S&P Global
Ratings

Research

Presale:

Citizens Auto Receivables Trust 2024-1

January 3, 2024

PRIMARY CREDIT ANALYST

Peter W Chang, CFA
New York
+ 1 (212) 438 1505
peter.chang@spglobal.com

SECONDARY CONTACTS

Henry Thompson
Toronto
+1 416 507 3202
henry.thompson@spglobal.com

Steve D Martinez
New York
+ 1 (212) 438 2881
steve.martinez@spglobal.com

Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	167	Jan. 15, 2025
A-2-A/A-2-B(ii)	AAA (sf)	Senior	Fixed/floating	299	Oct. 15, 2026
A-3	AAA (sf)	Senior	Fixed	234	April 17, 2028
A-4	AAA (sf)	Senior	Fixed	50	Aug. 15, 2030

Note: This presale report is based on information as of Jan. 3, 2024. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The interest rate for each class will be determined on the pricing date. (ii)The allocation of the initial principal amount between the class A-2-A and A-2-B notes will be determined during pricing, although the class A-2-B note size will not exceed 50% of the aggregate initial principal balance of the A-2 notes. The class A-2-B notes will accrue interest at a floating rate indexed to a compounded SOFR (30-day average) plus a margin.

Profile

Expected closing date	Jan. 23, 2024.
Collateral	Prime auto loan receivables.
Issuer	Citizens Auto Receivables Trust 2024-1.
Sponsor, originator, seller, servicer, and administrator	Citizens Bank N.A. (A-/Stable/A-2).
Depositor	Citizens Auto Receivables LLC.
Indenture trustee and paying agent	The Bank of New York Mellon Trust Co. N.A. (AA-/Stable/A-1+).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Bank account provider	The Bank of New York Mellon Trust Co. N.A. (AA-/Stable/A-1+).

Rationale

The preliminary ratings assigned to Citizens Auto Receivables Trust 2024-1's (CITZN 2024-1's) asset-backed notes reflect our view of:

- The availability of approximately 8.57% credit support (hard credit enhancement and haircut to excess spread) for the class A (A-1, A-2-A, A-2-B, A-3, and A-4) notes based on our stressed cash flow scenarios. This credit support level provides coverage of at least 5.00x of our

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

3106734

expected cumulative net loss (ECNL) of 1.00% for the class A notes (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections).

- Our expectation that under a moderate ('BBB') stress scenario (2.0x our expected loss level), all else being equal, our preliminary 'A-1+ (sf)'/'AAA (sf)' ratings on the class A notes will be within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section).
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings.
- The collateral characteristics of the series' prime automobile loans, our view of the credit risk of the collateral, and our updated macroeconomic forecast and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections).
- The series' bank accounts at The Bank of New York Mellon Trust Co. N.A. (BNY Mellon), which do not constrain the preliminary ratings.
- Our operational risk assessment of Citizens Bank N.A. (Citizens) as servicer, and our view of the company's underwriting.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for CITZN 2024-1 is 1.00%, which is unchanged from CITZN 2023-2. It reflects:

- Our view that the series 2024-1 collateral characteristics are comparable to those for series 2023-2, with similar weighted average FICO scores, loan-to-value (LTV) ratio, and percentage of longer-term loans; and
- Our forward-looking view of the auto finance sector.

Key Rating Considerations

CITZN 2024-1 is Citizens' third auto ABS transaction. Based on our review of Citizens' operations and performance history, and securitization pool characteristics, we considered certain strengths in rating this transaction:

- Citizens is a wholly owned subsidiary of Citizens Financial Group Inc. (BBB+/Stable/A-2), a bank holding company that is regulated primarily by the Board of Governors of the Federal Reserve System.
- Citizens has decades of experience providing retail and commercial banking products and services, including savings and checking accounts, credit cards, mortgages, and auto loans.
- As of Dec. 31, 2022, Citizens had total assets of $226.7 billion, of which $12.3 billion comprise retail auto loans.
- The Nov. 30, 2023, statistical collateral pool has a weighted average FICO score of 768, which is among the highest in prime issuers, and a minimum FICO score of 660.
- Citizens is rated A-/Stable/A-2, listed on New York Stock Exchange, and one of the 15 largest U.S. banks by total assets.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, to social credit factors as average, and to governance credit factors as below average (see "ESG Industry Report Card: Auto Asset-Backed Securities," published March 31, 2021).

In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark. Environmental credit factors are viewed as above average given that the collateral pool primarily comprises vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risks. Although the adoption of electric vehicles and future regulation could lower ICE vehicle values over time, we believe our current approach to evaluating recovery values adequately accounts for vehicle values over the transaction's relatively short expected life. As a result, we did not identify this as a separate material ESG credit factor in our analysis.

SOFR Interest Rate Benchmark

Citizens will use the SOFR benchmark for the series 2024-1 floating-rate notes (class A-2-B). The class A-2 notes will consist of two tranches: fixed-rate class A-2-A notes and floating-rate class A-2-B notes. The class A-2-B notes are indexed to SOFR plus a spread and may constitute up to 50% of the class A-2 notes. The class A-2-B coupons will initially be based on compounded SOFR (a 30-day average SOFR calculated in advance by the calculation agent using the published rate on the Federal Reserve Bank of New York's website).

For the floating-rate tranche, we applied our stressed interest rates for one-month SOFR as described in our criteria "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019, and corresponding guidance.

Credit Enhancement And Collateral

Structural changes from CITZN 2023-2

The structural credit enhancements for CITZN 2024-1 are mostly comparable to those of CITZN 2023-2, except that the estimated annual excess spread, inclusive of the yield supplement overcollateralization for series 2024-1, increased to 2.57% (pre-pricing) from series 2023-2's 2.41% (post-pricing).

Our stressed cash flow results indicate that each class in the CITZN 2024-1 transaction is enhanced to a degree consistent with the assigned preliminary rating (see the Cash Flow Modeling Assumptions And Results section).

Table 1 shows the credit enhancement comparison to CITZN 2023-2 and 2023-1. Credit enhancement for the two prior CITZNs transactions is based on the final priced structure.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

3106734

Table 1

Credit enhancement summary (%)(i)

	CITZN 2024-1			CITZN 2023-2			CITZN 2023-1		
	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor
Class A									
Reserve account	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Overcollateralization	3.75	5.00	5.00	3.75	5.00	5.00	3.75	5.00	5.00
Total	4.00	5.25	5.25	4.00	5.25	5.25	4.00	5.25	5.25
Excess spread (%)									
YSOA discount rate	9.30	--	--	9.30	--	--	8.90	--	--
Estimated excess spread (including YSOA) per year(ii)	2.57	--	--	2.41	--	--	2.00	--	--
Initial gross receivables balance ($)	843,859,745	--	--	1,719,792,778	--	--	1,698,862,694	--	--
Initial YSOA ($)	64,638,169	--	--	151,726,714	--	--	140,411,995	--	--
Initial adjusted receivables balance ($)	779,221,576	--	--	1,568,066,064	--	--	1,558,450,699	--	--
Total securities ($)	750,000,000	--	--	1,509,260,000	--	--	1,500,000,000	--	--
YSOA (% of the gross receivables balance)	7.66	--	--	8.82	--	--	8.27	--	--
YSOA (% of the adjusted receivables balance)	8.30	--	--	9.68	--	--	9.01	--	--

(i)Percentage of the initial adjusted pool balance. (ii)Estimated annual excess spread before note pricing for CITZN 2024-1 and post-pricing for CITZN 2023-2 and 2023-1. The estimates include the 1.00% servicing fee. CITZN--Citizens Auto Receivables Trust. YSOA--Yield supplement overcollateralization amount.

Collateral changes from CITZN 2023-2

The CITZN 2024-1 statistical collateral pool is similar to the CITZN 2023-2 closing pool, including certain notable characteristics:

- The weighted average seasoning increased to approximately 27 months from approximately 23 months.
- The percentage of loans with FICO scores greater than 700 increased to 88.19% from 87.33%.
- The weighted average APR increased to 5.24% from 4.69%.
- The weighted average LTV ratio increased to 102.78% from 100.12%.
- The weighted average FICO score decreased to 768 from 770.
- The weighted average original term increased to approximately 77 months from approximately 74 months, and the percentage of loans with original terms of 76-84 months increased to 49.88% from 24.98%.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

Table 2

Collateral comparison

	CITZN 2024-1	CITZN 2023-2	CITZN 2023-1
Receivables balance ($)	1,711.02	1,719.79	1,698.86
No. of receivables	76,891	74,279	71,601
Average loan balance outstanding ($)	22,253	23,153	23,727
WA APR (%)	5.24	4.69	4.71
WA original term (mos.)	77.16	73.92	73.01
WA remaining term (mos.)	50.40	50.87	52.29
WA seasoning (mos.)	26.76	23.05	20.72
WA FICO score	768	770	768
Original term more than 60 mos. (%)	91.93	88.47	86.09
Original term more than 75 mos. (%)	49.88	24.98	19.62
WA LTV ratio	102.78	100.12	100.14
New vehicles (%)	44.16	45.04	44.29
Used vehicles (%)	55.84	54.96	55.71
Top three state concentrations (%)			
	PA=13.81	PA=14.61	NY=15.05
	NY=12.15	NY=12.47	IL=7.95
	IL=6.55	IL=6.34	FL=6.34
Initial expected CNL (%)(i)	1.00	1.00	1.00

(i)All percentages are of the initial receivables balance. CITZN--Citizens Auto Receivables Trust. WA--Weighted average. APR--Annual percentage rate. Mos.--Months. LTV--Loan-to-value. CNL--Cumulative net loss.

We also compared CITZN 2024-1's statistical pool with peers in the prime auto loan sector, including Capital One Prime Auto Receivables 2023-1, Fifth Third Auto Trust 2023-1, and USAA Auto Owner Trust 2023-A (see table 3). Overall, we believe CITZN 2024-1's pool characteristics are similar to those of these peer transactions with the exception of having significantly higher weighted average seasoning.

Table 3

Collateral comparison(i)

	CITZN 2024-1	COPAR 2023-1	FTAT 2023-1	USAOT 2023-A
Receivables balance (mil. $)	1,711.02	1,495.74	1,741.03	1,181.16
No. of receivables	76,891	58,582	72,582	58,874
Average original loan balance ($)	34,488	29,874	31,007.64	30,740.38
WA APR (%)	5.24	3.90	5.95	4.41
WA original term (mos.)	77.16	69.12	72.77	67.87
WA remaining term (mos.)	50.40	60.07	57.24	50.07
WA seasoning (mos.)	26.76	9.05	15.53	17.80
WA credit score	768	777	765	742

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

3106734

Table 3

Collateral comparison(i) (cont.)

	CITZN 2024-1	COPAR 2023-1	FTAT 2023-1	USAOT 2023-A
Original term more than 60 mos. (%)	91.93	77.58	88.34	67.36
Original term more than 72 mos. (%)	60.52	23.75	34.33	14.65
WA LTV ratio	102.78	93.49	90.35	84.11
New vehicles (%)	44.16	39.49	52.04	51.36
Used vehicles (%)	55.84	60.51	47.96	48.64
Top three state concentrations (%)				
	PA=13.81	TX=14.32	TX=9.63	TX=14.07
	NY=12.15	CA=13.48	OH=9.09	CA=8.34
	IL=6.55	FL=8.08	FL=8.93	FL=7.56
Initial expected CNL (%)	1.00	0.60	0.75	0.65

(i)All percentages are of the initial receivables balance and reflect the statistical pool for each transaction. CITZN--Citizens Auto Receivables Trust. COPAR--Capital One Prime Auto Receivables Trust. FTAT--Fifth Third Auto Trust. USAOT--USAA Auto Owner Trust. WA--Weighted average. APR--Annual percentage rate. Mos.--Months. LTV--Loan-to-value. CNL--Cumulative net loss.

Macroeconomic And Auto Finance Sector Outlook

In our analysis, we considered the economic data and forecasts outlined in table 4 and their baseline effect on collateral credit quality in determining our base-case expected loss level. Historically, changes in the unemployment rate have been a key determinant of charge-offs in the auto finance industry.

The U.S. economy has continued to outperform expectations. Better-than-expected growth has led us to revise our 2024 U.S. GDP forecast upward by 0.2 percentage points to 1.5%. However, this is down from 2023's forecasted GDP growth of 2.4% because the market's resiliency will be tested going forward as real interest rates stay relatively high in the coming year and the lags of tightened monetary policy feed through the economy. Other reasons for caution include that real disposable income has declined four months in a row, with the savings rate falling to a very low 3.4% in September (well below the pre-COVID-19 pandemic average) from the 5.1% average in the second quarter of 2023; consumers are showing signs of strain due to increased debt loads, and, according to the Federal Reserve Bank of New York/Equifax credit data, the ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods (driven primarily by the subprime segment, which is about one-seventh of the total outstanding auto loan balances); and student-loan payments have resumed, which will put upward pressure on debt service ratios and could negatively affect consumer spending.

It is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the pandemic resumed payments in October 2023 with an average payment of approximately $300 per month. According to TransUnion, approximately one-third of those consumers with student loan debt took on new auto loan debt during the pandemic. The added student debt payment will be burdensome for those consumers who are financially stressed, which could negatively affect auto loan ABS performance. We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

3106734

auto loan/lease payments before their other consumer and student loan payments.

Weaker economic growth will cause demand for labor to decrease further and the unemployment rate to rise in the next two years--to 4.6% in 2025 from 3.9% in October 2023 (see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 28, 2023). We're already seeing unemployment benefit claims continue to rise above the 2019 average, suggesting it has become more difficult to find jobs for people when they're laid off, and employment in the temporary help services sector was down 6.1% from a year ago, a decline of a magnitude that has been a harbinger of a recession in the past.

Table 4

U.S. economic factors

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	2.4	1.5	1.4	1.8
Unemployment rate (% annual average)	3.6	3.7	4.3	4.6	4.5
Consumer Price Index (% annual average)	8.0	4.1	2.4	2.1	2.1

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings' Economics forecasts.

In the auto market, as new vehicle supply imbalances continue to ease and borrowing rates continue to rise, we would expect used vehicle values to normalize to historical levels.

S&P Global Ratings' Expected Loss: 1.00%

We determined our expected loss for CITZN 2024-1 by analyzing:

- The transaction's collateral characteristics relative to those of CITZN 2023-2 (see table 2);
- The managed portfolio performance and origination static pool data and their relative performances (see table 5); and
- Collateral characteristics compared with CITZN 2024-1's peers (see table 3).

Given the very limited securitization performance, we placed more emphasis on origination static pool analysis, managed portfolio trends, and issuer peer comparisons. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section). Overall, we expect CITZN 2024-1 to experience lifetime CNLs of 1.00%, which is unchanged from our initial expected CNL for CITZN 2023-2.

Managed Portfolio

Citizens is the receivables' originator, sponsor, and servicer. As of Sept. 30, 2023, Citizens' managed portfolio of auto receivables with a minimum FICO score of 660 and a maximum LTV ratio of 140.00% totaled approximately $8.01 billion, an approximate 29.00% decline year over year from approximately $11.28 billion as of Sept. 30, 2022 (see table 5). The decline is a result of balance sheet optimization the bank has undertaken by Citizens since 2022, including its decision to no longer originate indirect auto loans beginning in July 2023. Portfolio charge-offs and delinquencies are normalizing from pandemic lows but remain below or in line with pre-pandemic

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

levels. Annualized net charge-offs as a percentage of the average balance of contracts outstanding increased to 0.33% as of Sept. 30, 2023, from 0.14% a year earlier, while total 30-plus-day delinquencies increased to 2.06% as of Sept. 30, 2023, from 1.19% a year earlier.

Table 5

Citizens Bank N.A.'s managed portfolio

	At or for the nine months ended Sept. 30		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Ending principal balance (mil. $)	8,011.06	11,277.40	10,552.23	12,334.94	10,219.73	9,961.86	9,704.98
Average principal balance (mil. $)	9,253.84	11,964.03	11,666.75	11,153.70	10,034.29	9,779.79	9,901.51
30- to 59-day delinquencies (% of outstanding balance)	1.27	0.79	0.96	0.73	0.96	1.33	1.22
60- to 89-day delinquencies (% of outstanding balance)	0.56	0.30	0.36	0.27	0.33	0.47	0.39
90-plus-day delinquencies (% of outstanding balance)	0.24	0.11	0.15	0.09	0.11	0.14	0.14
30-plus-day delinquencies (% of outstanding balance)	2.06	1.19	1.46	1.09	1.41	1.94	1.75
Net charge-offs (% of the average receivables outstanding principal amount)(i)	0.33	0.14	0.18	0.09	0.40	0.49	0.45

(i)Annualized for data ended Sept. 30.

Origination Static Pool Analysis

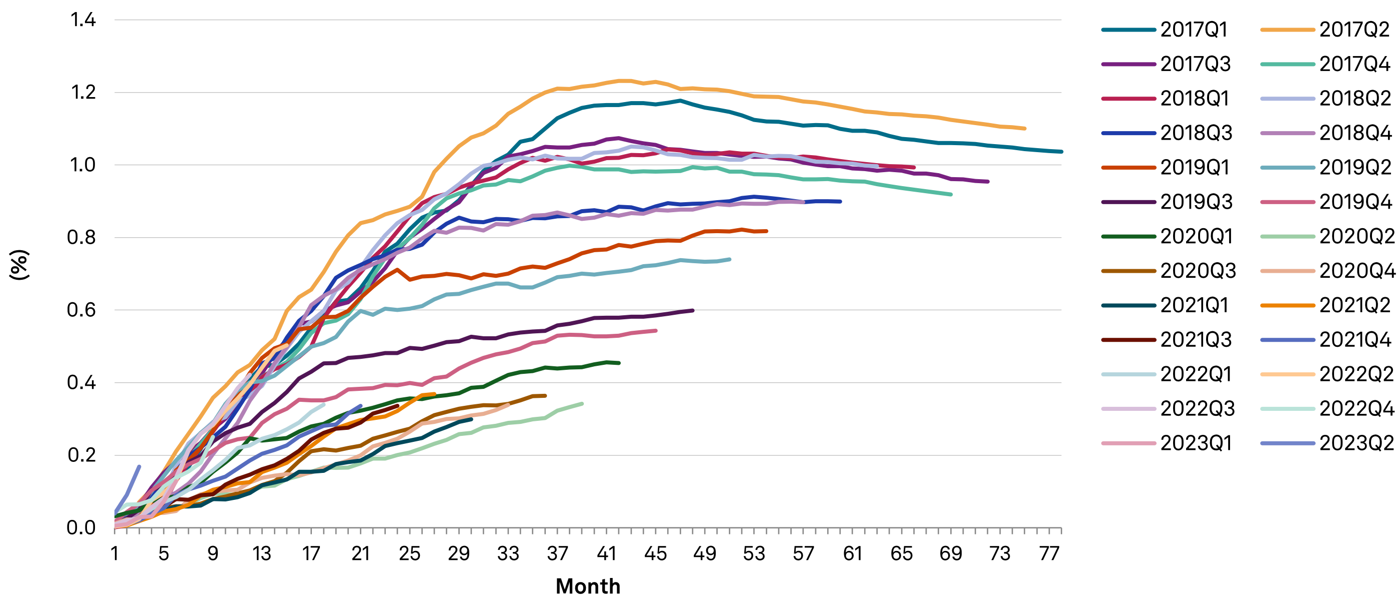
Our analysis is based on approximately nine years (2015-2023) of static pool data. To derive the base-case loss for the transaction, we analyzed yearly origination static pool data in aggregate as well as broken out into various one-dimensional (credit score, LTV ratio, new/used, and original term) and two-dimensional credit tiers (credit score and term, credit score, and LTV ratio) in a manner consistent with this pool of receivables. We used the issuer's historical loss curves to develop expected net loss projections for each of the tiers/cohorts. We then weighted these projections based on the various cohort concentrations in the series 2024-1 pool.

Citizens' origination vintage CNL performance since 2015 shows losses trending higher overall in 2016 and 2017 than those of the more recent vintages. Factors in the better performance trends of recent years may be COVID-19-related stimulus and government assistance and higher-than-normal vehicle recovery rates resulting from new vehicle supply constraints starting in 2020. However, performance in 2022 and 2023 is beginning to trend worse as loss levels normalize following the pandemic and recovery rates begin to fall.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

Chart 1

Quarter origination vintages



Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Citizen Auto Receivables Trust Performance

We currently maintain ratings on the CITZN 2023-1 and 2023-2 transactions (see table 6), which are in their fifth and second performance month, respectively.

We will continue to monitor the outstanding transactions' performance to assess whether the credit enhancement remains commensurate with our ratings.

Table 6

Collateral performance

Performance data for outstanding Citizen Auto Receivables Trust transactions (as of the December 2023 distribution date)

Series	Month	Pool factor (%)	Current CNL (%)	60-plus-day delinquency (%)	Original lifetime expected CNL (%)	Revised lifetime expected CNL (%)
2023-1	6	78.72	0.12	0.39	1.00	N/A
2023-2	3	87.61	0.04	0.26	1.00	N/A

CNL--Cumulative net loss. N/A--Not applicable.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

Legal Overview And Transaction Structure

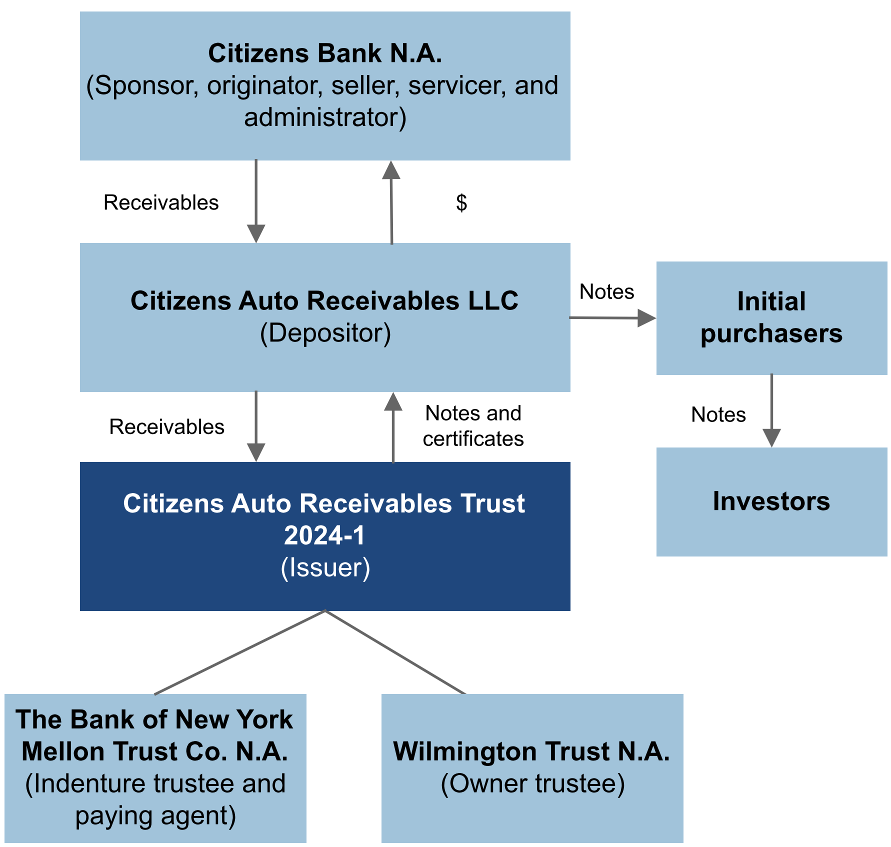
Legal overview

In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

The transaction is structured as a sale of the receivables from Citizens Bank N.A. (the sponsor, originator, seller, administrator, and servicer) to Citizens Auto Funding LLC (the depositor). On the closing date, the depositor will transfer all of its interest in the receivables to CITZN 2024-1, the issuing entity (the trust). The trust will then pledge its interest in the receivables to the indenture trustee on the noteholders' behalf (see chart 2).

Chart 2

Transaction structure



Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

3106734

Transaction Structure

The CITZN 2024-1 transaction incorporates certain structural features:

- A sequential principal pay mechanism for the class A-1, A-2 (pro rata among A-2-A and A-2-B), A-3, and A-4 notes.
- A yield supplement overcollateralization amount (YSOA) that will initially be approximately 8.30% of the initial adjusted receivables balance. The YSOA is sized so that the yield on the contracts with annual percentage rates (APRs) below the YSOA required rate of 9.30% will increase to the required rate to generate excess spread for the transaction. The YSOA amortizes according to a schedule rather than being recalculated and reduced when the low-yielding assets prepay.
- Initial overcollateralization of 3.75%, building to a target of 5.00% of the initial adjusted pool balance, which is also the overcollateralization floor.
- A non-amortizing reserve fund that will equal 0.25% of the initial adjusted pool balance.

Payment Structure

Distributions will be made from available collections according to the payment priority shown in table 7.

Table 7

Payment waterfall

Priority	Payment
1	Servicing fee of 1.00% per year.
2	Fees and expenses to the indenture trustee capped at $175,000 per year, and owner trustee fees and expenses capped at $75,000 per year.
3	Class A note interest to the class A noteholders, pro rata.
4	First-priority principal distributable amount (if the class A notes' outstanding amount exceeds the adjusted pool balance), paid sequentially.
5	To the reserve account, any additional amounts required to restore it to its specified reserve account balance.
6	Principal, paid sequentially, to achieve the specified overcollateralization amount (the regular principal distributable amount).
7	To the owner trustee and indenture trustee, fees and expenses not previously paid.
8	Any remaining available funds to the certificateholders.

Events of default

The occurrence of any of certain events will constitute an event of default under the indenture:

- A default in the payment of interest due on any note of the controlling class that continues for five business days or more.
- A default in the payment of the principal of any note on its final scheduled payment date or redemption date.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

- Any failure by the issuing entity to duly observe or perform any of its covenants or agreements or a breach of any of its representations or warranties, which failure or breach has a material adverse effect on the noteholders and which continues unremedied for a period of 90 days after notice.
- Any representation or warranty of the issuing entity proves to have been incorrect, which failure has a material adverse effect on the noteholders and which continues unremedied for a period of 90 days after notice.
- The occurrence of certain events (which, if involuntary, remain unstayed for a period of 90 consecutive days), including bankruptcy, insolvency, receivership, or liquidation of the issuing entity.

Payment distribution after an event of default

Following an event of default, the payment priorities will change. On each payment date after the notes have been accelerated following an event of default, the indenture trustee will distribute the available funds according to the payment priority shown in table 8.

Table 8

Payment waterfall following an event of default

Priority	Payment
1	Trustee fees, expenses, and indemnity amounts, paid pro rata.
2	Servicing fee and all prior unpaid servicing fee amounts.
3	Pro rata, class A interest.
4	Class A-1 principal until paid in full.
5	Principal to the class A-2, A-3, and A-4 noteholders, paid pro rata until the notes have been paid in full.
6	Any remaining funds to the certificateholders.

Cash Flow Modeling Assumptions And Results

In our cash flow analysis, we assess the availability of asset cash flows to meet the transaction's promised obligations under a variety of stress assumptions, while considering the transaction structure and available credit support. In addition, we use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

Break-even analysis

For the CITZN 2024-1 transaction structure, we used a bifurcated-pool method and applied the assumptions outlined in table 9 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's break-even level (maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the stressed scenario break-even requirement for the rating.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page. 3106734

Under this approach, we bifurcated the pool between underwater loans and above-water loans using an APR of 5.00% and applied different prepayment and default assumptions to the two pools. For above-water loans (with APRs of 5.00% or greater), we ran faster voluntary prepayments, disproportionately higher losses, and faster loss timing than for the underwater loans (with APRs less than 5.00%). Conversely, we ran a slower voluntary prepay speed, disproportionately lower losses, and slower loss timing on the underwater loans.

These combined assumptions cause the weighted average APR of the pool to decrease faster over time and increase the likelihood that the YSOA will be used for yield enhancement rather than credit enhancement, thus decreasing the break-even levels.

Based on our stressed cash flows, the break-even net loss results show that the class A notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 10).

Table 9

Break-even cash flow assumptions

Servicing fee (%)	1.00
Recovery rate (%)	50.00
Charge-off and recovery lag (mos.)	5
Bifurcated pool (%)	
Underwater	44.00
Above-water	56.00
Loss allocation (%)	
Underwater	30.00
Above-water	70.00
Voluntary ABS (%)	
Underwater	0.25
Above-water	1.50
CNL timing (mo. 12/24/36/48) (%)	
Underwater	25/55/80/100
Above-water	50/80/100

ABS--Absolute prepayment speed. Mo.--Month.

Table 10

Cash flow assumptions and results

	Class A
Scenario (preliminary rating)	AAA (sf)
CNL (mo. 12/24/36/48) (%)	
Aggregate	43/74/95/100
Underwater	27/60/85/100
Above-water	51/81/100
Approximate break-even net loss levels (%)(i)	
Required	5.00

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

3106734

Table 10

Cash flow assumptions and results (cont.)

	Class A
Available	8.57

(i)The maximum cumulative net losses with 100.00% credit to any excess spread the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss. Mo.--Month.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions outlined in table 11. We believe that under a moderate ('BBB') stress scenario (2.00x of our 1.00% expected loss level) and with 100.00% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published June 8, 2023.

Table 11

Credit stability as a limiting factor on ratings

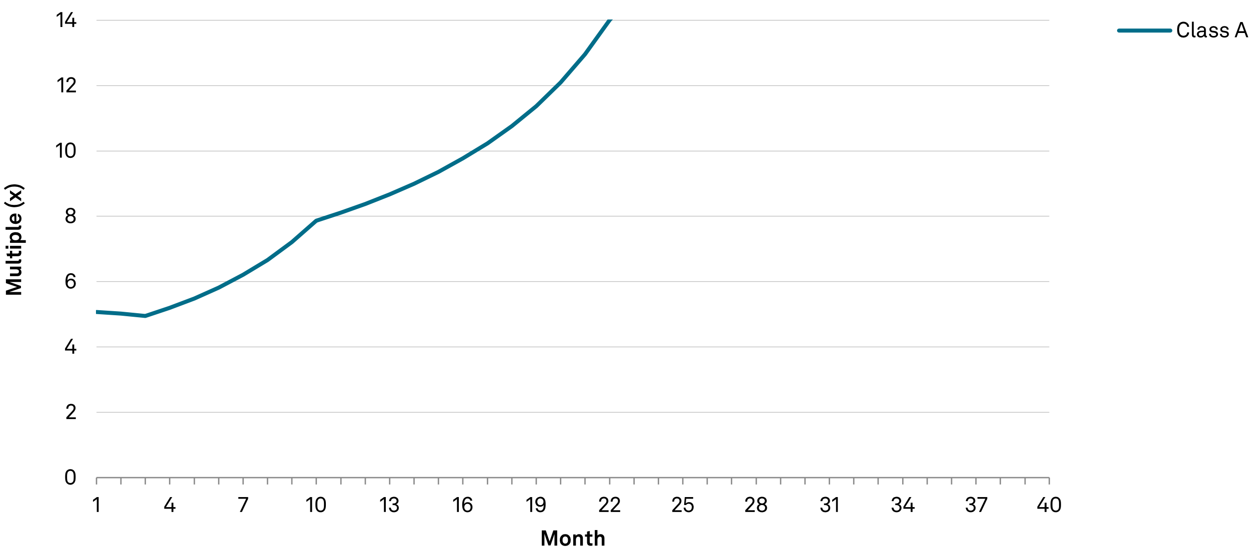
	Maximum projected deterioration associated with rating levels for one-year and three-year horizons under moderate stress conditions(i)				
Horizon	**AAA**	**AA**	**A**	**BBB**	**BB**
One year	AA	A	BB	B	CCC
Three years	BBB	BB	B	CCC	D

(i)These credit-quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities.

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

Chart 3

Sensitivity analysis--coverage multiple



Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Legal final maturity

To test the legal final maturity dates for classes A-2, A-3,and A-4, we determined the date on which the respective notes would fully amortize in a zero-loss, zero-prepayment scenario, then added three months to the result. Furthermore, in the break-even scenario for each respective rating level, we confirmed that there was sufficient credit enhancement both to cover losses and to repay the related notes in full by their legal final maturity date. For the longest-dated security (class A-4), we added six months to the tenor of the longest receivable in the pool to accommodate the maximum months of extensions on the receivables.

Money market tranche

The proposed money market tranche (class A-1) has a legal final maturity date of Jan. 15, 2025. To test whether the money market tranche can be repaid by then, we ran cash flows using assumptions to delay the principal collections.

We assumed zero defaults, and we found that the money market tranche would be paid off in full before the legal final maturity date, assuming a zero absolute prepayment speed for the underwater collateral and 0.25% absolute prepayment speed for the above-water collateral.

Counterparty And Operational Risks

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

3106734

Bank account provider

On or before the closing date, the CITZN 2024-1 bank accounts will be with BNY Mellon in the name of the indenture trustee BNY Mellon, as segregated accounts or as segregated trust accounts. The bank account provider is consistent with our counterparty criteria for a 'AAA'-supported transaction (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

Servicer

As servicer, Citizens has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. Citizens is rated A-/Stable/A-2 by S&P Global Ratings, and commingling risk is addressed by the requirement that all collections are deposited into the series collections account within two business days of collection. Our operational risk assessment of Citizens as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014). Furthermore, in our operational risk assessment, we considered Citizens' recent announcement that it will cease indirect originations of auto loans and wind down its remaining auto loan portfolio. We concluded that this change will not materially impact the transaction's performance because Citizens' expansive servicing and collection infrastructure will remain in place to service approximately $8 billion in outstanding auto loans. Citizens' interests are aligned with effectively servicing the collateral pool for this transaction since Citizens retains the first loss portion.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

Accounts, May 31, 2012

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- U.S. Auto Loan ABS Tracker: October 2023 Performance, Dec. 11, 2023
- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

Copyright © 2024 Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.