

Presale:

Citizens Auto Receivables Trust 2024-2

March 27, 2024

Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. \$)	Legal final maturity date
A-1	AAA (sf)	Senior	Fixed	210.00	Aug. 15, 2025
A-2-A/A-2-B(ii)	AAA (sf)	Senior	Fixed/floating	240.00	Nov. 16, 2026
A-3	AAA (sf)	Senior	Fixed	240.00	Aug. 15, 2028
A-4	AAA (sf)	Senior	Fixed	60.00	April 15, 2031

Note: This presale report is based on information as of March 27, 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	April 17, 2024.
Collateral	Prime auto loan receivables.
Issuer	Citizens Auto Receivables Trust 2024-2.
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 2024-2's (CITZN 2024-2's) automobile receivables-backed notes reflect our view of:

- The availability of approximately 8.04% credit support (hard credit enhancement and 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 at least 5.00x coverage of our expected cumulative

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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 '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; AA-/Stable/A-1+), which do not constrain the preliminary ratings.
- Our operational risk assessment of Citizens Bank N.A. (Citizens; A-/Stable/A-2) 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 2024-2 is 1.00%, which is unchanged from CITZN 2024-1. It reflects:

- Our view that the series 2024-2 collateral characteristics are marginally weaker than those for series 2024-1;
- Our analysis of Citizens' managed portfolio and origination static pool data; and
- Our forward-looking view of the auto finance sector.

Key Rating Considerations

CITZN 2024-2 is Citizens' fourth 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, 2023, Citizens had total assets of \$222 billion, of which approximately \$8 billion comprise retail auto loans.
- The Feb. 29, 2024, statistical collateral pool has a weighted average FICO score of 759, 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.

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

The floating interest rate benchmark on the class A-2-B tranche for series 2024-2 is SOFR, and the coupon will be based on compounded SOFR (a 30-day average SOFR calculated in advance 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 2024-1

The structural credit enhancements for CITZN 2024-2 are mostly comparable to those of CITZN 2024-1 (see table 1), except that the estimated annual excess spread, inclusive of the yield supplement overcollateralization amount (YSOA) for series 2024-2, increased to 2.62% (pre-pricing) from series 2024-1's 2.50% (pre-pricing) and 3.10% (post-pricing). CITZN 2024-2 will not have a money market class, which was present in CITZN 2024-1.

Our stressed cash flow results indicate that each class in the CITZN 2024-2 transaction is enhanced to a degree consistent with the assigned preliminary rating (see the Cash Flow Modeling Assumptions And Results section).

Table 1

Credit enhancement summary (%)⁽ⁱ⁾

	CITZN 2024-2			CITZN 2024-1			CITZN 2023-2		
	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

Table 1

Credit enhancement summary (%) (i) (cont.)

	CITZN 2024-2			CITZN 2024-1			CITZN 2023-2		
	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor
Excess spread (%)									
YSOA discount rate	9.25	--	--	9.30	--	--	9.30	--	--
Estimated excess spread (including YSOA) per year(ii)	2.60	--	--	3.10	--	--	2.41	--	--
Initial gross receivables balance (\$)	817,552,922	--	--	1,711,018,403	--	--	1,719,792,778	--	--
Initial YSOA (\$)	38,332,143	--	--	131,094,123	--	--	151,726,714	--	--
Initial adjusted receivables balance (\$)	779,220,779	--	--	1,579,924,280	--	--	1,568,066,064	--	--
Total securities (\$)	750,000,000	--	--	1,520,680	--	--	1,509,260,000	--	--
YSOA (% of the gross receivables balance)	4.69	--	--	7.66	--	--	8.82	--	--
YSOA (% of the adjusted receivables balance)	4.92	--	--	8.30	--	--	9.68	--	--

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

Collateral changes from CITZN 2024-1

The notable collateral changes from CITZN 2024-2's statistical collateral pool to CITZN 2024-1's closing pool include the following:

- The weighted average seasoning decreased to approximately 25 months from approximately 27 months.
- The percentage of loans with FICO scores greater than 700 decreased to 82.11% from 88.19%.
- The weighted average annual percentage rate (APR) increased to 6.60% from 5.24%.
- The weighted average loan-to-value (LTV) ratio increased to 103.20% from 102.78%.
- The weighted average FICO score decreased to 759 from 768.
- The weighted average original term decreased to approximately 75 months from approximately 77 months, and the percentage of loans with original terms of 76-84 months decreased to 38.36% from 49.88%.

We believe CITZN 2024-2's collateral characteristics are slightly weaker than CITZN 2024-1's, primarily due to the pool's lower FICO score, higher LTV, and decreased amount of seasoning. We factored this along with the early performance trends of their outstanding securitizations into our expected loss for CITZN 2024-2 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral comparison

	CITZN 2024-2	CITZN 2024-1	CITZN 2023-2
Receivables balance (\$)	1,628.18	1,711.02	1,719.79
No. of receivables	76,814	76,891	74,279
Average loan balance outstanding (\$)	33,361	34,488	33,864
WA APR (%)	6.60	5.24	4.69
WA original term (mos.)	74.95	77.16	73.92
WA remaining term (mos.)	50.34	50.40	50.87
WA seasoning (mos.)	24.62	26.76	23.05
WA FICO score	759	768	770
Original term less than or equal to 60 mos. (%)	13.48	8.07	11.52
Original term 61-75 mos. (%)	48.16	42.05	63.49
Original term 76-84 mos. (%)	38.36	49.88	24.98
WA LTV ratio	103.20	102.78	100.12
New vehicles (%)	41.15	44.16	45.04
Used vehicles (%)	58.85	55.84	54.96
Top three state concentrations (%)			
	NY=15.69	PA=13.81	PA=14.61
	PA=13.19	NY=12.15	NY=12.47
	FL=6.69	IL=6.55	IL=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 2024-2'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 2024-2'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 2024-2	COPAR 2023-1	FTAT 2023-1	USAOT 2023-A
Receivables balance (mil. \$)	1,628.18	1,495.74	1,741.03	1,181.16
No. of receivables	76,814	58,582	72,582	58,874
Average original loan balance (\$)	33,361	29,874	31,007.64	30,740.38
WA APR (%)	6.60	3.90	5.95	4.41
WA original term (mos.)	74.95	69.12	72.77	67.87
WA remaining term (mos.)	50.34	60.07	57.24	50.07
WA seasoning (mos.)	24.62	9.05	15.53	17.80

Table 3

Collateral comparison(i) (cont.)

	CITZN 2024-2	COPAR 2023-1	FTAT 2023-1	USAOT 2023-A
WA credit score	759	777	765	742
Original term more than 60 mos. (%)	13.48	77.58	88.34	67.36
Original term more than 72 mos. (%)	50.92	23.75	34.33	14.65
WA LTV ratio	103.20	93.49	90.35	84.11
New vehicles (%)	41.15	39.49	52.04	51.36
Used vehicles (%)	58.85	60.51	47.96	48.64
Top three state concentrations (%)				
	NY=15.69	TX=14.32	TX=9.63	TX=14.07
	PA=13.19	CA=13.48	OH=9.09	CA=8.34
	FL=6.69	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 3 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 raise our 2024 U.S. GDP forecast to 2.4% from 1.5%. Although this is slightly weaker than the 2.5% growth for the U.S. in 2023, the labor market remains sturdy, with strong job gains in both December 2023 and January 2024 and wage gains in most industries remaining above the inflation rate. Nonetheless, we expect unemployment to increase slightly to 3.9% this year from 3.6% in 2023 (see "U.S. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going," published Feb. 21, 2024).

We are also closely watching the following developments:

- Consumers are showing signs of strain due to increased debt loads. The ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods, according to the Federal Reserve Bank of New York/Equifax credit data. This is driven primarily by the subprime segment, which represents about one-seventh of the total outstanding auto loan balance.
- Employment in the temporary help services sector was down 7.0% in January from a year ago. A decline of this magnitude has been a harbinger of weaker future demand for permanent workers.
- Student loan payments resumed in October 2023 and is putting upward pressure on debt

service ratios. This could lead to even higher consumer delinquencies and charge-offs.

We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work, will continue to prioritize their auto loan and lease payments before their other consumer and student loan payments. Furthermore, in the auto market, as new vehicle supply imbalances continue to ease, inventory levels rebuild, and manufacturer incentives increase, we expect used vehicle values to continue to normalize to historical levels.

Table 4

U.S. economic factors

	Actual	Forecast				
	2023	2024	2025	2026	2027	
Real GDP (% year-over-year growth)	2.5	2.4	1.5	1.6	1.8	
Unemployment rate (% annual average)	3.6	3.9	4.2	4.3	4.2	
Consumer Price Index (% annual average)	4.1	2.8	2.0	2.4	2.4	

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

S&P Global Ratings' Expected Loss: 1.00%

We determined our expected loss for CITZN 2024-2 by analyzing:

- The transaction's collateral characteristics relative to those of the outstanding series(see table 2);
- Collateral characteristics compared with CITZN 2024-2's peers (see table 3);
- The managed portfolio performance and origination static pool data and their relative performances (see table 5); and
- Citizen's outstanding securitizations' performance to date (see table 6 and chart 2).

We complemented this analysis with origination static pool analysis, and 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 2024-2 to experience lifetime cumulative net losses (CNLs) of 1.00%, which is unchanged from our initial expected CNL for CITZN 2024-1.

Managed Portfolio

Citizens is the receivables' originator, sponsor, and servicer. As of Dec. 31, 2023, Citizens' managed portfolio of auto receivables with a minimum FICO score of 660 and a maximum LTV of 140% totaled approximately \$7.13 billion, an approximate 32% decline year over year from approximately \$10.55 billion as of Dec. 31, 2022 (see table 5). The decline is a result of balance sheet optimization the bank has undertaken since 2022, including its decision to no longer originate indirect auto loans beginning in July 2023. Portfolio charge-offs and delinquencies are normalizing from COVID-19 pandemic lows but remain below or in line with pre-pandemic levels. Annual net charge-offs as a percentage of the average balance of contracts outstanding increased to 0.39% as of Dec. 31, 2023, from 0.18% a year earlier, while total 30-plus-day delinquencies increased to 2.29% as of Dec. 31, 2023, from 1.46% a year earlier.

Table 5

Citizens Bank N.A.'s managed portfolio

	Year ended Dec. 31					
	2023	2022	2021	2020	2019	2018
Ending principal balance (mil. \$)	7,134.65	10,552.23	12,334.94	10,219.73	9,961.86	9,704.98
Average principal balance (mil. \$)	8,793.27	11,666.75	11,153.70	10,034.29	9,779.79	9,901.51
30- to 59-day delinquencies (% of outstanding balance)	1.44	0.96	0.73	0.96	1.33	1.22
60- to 89-day delinquencies (% of outstanding balance)	0.64	0.36	0.27	0.33	0.47	0.39
90-plus-day delinquencies (% of outstanding balance)	0.22	0.15	0.09	0.11	0.14	0.14
30-plus-day delinquencies (% of outstanding balance)	2.30	1.46	1.09	1.41	1.94	1.75
Net charge-offs (% of the average receivables outstanding principal amount)	0.39	0.18	0.09	0.40	0.49	0.45

Origination Static Pool Analysis

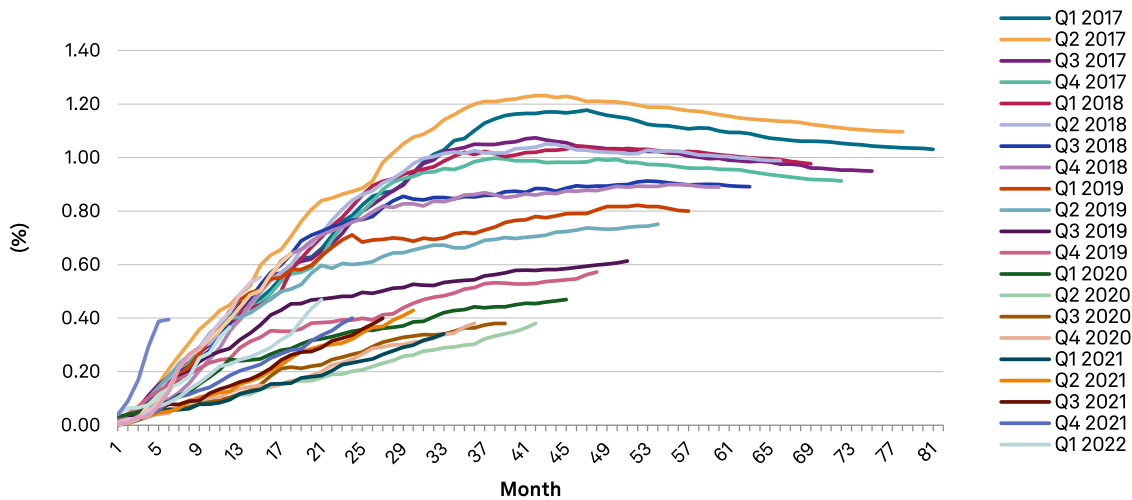
Our analysis is based on approximately nine years (2015-2023) of static pool data. To derive the base-case loss for the transaction, we analyzed yearly origination static pool data in aggregate as well as broken out into various one-dimensional (credit score, LTV ratio, new/used, and original term) and 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 2024-2 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 pandemic-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 height of the pandemic and recovery rates begin to fall.

Chart 1

Quarter origination vintages

FICO score >= 660, LTV <= 140 | CNL performance



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Citizen Auto Receivables Trust Performance

We currently maintain ratings on the CITZN 2023-1, 2023-2, and 2024-1 transactions (see table 6), which are in their ninth, sixth, 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

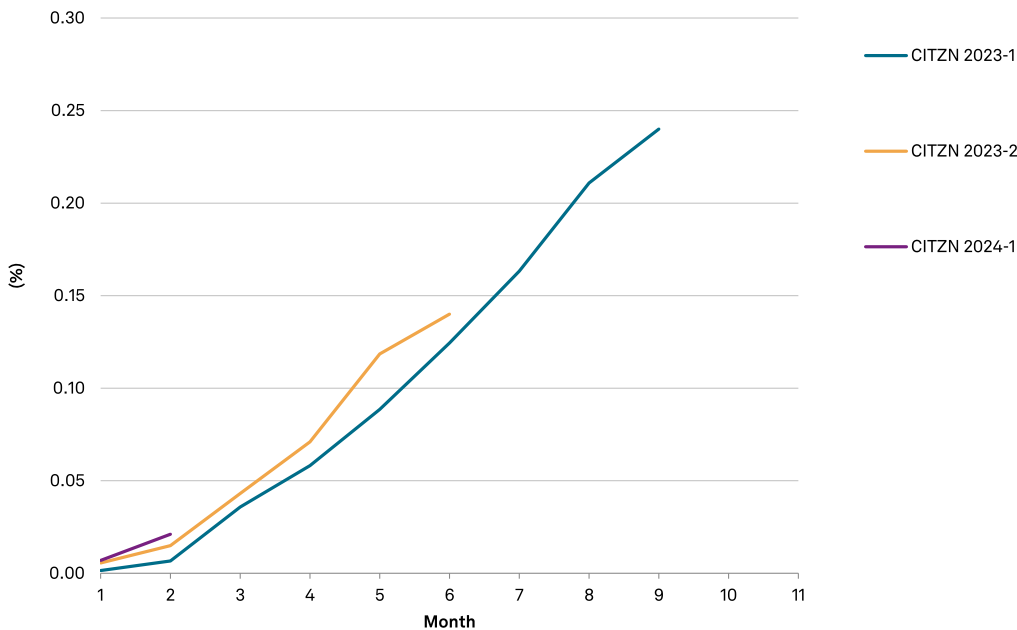
Performance data for
outstanding Citizen Auto
Receivables Trust transactions
(as of the December 2023
distribution date)

Series	Month	Pool factor (%)	Current CNL (%)	60-plus-day delinquency (%)	Original lifetime expected CNL (%)	Revised lifetime expected CNL (%)
2023-1	9	70.40	0.24	0.42	1.00	N/A
2023-2	6	78.81	0.14	0.30	1.00	N/A
2024-1	2	90.60	0.02	0.22	1.00	N/A

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

Chart 2

Citizen Auto Receivables Trust's series CNL



CITZN--Citizen Auto Receivables Trust. CNL--Cumulative net loss.
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Legal Overview And Transaction Structure

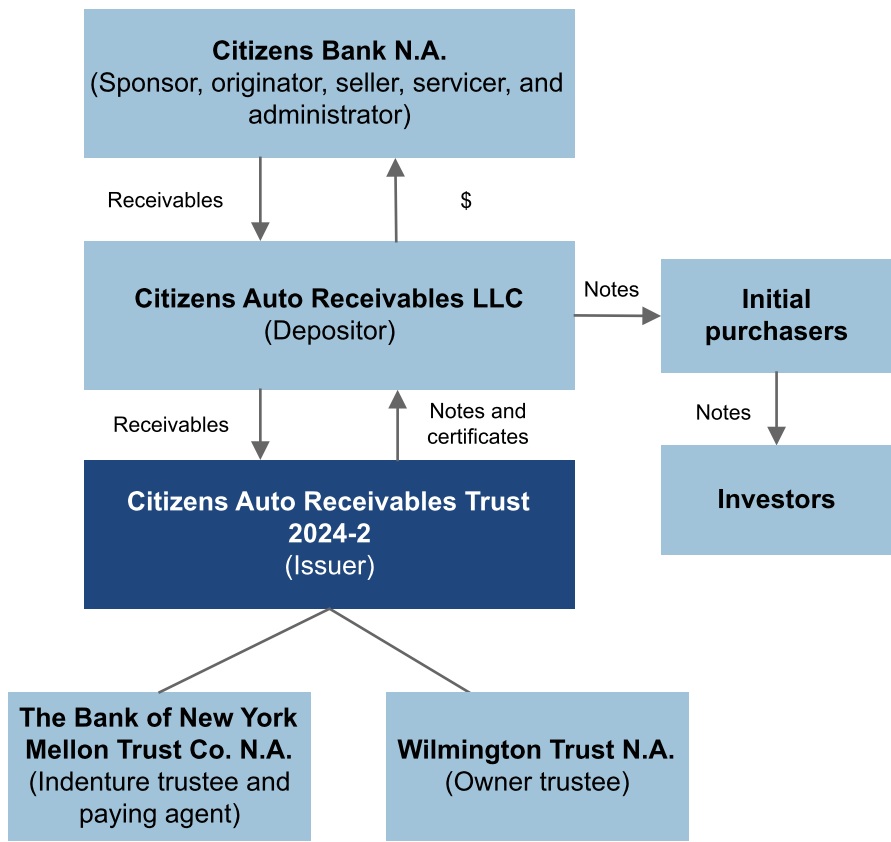
Legal overview

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 2024-2, 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 3).

Chart 3

Transaction structure



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Transaction Structure

The CITZN 2024-2 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 YSOA that will initially be approximately 4.92% of the initial adjusted receivables balance. The YSOA is sized so that the yield on the contracts with APRs below the YSOA required rate of 9.25% 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.
- 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 2024-2 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.

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	26.00
Above-water	74.00
Loss allocation (%)	
Underwater	10.00
Above-water	90.00
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	49/80/98/100
Underwater	32/70/91/100
Above-water	51/82/100
Approximate break-even net loss levels (%)⁽ⁱ⁾	
Required	5.00
Available	8.04

(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

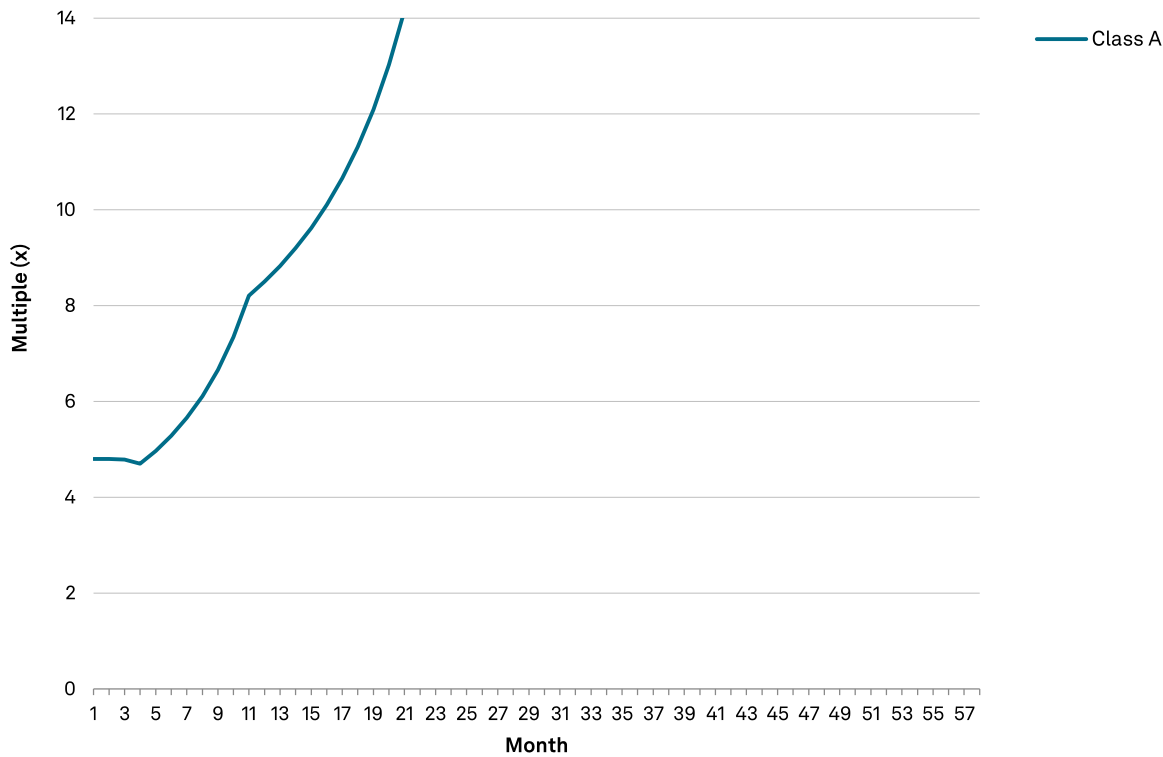
Credit stability as a limiting factor on ratings

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.

Chart 3

Sensitivity analysis--coverage multiple



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Legal final maturity

To test the legal final maturity dates for classes A-1, 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.

Counterparty And Operational Risks

Bank account provider

On or before the closing date, the CITZN 2024-2 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
- 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

- Citizens Financial Group Inc., March 12, 2024
- U.S. Auto Loan ABS Tracker: January 2024 Performance, March 7, 2024
- U.S. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going, Feb. 21, 2024
- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023

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