S&P Global Ratings

Research

Presale:

Honda Auto Receivables 2023-2 Owner Trust

May 18, 2023

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate	Base amount (mil. $)	Upsized amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	309.20	370.98	June 17, 2024
A-2	AAA (sf)	Senior	Fixed	512.90	615.48	April 15, 2026
A-3	AAA (sf)	Senior	Fixed	412.90	495.48	Nov. 15, 2027
A-4	AAA (sf)	Senior	Fixed	80.79	97.01	Sept. 17, 2029
Certificates	NR	Subordinate	N/A	33.75	40.50	N/A

Note: This presale report is based on information as of May 18, 2023. The ratings shown are preliminary. 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. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date	May 30, 2023.
Collateral	Prime auto loan receivables.
Originator, sponsor, servicer, and administrator	American Honda Finance Corp. (A-/Stable/A-2).
Depositor	American Honda Receivables LLC.
Issuer	Honda Auto Receivables 2023-2 Owner Trust.
Lead underwriter	Barclays Capital Inc.
Indenture trustee	U.S. Bank Trust Co. N.A. (A+/Stable/A-1)
Owner trustee	The Bank of New York Mellon.
Delaware trustee	BNY Mellon Trust of Delaware.
Bank account provider	U.S. Bank N.A. (A+/Stable/A-1).

Rationale

S&P Global Ratings' preliminary ratings assigned to Honda Auto Receivables 2023-2 Owner Trust's (HAROT 2023-2) asset-backed notes reflect:

- The availability of approximately 7.4% credit support (hard credit enhancement and excess

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2988481

spread) for the class A-1, A-2, A-3, and A-4 notes (collectively, the class A notes), based on stressed cash flow scenarios. This credit support level provides coverage of at least 5.0x of our expected cumulative net loss (ECNL) of 0.55% for the class A notes (see the Credit Enhancement and Collateral and the Cash Flow Modeling Assumptions and Results sections below).

- The expectation that under a moderate ('BBB') stress scenario (2.0x our expected loss level), all else being equal, our preliminary 'AAA (sf)' ratings on the class A notes will be within the credit stability limits (see the Cash Flow Modeling Assumptions And Results sections).
- The timely payment of interest and principal by 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 securitized pool of prime automobile loans, 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 below).
- The series' bank account at U.S. Bank N.A. (A+/Stable/A-1), which does not constrain the preliminary ratings.
- Our operational risk assessment of American Honda Finance Corp. (AHFC) as servicer and our view of the company's underwriting.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors, that are in line with our sector benchmark.
- The transaction's legal and payment structures.

Our ECNL for HAROT 2023-2 is 0.55%, unchanged from series 2022-2 0.55% (0.50%-0.60%). It reflects:

- Our view that series 2023-2 collateral characteristics are generally consistent with that of series 2022-2;
- American Honda Finance Corp.'s outstanding series, which continue to perform in line with or better than our initial expectations; and
- Our forward-looking view of the macroeconomy and auto finance sector.

Environmental, Social, And Governance (ESG) Factors

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).

The exposure to ESG credit factors in this transaction is in line with our sector benchmark. Exposure to environmental credit factors are generally viewed as above average, given that the collateral pool primarily comprise vehicles with internal combustion engines (ICE), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could in time lower ICE vehicle values, we believe that our current approach to evaluating recovery and residual values adequately accounts for vehicle values over the relatively short expected life of the transaction. As a result, we have not separately identified this as a

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material ESG credit factor in our analysis.

Credit Enhancement And Collateral

Structural changes from HAROT 2023-1

Notable structural changes from HAROT 2023-1, which S&P Global Ratings did not rate, include that:

- The yield supplement account (YSA) required rate increased to 8.05% from 7.85% due to higher expected cost of debt.

Structural changes from HAROT 2022-2

Notable structural changes from the last transaction we rated, HAROT 2022-2, include that:

- To maintain comparable excess spread levels, YSA required rate increased to 8.05% from 7.10% due to higher expected cost of debt.

Table 1 shows the credit enhancement changes from recent transactions.

Credit enhancement summary (%)(i)

	HAROT 2023-2		HAROT 2023-1(ii)		HAROT 2022-2		HAROT 2022-1	
	Initial	Floor	Initial	Floor	Initial	Floor	Initial	Floor
Class A								
Subordination	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Reserve account	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Estimated annual excess spread (with YSA)(iii)	2.22	--	2.24	--	2.26	--	2.25	--

(i)Percentage of the initial receivables balance. (ii)S&P Global Ratings did not rate this transaction. (iii)Estimated excess spread before pricing. Includes the 1% servicing fee. HAROT--Honda Auto Receivables Owner Trust. YSA--Yield supplement account.

Collateral changes from HAROT 2023-1

Notable changes in the collateral composition from HAROT 2023-1, which S&P Global Ratings did not rate, include that:

- The concentration of loans with original term of 61-72 months increased to 39.09% (39.15% if upsized) from 35.46%.
- The average remaining principal balance increased to $23,386 ($23,399 if upsized) from $22,280.
- The concentration of credit grade-A obligors increased to 77.64% (77.52% if upsized) from 76.45%.

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Collateral changes from HAROT 2022-2

Notable changes in the collateral composition from the last transaction we rated, HAROT 2022-2, include that:

- The concentration of loans with original term of 61-72 months increased to 39.09% (39.15% if upsized) from 32.66%.
- The average remaining principal balance increased to $23,386 ($23,399 if upsized) from $21,513.
- The concentration of credit grade-A obligors decreased to 77.64% (77.52% if upsized) from 78.30%; however, the weighted average FICO score of these obligors increased to 789 from 788.

In our view, the series 2023-2 pool is generally comparable to the series 2023-1 and 2022-2 pools (see table 2).

Table 2

Collateral comparison(i)

	HAROT					
	2023-2 (base)	**2023-2 (upsized)**	**2023-1(ii)**	**2022-2**	**2022-1**	**2021-4(ii)**
Receivables balance (bil. $)	1.35	1.62	1.62	1.08	1.62	1.62
No. of receivables	57,707	69,210	72,684	50,184	77,478	85,623
Avg. loan balance ($)	23,386	23,399	22,280	21,513	20,902	18,914
Weighted avg. APR excluding the YSA (%)	3.77	3.78	3.06	2.55	2.50	2.53
Weighted avg. original term (mos.)	63.14	63.16	62.62	62.07	63.23	60.41
Weighted avg. remaining term (mos.)	51.59	51.61	49.64	49.33	51.13	48.66
Weighted avg. seasoning (mos.)	11.55	11.55	12.98	12.74	12.10	11.75
Weighted avg. FICO score	766	766	766	769	770	780
Original term 61-72 mos. (%)	39.09	39.15	35.46	32.66	34.98	29.87
Original term greater than 72 mos. (%)	0.00	0.00	0.00	0.00	0.00	0.00
% of new vehicles	88.83	88.86	91.60	90.41	90.50	89.66
% of used vehicles	11.17	11.14	8.40	9.59	9.50	10.34
% of Honda vehicles	88.24	88.20	91.21	90.40	91.34	91.60
% of Acura vehicles	11.76	11.80	8.79	9.60	8.66	8.40
Top five state concentrations (%)						
	CA=17.89	CA=17.96	CA=17.59	CA=17.40	CA=18.01	CA=15.10
	TX=9.86	TX=9.89	IL=6.45	TX=8.63	TX=9.49	PA=8.05
	OH=6.33	OH=6.32	TX=6.17	PA=6.36	FL=6.11	TX=7.76
	MD=4.99	MD=5.01	FL=6.07	MD=5.28	IL=5.21	FL=5.65

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Table 2

Collateral comparison(i) (cont.)

	HAROT					
	2023-2 (base)	2023-2 (upsized)	2023-1(ii)	2022-2	2022-1	2021-4(ii)
	IL=4.89	IL=4.93	NC=5.70	FL=4.75	OH=4.92	IL=4.92
Credit grade composition (%)						
A	77.64	77.52	76.45	78.30	76.81	84.63
B	13.00	13.06	13.70	12.51	13.18	3.17
C	7.85	7.91	8.14	7.84	8.76	10.56
D	1.51	1.52	1.71	1.36	1.25	1.64

(i)All percentages are of the initial receivables balance. (ii)Not rated by S&P Global Ratings. HAROT--Honda Auto Receivables Owner Trust. APR--Annual percentage rate. YSA--Yield supplement account. N/A--Not applicable.

The receivables pool excludes any receivable for which AHFC's records indicate that the related obligor is currently in an extension period as of the cutoff date.

Macroeconomic And Auto Finance Sector Outlook

In our view, changes in the unemployment rate are a key determinant of charge-offs in the auto finance industry. We have also observed that recovery values tend to weaken during recessionary periods.

In our analysis, we considered the economic data and forecasts outlined in table 3, and their baseline effect on collateral credit quality in determining our base-case expected loss level.

As the Federal Reserve's aggressive tightening of interest rates increases borrowing costs, we expect the economy to fall into a shallow recession later this year. We are forecasting slightly negative growth in the second and third quarters of this year with GDP averaging 0.7% growth for the year (see "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise," published March 27, 2023). With economic pressures worsening due to higher borrowing costs, businesses will be need to trim payrolls in interest rate-sensitive sectors. The recent banking sector disturbance may also lead to credit tightening and a softer jobs market. We expect the unemployment rate to rise and peak at 5.4% in the second quarter of 2024 and then decline in late 2025.

Inflation remains a concern because it is eroding wage gains and the savings cushion that was built during the pandemic, particularly for those with lower incomes and smaller cushions.

Table 3

U.S. economic factors

	Actual				
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	0.7	1.2	1.8	2.0
Unemployment rate (% annual average)	3.7	4.1	5.0	5.1	4.6
Consumer Price Index (% annual average)	8.0	4.2	2.4	1.6	1.5

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

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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: 0.55%

We determined our expected loss for HAROT 2023-2 by analyzing:

- The transaction's collateral characteristics relative to those of outstanding series (see table 2);
- The managed portfolio performance and origination static pool data and their relative performances (see table 4); and,
- The outstanding series' performance (see table 5 and chart 3).

Given Honda's established performance track record as a consistent issuer, we placed more emphasis on the outstanding series' performance when determining the expected loss for this series, while also adjusting for potential incremental risk due to the inclusion of longer-term loans. 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 above).

Overall, we expect HAROT 2023-2 to experience lifetime CNLs of 0.55%, unchanged from HAROT 2022-2.

Managed Portfolio

As of Dec. 31, 2022, AHFC's serviced portfolio consisted of contracts totaling $28.7 billion (see table 4), down approximately 10.83% from a year earlier. As of Dec. 31, 2022, annualized net losses as a percentage of the average principal were 0.22%, up from 0.08% a year earlier.

Table 4

Managed portfolio(i)

	As of Dec. 31		Year ended March 31			
	2022	2021	2022	2021	2020	2019
Period-end loan balance outstanding (bil. $)(ii)	28.717	32.206	30.678	32.646	29.791	30.299
Avg. loan balance outstanding (bil. $)	28.958	33.417	32.845	31.066	30.423	29.308
Repossessions (mil. $)(iii)	26.700	22.825	24.097	36.007	56.417	48.640
Repossessions as a % of period-end loan balance outstanding	0.09	0.07	0.08	0.11	0.19	0.16
Total delinquencies and repossessions as a % of the period-end receivables outstanding	1.59	1.21	1.14	0.81	1.39	1.18
Recoveries (mil. $)	55.377	56.707	74.953	101.690	84.813	77.482
Net loss (mil. $)	47.476	21.031	33.724	88.472	152.949	134.799
Net loss as a % of the avg. amount outstanding(iv)	0.22	0.08	0.10	0.28	0.50	0.46

(i)Includes contracts that AHFC has sold but is still servicing. (ii)The remaining principal balance and unearned finance charges for all outstanding contracts. (iii)The outstanding principal amount of contracts for which the related vehicle has been repossessed but hasn't been liquidated. (iv)Annualized.

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Origination Static Pool Analysis

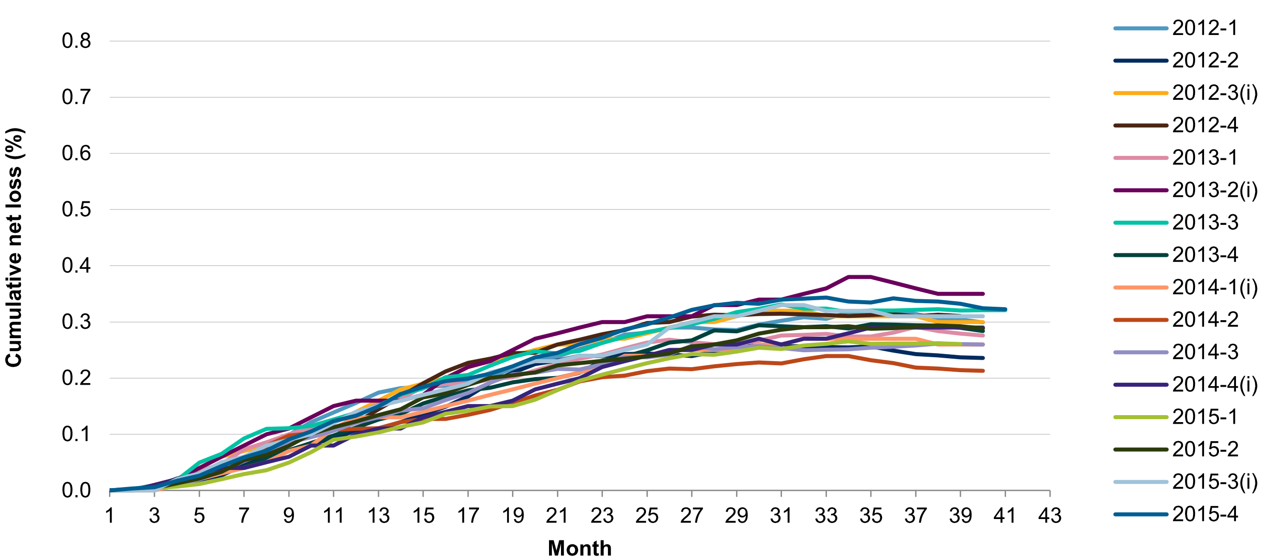
To derive the transaction's base-case loss, we analyzed AHFC's paid-off securitized pools' cumulative loss performance from 2000 to 2019 and the more-recent loss performance of the outstanding securitizations from 2020 to 2022. We used the data from the paid-off pools to create loss-timing curves to project the outstanding transactions' net losses. We also looked at the cumulative recovery rates and delinquencies by vintage and considered other issuers' securitizations that are similar to AHFC's.

HAROT Transaction Performance

We currently rate six outstanding HAROT transactions. We lowered our lifetime loss expectations for series 2019-1 through 2021-2 in February 2022 due to better-than-expected performance. We lowered our lifetime loss expectation for series 2021-3 in September 2022 due to better-than-expected performance. We believe the rated classes have adequate credit enhancement at their current rating levels. We will continue to monitor the performance of the outstanding transactions to ensure that the credit enhancement remains sufficient, in our view, to cover our cumulative net loss expectations under our stress scenarios for each of the rated classes (see charts 1-3 and table 5).

Chart 1

Honda paid-off securitization cumulative net losses (2012-2015)



(i)Not rated by S&P Global Ratings.

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Chart 2

Honda paid-off securitization cumulative net losses (2016-2019)

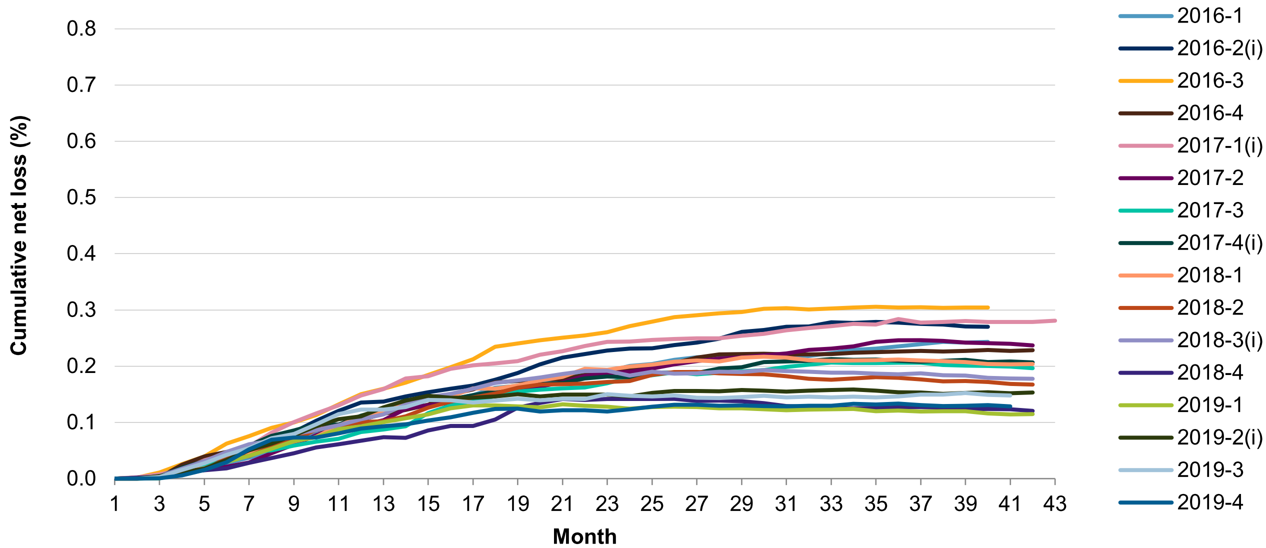

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Chart 3

Honda outstanding securitization cumulative net losses (2020-2022)

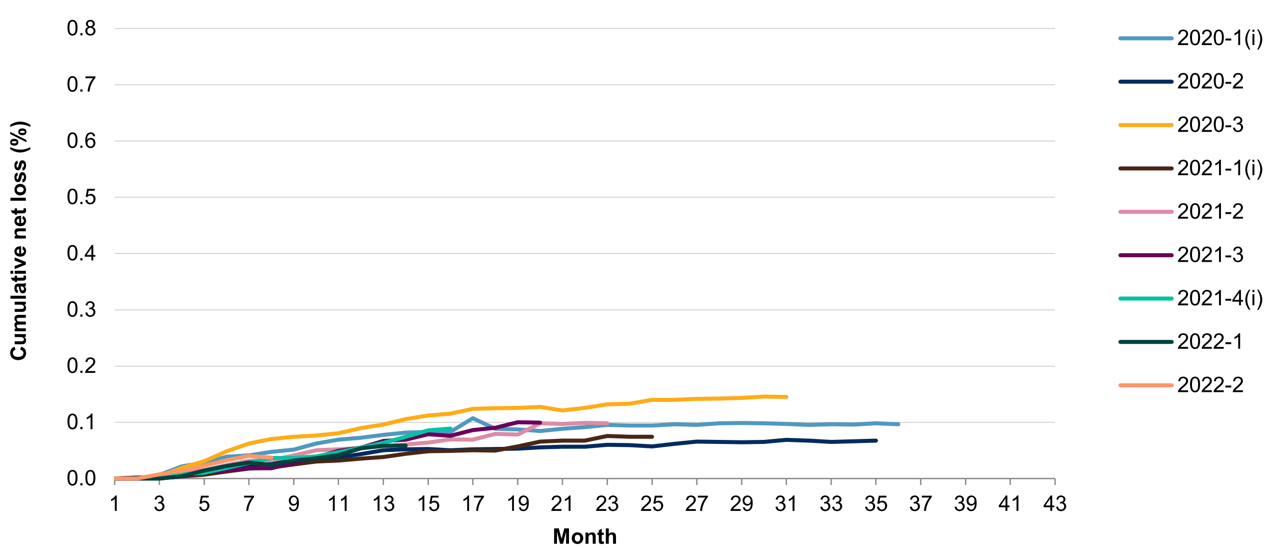

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Table 5

Performance data for outstanding S&P Global Ratings-rated HAROT transactions(i)

Transaction/series	Month	Pool factor (%)	CNL (%)	60+ day delinquency (%)	Initial lifetime expected CNL (%)	Revised lifetime expected CNL (%)(ii)
2020-2	35	16.32	0.07	0.10	0.90-1.10	0.15-0.25
2020-3	31	20.05	0.14	0.16	0.90-1.10	0.25-0.35
2021-2	23	35.76	0.10	0.17	0.65-0.75	0.35-0.45
2021-3	20	43.18	0.10	0.12	0.55-0.65	0.40
2022-1	14	60.03	0.06	0.10	0.50-0.60	N/A
2022-2	8	76.31	0.04	0.11	0.50-0.60	N/A

(i)As of the April 2023 distribution. (ii)Revised in February 2022 for series 2019-1 through 2021-2. Revised in September 2022 for series 2021-3. HAROT--Honda Auto Receivables Owner Trust. CNL--Cumulative net loss. N/A--Not applicable.

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.

HAROT 2023-2 is structured as a true sale of the receivables from AHFC (the sponsor and seller) to American Honda Receivables LLC (the depositor). The depositor will sell the acquired assets to HAROT 2023-2 (the issuer), a bankruptcy-remote special-purpose entity, which will then pledge its interest in the receivables to the indenture trustee on the noteholders' behalf (see chart 4).

Transaction structure

HAROT 2023-2 incorporates the following structural features:

- A sequential-pay mechanism that will increase credit enhancement for the senior notes as the pool amortizes.
- A money market tranche that will receive principal payments senior in the waterfall.
- Noninterest-bearing, nonamortizing subordinate certificates, equal to 2.50% of the initial collateral balance, that will not receive principal payments until the class A notes are paid in full.
- A nonamortizing reserve fund that will equal 0.25% of the initial collateral balance.
- A cash YSA funded by the note proceeds, which will increase the yield on the pool to at least 8.05% and generate additional excess spread to support the transaction.

HAROT 2023-2 is AHFC's second auto loan securitization in 2023. AHFC will issue $1.3 billion ($1.6 billion if upsized) class A sequential-pay notes and $34 million subordinate certificates ($41 million if upsized). The depositor will initially retain the certificates, which will have a 0% interest rate.

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Interest and principal on the notes are scheduled to be paid on the 18th of each month, or the next business day, starting June 19, 2023. We expect the notes to have a fixed interest rate and to be paid principal sequentially.

YSA

On the closing date, the seller will fund the YSA with an initial deposit of $124.87 million ($149.83 million if upsized), subject to an upward revision, which will be at least 9.25% of the initial pool balance. The YSA is designed primarily to supplement the interest collections on the receivables that have annual percentage rates (APRs) less than the required rate (discount receivables).

On each payment date, funds will be withdrawn from the YSA in an amount necessary to increase the interest rate on the discount receivables to the required rate. These funds will be deposited into the collection account monthly to make distributions to the noteholders. On each payment date, the YSA will decline to the present value of the sum of all yield supplement amounts for future payment dates, assuming the loan payments are made as scheduled. Any excess funds in the YSA will be released to the collection account and will be available, if necessary, to cover net losses.

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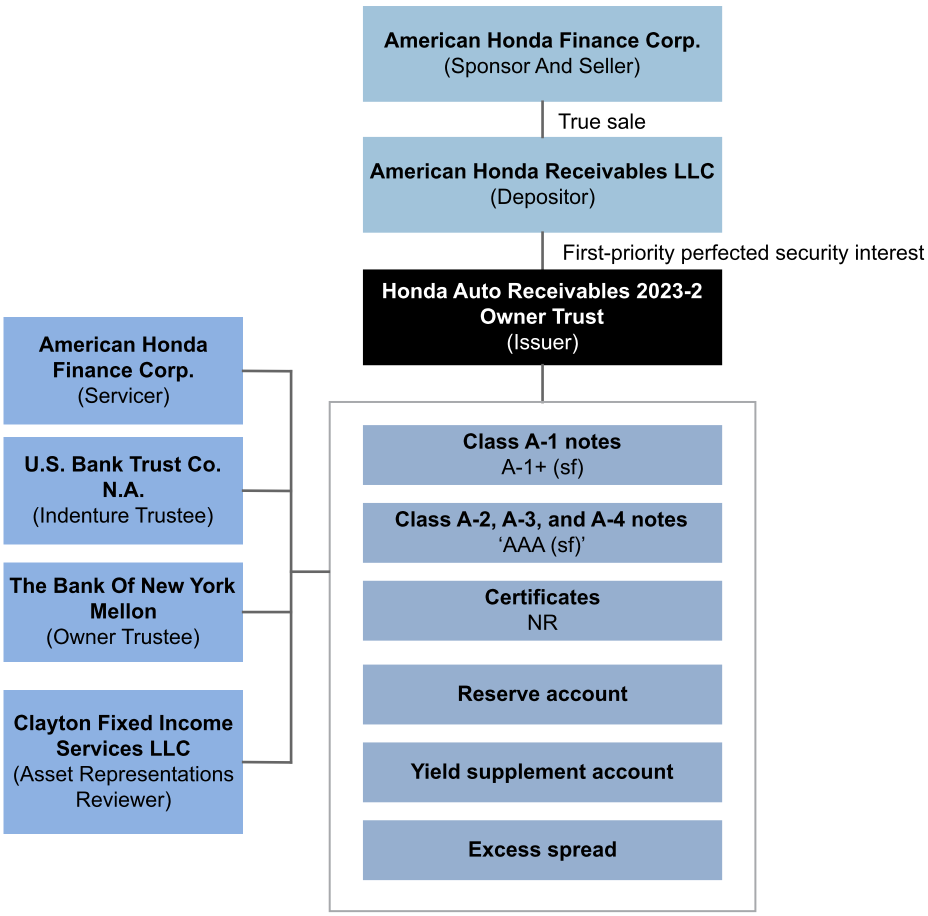
Chart 4

Transaction structure



NR--Not rated.

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Payment Priority

Distributions will be made from available funds according to the priority shown in table 6.

Table 6

Payment waterfall

Priority	Payment
1	Servicing fee of 1%, including any unpaid servicing fees and nonrecoverable advances.
2	Indenture trustee, owner trustee, and asset representations reviewer fees, capped at $250,000 per year.
3	Class A note interest, paid pro rata to the class A noteholders.
4	Class A note principal, paid sequentially.

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2988481

Table 6

Payment waterfall (cont.)

Priority	Payment
5	Certificate interest, if applicable(i).
6	Certificate principal (this amount will remain at zero until the class A notes are paid in full).
7	Replenish the reserve fund to the specified reserve fund balance.
8	Any unpaid indenture trustee, owner trustee, and asset representations reviewer fees.
9	Any remainder to the depositor.

(i)The certificate interest is 0.00%.

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. We also use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

In a stressed scenario, liquidity risk could arise due to interest shortfalls from the yield on the loans being lower than the yield on the bonds (negative carry risk). This could occur because the bonds pay sequentially, leading to higher-coupon debt remaining outstanding at the tail end of the transaction. In this transaction, negative carry risk is being addressed through the YSA.

Break-even analysis

For the HAROT 2023-2 transaction structure, we used a bifurcated-pool method and applied the assumptions outlined in table 7 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 lower break-even (maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario break-even requirement.

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

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

Our criteria establishes rating-specific minimum credit enhancement levels based on our view that there are limits on the predictability of auto receivable performance. For 'AAA' ratings, the minimum level is 4.0%, of which 2.5% must be in the form of hard credit support. In our stress cash flow scenarios for the transaction, we assessed the level of available credit enhancement relative to the minimum required.

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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 8).

Table 7

Break-even cash flow assumptions

Servicing fee (%)	1.00
Recovery rate (%)	50
Charge-off and recovery lag (mos.)	3
Bifurcated pool (%)	
Low APR(i)	83
High APR(i)	17
Loss allocation (% of total losses)	
Low APR	80
High APR	20
Voluntary ABS (%)	
Low APR	0.25
High APR	1.50
CNL timing mos.: (12/24/36/48/60) (%)	
Front-loaded low APR	40/75/90/100
Front-loaded high APR	55/90/100
Back-loaded low APR	15/50/80/100
Back-loaded high APR	25/60/95/100

(i)For cash flow modeling purposes, we applied a subvened/nonsubvened cutoff APR of 5.0%. (ii)The maximum CNLs on the pool that the transaction can withstand without triggering a payment default on the class A notes. ABS--Absolute prepayment speed. APR—Annual percentage rate. CNL--Cumulative net loss.

Table 8

Break-even cash flow results

	Class
	A-1/A-2/A-3/A-4
Preliminary rating	A-1+ /AAA (sf)
CNL timing mos.: (12/24/36/48/60) (%)	
Front-loaded aggregate	44/79/93/100
Front-loaded low APR	41/77/92/100
Front-loaded high APR	56/90/100
Back-loaded aggregate	18/54/85/100
Back-loaded low APR	16/53/84/100
Back-loaded high APR	26/61/95/100
Available: front-loaded loss curve	7.4
Available: back-loaded loss curve	7.4

(i)The maximum cumulative net losses, with 100% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss. Mos.--Months.

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Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analyses using the assumptions in table 7. We believe that under a moderate ('BBB') stress scenario (2.0x our minimum 'B' credit enhancement level, based on 0.80% ECNL) and with 100% 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 Nov. 10, 2021 (see table 9 and chart 5). The 0.80% implied ECNL is based on our 4.00% minimum credit enhancement level for a 'AAA' rating, as outlined in our auto criteria.

Table 9

Credit stability as a limiting factor on ratings(i)

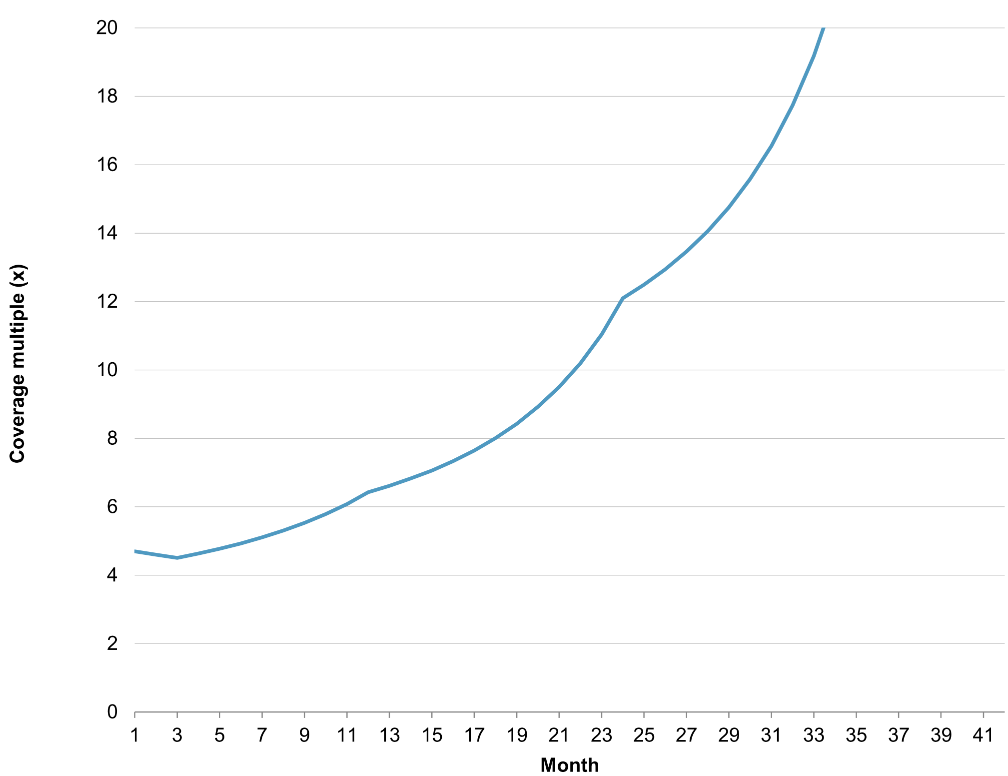
Maximum projected deterioration associated with rating levels for one-year and three-year horizons under moderate stress conditions

	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.

Chart 5

Sensitivity analysis | coverage multiples



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Money Market Tranche Sizing

The proposed legal final maturity date for the money market tranche (class A-1) is June 17, 2024. To test whether the money market tranche can be repaid by the proposed legal final date, we ran cash flows using assumptions to delay the principal collections during that time period. We assumed zero defaults, and we saw 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 subvened collateral and 0.50% absolute prepayment speed for the nonsubvened collateral.

Legal Final Maturity

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

AHFC

AHFC is a wholly owned subsidiary of American Honda Motor Co. Inc. (--/--/A-2), which is a wholly owned subsidiary of Honda Motor Co. Ltd. (A-/Stable/A-2). Honda Motor Co. Ltd. is a Japanese corporation, and a worldwide manufacturer and distributor of motor vehicles, motorcycles, and power equipment.

AHFC is a California corporation that was incorporated in 1980. Its principal offices are in Torrance, Calif. The company provides wholesale financing to authorized dealers and acquires retail loans and leases that were made to retail customers, supporting the sale of Honda and Acura vehicles in the U.S.

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