Presale:

Nissan Auto Lease Trust 2023-A

January 12, 2023

Preliminary Ratings

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Class	Preliminary rating	Type	Interest rate	Preliminary amount (mil. $)	Preliminary (upsize) amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	136.00	187.00	Feb. 15, 2024
A-2a/A-2b	AAA (sf)	Senior	Fixed/floating(i)	295.00	405.00	March 17, 2025
A-3	AAA (sf)	Senior	Fixed	295.00	405.00	Jan. 15, 2026
A-4	AAA (sf)	Senior	Fixed	74.00	103.00	July 15, 2027

Note: This presale report is based on information as of Jan. 12, 2023. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The class A-2 notes may consist of a fixed-rate class A-2a notes and a floating-rate class A-2b notes. If issued, up to 50% of the class A-2 notes may be allocated to A-2b which will accrue interest at a floating rate indexed to compounded SOFR plus a spread. The sizes of these classes and if upsized, will be determined at pricing. SOFR--Secured overnight financing rate.

Profile

Expected closing date	Jan. 25, 2023.
Collateral	Prime auto lease receivables.
Sponsor, servicer, and administrative agent	Nissan Motor Acceptance Co. LLC (BBB-/Negative/A-3).
Titling company	Nissan-Infiniti LT LLC.
Depositor	Nissan Auto Leasing LLC II.
Issuer	Nissan Auto Lease Trust 2023-A.
Indenture trustee	U.S. Bank Trust Co. N.A. (AA-/Negative/A-1+).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Account bank	U.S. Bank N.A. (AA-/Negative/A-1+)
Lead underwriter	BofA Securities Inc.

Credit Enhancement Summary(i)

	2023-A	2022-A	2021-A	2020-B
Overcollateralization (%)				
Initial	20.50	22.50	16.50	16.50
Target	20.50	22.50	16.50	16.50
Reserve account (%)				
Initial	0.40	0.40	0.25	0.50
Target	0.65	0.65	0.50	0.50
After class A-2 pays off	0.50	0.50	0.50	0.50
Hard credit enhancement (%)				
Initial	20.90	22.90	16.75	17.00
Target	21.15	23.15	17.00	17.00
After class A-2 pays off	21.00	23.00	17.00	17.00
Estimated excess spread per year (%)(ii)	0.52	2.61	5.36	5.18
Securitization discount rate (%)	7.00	7.00	7.00	7.00
Initial aggregate securitization value ($)(iii)	1,006,289,302	1,212,135,507	1,197,605,445	1,526,947,713
Total securities issued ($)(iii)	800,000,000	939,400,000	1,000,000,000	1,275,000,000

(i)All percentages are based on the initial aggregate securitization value. (ii)Represents estimated excess spread before pricing for 2023-A and post-pricing for other series. (iii)If upsized, the credit enhancements percentages are unchanged, and the securitization value is $1,383,647,800 and securities issued of $1,100,000,000.

Rationale

The preliminary ratings assigned to Nissan Auto Lease Trust 2023-A's (NALT 2023-A) asset-backed notes reflect:

- The availability of approximately 22.45% credit enhancement, based on our stressed cash flow scenarios, in the form of 20.50% initial overcollateralization, a 0.40% nonamortizing reserve account that builds to a target of 0.65% before stepping down to 0.50% after the class A-2 notes pay off, and excess spread (see credit enhancement summary table above).

- Our expectation that under a moderate ('BBB') stress scenario, all else being equal, our preliminary 'AAA (sf)' ratings on the class A notes are consistent with the credit stability limits specified by section A.4 of the appendix contained in "S&P Global Ratings Definitions," published Nov. 10, 2021.

- The credit quality of the underlying collateral pool, which consists of prime auto lease receivables that have a weighted average FICO score of 763.

- The diversified mix of vehicle models in the pool.

- The expected timing of the pool's residual maturities.

- The historical retention values of the vehicles in the pool.

- The pool's base residual, which reflects the lowest of: Automotive Lease Guide's (ALG) current

forecast of each vehicle's residual value at lease maturity, ALG's current residual forecast ("mark-to-market") adjusted for non-value-added options (MRM residual), and contract residual.

- The timely interest and full principal payments made by the notes' legal final maturity dates under cash flow scenarios that we stressed for credit and residual losses, which are consistent with the preliminary ratings assigned to the notes.

- The transaction's payment and legal structures.

Our expected credit loss for NALT 2023-A is 0.70% of the securitization value, which reflects the credit loss performance of NALT's series, peer collateral comparisons, our static pool loss projections for Nissan Motor Acceptance Co. LLC's (NMAC) lease originations, and our macroeconomic outlook. Our 'AAA' stress scenario for credit loss is 3.50% of the securitization value for the securitization.

Our 'AAA' residual stress for the NALT 2023-A pool is approximately 27.93% of the pool's aggregate undiscounted base residual value, or 18.43% of the initial securitization value. In deriving our residual stress, we considered the NALT 2023-A base residual values by vehicle model, historical residual gains/losses over ALG's forecast values by model, the pool's residual maturity profile, vehicle model concentrations, vehicle segment concentrations, the consistency of ALG's residual forecasts relative to the Nissan and Infiniti vehicles' historical retention values, ALG's current residual value forecast (mark-to-market) and its MRM residual forecast of the vehicles included in the NALT 2023-A pool, and our economic and industry outlooks (see S&P Global Ratings' Expected Loss section below for more information).

Overall, our stressed 'AAA' credit and residual loss level is approximately 21.9% of the securitization value. The credit enhancement outlined above (and in the Cash Flow Modeling section below) provides adequate support for our assigned preliminary ratings.

Environmental, Social, And Governance (ESG) Factors

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

In our view, the transaction's exposure to ESG credit factors 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 (ICE), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could in time lower ICE vehicle values, we believe that our current approach to evaluating recovery and residual values adequately account for vehicle values over the transaction's relatively short expected life. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

Transaction Overview

NALT 2023-A is NMAC's 33rd auto lease ABS term transaction offered publicly, and its 35th auto lease securitization since 2000. The receivables securitized in NALT 2023-A will consist of the remaining monthly lease payments and base residual values of a pool of lease contracts backed by new Nissan and Infiniti motor vehicles. The transaction includes nonamortizing credit support

consisting of overcollateralization and a reserve account. The issuing trust will issue four class A notes, the principal of which will be paid sequentially.

Changes From NALT 2022-A

The changes in the credit enhancement include the following:

- Initial and target overcollateralization will be 20.50% of initial aggregate securitization value compared to 22.50% for series 2022-A.

- The estimated excess spread per year, before pricing, is 0.52% compared to 2.61% (post pricing) for 2022-A.

The changes in the collateral composition include the following:

- The base residual value as a percentage of securitization value increased to 70.96% (upsize: 70.95%) from 72.39%.

- The average base residual value increased to $18,709 (upsize: $18,705) from $18,123.

- The percentage of leases with original terms of at most 36 months decreased to 74% (2022-A: 76%) and correspondingly, 43-48 months increased to 13% (2022-A: 9%).

- The percentage of Infiniti-brand vehicles increased to 17.64% (upsize: 17.52%) from 16.83%.

Legal Structure

The receivables backing the NALT 2023-A asset-backed notes will comprise monthly lease payments, along with base residual values of a pool of retail closed-end motor vehicle lease contracts originated by Nissan and Infiniti dealers, funded by NMAC or Infiniti Financial Services (IFS), a division of NMAC, and assigned to Nissan-Infiniti LT LLC (the titling company), a Delaware limited liability company. On the closing date, the titling company will issue a certificate evidencing the 2023-A Series to NILT LLC. NILT LLC will sell, transfer, and assign its limited liability company interest in the 2023-A Series to Nissan Auto Leasing LLC II (the depositor). The depositor will, in turn, sell, transfer, and assign the 2023-A series certificate to NALT 2023-A (the issuing entity). The issuing entity will issue four class A asset-backed notes in an aggregate principal amount of $800.00 million ($1.100 billion if upsized). The issuing entity will pledge the certificate to the indenture trustee as security for the notes.

Chart 1

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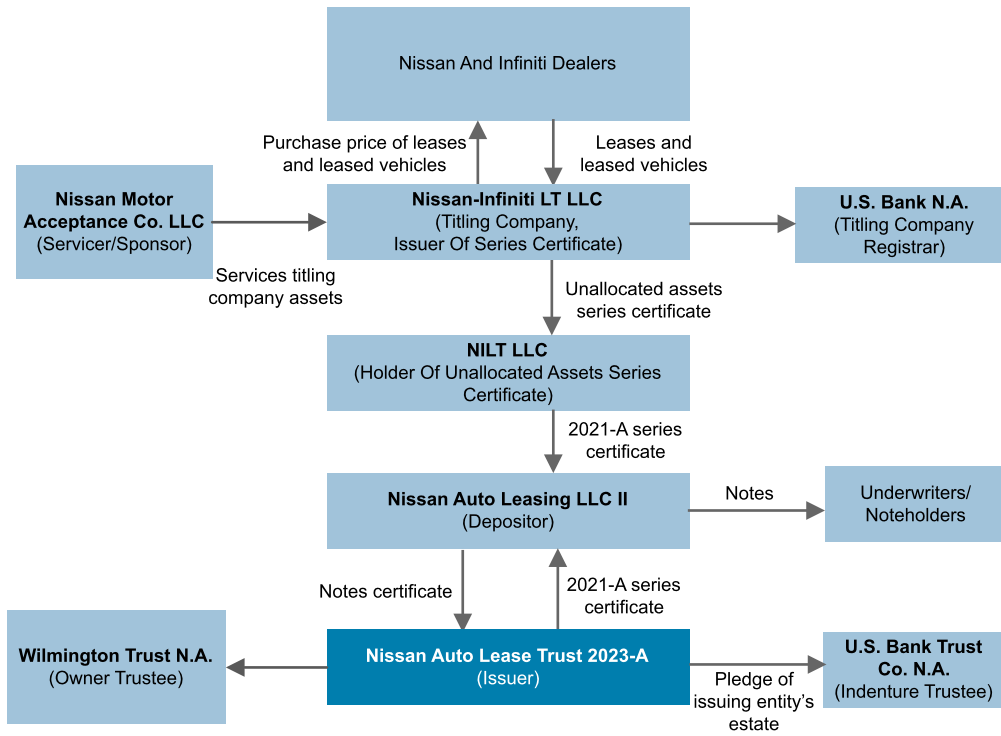
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In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

Pension Benefit Guaranty Corp. (PBGC) risk

PBGC could impose a lien against the assets of any member of a controlled group that includes NMAC and its affiliates 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, NMAC's assets (including those leases and leased vehicles allocated to series 2023-A, which serves as the payment source to the issued series 2023-A 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.

Our understanding is neither NMAC nor any of its affiliates have any material unfunded liabilities with respect to their defined benefit pension plans. We believe the risk of a PBGC lien on the leases and the residuals assigned to series 2023-A, which is pledged to the series 2023-A asset-backed notes, is mitigated by the pension plan's size relative to the titling trust's assets.

Payment Structure

On each payment date, as long as the notes have not been accelerated, available funds will be distributed according to the payment priority shown in table 1. Principal on the notes will be paid sequentially.

Table 1

Payment Waterfall

Priority	Payment
1	To the servicer, advance reimbursements.
2	To the servicer, the servicing fee (1.00%) and any unpaid servicing fees from prior collection periods.
3	To the noteholders, interest on the notes, pro rata.
4	To the noteholders, the monthly principal distributable amount sequentially(i).
5	To the reserve account, the amount necessary to cause the funds on deposit in the reserve account to equal the required reserve amount.
6	To the indenture trustee, any accrued and unpaid fees, expenses, and indemnities outstanding for at least 60 days.
7	To the owner trustee, any accrued and unpaid fees, expenses, and indemnities outstanding for at least 60 days.
8	To the asset representations reviewer, any accrued and unpaid fees, expenses, and indemnities outstanding for at least 60 days.
9	To the certificateholders, any remaining amounts.

(i)Principal will be paid sequentially to the class A-1, then A-2 (pro rata between A-2a and A-2b if issued as such), then A-3, and then A-4 notes until each class is paid in full.

On each payment date after the notes have been accelerated following an event of default, the available funds will be distributed according to the payment priority shown in table 2.

Table 2

Event Of Default Payment Waterfall(i)

Priority	Payment
1	To the servicer, advance reimbursements.
2	To the servicer, the servicing fee (1.00%) and any unpaid servicing fees from prior collection periods.
3	To the indenture trustee and owner trustee, any compensation amounts or indemnity payments pursuant to the terms of the indenture and the trust agreement, respectively, pro rata.
4	To the asset representations reviewer, any accrued and unpaid fees, expenses, and indemnities to the extent not paid by the sponsor and outstanding for at least 60 days.
5	To the noteholders, interest on the notes, pro rata.
6	To the noteholders, the monthly principal distributable amount(ii).
7	To the certificateholders, any remaining amounts.

(i)If the notes are accelerated following an event of default. (ii)If the notes are accelerated following an event of default, principal will be paid first to the class A-1 notes, then on a pro rata basis to the class A-2, A-3, and A-4 notes until each class is paid in full.

NALT 2023-A's events of default include nonpayment of note interest, nonpayment of note

principal on the respective legal final maturity date, a material default in observing or performing a covenant, a material and adverse breach of the representations or warranties, and the issuing entity's bankruptcy or insolvency.

Managed Portfolio

As of Sept. 30, 2022, NMAC's total retail lease managed portfolio consisted of 457,595 contracts totaling $11.60 billion, comprising $8.8 billion and $2.8 billion Nissan and Infiniti leases, respectively (see table 3). The uptick in 30-plus day delinquencies can be attributed to seasonality and normalization from the COVID-19-related government assistance programs. NMAC's net credit gain experience for the six months ending Sept. 30, 2022, is reflecting the impact of the continued supply constraints on wholesale auto price. Similarly, NMAC's Nissan and Infiniti lease portfolios continue to experience residual gains, which can be attributed to record-high used vehicle prices and conservative residual value determination.

Table 3

Managed Portfolio--NMAC total lease experience

	At or for the six months ended Sept. 30		At or for the 12 months ended March 31			
	2022	**2021**	**2022**	**2021**	**2020**	**2019**
Net receivables outstanding (mil. $)	11,599.29	15,292.70	13,533.70	16,486.88	19,546.37	21,442.30
Number of lease contracts outstanding	457,595	618,178	541,496	674,289	795,141	870,539
30-plus day delinquencies (%)(i)	0.82	0.66	0.65	0.59	1.03	1.01
Average number of lease contracts outstanding	494,552	644,080	609,810	726,862	833,661	891,794
Number of repossessions as a % of average lease contracts outstanding	1.77	0.55	0.54	0.95	1.03	1.23
Net losses as a % of average net receivables outstanding (annualized if not based on a full year)	(0.79)	(0.24)	(0.44)	0.47	0.50	0.50

(i)As a percentage of the number of contracts outstanding.

Table 4

Managed Portfolio--Nissan Lease Experience

	At or for the six months ended Sept. 30		At or for the 12 months ended March 31			
	2022	**2021**	**2022**	**2021**	**2020**	**2019**
Net receivables outstanding (mil. $)	8,823.26	10,818.34	9,943.74	11,294.91	12,853.12	13,862.68
Number of lease contracts outstanding	375,120	483,964	434,027	519,849	601,215	656,636
30-plus day delinquencies (%)(i)	0.75	0.63	0.60	0.58	1.01	1.02
Average number of lease contracts outstanding	401,504	501,245	478,674	554,076	628,658	676,342
Number of repossessions as a % of average lease contracts outstanding	1.64	0.54	0.52	0.95	1.05	1.28

Table 4

Managed Portfolio--Nissan Lease Experience (cont.)

	At or for the six months ended Sept. 30		At or for the 12 months ended March 31			
	2022	**2021**	**2022**	**2021**	**2020**	**2019**
Net losses as a % of average net receivables outstanding (annualized if not based on a full year)	(0.80)	(0.24)	(0.46)	0.48	0.50	0.49
Vehicles returned to NMAC (%)(ii)	1.69	22.02	13.21	61.37	70.74	72.15
Total gain/(loss) on vehicles returned to NMAC as a % of initial ALG residuals of vehicles scheduled to terminate	0.45	5.37	3.42	8.24	3.17	3.24

(i)As a percentage of the number of contracts outstanding. (ii)As a percentage of the number of vehicles scheduled to terminate.

Table 5

Managed Portfolio--Infiniti Lease Experience

	At or for the six months ended Sept. 30		At or for the 12 months ended March 31			
	2022	**2021**	**2022**	**2021**	**2020**	**2019**
Net receivables outstanding (mil. $)	2,776.03	4,473.92	3,589.96	5,191.97	6,693.25	7,579.62
Number of lease contracts outstanding	82,475	134,214	107,469	154,440	193,926	213,903
30-plus day delinquencies (%)(i)	1.10	0.74	0.82	0.65	1.09	1.00
Average number of lease contracts outstanding	93,048	142,836	131,136	172,786	205,004	215,452
Number of repossessions as a % of average lease contracts outstanding	2.33	0.60	0.61	0.96	0.98	1.05
Net losses as a % of average net receivables outstanding (annualized if not based on a full year)	(0.77)	(0.23)	(0.41)	0.45	0.49	0.51
Vehicles returned to NMAC (%)(ii)	8.21	34.09	20.17	72.37	80.78	82.21
Total gain/(loss) on vehicles returned to NMAC as a % of initial ALG residuals of vehicles scheduled to terminate	2.52	9.70	5.77	5.24	(5.70)	(5.70)

(i)As a percentage of the number of contracts outstanding. (ii)As a percentage of the number of vehicles scheduled to terminate.

Securitization Performance

We maintain current ratings on three outstanding NALT transactions that closed between 2020 and 2022 date (see charts 2-3 and table 6). Each of the outstanding transactions remains adequately enhanced at this time. We will continue to monitor their performance to determine if the assigned ratings are sufficient and if any rating actions are deemed appropriate.

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Table 6

Performance Data For Outstanding Nissan Auto Lease Trust Transactions(i)

Transaction/series	Month	Pool factor (%)	Cumulative net credit losses/(gains) as % of initial securitization value (%)	Cumulative net residual losses/(gains) as % of initial securitization value (%)	Initial expected lifetime credit CNL (%)	Revised expected lifetime credit CNL (%)
2020-B	27	23.03	(0.73)	(0.61)	0.80	N/A
2021-A	15	65.52	(0.48)	(0.08)	0.70	N/A
2022-A	6	88.46	(0.14)	0.00	0.70	N/A

(i)As of the October 2022 distribution date. CNL--Cumulative net loss. N/A--Not applicable.

Chart 2

NALT Securitizations Cumulative Net Credit Losses
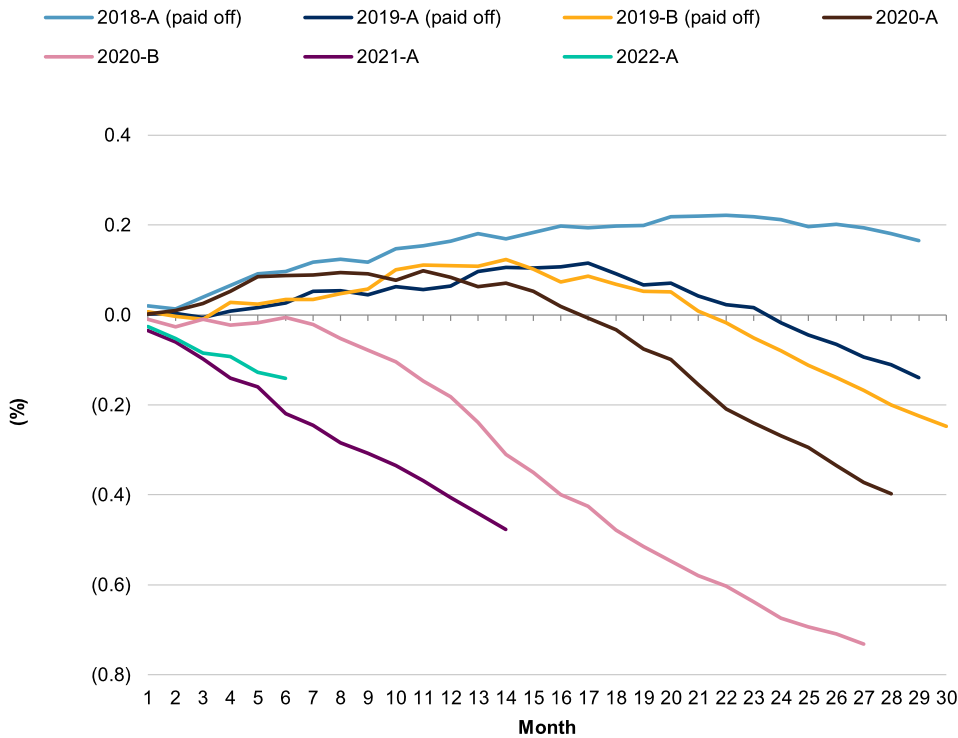
Chart 3

NALT Securitizations Cumulative Residual Loss/(Gain)
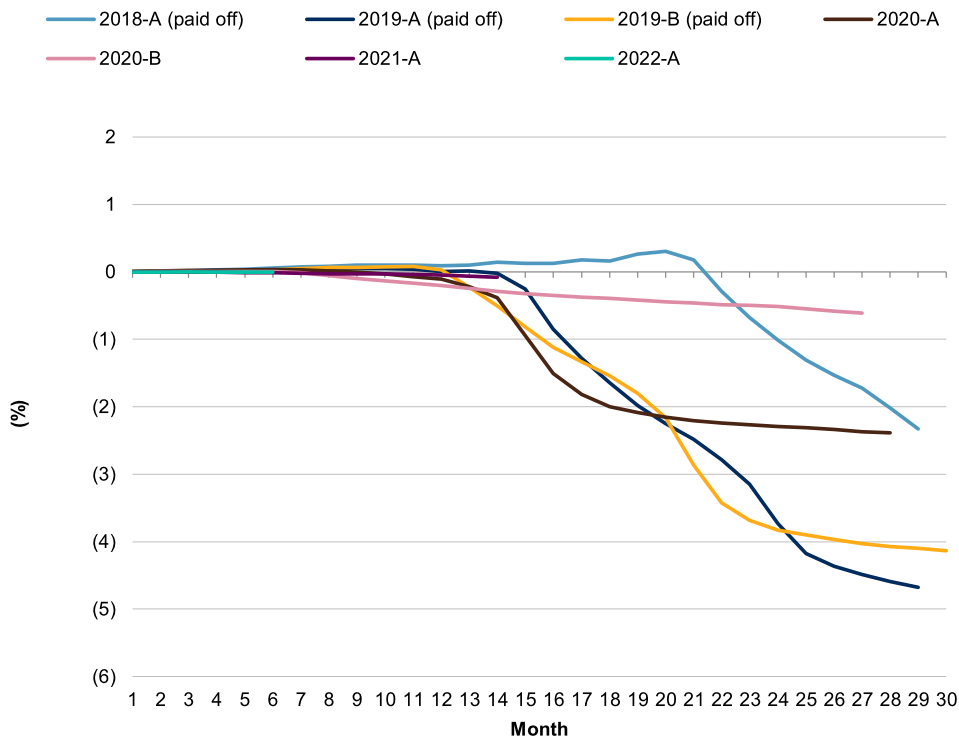
Collateral Analysis

Table 7 shows the salient characteristics of the NALT 2023-A collateral pool and those of prior NALT collateral pools. The average securitization value and base residual value have increased relative to 2022-A, reflecting in part the higher vehicle prices. The weighted average seasoning at approximately 12 months is comparable to previous series and the percentage of leases with original terms of 37-60 months is higher at 26%. Overall, the series 2023-A collateral pool is similar to NALT's previous series' pools.

Table 7

Original Pool Characteristics

	Nissan Auto Lease Trust				
	2023-A	2023-A (upsize)	2022-A	2021-A	2020-B
Number of leases	38,168	52,483	48,416	53,900	74,289
Securitization value ($)	1,006,289,302	1,383,647,800	1,212,135,507	1,197,605,445	1,526,947,713
Avg. securitization value ($)	26,365	26,364	25,036	22,219	20,554

Table 7

Original Pool Characteristics (cont.)

Base residual value (undiscounted) ($)	714,103,134	981,707,422	877,460,886	858,511,053	1,061,437,543
Avg. base residual value ($)	18,709	18,705	18,123	15,928	14,288
Base residual as a % of the aggregate securitization value	70.96	70.95	72.39	71.69	69.51
Weighted average FICO	763	763	762	759	760
New vehicles (%)	100	100	100	100	100
Weighted avg. original term (mos.)	37	37	37	37	37
Weighted avg. remaining term (mos.)	25	25	25	24	25
Weighted avg. seasoning (mos.)	12	12	12	13	11
Original lease term (%)					
Less than or equal to 36 mos.	73.59	73.68	76.41	74.41	80.78
37-48 months	26.41	26.33	23.58	25.57	19.21
49-60 months	0.00	0.00	0.02	0.01	0.01
Vehicle make					
Nissan	82.36	82.48	83.17	83.45	85.55
Infiniti	17.64	17.52	16.83	16.55	14.45
Top five by vehicle model (% SV)					
	Rogue=23.93	Rogue=23.98	Rogue=19.15	Sentra=18.99	Rogue=20.95
	Altima=16.78	Altima=16.91	Sentra=13.96	Rogue=17.14	Sentra=17.97
	Sentra=12.31	Sentra=12.14	Altima=12.78	Altima=11.28	Murano=12.06
	Pathfinder=10.84	Pathfinder=10.92	Pathfinder=10.24	Murano=9.78	Altima=11.53
	Q50=8.17	Q60=8.46	Q50=9.94	Pathfinder=9.05	Pathfinder=10.34
Top three state concentrations (% SV)					
	NY=15.91	NY=16.05	NY=14.95	NY=15.5	NY=14.75
	NJ=14.88	NJ=14.92	NJ=12.26	NJ=15.1	NJ=14.37
	FL=8.76	FL=8.78	FL=11.94	FL=11.6	FL=10.89

SV--Securitization value.

Residual Value

The notes will be backed by a pool of leases and the related leased vehicles, whose securitization value equals $1,006,289,302 (upsize: $1,383,647,800). The leases' securitization value is the sum of the present value of each lease's remaining monthly lease payment and the related leased vehicle's base residual value (both discounted at the higher of 7.00% or the contract annual

percentage rate). According to NMAC, each leased vehicle's base residual value is equal to the lowest of:

- The contract residual value set by NMAC;

- ALG's current residual value estimate as of February 2023; and

- ALG's current residual value estimate as of February 2023, adjusted for non-value-added options (MRM residual).

The base residual value may provide a more conservative estimate of a vehicle's future value, which can help mitigate the noteholders' exposure to the losses associated with contract residual values that are set higher than the expected residual values (a process called "lease subvention"). It also adjusts for updates in residual value projections from lease origination to the time of securitization, incorporating timely market information that may have become available since lease origination.

Collateral Residual Timing

The leases in the NALT 2023-A pool are scheduled to mature as shown in table 8.

Table 8

Lease Maturity Profile By Year (%)(i)

	NALT 2023-A	NALT 2023-A (upsize)
2024	48.38	48.26
2025	49.37	49.44
2026	2.24	2.30

(i)Percentage of the aggregate undiscounted base residual value. NALT--Nissan Auto Lease Trust.

The NALT 2023-A pool's initial lease maturities will begin in March 2024, and the last lease will mature in September 2026 (see chart 4). There are nine months where the expected base residual maturity level exceeds our 5.0% benchmark concentration limit, occurring in the second and third years of the transaction's life. The highest monthly maturity is 7.25% (upsize: 7.08%), occurring in April 2024.

We expect that the transaction's sequential payment structure--whereby the overcollateralization target and reserve account target amounts will not amortize until all of the notes are paid in full--will help to mitigate the higher residual exposure during the transaction's second and third years. The target credit enhancement will grow as the pool amortizes.

Chart 4

Lease Maturity Profile
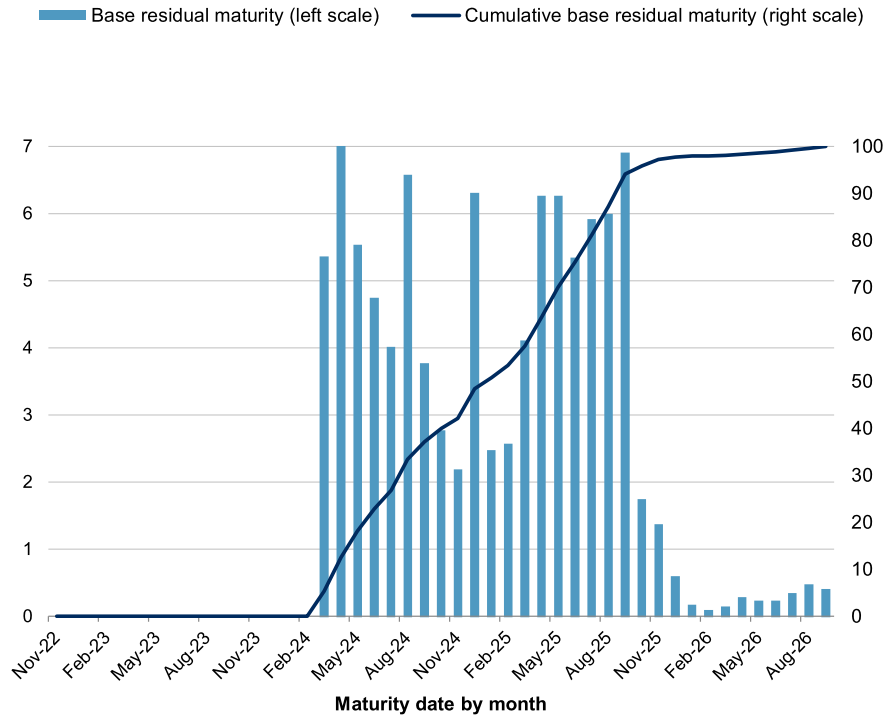
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S&P Global Ratings' Expected Loss

The NALT 2023-A transaction has two principal risk components: credit and residual risks.

Credit risk

The obligor's credit profile determines the credit risk. Credit losses only represent a small portion of the total risk, given that the base residual represents approximately 71% of the securitization value. To derive the base-case credit loss, we used static pool credit loss data provided by NMAC to project losses on its portfolio of lease originations segmented by credit tier and lease term. We then weighted the projections by the actual concentration of those various segments in the collateral pool. We also looked at the loss performance of NMAC's outstanding lease securitizations, as well as paid-off securitizations. We considered the pool's collateral credit quality, NMAC's overall managed portfolio performance, collateral and performance comparisons with peers', and current economic conditions. Based on this information, we expect the NALT 2023-A collateral pool's cumulative net credit loss to be 0.70% of the initial securitization value.

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Residual risk

In our analysis of the series 2023-A pool's base residual value, we considered the following factors:

- The stability of the historical used-vehicle values of Nissan and Infiniti vehicles;

- The basis behind ALG's current forecast;

- The basis behind the MRM residual forecast;

- The basis for the differences between the actual values and the forecasts;

- The top 10 vehicle models in the pool, which make up approximately 98% of the series 2023-A pool's initial aggregate base residual;

- Nissan's near-term plans, if any, to discontinue or update the vehicles in the collateral pool;

- Brand perception; and

- Our macroeconomic outlook.

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

Base haircut: In accordance with our global auto criteria, we first applied an initial 26.0% rating-specific haircut to the series 2023-A 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 exceeding the concentration limits applicable to the benchmark pool (excess concentrations) as outlined in our auto lease criteria. The NALT 2023-A pool has total excess concentration of 14.93% (upsize: 14.84%), consisting of the nine months of residual maturities that exceeded our benchmark. The Rogue model exceeds 20% of the pool by base residual value. The combined percentage of large/full-size ICE SUVS, trucks, and vans is less than 40% of the pool by base residual value. The combined percentage of small/compact ICE cars is less than 30% of the pool by base residual value. The lease pools do not include any plug-in hybrid or battery electric vehicles. New and discontinued vehicles comprise less than 10% of the pool by base residual value.

Speculative-grade manufacturer haircut: When determining the stress that applies to the adjusted base residual value, we look at the auto manufacturer's creditworthiness. We apply haircuts to the base residual value of the vehicles produced by manufacturers with speculative-grade issuer credit ratings (i.e., 'BB+' or lower).

Nissan Motor Co. Ltd. is the manufacturer of the leased vehicles backing the NALT 2023-A pool. Our current long-term issuer credit rating on Nissan Motor is 'BBB-' with a negative outlook, and the short-term rating is 'A-3'. Therefore, a speculative-grade manufacturer haircut was not applicable to the series 2023-A transaction. However, we ran a hypothetical scenario to assess the relative impact to our preliminary ratings if Nissan were downgraded to 'BB+' (see the Sensitivity Analysis section for more information).

Low diversification haircut: For pools with low diversification, we will apply a low diversification haircut in addition to the aforementioned haircuts. The additional haircut would usually be applied to pools that have one or more of the following characteristics:

- More than 20% of the residuals maturing in any single month;

- More than 50% of the residuals maturing in any three-month period;

- The pool contains three or fewer individual models;

- The pool contains more than 20% new models;

- The pool contains more than 20% discontinued models;

- The pool contains more than 75% combined large or full-size internal combustion engine (ICE) SUVs, trucks, and vans;

- The pool contains more than 75% combined small or compact size ICE cars.

The NALT 2023-A pool does not meet any of these characteristics, therefore, we did not apply the low diversification haircut.

After analyzing the NALT 2023-A lease pool, applying the relevant residual value haircuts, and assessing a stressed return rate of 100%, which represents the loss frequency on nondefaulted leased vehicles (93%), our stressed residual loss under a 'AAA' scenario is approximately 27.9% of the undiscounted base residual value, or 18.4% of the securitization value.

Cash Flow Modeling

We tested the NALT 2023-A transaction's proposed structure using cash flow scenarios to determine if the credit enhancement levels are sufficient to pay timely interest and principal in full by the notes' legal final maturity dates under our 'AAA' stress scenarios.

The class A-2 notes may consist of a fixed-rate class A-2a notes and a floating-rate class A-2b notes, which will accrue interest at a floating rate indexed to 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) plus a spread. For the floating-rate tranche, we applied our stressed interest rates for one-month SOFR as described in our criteria and corresponding guidance, "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019.

We modeled the transaction to simulate a stress scenario commensurate with the assigned preliminary ratings. We assumed a 100% turn-in rate on the nondefaulting leases (approximately 93%) and no prepayments. The results show that the 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 3.5% of the securitization value (or approximately 5x our expected loss range) and residual losses of 18.4% of the securitization value (see table 9).

Table 9

Cash Flow Assumptions And Results

	2023-A class A
Scenario (preliminary rating)	AAA (sf)
Cumulative net loss percent (%)	0.70

Table 9

Cash Flow Assumptions And Results (cont.)

	2023-A class A
Cumulative net loss timing (mos.)	12/24/36
Cumulative net loss (%)	40/80/100
Voluntary prepayments (%)	0
Recoveries (%)	50
Recovery lag (mos.)	4
Residual haircut	
Total residual haircut as a % of the MSRP	14.80
Total residual haircut as a % of the securitization value	18.42
Total residual haircut as a % of the undiscounted base residual value	27.93
Vehicle return rate (%)	100
Residual realization lag (mos.)	2
Result (as a % of the securitization value)	
S&P Global Ratings' stressed credit and residual loss	21.9
Approximate credit enhancement based on S&P Global Ratings' credit stress and break-even residual stress	22.4

MSRP--Manufacturer's suggested retail price.

Sensitivity Analysis

In addition to running stressed cash flows to analyze the amount of credit and residual losses the NALT 2023-A transaction can withstand, we ran a sensitivity analysis to determine how a moderate stress scenario, or a 'BBB' rating stress, could affect the preliminary ratings on the notes.

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 contained in "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 10).

Table 10

Credit Stability As A Limiting Factor On Ratings

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

NALT 2022-B Sensitivity Analysis
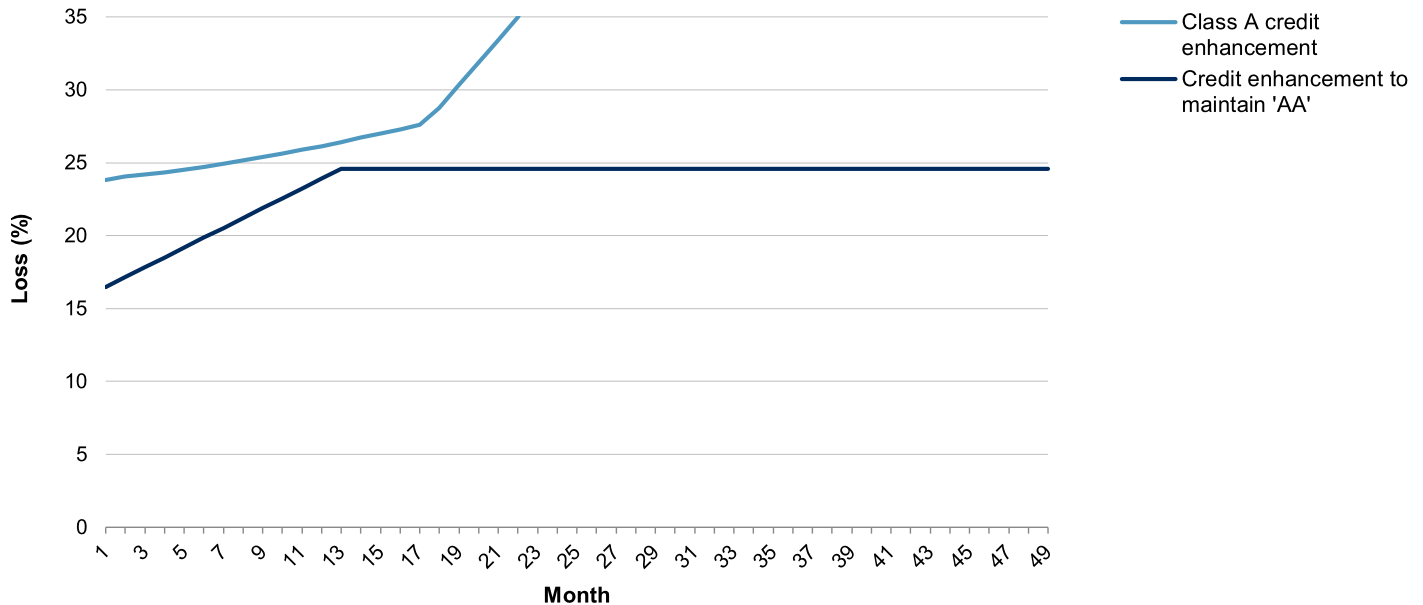
— Class A credit enhancement
— Credit enhancement to maintain 'AA'

As our rating on Nissan remains at 'BBB-' with a negative outlook, we also ran hypothetical stress and sensitivity scenarios to determine the relative impact to our preliminary ratings if the issuer credit rating on Nissan was downgraded to speculative grade ('BB+'). Based on our "what-if" scenario, the class A ratings may be affected and could potentially experience a one-notch downgrade, all else equal.

The hypothetical scenarios assume available credit enhancement at closing and do not account for any additional credit enhancement that may be available through deleveraging at the time of a corporate rating downgrade of Nissan, nor do they consider any available transaction performance. Our surveillance analysis of auto lease ABS typically places more weight on actual transaction performance and less weight on pool concentrations as the leases become more seasoned. In addition, our analysis of macroeconomic factors is considered during the review and our base residual value stresses could change based on the analysis.

Money Market Tranche Sizing

The proposed money market tranche (the class A-1 notes) has a legal final maturity date of Feb. 15, 2024. To test whether the money market tranche can be repaid by its legal final maturity date, we ran cash flows using assumptions to delay the principal collections during the 13-month period. In our cash flow run, we assumed zero defaults and a 0.0 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 stressed 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. We also looked to see when these notes paid off in our 'AAA' stress cash flow scenarios. In addition, we ran a break-even stress cash flow scenario assuming that the available credit enhancement is used to cover losses and looked to see when the class A-2 and A-3 notes paid off under this scenario. For the longest-dated security, class A-4, at least seven months were added to the tenor of the latest-maturing receivable in the pool to accommodate extensions and residual realization on the receivables. Based on our auto lease criteria, we typically add six to nine months to the longest lease maturity. In each of our cash flow scenarios, we confirmed there is sufficient credit enhancement both to cover losses and to repay the related notes in full by their legal final maturity date.

NMAC

NMAC (BBB-/Negative/A-3) was incorporated in California in November 1981 and began operations in February 1982. NMAC was converted from a California corporation to a Delaware limited liability company in April 2021. NMAC is a wholly owned subsidiary of Nissan North America Inc. (NNA), which is the primary distributor of Nissan and Infiniti vehicles in the U.S. NNA is the direct wholly owned subsidiary of Nissan Motor Co. Ltd., a Japanese corporation, which is a global manufacturer and distributor of motor vehicles.

NMAC, headquartered in Franklin, Tenn., has a centralized operations center in Irving, Texas, that performs underwriting, servicing, and collection activities. NMAC provides indirect retail automobile and light-duty truck sale and lease financing by purchasing retail installment sales contracts and leases from franchised dealers in the U.S. NMAC also provides direct wholesale financing to many of these dealers.

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
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- 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

- U.S. Auto Loan ABS Tracker: October 2022 Performance, Dec. 13, 2022
- U.S. Auto Loan ABS Tracker: October 2022 Performance, Dec. 13, 2022
- Credit Conditions North America Q1 2023: Worse Before It Gets Better, Dec. 1, 2022
- Nissan Motor Co. Ltd., Sept. 28, 2022
- S&P Global Ratings Definitions, Nov. 10, 2021