Presale:

Citizens Auto Receivables Trust 2023-1

June 15, 2023

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	162.00	June 17, 2024
A-2-A/A-2-B(ii)	AAA (sf)	Senior	Fixed/floating	298.00	July 15, 2026
A-3	AAA (sf)	Senior	Fixed	241.50	Jan. 18, 2028
A-4	AAA (sf)	Senior	Fixed	48.50	Oct. 15, 2030

Note: This presale report is based on information as of June 15, 2023. 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. SOFR--Secured overnight financing rate.

Profile

Expected closing date	June 29, 2023.
Collateral	Prime auto loan receivables.
Issuer	Citizens Auto Receivables Trust 2023-1.
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 (AA-/Stable/A-1+).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Bank account provider	The Bank of New York Mellon (AA-/Stable/A-1+).

Rationale

The preliminary ratings assigned to Citizens Auto Receivables Trust 2023-1's (CITZN 2023-1's) asset-backed notes reflect our view of:

- The availability of approximately 8.10% credit support (hard credit enhancement and haircut to excess spread) for the class A (A-1, A-2, A-3, and A-4) notes based on our stressed cash flow scenarios. These credit support levels provide coverage of at least 5.00x of our 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 below).

- 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 below).
- 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 below).
- The series' bank accounts at The Bank of New York Mellon (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 credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For the auto asset-backed securities (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 is in line with our sector benchmark. We generally view environmental credit factors as above average because the collateral pool primarily consists of vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risk. 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 secured overnight financing rate (SOFR) benchmark for the series 2023-1 floating-rate notes (class A-2-B). The class A-2 notes will consist of two tranches: fixed-rate class A-2-A 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.

Key Rating Considerations

CITZN 2023-1 is Citizens' first auto ABS transaction. Based on our review of Citizens' operations and performance history, and securitization pool characteristics, we considered the following strengths in rating this transaction:

- Citizens is a wholly owned subsidiary of Citizens Financial Group Inc. (BBB+/Stable/A-2), a bank holding company, and which 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 April 30, 2023, statistical collateral pool has a weighted average FICO of 768, which is among the highest in prime issuers, and a minimum FICO of 660.
- Citizens Bank N.A. is rated 'A-/Stable/A-2', is listed on New York Stock Exchange, and is one of the top 15 largest U.S. banks by total assets.

Citizens

Citizens Financial Group Inc. is one of the nation's largest bank holding companies, and it operates substantial consumer and commercial banking businesses through its main bank subsidiary, Citizens Bank N.A. (Citizens). Based in Providence, R.I., Citizens has customer deposits from all 50 states, as well as concentrated customer deposit franchises in Massachusetts, Pennsylvania, New York, Rhode Island, New Jersey, Ohio, and New Hampshire. The company's acquisitions of Investors Bancorp and HSBC USA's East Coast deposit franchise in 2022 added branches and deposits in these densely populated and competitive markets. Citizens' loan portfolio is well-diversified by loan product and geography, and its consumer lending is mainly to prime borrowers.

Origination

For more than 30 years, Citizens or its affiliates have been originating or acquiring auto loan receivables. Citizens has provided vehicle financing to consumers indirectly through its network of automotive dealerships. All participating dealers must execute a dealer agreement with Citizens that sets out the guidelines and procedures of the purchasing and origination process. In certain states, Citizens also originated auto loan receivables directly with obligors.

Beginning in the second half of 2022, Citizens began significantly reducing the number of active dealers in its network. As a result, its auto loan origination volume has declined and its geographic footprint has narrowed. In June 2023, it was announced that, beginning in July 2023, Citizens will cease indirect originations of auto loans and wind down its remaining auto loan portfolio. These actions are consistent with Citizens' plan to shift away from consumer loans and focus more on banking services that result in deeper customer relationships. This change is not expected to affect the performance or servicing of Citizens' securitization transaction.

Approximately 25% of the receivables (by aggregate initial principal balance as of the cut-off date) were originated as electronic contracts. Citizens has provided an electronic contract opinion for these loans as well as representations for perfection by control.

Underwriting

Citizens' credit policy provides the basic framework for the underwriting of auto loans originated by Citizens. Citizens evaluates each application for an auto loan individually, and its underwriting standards assess each applicant's ability to repay the loan amount, as well as the adequacy of the financed vehicle as collateral.

Citizens' underwriting approach is based on information such as an applicant's demographic information, income, liabilities, credit history, and description of the financed vehicle. It is also based on data collected by third parties, including the from the applicable dealer and credit reporting companies. When evaluating whether to originate an auto loan, Citizens typically considers obligor characteristics, including credit history and credit score, debt and income characteristics, vehicle value, and loan-to-value ratio (LTV).

In certain cases, Citizens may require supportive documentation for applicant data such as employment and sources of income. Documentation requirement is set forth by the related underwriting guidelines and is based on the applicant's credit score and the LTV of the proposed auto loan.

Citizens' underwriting guidelines permit exceptions to its standard credit policy. Exceptions to the standard credit policy may relate to a particular credit metric or deal structure metric.

Each auto loan contract requires that the obligor maintain physical damage insurance covering the related financed vehicle with Citizens named as the loss payee on the policy. Citizens, though, does not independently verify insurance has been obtained or maintained.

Servicing and collections

Citizens, as the servicer, will be responsible for managing, administering, servicing, tracking performance, and making collections/remittances on the receivables. Citizens, or its predecessors and affiliates have been servicing auto loan receivables for over 30 years.

Citizens leverages multiple communication methods in early-stage delinquency, including text messaging, e-mail, and automated calling. Once accounts reach a certain period of delinquency, typically not more than 90 days past due, Citizens transitions to an in-house servicing model, which includes manual calling and skip tracing. Citizens uses specialty teams within its consumer operations group, and various vendors for some functions such as early delinquency management, title tracking, vehicle remarketing, redemption, repossession, and bankrupt accounts.

Auto loan receivables may be reviewed for loss mitigation options, which can include extensions, reduction of outstanding loan balance, redemptions or reinstatements, or repossession of the financed vehicle. Citizens will opt for any one or more of these loss mitigation options depending on various factors.

Extensions

Citizens offer hardship extensions to obligors to skip a monthly payment, with the understanding that interest will continue to accrue during the extension period. Each account is subject to a lifetime extensions limit depending on the original term of the loan. The customer needs to express hardship as a reason to qualify. The deferred payments will extend the term of the loan and may cause a higher final payment. An exception to the policy requires an approval from the collections team.

Repossessions and charge-offs

Accounts are typically assigned to repossession once a certain level of delinquency is reached. Accounts are assigned to repossession vendors, based on regions they support and risk. Accounts are charged off once the loan becomes 120 days delinquent. After the vehicle is sold, if a deficiency balance remains, additional collection efforts are made to mitigate loss.

Credit Enhancement And Collateral Peer Comparison

Credit enhancement

Table 1 shows the credit enhancement for Citizens' inaugural transaction.

Table 1

Credit enhancement summary (%)(i)

	CITZN 2023-1		
	Initial	Target	Floor
Class A			
Reserve account	0.25	0.25	0.25
Overcollateralization	3.75	5.00	5.00
Total	4.00	5.25	5.25
Excess spread (%)			
YSOA discount rate	8.90	--	--
Estimated excess spread (including YSOA) per year(ii)	1.90	--	--
Initial gross receivables balance ($)	849,431,346	--	--
Initial YSOA ($)	70,210,567	--	--
Initial adjusted receivables balance ($)	779,220,779	--	--
Total securities ($)	750,000,000	--	--
YSOA (% of the gross receivables balance)	8.27	--	--
YSOA (% of the adjusted receivables balance)	9.01	--	--

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

Collateral characteristics

As of the April 30, 2023, cutoff date, the CITZN 2023-1 statistical pool consisted of $1,337.04 million retail auto loans with a weighted average credit score of approximately 768 and a minimum credit score cutoff of 660, a weighted average LTV ratio of 100.08%, and approximately 21 months seasoning. Loans with original terms greater than 72 months accounted for approximately 37.12% of the pool.

We compared CITZN 2023-1's statistical pool with peers in the prime auto loan sector, including Capital One Prime Auto Receivables 2023-1 (COPAR 2023-1), Ford Credit Auto Owner Trust 2023-A (FCAOT 2023-A), and GM Financial Consumer Auto Receivables Trust 2023-2 (GMCAR 2023-2) (see table 2). Overall, we believe CITZN 2023-1's pool characteristics are comparable to those of these peer transactions.

Table 2

Collateral comparison(i)

	CITZN 2023-1	COPAR 2023-1	FCAOT 2023-A	GMCAR 2023-2
Receivables balance (mil. $)	1,337.04	1,495.74	1,732.17	1,701.74
No. of receivables	56,323	58,582	48,752	49,094
Avg. original loan balance ($)	33,463	29,874	43,955	40,502
WA APR (%)	4.71	3.90	4.74	4.69
WA original term (mos.)	73.01	69.12	65.20	68.91
WA remaining term (mos.)	52.27	60.07	57.80	59.91
WA seasoning (mos.)	20.74	9.05	7.40	9.00
WA credit score	768	777	745	783
% of pool with original term more than 60 mos. (%)	86.06	77.58	54.56	74.64
% of pool with original term more than 72 mos.	37.12	23.75	18.51	29.20
WA LTV	100.08	93.49	101.41	97.40
New vehicles (%)	44.25	39.49	87.82	79.01
Used vehicles (%)	55.75	60.51	12.18	20.99
Top three state concentrations (%)				
	NY=15.18	TX=14.32	TX=17.27	TX=16.56
	IL=8.01	CA=13.48	CA=10.35	FL=8.47
	FL=6.27	FL=8.08	FL=8.93	CA=7.60
Initial expected CNL (%)(i)	1.00	0.60	1.25	1.20

(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. FCAOT--Ford Credit Auto Owner Trust. GMCAR--GM Financial Consumer Auto Receivables Trust. WA--Weighted average. APR--Annual percentage rate. LTV--Loan-to-value ratio. CNL--Cumulative net loss. ECNL--Expected cumulative net loss. N/A--Not applicable.

Macroeconomic And Auto Finance Sector Outlook

In our view, changes to 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 2023, 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 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 second-quarter 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 COVID-19 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.

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 2023-1 by analyzing:

- The managed portfolio's performance and origination static pool data and their relative performances (see table 4 and chart 1); and
- The transaction's collateral characteristics relative to those of CITZN 2023-1's peers (see table 2).

Given the lack of 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 above). Overall, we expect CITZN 2023-1 to experience lifetime cumulative net losses (CNLs) of 1.00%.

Managed portfolio

Citizens Bank N.A. is the receivables' originator, sponsor, and servicer. As of March 31, 2023, Citizens' managed portfolio of auto receivables totaled approximately $9.91 billion, an approximate 20% decline year over year from approximately $12.33 billion as of March 31, 2022. The decline is a result of balance sheet optimization the bank has undertaken beginning in 2022. Portfolio delinquencies and charge-offs are normalizing from pandemic lows, but remain below pre-pandemic levels. Annualized net charge-offs as a percentage of the average balance of contracts outstanding increased to 0.35% as of March 31, 2023, from 0.11% a year earlier, while total 30-plus-day delinquencies increased to 1.31% as of March 31, 2023, from 0.99% a year earlier.

Table 4

Citizens' managed portfolio

	Quarter ended March 31		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Ending principal balance (mil. $)	9,910.43	12,329.01	10,552.23	12,334.94	10,219.73	9,961.86	9,704.98
Average principal balance (mil. $)	10,140.86	12,361.07	11,666.75	11,153.70	10,034.29	9,779.79	9,901.51
30-59 day delinquencies (% of outstanding balance)	0.88	0.67	0.96	0.73	0.96	1.33	1.22
60-89 day delinquencies (% of outstanding balance)	0.32	0.24	0.36	0.27	0.33	0.47	0.39
90-plus-day delinquencies (% of outstanding balance	0.11	0.07	0.14	0.09	0.11	0.14	0.13
30-plus-day delinquencies (% of outstanding balance)	1.31	0.99	1.46	1.09	1.41	1.94	1.75
Net charge-offs as % of the avg. receivables outstanding principal amount(i)	0.35	0.11	0.18	0.09	0.40	0.49	0.45

(i)Annualized for quarter-ended data.

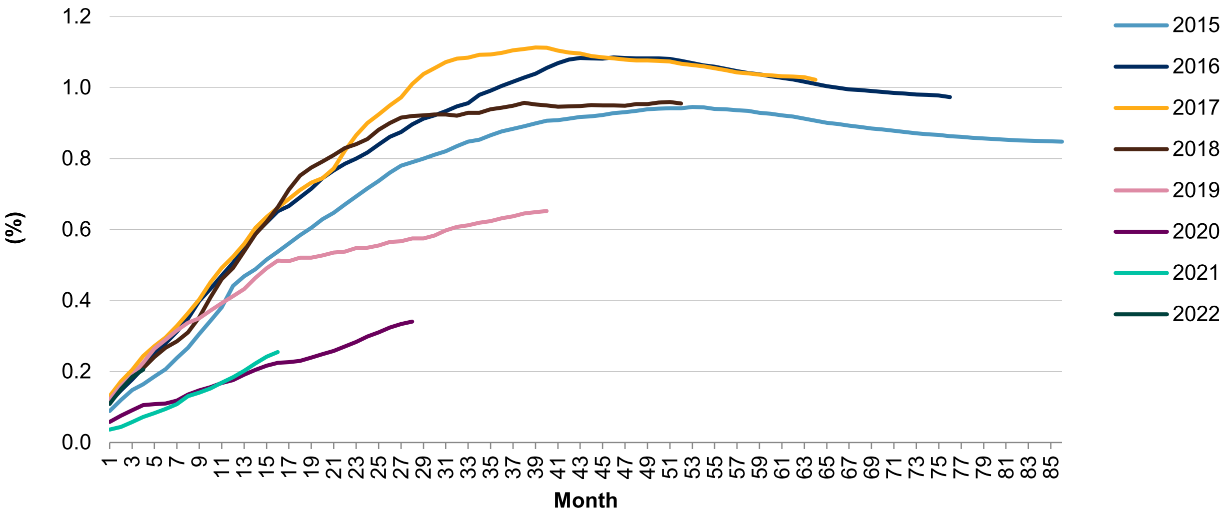
Origination static pool analysis

Our analysis is based on approximately eight years (2015-2022) 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- (credit score, LTV, new/used, and original term) and two-dimensional credit tiers (credit score and term, credit score, and LTV) 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 2023-1 pool.

Citizens' origination vintage CNL performance since 2015 shows losses trending higher overall in 2016 and 2017 compared to the more recent vintages. A factor in the better performance trends of recent years may be attributable to COVID-19-related stimulus and government assistance in recent years, and to higher-than-normal vehicle recovery rates as a result of new vehicle supply constraints starting in 2020.

Chart 1

Yearly origination vintages | FICO >= 660, LTV <= 140 | cumulative net loss performance



LTV--Loan to value.

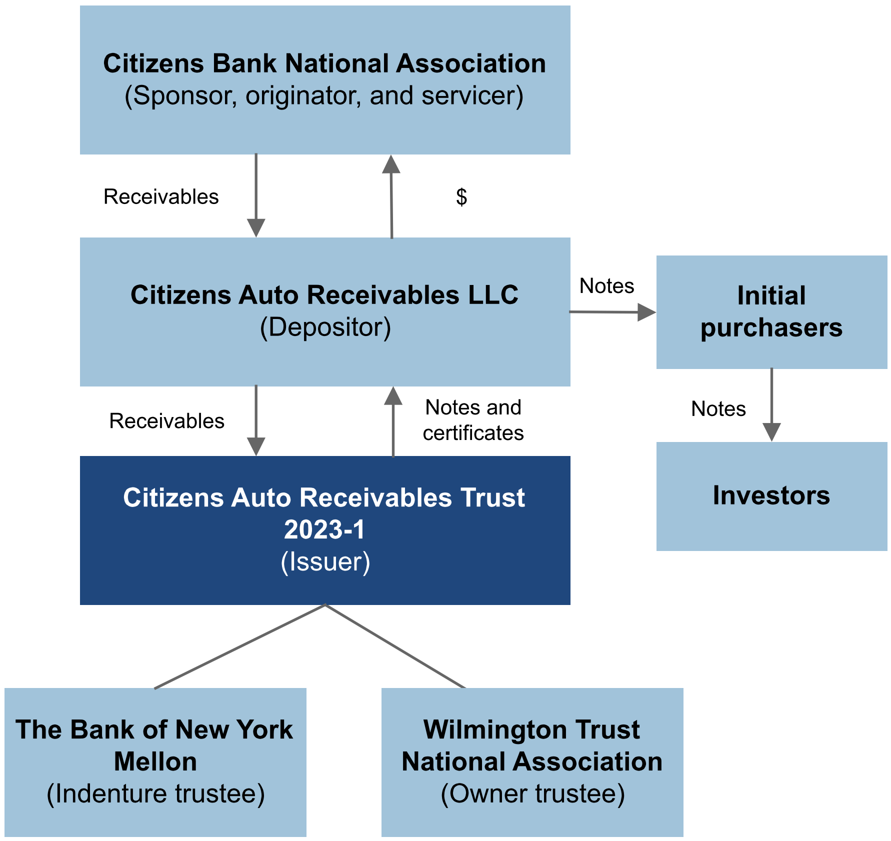
Legal Overview And Transaction Structure

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 Citizen Bank, National Association (the sponsor, originator, seller, administrator, and servicer) to Citizens Auto Funding LLC (the depositor). On the closing date, the depositor will then transfer all of its interest in the receivables to CITZN 2023-1, 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).

Transaction structure



Transaction structure

The CITZN 2023-1 transaction incorporates the following 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 9.01% of the initial adjusted receivables balance. The YSOA amount is sized so that the yield on the contracts with annual percentage rates (APRs) below the YSOA required rate of 8.90% will increase to the required rate to generate excess spread for the transaction. The YSOA amount 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; and

- A non-amortizing reserve fund that will equal 0.25% of the initial adjusted pool balance.

Payment Priority

Distributions will be made from available collections according to the payment priority shown in table 5.

Table 5

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 the following 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.
- 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 6.

Table 6

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.
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 2023-1 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 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 underwater loans and above-water loans using an APR of 5.00% and applied different prepayment and default assumptions between 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 caused the weighted average APR of the pool to decrease faster over time and increases the likelihood that the YSOA amount 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 8).

Table 7

Break-even cash flow assumptions

Servicing fee (%)	1.00
Recovery rate (%)	50.00
Charge-off and recovery lag (mos.)	5
Bifurcated pool (%)	
Underwater	62
Above-water	38
Loss allocation (%)	
Underwater	52
Above-water	48
Voluntary ABS (%)	
Underwater	0.25
Above-water	1.50
CNL timing mos. (12/24/36/48) (%)	
Underwater	25/55/80/100
Above-water	50/80/100

ABS--Absolute prepayment speed. Mos--Months.

Table 8

Cash flow assumptions and results

	Class A
Scenario (preliminary rating)	AAA (sf)
CNL by months (12/24/36/48) (%)	
Aggregate	38/69/92/100
Underwater	26/57/83/100
Above-water	50/80/100
Approximate break-even net loss levels (%)(i)	
Required	5.00
Available	8.10

(i)The maximum cumulative net losses with 100.0% credit to any excess spread the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions outlined in table 7. We believe that under a moderate ('BBB') stress scenario (2.00x of our 1.00% expected loss level) and with 100.0% 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).

Table 9

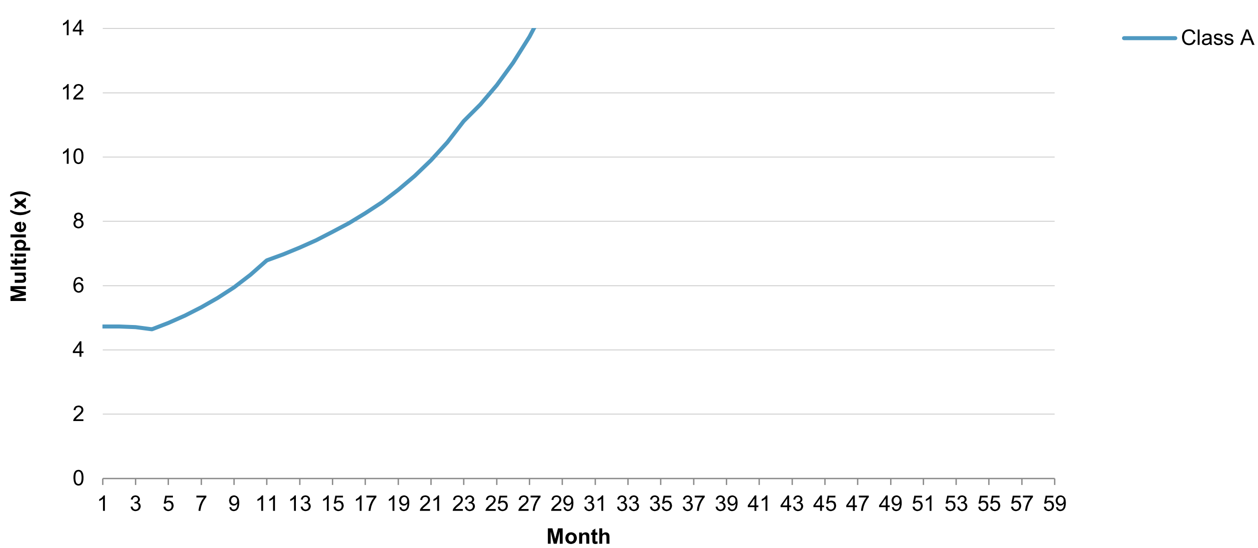
Credit stability as a limiting factor on ratings

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

Chart 3

Sensitivity analysis--coverage multiple



Legal final maturity

To test the legal final maturity dates for the 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 June 17, 2024. To test whether the money market tranche can be repaid by then, we ran cash flows using assumptions to delay the principal collections during the time.

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

Bank account provider

On or before the closing date, the CITZN 2023-1 bank accounts will be with The Bank of New York Mellon in the name of the indenture trustee The Bank of New York Mellon, as segregated accounts or as segregated trusts 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 Bank N.A. 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 Bank N.A. 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 they will cease indirect originations of auto loans and wind down their remaining auto loan portfolio. We concluded that it will not materially impact the transaction's performance due to Citizens' expansive servicing and collection infrastructure that will continue to be utilized to service over $11 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 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: April 2023 Performance, June 9, 2023
- Citizens Financial Group Inc., April 7, 2023
- Credit Conditions North America Q2 2023: Coalescing Stresses, March 28, 2023
- Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise, March 27, 2023