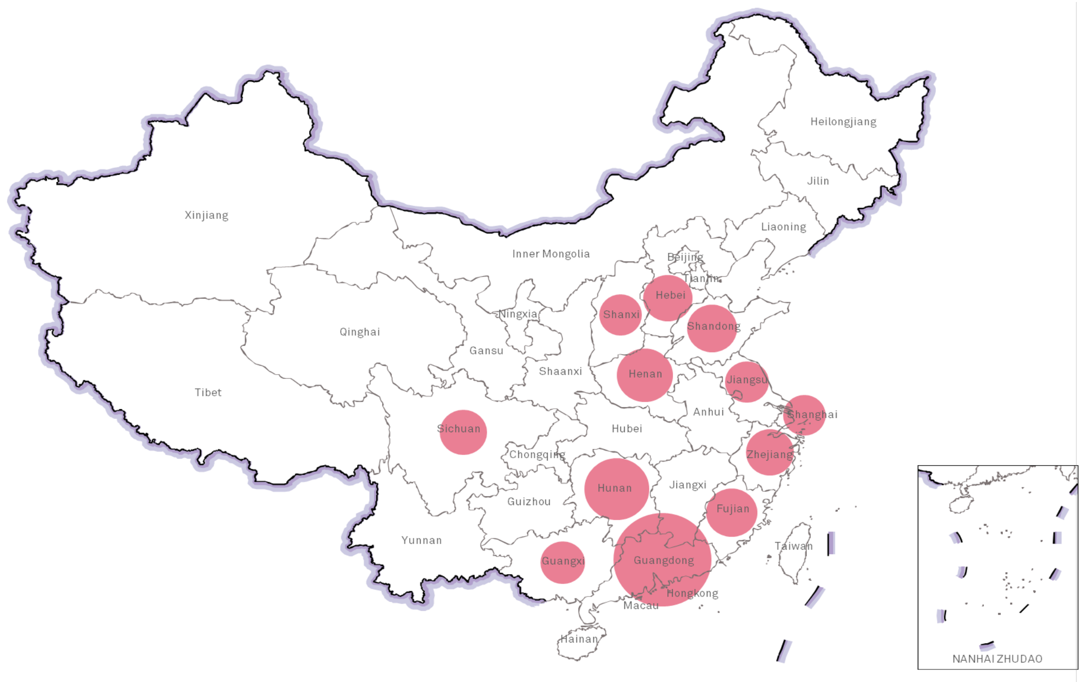
| Key Characteristics | Jianxin 2020-7 |
|---|---|
| Total OBPIF (CNY billion) | 3.42 |
| Total No. of Loans | 173,447 |
| Total No. of Borrowers | 156,886 |
| Average OBPIF per Loan (CNY'000) | 19.73 |
| Average OBPIF per Borrower (CNY'000) | 21.81 |
| WA Delinquency Term (months) | 9.27 |
| WA Non-Performing Seasoning (months) | 6.27 |
| WA Borrower Age | 38.79 |
| Top Province by Borrower Location (% by OBPIF) | Guangdong/10.60 |
| Top 10 Borrower (% by OBPIF) | 0.33 |

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

### 3.3.2. Pool Stratification and Asset Characteristics

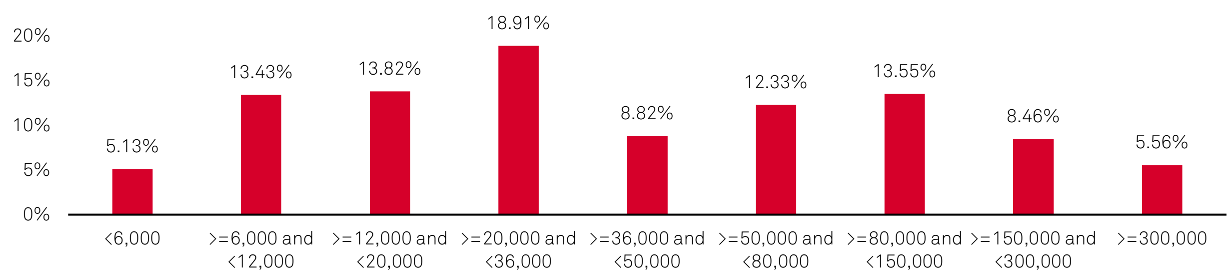
This transaction's pool overall stratification follows its Jianxin credit card NPL securitization series. The average OBPIF per borrower is slightly lower than the Jianxin series' average and median. The WA delinquency term is 9.27 months, basically at an average level for the Jianxin series.

Table/Chart 9 Geographic Concentration* (By Branch; % of total OBPIF> 3 %)

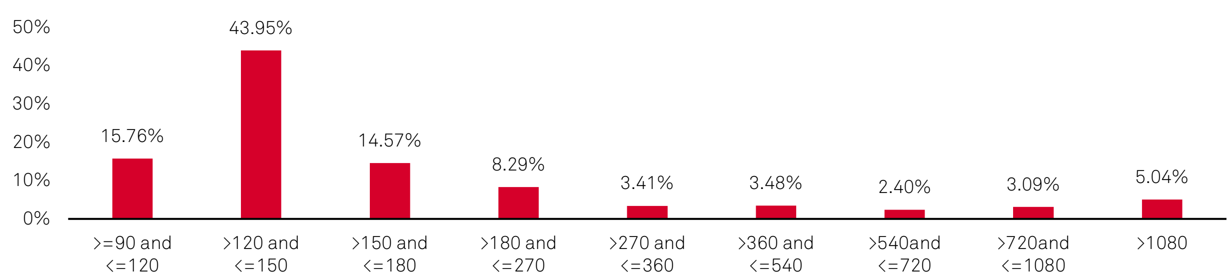



Note*: The borrower's diversification statistics shall be based on the branch where the credit card creditor is located.

Table/Chart 10 OBPIF

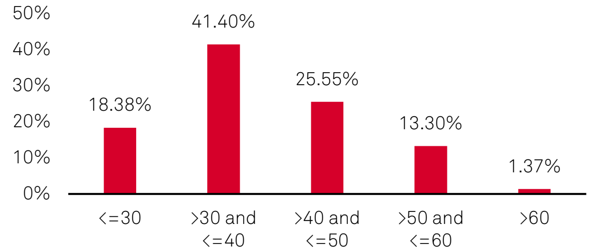



Table/Chart 11 Delinquency Days* (% of OBPIF)

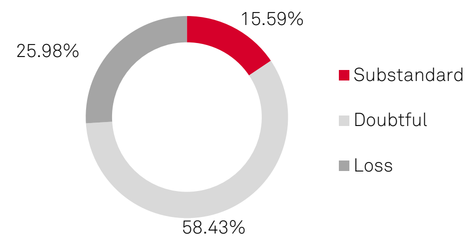



Note*: Delinquency days distribution statistics are calculated based on NPL turning point.

Table/Chart 12 Borrower Age (% of OBPIF)




Table/Chart 13 Credit Card NPL Five Categories (% of OBPIF)




### 3.3.3. Peer Comparison

Table/Chart 14 peer Comparison

| Transaction Name | | Jianxin 2020-7 | Jianxin 2020-4 | Gongyuanzhicheng 2020-2 | Nongyinglixin 2020-2 | Zhongyu 2018-1 | Huiyuan 2020-1 | Zhaoyinhecui 2020-3 |
|---|---|---|---|---|---|---|---|---|
| Originator | | CCB | CCB | ICBC | ABC | BOC | CITIC | CMB |
| Cut-off date | | 2020/7/1 | 2020/4/1 | 2019/12/31 | 2020/1/1 | 2017/9/1 | 2019/10/25 | 2020/4/10 |
| Closing date | | 2020/11/23(expected) | 2020/9/18 | 2020/6/24 | 2020/6/23 | 2018/6/12 | 2020/4/24 | 2020/6/30 |
| **Asset Characteristics** | | | | | | | | |
| Number of Loans | | 173,447 | 174,063 | 294,216 | 94,340 | 12,662 | 144,277 | 68,736 |
| Number of Borrowers | | 156,886 | 158,664 | 285,099 | 90,357 | 12,332 | 135,197 | 67,842 |
| Total OBPIF (million) | | 3,422.44 | 3,078.00 | 4,035.28 | 1,630.51 | 1,554.94 | 3,583.43 | 1,307.67 |
| OPB (million) | | 2,696.46 | 2,530.37 | 3,448.10 | 1,436.58 | 1,096.71 | 3,013.60 | 1,121.01 |
| Average OBPIF per loan (CNY'000) | | 19.73 | 17.70 | 13.70 | 17.30 | 122.80 | 24.80 | 19.00 |
| Average OBPIF per borrower (CNY'000) | | 21.81 | 19.40 | 14.15 | 18.00 | 126.10 | 26.50 | 2.06 |
| Top ten borrower Total OBPIF （%） | | 0.33 | 0.31 | 0.23 | 0.46 | 1.85 | 0.19 | 0.22 |
| WA Initial Credit line (CNY'000) | | 33.27 | 24.70 | 36.10 | 40.30 | 196.90 | 95.10 | 35.60 |
| NPL Category OBPIF （%） | Substandard | 15.59 | 23.09 | 25.79 | 26.62 | 2.99 | 48.33 | 93.77 |
| | Doubtful | 58.43 | 54.63 | 38.61 | 51.92 | 14.86 | 22.54 | 5.89 |
| | Loss | 25.98 | 22.28 | 35.60 | 21.46 | 82.15 | 29.13 | 0.34 |
| WA Delinquency Term (month) | | 9.27 | 6.00 | 6.21 | 5.29 | 12.83 | 5.58 | 3.44 |
| DPD 91-180 OBPIF (%) | | 74.28 | 77.96 | 64.40 | 77.75 | 17.85 | 70.87 | 99.91 |
| DPD 181-360 OBPIF (%) | | 11.70 | 19.98 | 31.84 | 19.34 | 43.97 | 28.70 | 0.08 |
| DPD 360+ OBPIF (%) | | 14.01 | 2.06 | 3.76 | 2.91 | 38.18 | 0.43 | 0.01 |
| Top district /OBPIF (%) | | Guangdong /10.60 | Guangdong /12.06 | Guangdong /16.41 | Zhejiang /10.11 | Guangdong /9.38 | Guangdong /7.63 | Shenzhen /7.12 |
| **Liability Characteristics** | | | | | | | | |
| Issuance Amount (CNY billion) | | 0.51 | 0.47 | 0.35 | 0.16 | 0.16 | 0.41 | 0.11 |
| Cash Reserve? (Y/N) | | Y | Y | Y | Y | Y | Y | Y |
| Transaction Structure | Senior Class (%) | 77.60 | 77.33 | 78.80 | 73.64 | 79.09 | 81.71 | 68.22 |
| | Subordinated Class (%) | 22.40 | 22.67 | 21.20 | 26.36 | 20.91 | 18.29 | 31.78 |
| Senior Note/ Total OBPIF (%) | | 11.54 | 11.86 | 6.82 | 7.30 | 8.23 | 9.35 | 5.58 |
| Issuance Amount/ Total OBPIF(%) | | 14.87 | 15.33 | 8.65 | 9.91 | 10.41 | 11.44 | 8.18 |

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

## 3.4. Credit Assessment

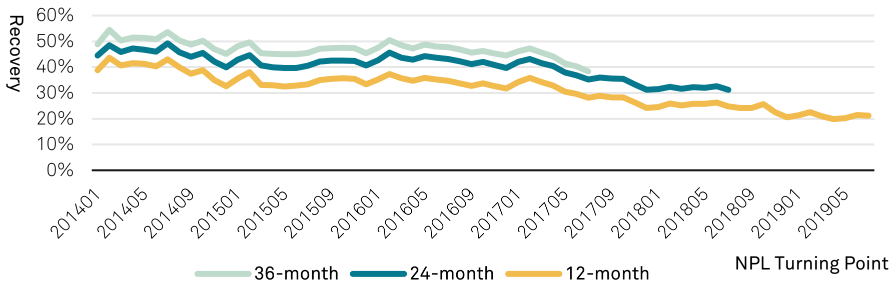
Based on our Structured Finance Methodology, we analyzed the credit quality of the underlying assets, starting with the history and background of the originator/servicer. Historical performance is usually an important basis for our baseline assumption. For the securitization of credit card non-performing assets, we generally focus on the historical recovery rate as well as stability of assets, and further consider the relevant factors affecting the future recovery amount, timing, and feasibility of the pool assets.

### 3.4.1. Static Data Analysis

CCB has provided the full data of its static pool from January 2014 to June 2020, in which the recovery situation within 36 months was summarized based on OBPFI on a monthly basis and any collection over 36 months was summarized as one single period of recovery. Overall, up to the next 12, 24 and 36 months, the cumulative recovery rate has shown an obvious trend of decline year-over-year. This also confirms the changes we have observed in the overall economic environment in recent years.

**The CCB static pool shows that a historical 36-month recovery rate of credit card NPL ranges from 40% to 55%, presenting a declining trend and seasonal changes.**

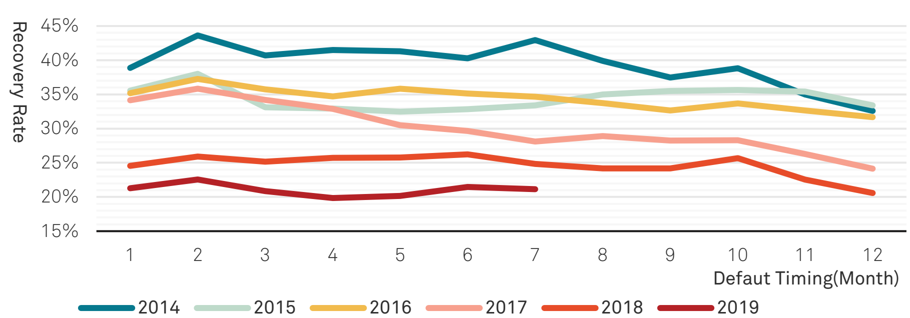
Table/Chart 15 Static Pool Analysis：cumulative recovery rate in different months




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

Usually, for unsecured credit card NPLs, the longer the recovery time, the lower the likelihood of recovery and amount recovered in the latter stages of collection. Therefore, the early recovery rate of the static pool is more valuable in constructing our recovery baseline assumption. The chart below shows the recovery performance of each year's defaults by the month in which default occurred. In addition to confirming that the overall recovery rate has been declining year-over-year, we can also see certain seasonal changes on the next 12-month cumulative recovery rate. Based on interviews with CCB and collection agencies, we believe the recovery rate could be influenced by various factors such as holiday seasons, banks' KPI and review processes, collection agencies' strategies etc.

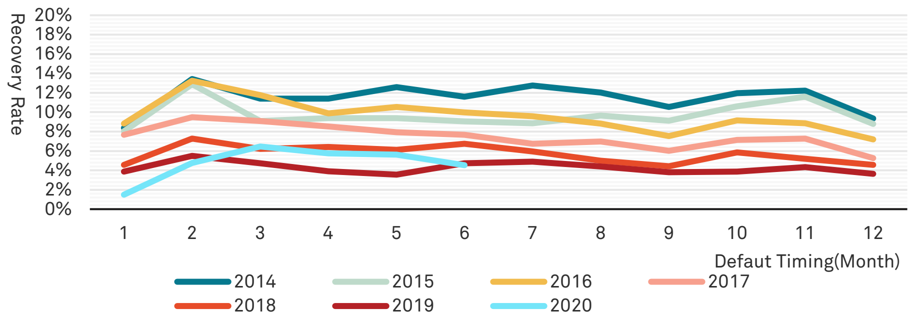
Table/Chart 16 Static Pool Analysis：next 12-month cumulative recovery rate




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

We also analyzed the cumulative recovery rate over the next 1-month by looking at the timing for different defaults over the year. In addition to adding more recent NPLs into our static pool analysis, it can be used to compare the impact of COVID-19 on recovery.

Table/Chart 17 Static Data Analysis：next 1 month cumulative recovery rate




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

We observed that the cumulative recovery rate to the next month (February) in January 2020 was 1.49%, which was a historic low. A rebound began in February, with the March recovery rate even higher than the same period in 2018 and 2019. Through interviews with CCB and collection agencies, we believe that the quarantine policy during the COVID-19 outbreak led to a decrease in consumption and increase in deposits. Collection agencies were greatly impacted in February and March, but after the resumption of work in April, collection efforts were intensified, leading to an obvious increase in the recovery rate. Based on our analysis of the data, combined with our findings during the interview process and considering changes in the wider economic environment, we predict that the overall recovery for CCB in 2020 may be similar to or slightly worse than in 2019, without any sharp decline.

### 3.4.2. Recovery Baseline Assumption

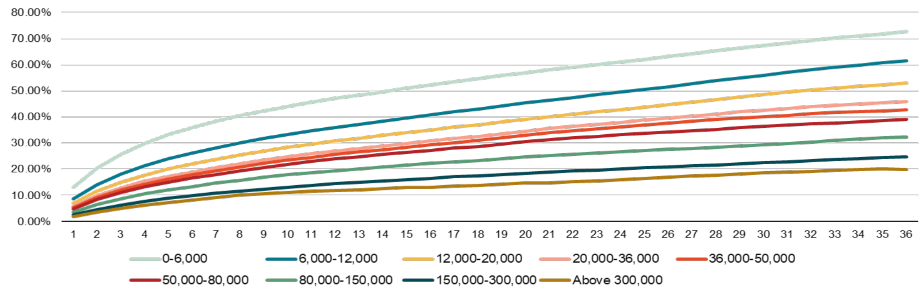
The recovery baseline assumption is built based on the principal logic of S&P Global (China) Ratings' analysis of consumer asset-backed securities. The baseline assumption considers the influence of different factors on the actual historical recovery performance, which can observe the overall data performance and composition as well as the changes of pool data. Furthermore, we would apply a combination of quantitative and qualitative analysis to adjust the recovery baseline assumption taking into consideration the changing economic environment, the collection standards, actual recovery, and other factors.

**We grouped securitized pool data in the same way as static data, and cross referenced the static pool grouping results to directly come up with an unadjusted recovery baseline assumption of 21.65%.**

We analyzed historical recovery performance through static pool data from various different dimensions, including when the borrower opens an account with the bank, when the credit card account was set up, borrowers' annual income, age, education, profession, marital status, NPL seasoning, OBPIF etc. We use these dimensions as independent variables and the recovery rate as a dependent variable to analyze correlations and trends. We further analyze the relationship between the independent variables and dependent variable and importance of each, while considering the quality and implication of the available data to finalize the OBPIF and NPL seasoning as two major independent variables for this transaction.

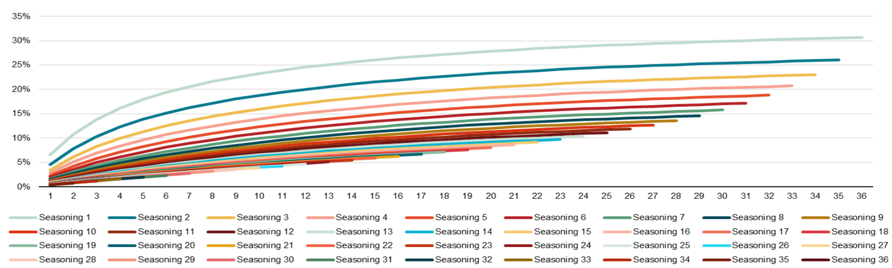
Our analysis suggests that these two major independent variables can have the most significant influence on the recovery performance. We use these two variables to classify and group the recovery rates in the total static pool data. The chart below shows the recovery rates for each segment grouped by OBPIF and NPL seasoning.

**Table/Chart 18 Static Pool Analysis: Historical cumulative recovery rate (by OBPIF)**




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

**Table/Chart 19 Static Pool Analysis: Historical cumulative recovery rate (by NPL Seasoning*)**




Note：Seasoning is months passed since loans become NPLs (usually DPD 90+)

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

We grouped securitized pool data in the same way as static data, and cross referenced the static pool grouping results to directly come up with an unadjusted recovery baseline assumption of 21.65%. We further analyzed the unadjusted recovery baseline assumption through CCB's historical recovery performance, while considering the declining recovery rate over recent years, the possible medium- and long-term impact of COVID-19, and the comparison between the current securitized pool data and previously issued pool characteristics. In addition, CCB has provided the latest actual recovery data of the securitized assets for July and August, with a good performance in each month. The total recovered amount as of the end of August was about CNY189 million, accounting for 46.76% of senior notes' issuance.

Overall, we considered the originator's operating model, NPL management policies, collection capability and historical experience, static pool and related data performance, securitized asset features, actual recovery performance, etc., as well as forward-looking analysis to adjust our recovery baseline assumption. Our adjusted recovery baseline assumption is 19.50%. A discount rate of 30% is then applied under the $AAA_{spc(sf)}$ stress scenario for this transaction to reflect the corresponding uncertainty. The final recovery assumption is 13.65%. The credit analysis assumptions are shown in the below table.

**Table/Chart 20 Credit Analysis Assumptions**

| Credit Analysis Assumptions | |
|---|---|
| Unadjusted Recovery Baseline Assumption (%) | 21.65 |
| Adjusted Recovery Baseline Assumption (%) | 19.50 |
| Rating Stress Scenario | $AAA_{spc(sf)}$ |
| Stress Discount Range (%) | 25 - 50 |
| Stress Discount Rate Applied (%) | 30 |
| Stress Recovery Assumption (%) | 13.65 |

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

**CCB has provided the latest actual recovery data of the securitized assets for July and August, with good performance in each month. The total recovered amount as of the end of August was about CNY189 million, accounting for 46.76% of senior notes' issuance.**

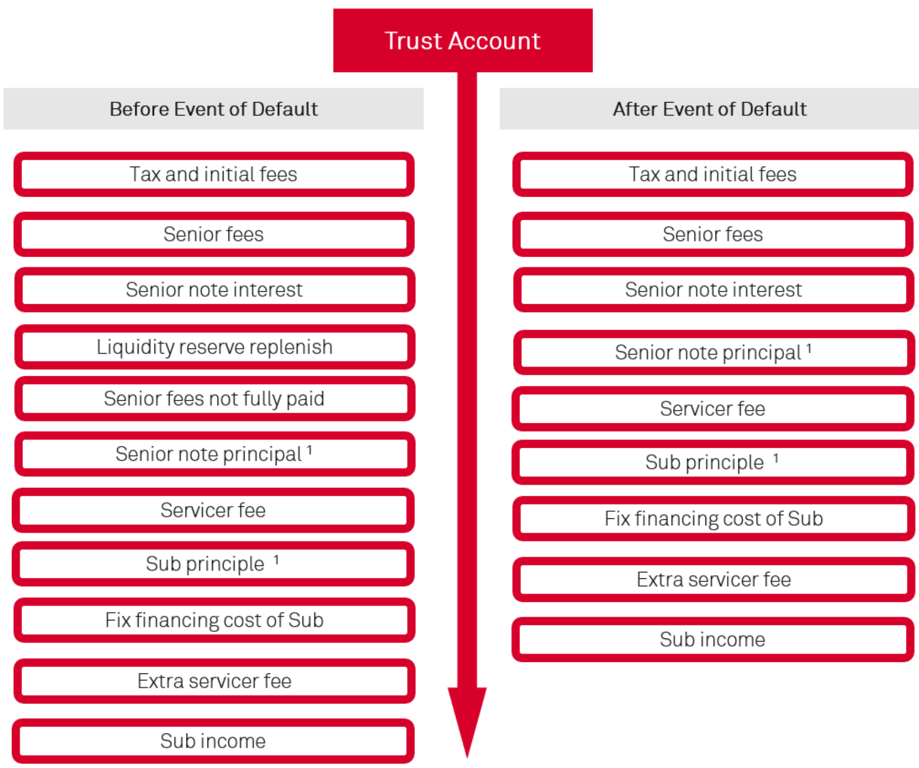
**Our adjusted base-case recovery benchmark is 19.50%, and our recovery assumption under the $AAA_{spc(sf)}$ stress scenario for this transaction is 13.65%.**

## 4. Payment Structure and Cash Flow Mechanics

The SPT will issue senior notes and subordinated notes at par. Available funds for distribution include credit card collected receivables, investment earnings, the repurchase amount, clean-up call repurchase, offset payment, etc.

The interest collections on the rated notes are calculated based on principal outstanding balance. Before the occurrence of an event of default, the available distribution amount will be first paid to the execution fee, then to tax, and senior fees, senior note interest, replenishing the liquidity reserve account. The remaining amount will be paid to the remaining fee and expenses, senior notes' principal to zero, servicer fee, subordinated notes' principal to zero, fixed cost of subordinated notes, servicer incentive fees, then to the holder of the subordinated notes. The arrangement of the payment mechanism of the transaction ensures that the cash flow is not distributed to servicers or subordinated investors until the principal and interest payments of the senior notes are paid down, thus securing the payment for the senior notes to the maximum extent. Please refer to the below chart for the summarized priority of payments:

Table/Chart 21Priority of Payments




Note: Each tranche's principal paid till zero before moving to the next.
Sources: S&P Global (China) Ratings' assumption.

Events of default, right perfection events, collection transfer mechanism, termination of servicer, termination of account bank etc. are structured into the transaction. This transaction sets up a clean-up call mechanism where the originator can repurchase assets when certain conditions are met. However, we do not assume that the clean-up call would be exercised in our cash flow analysis.

All senior notes are issued at a fixed rate. Although the defaulted loan collections include interest and fees, we don't split the principal, interest and fees in our cash flow analysis given the uncertainties on the overall collection amount. There is no interest rate risk stress applied in this transaction except extra pricing stress added on the senior notes' indicative pricing.

Based on the nature of this asset type, we would deduct all the execution costs after trust is established from the gross recovery amount and apply the net recovery amount in our cash flow analysis. The table below summarizes the assumptions in our cash flow analysis and stress scenarios testing.

Table/Chart 22 Summary of cash flow analysis assumptions

| Cash Flow Analysis Assumptions | |
|---|---|
| Rating Stress Scenario | $AAA_{spc(sf)}$ |
| Stress Recovery Assumption (%) | 13.65 |
| Additional Asset Characteristics Stress | N/A |
| Additional Originator/Servicer Stress | N/A |
| Payment Structure Assumptions | Pass-through |
| Recovery Distribution | Delay recovery amount and timing |
| Interest Rate Stress | Extra pricing stress |
| Tax, Fee and Expense Assumptions | Extra fee stress |
| Other Qualitative or Quantitative Adjustments | Discounted Actual Recovery Adjustment |

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

**Jianxin 2020-7 senior notes have passed our cash flow modelling stress scenarios. The extra buffer is estimated at 0% under the current structure and analysis.**

Our typical cash flow analysis includes different stress scenarios from a combination of default and loss assumptions, prepayment assumptions, and interest rate assumptions. We expect the asset cash flow to be able to withstand the stress of the ratings assigned to the notes. However, the typical cash flow analysis is not fully applicable to credit card NPL transactions. Based on the nature of this asset sector and actual recovery performance of all the issued transactions, we believe that the total recovery amount and the timing of the recovery are two most important factors to determine whether the senior notes' principal and interest can be fully repaid in a timely manner.

Hence, under different payment structures, triggers, stressed tax, fees and expenses assumptions, we believe it's more effective to apply a combination of the delayed recovery amount and recovery timing stress scenarios to test whether the rated notes can withstand the stress according to the assigned rating. We also consider the impact of actual recovery on cash flow and make adjustments accordingly based on its repayment on the senior notes and potential influence on future recovery distribution.

Based on the above analysis, Jianxin 2020-7 senior notes have passed our cash flow stress scenarios accordingly and the CE buffer is estimated at 0%. The CE buffer represents the excess credit enhancement supported by available assets after the Class A notes' timely payment of interest and ultimate payment of principal have been addressed under S&P Global (China) Ratings' most stressed scenario.

In addition to the above stress scenarios testing and assignment of preliminary ratings to this transaction, we have also conducted a separate sensitivity analysis. This analysis measures how the initial rating of the security may vary based on only changing the recovery rate (a decrease of 10% and 20% respectively). It provides insight into the sensitivity of the preliminary rating, and is intended to consider potential rating migration under a heightened stress environment. It does not have an impact on our cash flow analysis results or the preliminary rating assignment. The table below displays the outcome of our sensitivity analysis.

Table/Chart 23 Sensitivity Analysis

| Sensitivity Scenarios | Jianxin 2020-7 | Decrease 10% | Decrease 20% |
|---|---|---|---|
| Adjusted Recovery Baseline (%) | 19.50 | 17.55 | 15.60 |
| Preliminary Rating* | $AAA_{spc(sf)}$ | $AA_{spc(sf)}+$ | $A_{spc(sf)}$ |

Note*: The expected rating based on stress scenarios does not represent our opinion on rated notes.

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

## 5. Operational and Administrative Risk

Similar to previous NPL transactions, as the servicer, CCB is responsible for the collection and transfer of credit card creditors' rights (collecting the amount to be repaid by the borrower according to the agreement, and transfering the amount to the trust account in full and on time after deducting the corresponding execution fee), disposal of assets, and other management issues. There are no observed past servicer issues relating to a failure to perform the duties in these transactions. We believe the bank's IT infrastructure and operation model are capable of fulfilling the duties and responsibilities stipulated in the agreement.

**Although there is no back-up servicer on this transaction, and the transaction is exposed to collection agency due diligence risk, we believe the participants in this transaction are capable of fulfilling their duties and responsibilities and will not have a negative impact on the rating analysis.**

There is no back-up servicer on this transaction. The transaction will set aside a cash reserve. This cash reserve is to provide liquidity support to the transaction of approximately 1.5 times tax, senior fees and expenses and senior notes' interest. This transaction also offers an incentive mechanism for the servicer, in which 80% of the remaining amount after the fixed cost of the subordinated notes will be regarded as the extra servicer fee, which increases the willingness of the servicer to carry out due diligence.

The collection process is under the unified management of the servicer. The servicer employs several external collection agencies to assist. The trustee could not participate in specific recovery issues in advance. Although the incentive mechanism for collection agencies has been applied, the influence of the macroeconomic environment, collection industry working environment, or financial issues within collection agencies can lead to an adverse impact on the collection ability as well as due diligence willingness, which may affect cash flow negatively. The disposal of securitized assets by servicers is treated to the same standard as the loans on the book. The outsourced collection agencies are selected based on a "survival of the fittest" mechanism. Regular assessments are conducted concerning the management of the collection performance of each institution. Collection agencies that perform poorly are eliminated in good time, which encourages such agencies to carry out their collection work with greater efficiency. In addition, the static pool analysis reflects to a large extent the collection agencies' historical performance. We believe risk associated with the due diligence of collection agencies is quite small.

Ping An Bank, through its Beijing branch, acts as the account bank for the trust. The account bank opens and maintains all the bank accounts for the trust. CCB Trust, as the trustee, will operate the cash flow of the accounts on behalf of the trust. Any cash flow operations will be strictly executed under the terms of various legal agreements. The detailed cashflow information is expected to be disclosed publicly via a quarterly trust report. The quarterly trust report published by CCB Trust is expected to follow the PBoC and China Banking and Insurance Regulatory Commission (CBIRC)'s detailed regulatory public disclosure requirements. The remaining counterparties, such as the paying agent – China Central Depository and Clearing Co, are all experienced securitization service providers.

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

## 6. Counterparty Risk

### 6.1. Account bank risk and mitigants

We typically expect the minimum eligible counterparty's credit quality (i.e. the level below which a counterparty typically commits to implementing remedies) to be equivalent to a high $BBB_{spc}$ level or above for it to be able to support an $AAA_{spc(sf)}$ rating on the securities. If the trigger is breached, the meeting of all noteholders shall appoint a replacement account bank once the account bank is discharged under the terms of the account bank contract. The noteholder meeting needs to appoint a successor account bank that meets the minimum credit quality provisions within 5 business days. The transaction documents have incorporated various credit quality triggers to mitigate relevant counterparty risk.

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

### 6.2. Payment interruption risk and mitigants

The transaction documents stipulate the trigger that the rights perfection event should be completed within 5 business days. In addition, the trustee should call a noteholders meeting and select an eligible back-up servicer upon the servicer's credit quality deteriorating and no longer being considered sufficient by S&P Global (China) Ratings to support the outstanding rating on the notes within 90 days. The servicer must transfer all assets and related information to the back-up servicer within 60 days upon the occurrence of any servicer termination. We believe the payment interruption risk is mitigated as there are various triggers and sufficient liquidity reserves.

### 6.3. Commingling risk and mitigants

The transaction is exposed to potential commingling risk when CCB, the servicer, holds the collection up to three months before the distribution to the trust account. The transaction documents stipulate that if the servicer's credit quality is no longer considered sufficient by S&P Global (China) Ratings to support the outstanding rating on the notes or any of the servicer events occur, the servicer or the trustee will notify the borrower to transfer the repayment to the trust account according to the trust agreement. If the collection is still paid to the servicer's account, every single collection needs to be transferred to the collateral account within 5 business days after the servicer receives the collections. We believe the commingling risk is low given the abovementioned structure arrangement and the servicer's current credit quality assessment, despite not having a commingling account in this transaction.

### 6.4. Set-off risk and mitigants

When a borrower's credit card loan becomes an NPL, CCB will use its deposit as the source of repayment. According to the transaction documents, if any borrower exercises their offset rights, CCB should transfer all offset related payments to the servicer timely (if the servicer is terminated, it should be transferred to the trustee), regard it as the borrower's corresponding repayments, and at the same time inform the trustee. This scheme moderately mitigates such risk.

## 7. Legal and Regulatory Risk

**We believe the SPT's legal structure meets the principle of true sale and bankruptcy remoteness in securitization. Through our legal risk analysis, we believe the borrower notification risk and other legal risks have been sufficiently mitigated by the arrangements stipulated in the transaction documents.**

We believe the SPT's legal structure meets the principle of true sale and bankruptcy remoteness in securitization. However, the transaction is exposed to notification to borrowers' risk, limitation of credit card right claim, conflict of interest risk, etc.

The transfer of the right of loan between the originator and trust is legally effective based on contract law, which stipulates that there are no legal implications for the borrower if the originator doesn't notify the borrower of the transfer. We believe the notification to borrower risk can be mitigated by a right perfection notice arrangement.

Regarding the statute of limitations on credit card claims, the transaction's legal counsel sample the consumption and transaction details (including repayment records), and collection records by CCB or outsourced collection agencies. For credit card related issues, CCB generally only needs to provide internally maintained bills and/or reminders as evidentiary materials, which a court will generally accept. However, if the defendant or the respondent raises a defense against the authenticity of the contents of such materials in litigation or arbitration proceedings, CCB may need to provide further evidence to prove the authenticity of the contents of such materials and may cause the relevant assets to exceed the limitation of action. According to commitments made by CCB, all bills kept by the CCB system have been sent to the borrowers. At the same time, the collection records of CCB or its collection agencies represent a true reflection of the collection of CCB or its agents.

CCB Trust is a subsidiary of CCB. We believe that any risks of a conflict of interest between the parent company and the noteholders are adequately addressed according to the transaction documents and guidelines of the Trust Company Administrative Measure, which clearly specify immediate actions for various situations.

## Appendix 1: Ratings Definitions

| Category | Definition |
|---|---|
| $AAA_{spc(sf)}$ | The repayment ability is extremely strong, generally not impacted by any adverse economic environment, and the default risk is extremely low. |
| $AA_{spc(sf)}$ | The repayment ability is very strong, not considerably impacted by any adverse economic environment, and the default risk is very low. |
| $A_{spc(sf)}$ | The repayment ability is comparatively strong, comparatively vulnerable to the impact of adverse economic environment, and the default risk is comparatively low. |
| $BBB_{spc(sf)}$ | The repayment ability is average, comparatively impacted by adverse economic environment, and the default risk is average. |
| $BB_{spc(sf)}$ | The repayment ability is comparatively weak, materially impacted by adverse economic environment, and the default risk is comparatively high. |
| $B_{spc(sf)}$ | The repayment ability relies comparatively on fair economic environment and the default risk is very high. |
| $CCC_{spc(sf)}$ | The repayment ability relies extremely on fair economic environment and the default risk is extremely high. |
| $CC_{spc(sf)}$ | Lower protection in situation of bankruptcy or reorganization and the repayment of debt may not be generally guaranteed. |
| $C_{spc(sf)}$ | Unable to repay the debt. |

*Ratings from '$AA_{spc(sf)}$' to '$CCC_{spc(sf)}$' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

## Appendix 2: Surveillance Plan

### Jianxin 2020-7 Non-performing Loan Backed Securities

### Surveillance Plan

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

## Appendix 3: Eligibility Criteria

Eligibility criteria represents the pool-entry requirements of each securitized loan right and interest as of the cut-off date (expect for other date mentioned below). The key eligibility criteria are outlined as below:

- the borrowers shall be at least one Chinese citizen or permanent resident, and a natural person who is at least 18 years of age when apply for credit card;
- all payable amount of the related credit card account shall be in Chinese yuan;
- related credit card account shall be personal card type;
- there is no dispute on the fact and amount of the creditor's right formed by the borrower as of cut-off date;
- according to CCB's loan risk classification standards, the assets shall be classified as substandard, doubtful or loss on the cut-off date;
- CCB has suspended the relevant credit card accounts;
- CCB does not deduct the principal and interest of credit card loan;
- Chinese laws apply to credit card accounts and assets;
- All the credit card accounts and related right of the borrower under CCB are put into the pool;
- CCB legally owns each asset and does not pledge or other encumbrances on the asset;
- Under the relevant credit card accounts, CCB is not entitled to the debt-offset assets and collateral security rights (in the form of guarantee, including but not limited to guarantee, mortgage and pledge) except credit card claims;
- All or part of credit card claims have not been written off by CCB;
- the creditor's right under each loan can be transferred legally and effectively; there shall no provision in the loan agreement prohibiting the transfer or requiring the consent of the borrower.

## Appendix 4: Asset Stratification Summary

| Loan Pool Statistics | |
|---|---|
| Number of Loan Contracts | 173,447 |
| Number of Borrowers | 156,886 |
| Total OBPIF (billion) | 3.42 |
| Total OPB (billion) | 2.70 |
| Total interest balance (billion) | 0.34 |
| Total fee balance (billion) | 0.38 |
| Maximum OBPIF of Loan (CNY'000) | 1,582.13 |
| Average OBPIF of Loan (CNY'000) | 19.73 |
| Maximum OBPIF of Borrower (CNY'000) | 1,582.10 |
| Average OBPIF of Borrower (CNY'000) | 21.81 |
| WA Delinquency term (months) | 9.27 |
| WA Non-Performing Seasoning (months) | 6.27 |
| WA Initial Credit line (CNY'000) | 33.27 |
| WA Borrower Annual Income (CNY'000) | 80.68 |
| WA Borrower Age (years) | 38.79 |
| Top ten borrower Total OBPIF (%) | 0.33 |
| Top province /OBPIF (%) | Guangdong/10.60 |

This document is prepared in both English and Chinese. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency between the English version and the Chinese version.