

Presale:

# BMW Vehicle Lease Trust 2024-1

February 1, 2024

## Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. \$)	Preliminary amount (upsized) (mil. \$)	Expected legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	150.00	195.00	Feb. 25, 2025
A-2a/A-2b	AAA (sf)	Senior	Fixed/floating(ii)	375.00	487.50	July 27, 2026
A-3	AAA (sf)	Senior	Fixed	375.00	487.50	March 25, 2027
A-4	AAA (sf)	Senior	Fixed	100.00	130.00	June 25, 2027

Note: This presale report is based on information as of Feb. 1, 2024. 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. (i)The actual coupons of these tranches will be determined on the pricing date. (ii)At closing, the class A-2 notes may be split into a fixed-rate class A-2a and a floating-rate class A-2b. The sizes of these classes will be determined at pricing, although the principal balance of the class A-2b notes may not exceed 50.00% of the aggregate principal balance of the class A-2 notes. The class A-2b interest rate will be a floating rate indexed to SOFR plus a margin (to be determined).

## Profile

Expected closing date	Feb. 14, 2024.
Collateral	Prime auto lease receivables.
Sponsor, servicer, and administrator	BMW Financial Services N.A. LLC.
Origination trust	Financial Services Vehicle Trust.
Vehicle trustee	BNY Mellon Trust of Delaware.
UTI beneficiary	BMW Manufacturing L.P.
Depositor	BMW Auto Leasing LLC.
Indenture trustee	U.S. Bank Trust Co. N.A. (A+/Stable/A-1).
Bank account provider	U.S. Bank N.A. (A+/Stable/A-1).
Owner trustee	Wilmington Trust N.A.

UTI--Undivided trust interest.

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## Rationale

The preliminary ratings assigned to BMW Vehicle Lease Trust 2024-1's (BMWLT 2024-1) asset-backed series 2024-1 notes reflect:

- The availability of approximately 22.8% credit support for the class A notes based on our stressed cash flow scenarios, in the form of 13.15% initial overcollateralization that grows to and remains at 15.65% as a percentage of the initial aggregate securitization value, a non-amortizing reserve account amount of 0.25% of the initial aggregate securitization value, and excess spread.
- The expectation that under a moderate ('BBB') stress scenario, all else being equal, our preliminary 'AAA (sf)' ratings on the class A notes are within our credit stability limits (see the Cash Flow Modeling Assumptions and Results sections).
- 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 credit quality and residual-value characteristics of the securitized pool of prime auto lease receivables together with our view of the credit risk and residual value risk of the collateral pool, 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 historical credit performance and residual value realization of relevant previous transactions by the same originator.
- Automotive Lease Guide's (ALG) forecast of the vehicles' residual value at lease inception and of current residuals.
- The series' bank accounts at U.S. Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of BMW Financial Services N.A. LLC (BMW FS) as an originator, servicer, and administrator, along with our view of the company's experience and track record in underwriting, servicing, residual setting, and remarketing.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our 'AAA' stressed losses for the BMWLT 2024-1 pools (base and upside) are 20.29% of the initial aggregate securitization value. Our stressed losses include 2.00% as our stressed net credit loss (assumes 0.40% base-case expected cumulative net loss, unchanged from series 2023-2) and 18.29% as our ratings-specific stressed residual loss for the pool.

In our view, the credit enhancement outlined in the Credit Enhancement and Collateral section below provides more than adequate coverage for the stressed losses to support our assigned preliminary ratings (see Cash Flow Modeling Assumptions and Results section).

## 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 generally 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. While the adoption of electric vehicles and future regulation could in time lower ICE vehicle values, we believe 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 material ESG credit factor in our analysis.

## Credit Enhancement And Collateral

### Structural changes from BMWLT 2023-2

- The 2024-1 structure includes a potential floating-rate A-2b tranche indexed to 30-day compounded SOFR plus a margin; whereas the 2023-2 notes were all fixed rate.
- The securitization discount rate decreased to 11.40% from 12.10%.
- The pre-pricing per annum excess spread increased to 5.02% from 4.93% due to a reduction in the cost of debt.

Table 1 shows the credit enhancement changes from recent transactions.

Table 1

### Credit enhancement summary(i)

	BMWLT 2024-1	BMWLT 2024-1 (upsized)	BMWLT 2023-2	BMWLT 2023-1	BMWLT 2022-1	BMWLT 2021-2(ii)
<b>Overcollateralization (%)</b>						
Initial	13.15	13.15	13.15	13.15	14.39	14.15
Target	15.65	15.65	15.65	15.65	16.30	16.30
<b>Reserve account (%)</b>						
Initial	0.25	0.25	0.25	0.25	0.25	0.25
Target	0.25	0.25	0.25	0.25	0.25	0.25
Total initial hard credit enhancement (%)	13.40	13.40	13.40	13.40	14.64	14.40
Total target hard credit enhancement (%)	15.90	15.90	15.90	15.90	16.55	16.55

Table 1

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

	BMWLT 2024-1	BMWLT 2024-1 (upsized)	BMWLT 2023-2	BMWLT 2023-1	BMWLT 2022-1	BMWLT 2021-2(ii)
Estimated excess spread per year (%) (iii)	5.02	5.02	5.13	5.29	4.91	5.10
Discount rate (%)	11.40	11.40	12.10	11.45	6.90	6.40
Initial aggregate securitization value (\$)	1,151,412,123	1,496,835,259	1,439,263,097	1,151,428,803	1,460,090,379	1,456,027,959
Total securities issued (\$)	1,000,000,000	1,300,000,000	1,250,000,000	1,000,000,000	1,250,000,000	1,250,000,000

(i) All percentages are based on the initial aggregate securitization value. (ii) Not rated by S&P Global Ratings. (iii) For series 2023-2, 2023-1, 2022-1, and 2021-2, this reflects estimated annual excess spread at final pricing. BMWLT--BMW Vehicle Lease Trust.

**Collateral changes from BMWLT 2023-2**

Notable changes in the collateral composition from series 2023-2 include that:

- Series 2024-1's total base residual (undiscounted) as a percentage of the aggregate securitization value decreased to approximately 66.70% (base and upsized) from 71.40%.
- The average undiscounted base residual value increased to approximately \$34,985 (\$35,027 if upsized) from \$32,009.
- The average securitization value increased to approximately \$52,451 (\$52,511 if upsized) from \$44,830.
- Seasoning declined to approximately eight months (base and upsized) from 12 months.
- The weighted average FICO score increased slightly to 798 (base and upsized) from 795.
- The percentage of electric vehicles (battery and plug-in hybrid electric vehicles) increased to 10.10% (10.14% if upsized) from 9.87% by base residual value. The concentration for 2024-1 slightly exceeds our benchmark pool.

Table 2

**Collateral comparison**

	BMWLT 2024-1	BMWLT 2024-1 (upsized)	BMWLT 2023-2	BMWLT 2023-1	BMWLT 2022-1	BMWLT 2021-2(ii)
Number of leases	21,952	28,505	32,105	26,919	35,887	36,213
Aggregate securitization value (\$)	1,151,412,123	1,496,835,259	1,439,263,097	1,151,428,803	1,460,090,379	1,456,027,959
Aggregate base residual value (\$)	767,992,614	998,440,358	1,027,644,258	829,062,715	1,025,867,011	1,021,574,809
Avg. securitization value (\$)	52,451	52,511	44,830	42,774	40,686	40,207

Table 2

**Collateral comparison (cont.)**

	BMWLT 2024-1	BMWLT 2024-1 (upsize)	BMWLT 2023-2	BMWLT 2023-1	BMWLT 2022-1	BMWLT 2021-2(ii)
Avg. base residual value (\$)	34,985	35,027	32,009	30,798	28,586	28,210
Base residual as a % of the aggregate securitization value	66.70	66.70	71.40	72.00	70.26	70.16
Weighted avg. FICO score	798	798	795	795	790	790
New vehicles (%)	100.00	100.00	100.00	100.00	100.00	100.00
<b>Top six vehicle series (% of the aggregate securitization value)(i)</b>						
X5	18.89	18.84	19.27	18.22	15.41	15.46
X3	17.33	17.34	12.34	15.84	17.67	17.23
X7	13.62	13.50	11.06	10.80	9.25	9.11
4 Series	9.87	9.78	11.53	8.12	5.98	6.50
3 Series	7.40	7.45	8.54	10.72	14.39	13.32
7 Series	6.30	6.35	7.27	4.76	4.42	4.64
Weighted avg. original term (mos.)	36	36	36	36	36	36
Weighted average remaining term (mos.)	28	28	24	24	24	25
Weighted avg. seasoning (mos.)	8	8	12	12	12	11
<b>Original lease term (% of securitization value)</b>						
13-24 months	0.42	0.44	0.19	0.10	0.39	0.39
25-36 months	99.58	99.56	99.81	99.90	99.61	99.61
<b>Top four state concentrations (% of securitization value)</b>						
CA=20.87	CA=20.90	CA=18.80	CA=15.61	CA=15.16	CA=14.52	
FL=12.38	FL=12.47	FL=13.17	FL=12.44	FL=14.42	FL=14.10	
NY=9.12	NY=9.18	NY=10.91	NY=11.40	NY=11.79	NY=12.63	
TX=9.06	TX=9.01	NJ=10.24	NJ=11.37	NJ=11.75	NJ=11.77	

(i)Displayed in descending order for series 2024-1. (ii)Not rated by S&amp;P Global Ratings. BMWLT--BMW Vehicle Lease Trust.

**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 revise our 2024 U.S. GDP forecast upward by 0.2 percentage points to 1.5%. However, this is down from 2023's forecasted GDP growth of 2.4% because the market's resiliency will be tested going forward, as real interest rates stay relatively high in 2024 and the lags of tightened monetary policy feed through the economy.

Other reasons for caution include:

- Consumers are showing signs of strain due to increased debt loads, and, according to the Federal Reserve Bank of New York/Equifax credit data, the ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods (driven primarily by the subprime segment, which is about one-seventh of the total outstanding auto loan balances); and
- Student-loan payments have resumed, which will put upward pressure on debt service ratios and could negatively affect consumer spending.

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

Weaker economic growth will cause demand for labor to decrease further and the unemployment rate to rise in the next two years--to 4.6% in 2025 from 3.9% in October 2023 (see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 28, 2023). We're already seeing unemployment benefit claims continue to rise above the 2019 average, suggesting it has become more difficult to find jobs for people when they're laid off, and employment in the temporary help services sector was down over 6% year over year as of December 2023, a decline whose magnitude has in the past been a harbinger of a recession.

Table 3

U.S. economic factors

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

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics' forecasts as of November 2023.

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' Stressed Losses

We determined our stressed credit and residual losses for BMWLT 2024-1 transaction by analyzing:

- The credit quality and collateral characteristics of the securitized pool of auto leases (see table

2);

- BMW FS' managed new lease portfolio performance (see table 4);
- BMW FS' origination static pool loss performance by various cross-segments;
- BMWLT's securitization credit and residual performance;
- Comparisons of collateral pool characteristics and securitization performance to peers;
- Our consideration of the derivation of the transaction's base residual value;
- The residual maturity profile and diversification of residual risk exposure relative to our benchmark pool; and
- The relative accuracy of the ALG's residual value forecasts and used vehicle prices of the related vehicles in the securitized pool.

## Managed portfolio

As of Sept. 30, 2023, BMW FS' managed new lease portfolio outstanding comprised 344,670 contracts totaling \$16.80 billion. This represents a 6% decline in the lease balance outstanding from a year earlier, reflecting the constraint on new vehicle supply experienced in 2022 by the auto industry and the reduced incentive spend for leasing.

Overall, BMW FS' managed new lease portfolio shows stable performance relative to prior periods. Total delinquencies increased year over year to 0.79% from 0.62% but remain below or comparable to historical, pre-pandemic levels. The number of repossessions sold as a percentage of the average number of lease contracts outstanding increased to approximately 0.42% as of Sept. 30, 2023, from 0.21% a year earlier. The higher year-to-year delinquency and repossession ratios may be partially due to the declining lease portfolio balance. Annualized net losses as a percentage of the average dollar amount of lease contracts outstanding increased to 0.15% for the nine months ended Sept. 30, 2023, from 0.04% for the nine months ended Sept. 30, 2022 (see table 4). The current loss levels appear comparable to historical, pre-pandemic levels.

Table 4

### BMW FS managed new lease portfolio

	Nine months ended Sept. 30		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Leases outstanding (mil. \$)	16,804.65	17,940.92	17,042.21	21,148.84	21,180.51	21,256.44	20,634.19
Avg. leases outstanding (mil. \$)	16,923.43	19,544.88	19,095.53	21,164.67	21,218.47	20,945.31	21,036.19
No. of leases outstanding	344,670	387,087	364,454	457,035	467,822	480,199	476,908
<b>Delinquent leases(%)<sup>(i)</sup></b>							
31-60 days	0.44	0.34	0.43	0.33	0.42	0.53	0.59
61-90 days	0.18	0.14	0.19	0.10	0.15	0.17	0.21
91-120 days	0.08	0.07	0.09	0.05	0.08	0.06	0.09
121-150 days	0.04	0.03	0.03	0.02	0.06	0.02	0.04
Over 150 days	0.04	0.03	0.03	0.03	0.22	0.04	0.03

Table 4

**BMW FS managed new lease portfolio (cont.)**

	Nine months ended Sept. 30		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Total	0.79	0.62	0.76	0.54	0.94	0.82	0.96
Repossessions sold (%)(ii)	0.42	0.21	0.22	0.33	0.31	0.58	0.66
Net losses (%) (iii)	0.15	0.04	0.07	0.13	0.16	0.22	0.24
Vehicles returned to BMW FS (%) (iv)	70	64	62	84	84	91	84
Total gain/(loss) on ALG residuals on vehicles returned to BMW FS (%) (v)	26.6	31.7	31.4	26.1	3.7	(4.0)	(3.6)

(i) As a percent of the lease balance outstanding. Leases are charged off when they become 150 days delinquent, except when BMW FS is prohibited by applicable law from charging off such leases, including when the related user-lessee is the subject of bankruptcy proceedings.  
(ii) As a percent of the average number of leases outstanding. (iii) As a percent of the average dollar amount of leases outstanding, annualized.  
(iv) As a percent of the number of vehicles terminated. (v) As a percent of the ALG's residual value of returned vehicles sold by BMW FS. BMW FS--BMW Financial Services N.A. LLC. ALG--Automotive Lease Guide.

For the nine months ended Sept. 30, 2023, BMW FS continues to experience healthy gains on ALG residuals on vehicles returned and sold by BMW FS at 26.6%, despite a slight decline from the 31.7% experienced a year earlier. The substantial gain on residuals, in our opinion, was due to higher-than-expected demand for used BMW vehicles, given that the pandemic created new vehicle shortages.

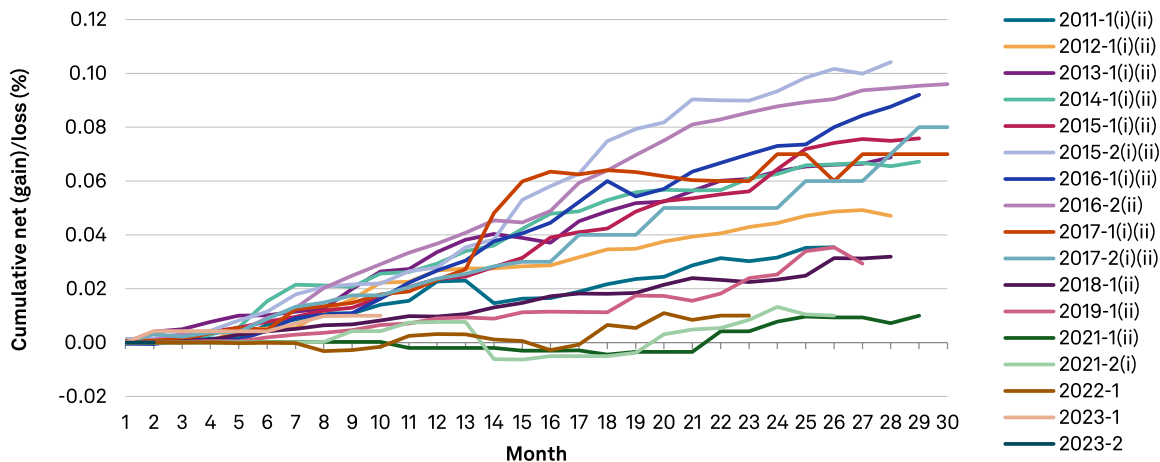
**Securitization performance**

As of the December 2023 distribution date, four BMWLT transactions remain outstanding, series 2021-2 (not rated by S&P Global Ratings), 2022-1, 2023-1, and 2023-2. These transactions are experiencing cumulative net credit losses of 0.00%-0.01% and residual gains of 0.77%-14.99%, all as a percentage of the initial aggregate securitization value (see charts 1 and 2 and table 5). Historical net credit loss performance on BMW FS' paid off lease pools from 2011-2021 have ranged from 0.01%-0.10% and positive residual performance with gains ranging from 0.75%-17.94%.



Chart 1

### BMW FS auto lease securitizations cumulative net losses

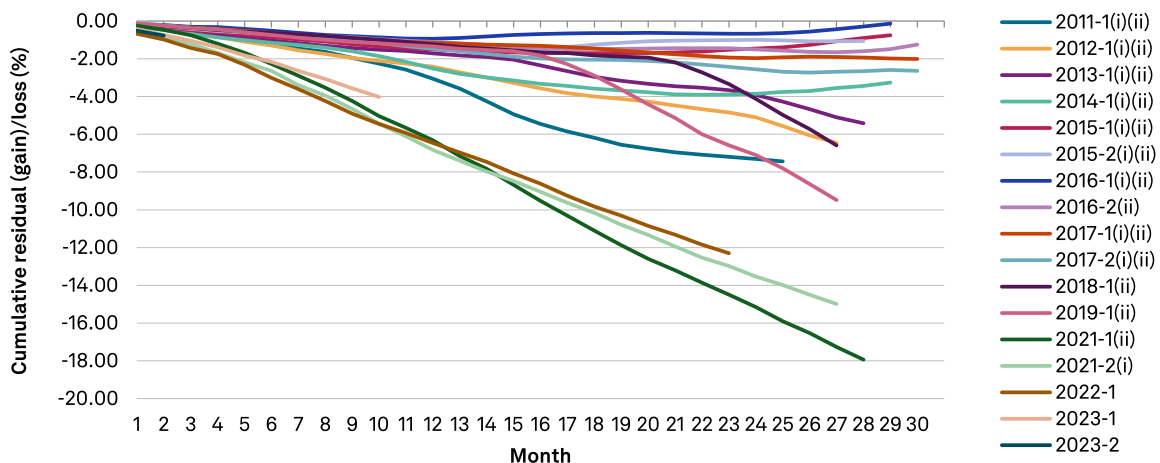


(i)Not rated by S&P Global Ratings. (ii)Paid-off transaction. BMW FS--BMW Financial Services N.A. LLC.

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Chart 2

### BMW FS auto lease securitizations cumulative residual (gain)/Loss



(i)Not rated by S&P Global Ratings. (ii)Paid-off transaction. BMW FS--BMW Financial Services N.A. LLC.

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In August 2023, we affirmed BMWLT 2022-1's outstanding ratings and revised our lifetime net credit loss expectation to up to 0.20% for the series from 0.40% (see "BMW Vehicle Lease Trust 2022-1 Ratings Affirmed On Two Classes," published Aug. 24, 2023).

Table 5

**Performance data for outstanding BMW vehicle lease trust transactions(i)(ii)**

Transaction/series	Month	Pool factor (%)	Note factor (%)	Credit CNL(%) (iii)	Cumulative net residual losses/(gains)(%) (iii)	Initial expected lifetime credit CNL (%)	Revised expected lifetime credit CNL (%) (iv)
2022-1	23	33.48	20.07	0.01	(12.30)	0.40	up to 0.20
2023-1	10	73.57	66.69	0.01	(4.02)	0.40	N/A
2023-2	2	93.95	90.48	0.00	(0.77)	0.40	N/A

(i)As of the December 2023 distribution date. (ii)Rated by S&amp;P Global Ratings. (iii)As a percentage of the initial aggregate securitization value.

(iv)Revised in August 2023. CNL--Cumulative net loss. N/A--Not applicable.

**Series 2024-1 credit loss**

The obligor's credit profile determines the credit risk. To derive the base-case credit loss for the series 2024-1 transaction, we used static pool credit net loss data provided by BMW FS to project losses on its portfolio of lease originations segmented by lease term, FICO score band, and new or used vehicle. We then weighted the projections by the actual concentration of those various segments in the series 2024-1 pool. We also looked at the loss performance of BMW FS' outstanding lease securitizations as well as of its paid-off securitizations. We considered the BMWLT 2024-1 pool's collateral credit quality, BMW FS' overall managed portfolio performance, collateral and performance comparisons with BMW FS' peers, and the current economic conditions. Based on this information, we expect the BMWLT 2024-1 pool's cumulative net credit loss to be 0.40% of the pool's securitization value, unchanged from series 2023-2.

**Series 2024-1 residual loss**

In our analysis of the series 2024-1 pool's base residual value, we considered:

- The stability of the historical used-vehicle values of the BMW vehicles;
- The basis behind ALG's current forecast;
- The basis for the differences between the actual values and the forecasts;
- The base residual values of the top 10 BMW vehicle series (X3, X5, X7, 4 Series, 3 Series, 5 Series, 7 Series, X6, 8 Series, and X4), which make up over 90% of the series 2024-1 pool's initial aggregate base residual;
- BMW's near-term plans, if any, to discontinue or update the vehicle series in question;
- Brand perception; and
- Our macroeconomic and sector outlook.

Based on these factors, we did not adjust the base residual value. The haircuts we applied to the base residual value are as follows.

### **Base haircut**

According to our auto criteria, we first applied an initial 26.0% rating-specific haircut to the series 2024-1 pool's base residual value. This is commensurate with a 'AAA' rating scenario.

### **Excess concentration haircut**

In addition to the aforementioned base haircut, we applied a haircut to the amount of nondefaulted lease residuals that exceed the concentration limits applicable to the benchmark pool (excess concentrations) as outlined in our auto criteria. The haircut to excess concentrations commensurate with a 'AAA' rating scenario is 13.00%.

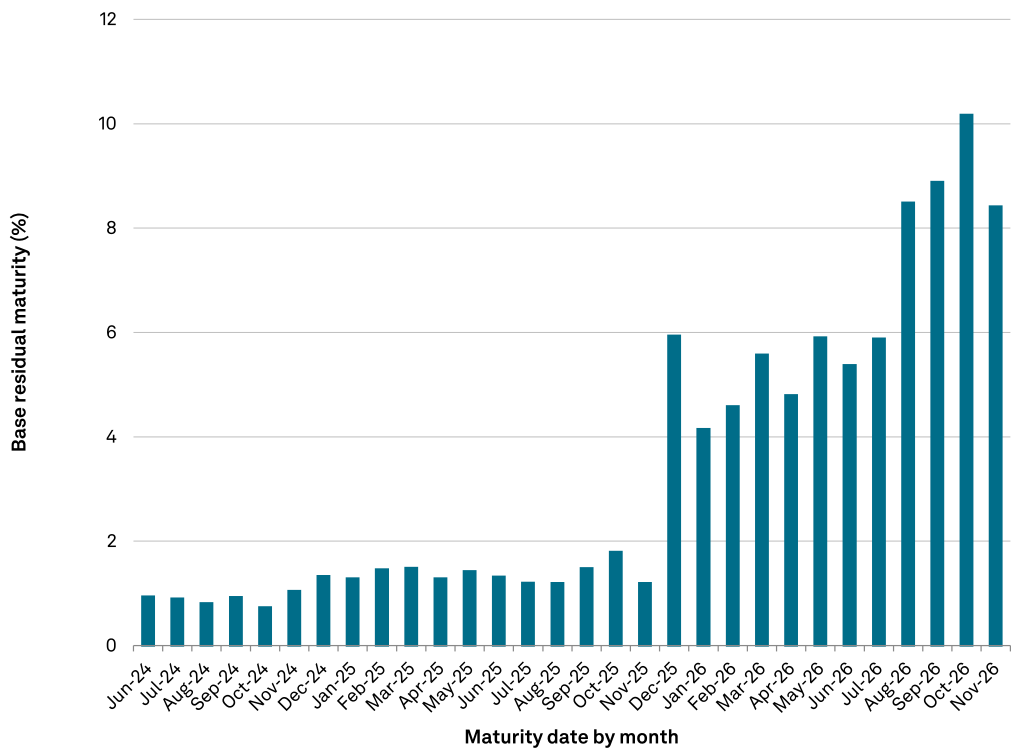
Based on our calculations, the BMWLT 2024-1 pool has a total excess concentration of approximately 19.73% (19.75% if upsized) of base residual value due primarily to the pool's residual maturity distribution. A small portion--0.10% (0.14% if upsized)--derives from the concentration of the pool, by base residual value, of plug-in hybrids and battery electric vehicles, which exceeds our benchmark pool concentration limit of 10.00%.

The total excess concentration is multiplied by the 13.00% haircut to arrive at the additional haircut percentage. This resulted in additional haircuts to the base residual value of approximately 2.57% under our 'AAA' rating scenario.

The BMWLT 2024-1 pools' (base and upsized) initial lease maturities begin in June 2024, with leases maturing each month until November 2026 (see charts 3a and 3b). There are nine months where the expected base residual maturity level exceeds our 5.00% benchmark concentration limit. The highest monthly maturity, 10.17%, is expected to occur in October 2026.

Chart 3a

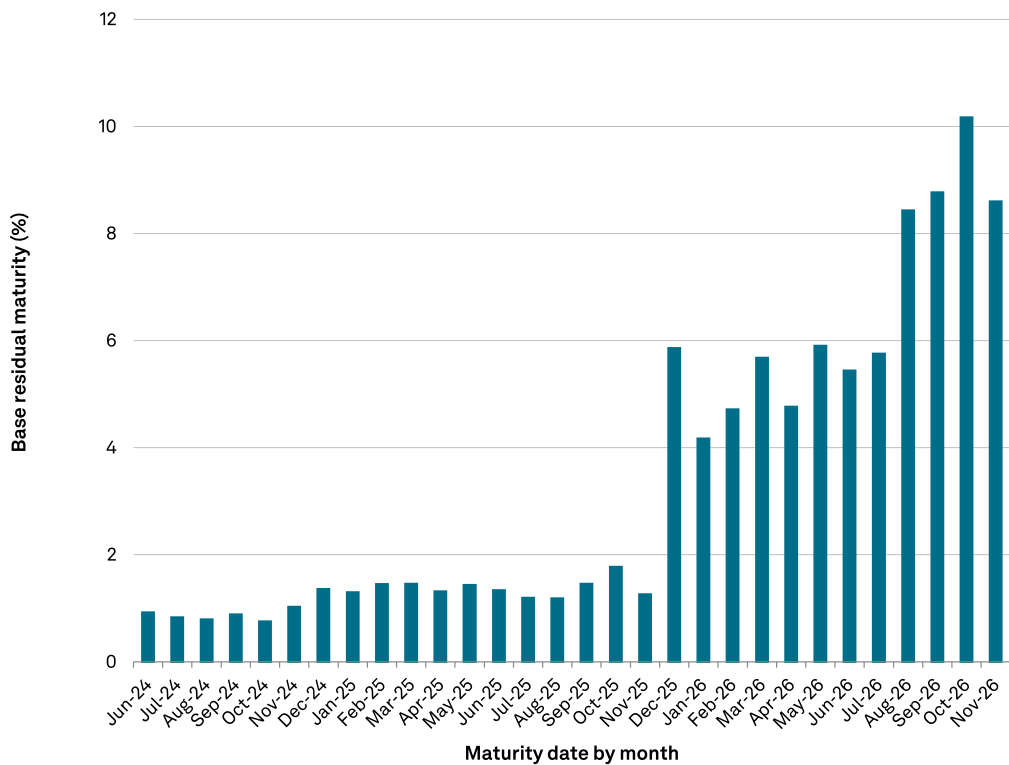
Lease maturity profile (base pool)



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Chart 3b

Lease maturity profile (upsized pool)



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Speculative-grade manufacturer haircut

Our auto criteria apply haircuts to the base residual value of the vehicles produced by manufacturers with speculative-grade issuer credit ratings (i.e., 'BB+' or lower).

BMW AG is the manufacturer of the leased vehicles backing the BMWLT 2024-1 pool. The current long-term issuer credit rating on BMW AG is 'A', and the short-term rating is 'A-1'. Therefore, it is not necessary to apply a speculative-grade manufacturer haircut to the series 2024-1 transaction under our current auto criteria.

Low diversification haircut

For pools with low diversification, as described below, residual-value haircuts are typically further adjusted by adding an additional component generally equal to 50% of the excess concentration haircut determined in the tables above. This additional haircut usually applies to lease pools that have one or more of the following characteristics:

- Over 20% of the residuals maturing in any single month;
- Over 50% of the residuals maturing in any three-month period;
- The pool contains three or fewer individual models;
- The pool contains more than 75% of large/full-size ICE SUVs, trucks, and vans;

- The pool contains more than 75% of small/compact ICE cars (including hybrids);
- The pool contains more than 20% of new models; and
- The pool contains more than 20% of discontinued models.

A low diversification haircut was not applied to the BMWLT 2024-1 pool as the pool, in our view, did not meet any of the applicable characteristics.

## **Total stressed residual losses**

We analyzed the BMWLT 2024-1 lease pools (base and upsize), applied the relevant residual value haircuts, and assessed a stressed return rate of 100.00%, which represents the loss frequency on nondefaulted leased vehicles (96.00%). Our stressed residual loss under a 'AAA' scenario is approximately 28.57% of the undiscounted base residual value, or approximately 18.29% of the securitization value (see table 6).

Table 6

### **Stressed residual loss**

Scenario (preliminary rating)	AAA (sf)
Residual haircut as a % of undiscounted base residual	26.00
Additional excess concentration haircut (%)	2.57
Total residual haircut as a % of base residual value	28.57
Total residual haircut as a % of securitization value	18.29

## **Legal Overview and Transaction Structure**

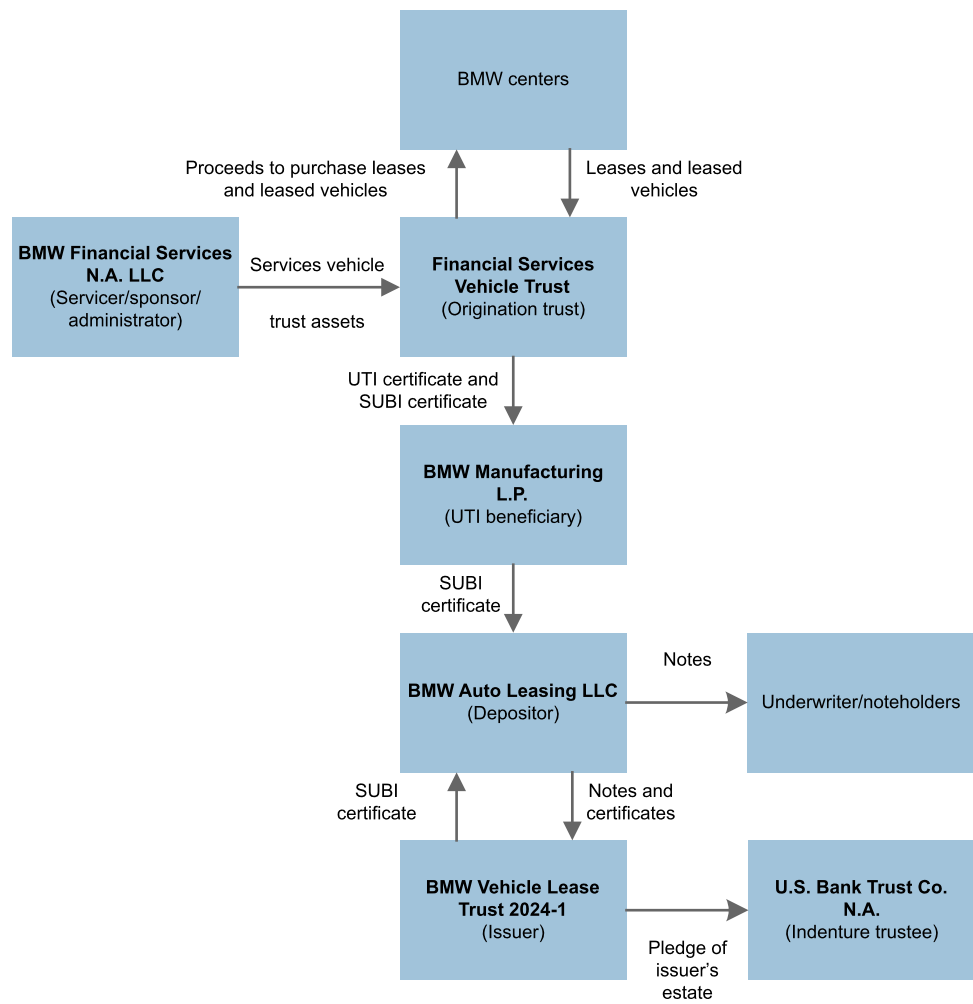
### **Legal overview**

In rating this transaction, we will review the legal matters we believe are relevant to our analysis, as outlined in our criteria.

The receivables backing the BMWLT 2024-1 notes will comprise monthly lease payments and base residual values of a pool of lease contracts originated by BMW dealers and assigned to the origination trust. All of the leased vehicles included in the transaction will be titled in the origination trust's name, Financial Services Vehicle Trust (a Delaware statutory trust). The origination trust will issue a special unit of beneficial interest (SUBI) certificate to BMW Manufacturing L.P., which will sell, transfer, and assign its interest in the series 2024-1 SUBI to BMW Auto Leasing LLC (the depositor). The depositor will, in turn, transfer and assign the certificate representing its interest in the series 2024-1 SUBI to BMWLT 2024-1 (the issuer). The issuer will issue four tranches of class A asset-backed notes in an aggregate principal amount of \$1.00 billion (\$1.30 billion if upsized). The issuer will pledge the SUBI certificate to the indenture trustee as security for the notes.

Chart 4

Transaction structure



SUBI--Special unit of beneficial interest. UTI--Undivided trust interest.  
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Pension Benefit Guaranty Corp. (PBGC) could impose a lien against the assets of any member of BMW AG's controlled group if the minimum contribution payments to a defined benefit pension plan required by law are unpaid or if an underfunded defined benefit pension plan is terminated. As a member of the controlled group, BMW FS' assets (including those leases and leased vehicles designated to the series 2024-1 SUBI, which serves as the payment source to the issued series 2024-1 asset-backed notes) could be subject to a PBGC lien if the minimum contribution payments are not made or if there is a termination of an underfunded defined benefit plan. In our opinion, the risk of a PBGC lien on the leases and the residuals assigned to the series 2024-1 SUBI, which is pledged to the series 2024-1 asset-backed notes, is mitigated by the pension plan's small size relative to the titling trust's assets and the company's history of keeping the plan funded at the appropriate levels.

## Transaction structure

BMWLT 2024-1 will be BMW FS' 21st auto lease term ABS transaction since 2007. Like BMW FS' previous auto lease securitizations, the transaction includes a nonamortizing reserve account amount and initial overcollateralization with target levels that are nonamortizing.

The receivables backing the BMWLT 2024-1 pool will consist of the monthly lease payments and base residual values of a pool of lease contracts originated by BMW dealers. The leased vehicles will consist of new BMW-brand passenger cars and SUVs.

The issuing trust will issue four tranches of class A notes. Note principal will be paid sequentially.

## Payment Priority

On each payment date before the notes have been accelerated following an event of default, the indenture trustee will make distributions from available funds according to the payment priority shown in table 7. Principal on the notes will be paid sequentially.

Table 7

### Payment waterfall (before acceleration following an event of default)

Priority	Payment
1	To the servicer, servicer advance reimbursement.
2	To the servicer, the servicing fee (1.00%) and any unpaid servicing fees from prior periods.
3	To the indenture trustee, owner trustee, and asset representations reviewer, pro rata, any fees, expenses, or indemnification amounts due and not paid, capped at \$250,000 per year.
4	To the noteholders, interest on the notes, pro rata.
5	To the noteholders, the first priority principal distribution amount equal to the excess, if any, of the notes' outstanding amount over the securitization value.
6	To the reserve fund, the amount, if any, necessary to cause the amount on deposit in the reserve fund to equal the required reserve amount.
7	To the noteholders, the regular principal distribution amount sequentially(i).
8	To the indenture trustee, owner trustee, and asset representation reviewer, pro rata, any amounts due and not paid in item 3 in this payment waterfall.
9	To the certificateholders, any remaining amounts.

(i) The regular principal distribution amount is designed to build the initial overcollateralization level of 13.15% to the target level of 15.65% of the initial securitization value. All of the required payments on the notes will be due and payable on each payment date (the 25th of each month or the next business day), beginning March 25, 2024.

The occurrence and continuation of any of the following events will constitute an event of default for series 2024-1:

- The nonpayment of note interest for five days or more;
- The nonpayment of note principal on the respective legal final maturity date;
- A material default in observing or performing a covenant or agreement of the issuer or a breach of any representation or warranty of the issuer that is material and is not cured or eliminated within the specified time period; or
- The issuer becoming bankrupt or insolvent.



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 (after acceleration following an event of default)

Priority	Payment
1	To the indenture trustee, owner trustee, and asset representations reviewer, pro rata, any fees, expenses, or indemnification amounts due and not paid.
2	To the servicer, servicer advance reimbursement.
3	To the servicer, the servicing fee (1.00%) and any unpaid servicing fees from prior periods.
4	To the noteholders, interest on the notes, pro rata.
5	To the class A-1 noteholders, principal until the class A-1 notes are paid in full.
6	To the class A-2, A-3, and A-4 noteholders, principal, pro rata, until all classes of notes are paid in full.
7	To the certificateholders, any remaining amounts.

## Cash Flow Modeling Assumptions and Results

We tested the BMWLT 2024-1 transaction's proposed structure using cash flow scenarios to determine if the credit enhancement level was sufficient to pay timely interest and principal in full by the notes' legal final maturity dates under our 'AAA' stress scenarios.

### Break-even analysis

We modeled the transaction to simulate a stress scenario commensurate with the assigned preliminary ratings. We assumed a 100.0% turn-in rate on the nondefaulting leases (approximately 96.0%) and no prepayments. The results show that the preliminary rated notes are enhanced to the degree necessary to withstand a level of stressed credit and residual losses that is consistent with the assigned preliminary ratings. The preliminary 'AAA (sf)' rated notes can withstand a cumulative net credit loss of 2.00% of the securitization value (or approximately 5x our expected base-case net credit loss) and residual losses of 18.29% of the securitization value (see table 9). The results are similar for both the base and upside scenarios.

Table 9

### Cash flow assumptions and results

Class	A
Scenario (preliminary rating)	AAA (sf)
Cumulative net loss percent (%)	0.40
Cumulative net loss timing (mos.)	12/24/36
Cumulative net loss (%)	40/80/100
Voluntary prepayments (%)	0.00
Recoveries (%)	50.00
Recovery lag (mos.)	4

Table 9

**Cash flow assumptions and results (cont.)****Residual haircut**

Total residual haircut as a percent of the MSRP	13.79
Total residual haircut as a percent of the securitization value	18.29
Total residual haircut as a percent of the undiscounted base residual value	28.57
Vehicle return rate (%)	100.00
Residual realization lag (mos.)	2

**Result**

S&P Global Ratings' stressed credit and residual loss as a percent of the securitization value (%)	20.29
Approximate credit enhancement in the transaction based on S&P Global Ratings' credit stress and break-even residual stress as a percent of the securitization value (%)	22.84

MSRP--Manufacturer's suggested retail price.

The class A-2 notes will consist of two tranches: the class A-2a fixed-rate notes and the class A-2b floating-rate notes. BMW FS intends to use the SOFR benchmark for the class A-2b notes, which may constitute up to 50.00% of the class A-2 notes. The class A-2b notes will be indexed to SOFR plus a spread, and the 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).

In addition, provisions have been incorporated into securitization documents that govern rate selection if SOFR becomes unavailable.

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.

**Sensitivity analysis**

In addition to running stressed cash flows to analyze the amount of credit and residual losses the BMWLT 2024-1 transaction can withstand, we ran a sensitivity analysis to determine how a moderate stress scenario, or a 'BBB' rating stress, all else being equal, could affect the ratings on the notes. The results are similar for both the base and upside scenarios.

In our view, the assigned preliminary ratings on the class A notes are consistent with the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published June 9, 2023 (see table 10 and chart 5). This indicates that we would not assign 'AAA' ratings if, under moderate stress conditions, the ratings would be lowered by more than one category within the first year.

Table 9

**Credit stability as a limiting factor on ratings**

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

Table 9

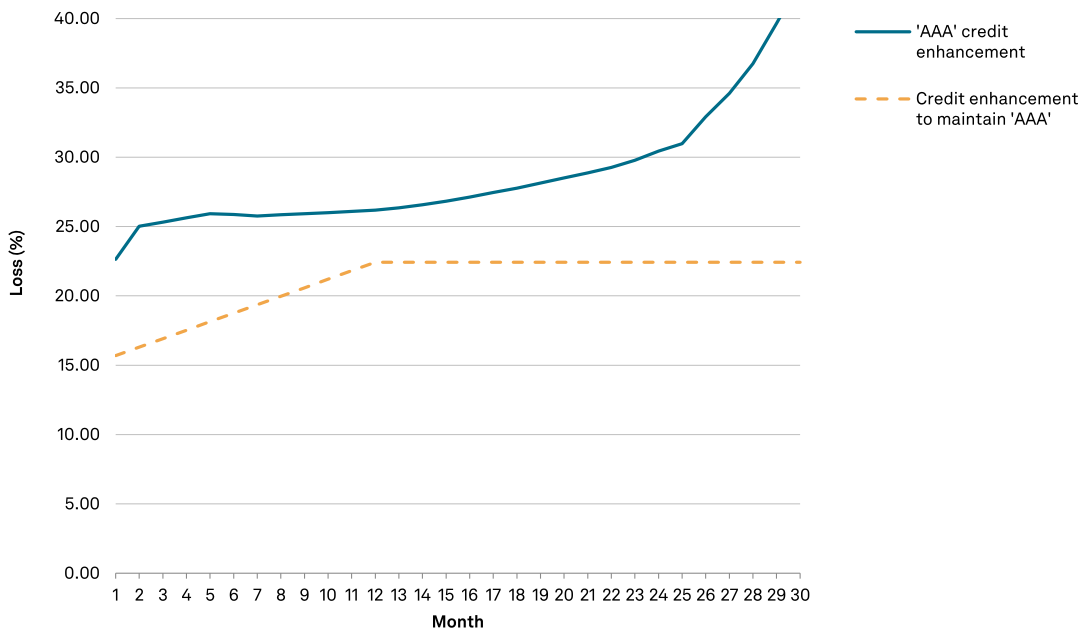
Credit stability as a limiting factor on ratings (cont.)

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

BMWLT 2024-1 sensitivity



BMWLT--BMW Vehicle Lease Trust.  
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Money market tranche sizing

The proposed money market tranche (the class A-1 notes) has a 12-month legal final maturity date (Feb. 25, 2025). To test whether the money market tranche can be repaid by month 12, we ran cash flows using assumptions to delay the principal collections during the 12-month period. In our cash flow run, we assumed zero defaults and a zero absolute prepayment speed on all leases. We also stressed the recognition of the monthly lease payments and base residual amounts by applying a lag of one and two months, respectively. Based on our cash flow runs, approximately eight months of collections would be sufficient to pay off the money market tranche.

## Legal final maturity

To test the legal final maturity dates set for the longer-dated intermediate tranches (i.e., classes A-2 and A-3), we determined the date on which the respective notes were fully amortized in a zero-loss, zero-prepayment scenario and then added six months to the result. For the longest-dated security, class A-4, at least six months were added to the tenor of the pool's latest-maturing receivable to accommodate extensions and residual realization on the receivables. In addition, we looked to see when the notes paid off in our stressed cash flow scenarios. In each cash flow scenario, we confirmed there is sufficient credit enhancement to both cover losses and repay the related notes in full by their legal final maturity date.

## Counterparty And Operational Risks

On or before the closing date, the series bank accounts will be established in the name of the account bank, U.S. Bank N.A. (an affiliate of the indenture trustee) 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).

As servicer, BMW FS, has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices, and satisfies our requirements for commingling risk. If BMW FS were to no longer satisfy our commingling requirement, collections would be required to be deposited into the series collections account within two business days of collection. Our operational risk assessment of BMW FS as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

## BMW FS

BMW FS is a wholly owned subsidiary of BMW of North America LLC, which itself is a wholly owned, indirect subsidiary of BMW AG, a German corporation and global premium automotive manufacturer. BMW FS supports the U.S. sales and marketing efforts of BMW of North America LLC by offering a wide range of retail, leasing, and wholesale financing services to BMW dealers and their customers. Its headquarters is located in Woodcliff Lake, N.J.

## 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
- Criteria | Structured Finance | ABS: Assessing The Risk Of Pension Plan Terminations On U.S. Auto Lease Securitizations, Aug. 17, 2004

## **Related Research**

- BMW AG, Nov. 29, 2023
- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023
- Research Update: BMW AG 'A/A-1' Ratings Affirmed Following Implementation Of New Captive Finance Criteria; Off UCO; Outlook Stable, Nov. 6, 2023
- BMW Vehicle Lease Trust 2022-1 Ratings Affirmed On Two Classes, Aug. 24, 2023

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