AIRFINANCE DEALS DATABASE

Part 1: Finance report

Q2 2013

www.airfinancejournal.com/dealsdatabase

Airfinance
DEALS DATABASE

Intro

In this new issue of the *Airfinance Deals Database* premium report we are covering the second quarter of 2013. We will be analysing the behaviour and evolution of the financial structures – which ones are increasing in popularity and where the market is more active. You will also find an analysis of the most active banks, from the data collected in the *Airfinance Deals Database*.

ALFONSO OLIVAS,
Manager,
Airfinance Deals Database

DEALS DATABASE SUBSCRIPTIONS:

Account Manager

Email: accountmanager@euromoneyplc.com
Tel: +44 (0)20 7779 8015
Euromoney Institutional Investor PLC
Nestor House, Playhouse Yard, London,

DEALS DATABASE CONTENT:

Alfonso Olivas
Analyst and Database Manager

Email: aolivas@euromoneyplc.com
Tel: +44 (0)20 7779 8225
Euromoney Institutional Investor PLC
Nestor House, Playhouse Yard, London,

This report is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular strategy. This article contains opinions of the author but not necessarily those of Airfinance Journal. The information contained is a result of the research in different sources, and desipte the efforts made, there could be inaccuracies or typological errors in the content. No part of this article may be reproduced in any form, or referred to in any other publication, without express written permission of the publisher.

Structures

MOST POPULAR STRUCTURE TYPE:

Share: 44% (+5%) 71 DEALS

OPERATING LEASE

BIGGEST RISE IN DEMAND STRUCTURE TYPE:

Share: 44% (+5%) 71 DEALS

OPERATING LEASE

LARGEST DECLINE IN DEMAND STRUCTURE TYPE:

Share: 7% (-5%) 12 DEALS

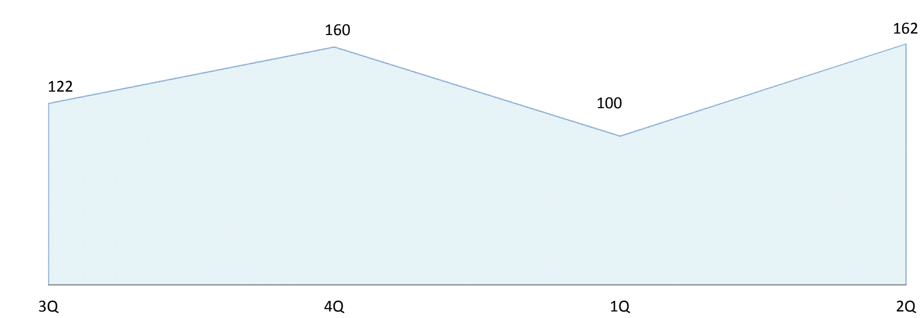
DEBT CAPITAL MARKETS

LEAST POPULAR STRUCTURE TYPE:

Share: 2% (0.0%) 3 DEALS

TAX LEASE

VOLUME OF DEALS. LAST FOUR QUARTERS



The second quarter of 2013 registered 162 new deals, 39% more than the same period in 2012, and 62% more than in the first quarter of 2013.

Operating lease was the most popular structure again, with market share up by 4%. Sale/leasebacks lost some popularity, dropping from 15% to 10% of the total.

Export credit-backed debt remained in the same range of market share than during the last quarter. Minimum premium rates dropped from 8.3% in April 2012 to 5.49% in April 2013 (for the first band risk category). Under the Aircraft Sector Understanding (ASU) 2007 the premium for the same band was 4%, so the difference now is just 1.49%.

The premium, which is updated every three months, dropped by 0.56% in the last update in April. If this trend continues, the premium could match the ASU 2007 value very soon. This structure is definitely much more popular among airlines (15 deals in the second quarter) than lessors (two deals).

One highlight of the Airfinance China Conference is that the supply of funds for the aviation sector is getting stronger. Borrowers did not only find it easy to secure liquidity, but also margins are going down as a consequence of the competition. The historic performance and the reputation of the asset class are attracting capital from other financial sectors punished more by the economic crisis.

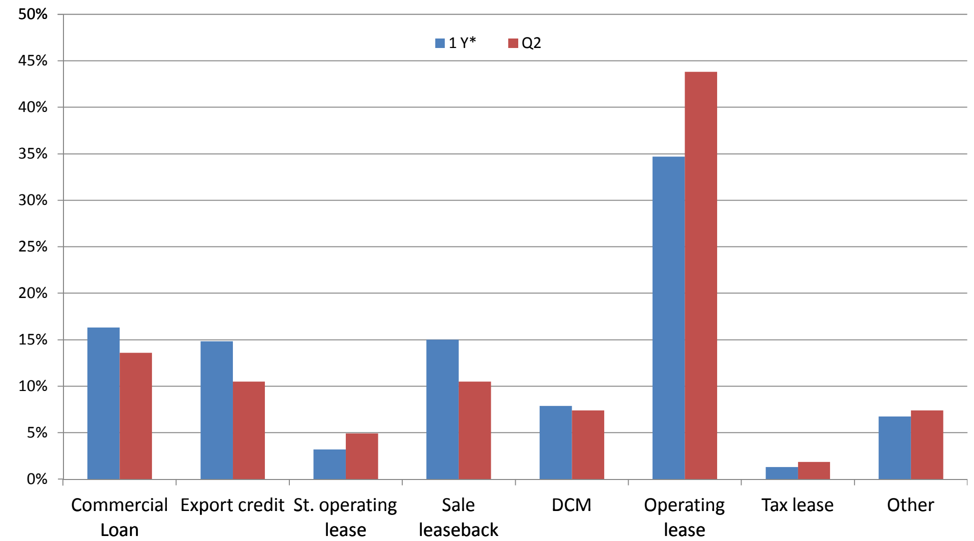
Dept capital markets retain most of the attractiveness of the market. Pricing seems competitive, and there is some appetite in the market. This quarter's issuances registered coupon rates without precedent since the beginning of the crisis, not only for secured notes, but also for unsecured bonds. There is an increasing confidence in the market both in the US and in Europe. Some of the European airlines are preparing issuances.

Tax leases are still registering marginal levels of demand, although it is starting to be more common to see Japanese operating leases for lessors – during this quarter Awas and BBAM each signed a Japanese operating lease deal.

DEALS BREAKDOWN

	1 Y*		Q2		DIF
	No	%	No	%	%
Commercial Loan	87	16%	22	14%	-2.7%
Export credit	79	15%	17	10%	-4.3%
St. operating lease	17	3%	8	5%	1.7%
Sale leaseback	80	15%	17	10%	-4.5%
DCM	42	8%	12	7%	-0.5%
Operating lease	185	35%	71	44%	9.1%
Tax lease	7	1%	3	2%	0.5%
Other	36	7%	12	7%	0.7%

*From 21/06/12 to 21/06/13 .Airfinance research.



Structures

Unsecured debt accounted for 15% of the aviation deals in the commercial and capital markets. This is a remarkable 18% drop on the last quarter. Despite the sector's good results in 2012, there seems to be more confidence in the collateral rather than in the borrower's reputation. The balance between secured and unsecured debt is key for borrowers. This was widely commented on at the New York Airfinance Conference. There is likely to be more unsecured debt in the market in the near future.

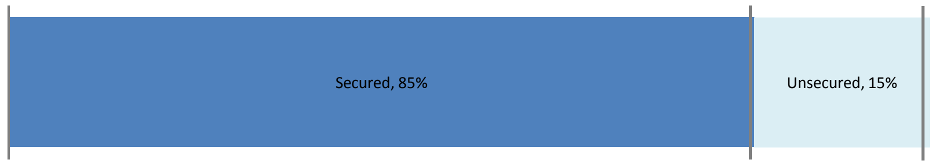
Airlines were more active in the financial markets during the past 52 weeks. They signed 61% of the new deals, representing 8% more than their share in the previous edition of this report.

Europe continues to perform better than Asia by 7% because of the Ireland-based leasing community.

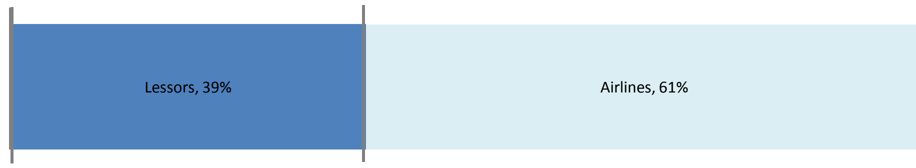
News from the Airfinance China Conference in June is that Chinese airlines are looking to change the way they acquire their fleets. Chinese carriers have traditionally owned aircraft, but now they are looking to remove some debt from their books – probably with a mix of sale/leasebacks for the current fleet and using operating leases for upcoming deliveries. Cultural differences are the main barriers keeping foreigners out of the Chinese market, but this is likely to change after a period of learning.

The general impression at the Airfinance China Conference is that the supply of funds for the aviation sector is getting stronger. Borrowers are not only finding liquidity, but also margins are going down as a consequence of the competition. The historic performance and the reputation of the asset class are attracting capital from other financial sectors more punished by the crisis.

The data shows that North America registered the same amount of deals as Latin America during the last quarter. The deals in North America, though, were primarily focused in the debt capital markets, and much bigger than those in Latin America. Deals in Latin America were, however, mainly operating leases and sale/leasebacks.

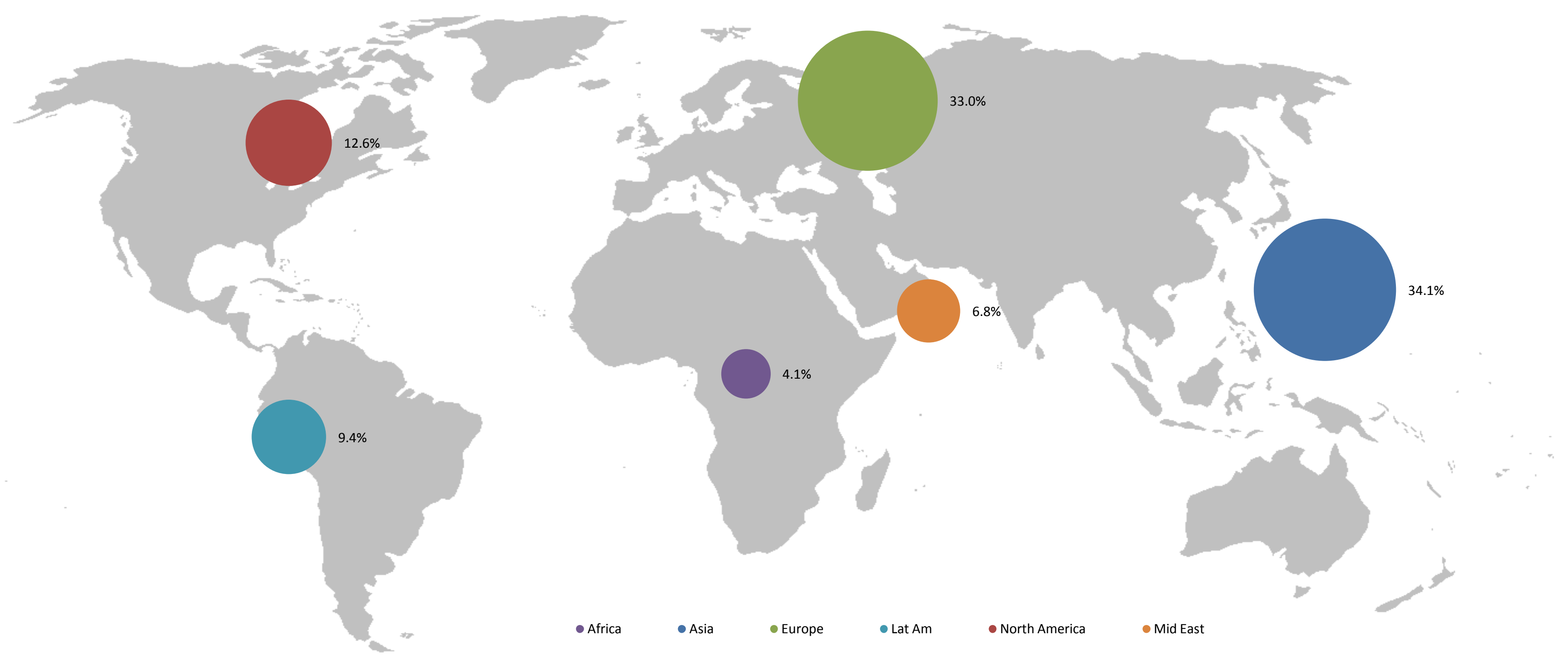


Q2 2023 . DEALS BY RISK PROFILE



Q2 2013. DEALS BY CUSTOMER PROFILE.

REGION BREAKDOWN BY No OF DEALS. 1Y



REGION BREAKDOWN

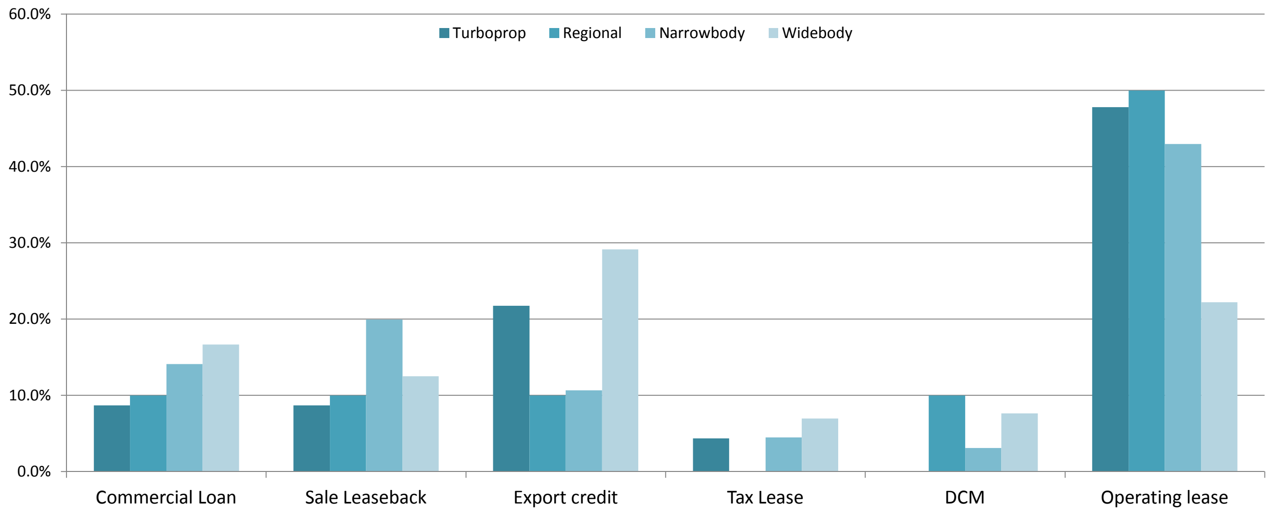
	1 Y		Q2*		DIF
	No	%	No	%	%
Africa	22	4.1%	6	3.7%	-0.4%
Asia	182	34.1%	51	31.5%	-2.7%
Europe	176	33.0%	63	38.9%	5.9%
Lat Am	50	9.4%	16	9.9%	0.5%
North America	67	12.6%	16	9.9%	-2.7%
Middle East	36	6.8%	10	6.2%	-0.6%

*From 21/03 to 21/06 *Airfinance research*

BRICS	G8
MKT. Share:	MKT. Share:
1 year: 17.6%	*1 year: 28.3%*
Q2 2013: 15.4% (-4.6%)	*Q2 2013: 21.6% (-12.4%)*

BREAKDOWN BY STRUCTURE AND BODY TYPE. 1Y

	Turboprop		Regional		Narrowbody		Widebody	
	No	%	No	%	No	%	No	%
Commercial Loan	2	8.7%	1	10.0%	41	14.1%	24	16.7%
Sale Leaseback	2	8.7%	2	10.0%	58	19.9%	18	12.5%
Export credit	5	21.7%	4	10.0%	31	10.7%	42	29.2%
Tax Lease	1	4.3%	0	0.0%	13	4.5%	10	6.9%
DCM	0	0.0%	2	10.0%	9	3.1%	11	7.6%
Operating lease	11	47.8%	10	50.0%	125	43.0%	32	22.2%
Other	2	8.7%	3	10.0%	14	4.8%	7	4.9%



TURBOPROP:

23 DEALS

Share: 4.8% (+0.2%)

REGIONAL:

22 DEALS

Share: 4.6% (+1.0%)

NARROWBODY:

291 DEALS

Share: 60.6% (-0.3%)

WIDEBODY:

144 DEALS

Share: 30.0% (-1.4%)

A380 Tail. Le Bourget 2013

The market registered 4% more deals in the last year compared with the amount reported in the first quarter. Most of this growth benefited narrowbody aircraft (60% of the market share) and widebody aircraft (30%).

Regional and turboprop aircraft were involved in 4.6% and 4.8% of the deals respectively. The appearance of new airlines is creating a solid demand for operating leases (about 50% of the deals for both frames). Some new manufacturers are well aware of this. Mitsubishi Regional Jet said at the Paris Air Show that it is considering creating an in-house operating lessor to give potential customers more flexibility.

The export credit banks supporting Bombardier and Embraer stated at the Airfinance New York Conference that they would be willing to go to the capital markets to give more flexibility to customers. One big question is whether or not the coupon would be interesting enough to retain the appeal of the borrowers.

Commercial loans are still a good source of liquidity for single and twin aisles. However, prefunded enhanced equipment trust certificates are becoming more popular as a source for bulk purchases of aircraft for borrowers with good reputation.

Asset-backed securitizations seemed quite promising at the beginning of this year, although we have seen only three of them in the recent past (AerCap, Gecas and Willis Lease). The nature of the structure makes it inaccessible for airlines (because of the concentration of risk in the portfolio), so despite the relative success, it is not universal.

Structures

Manufacturers

Operating leases are without doubt the favoured structure for the two main manufacturers, retaining almost 44% of the Airbus deals and 33% of the activity for Boeing.

Export credit financing is still one of the main pillars for Boeing. Some 25% of the new deals signed in the past year were backed by the US export credit agency, representing twice as many as the European agencies.

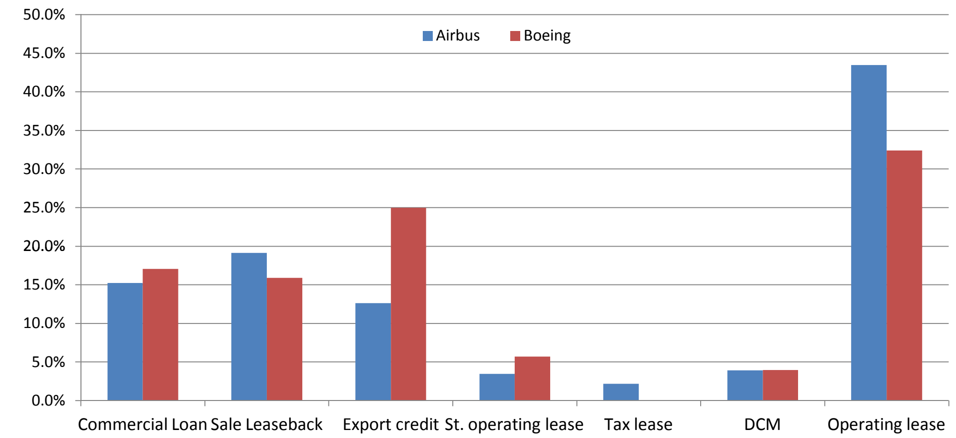
Airbus spreads that difference in ECA deals more or less evenly in the remainder of the categories, and both manufacturers register similar market shares. Surprisingly, Airbus was involved in slightly more debt capital market deals than Boeing.

FINANCING STRUCTURES BY MANUFACTURER 1Y

	Airbus		Boeing	
	No	%	No	%
Commercial Loan	35	15.2%	30	17.0%
Sale Leaseback	44	19.1%	28	15.9%
Export credit	29	12.6%	44	25.0%
St. operating lease	8	3.5%	10	5.7%
Tax lease	5	2.2%	0	0.0%
DCM	9	3.9%	7	4.0%
Operating lease	100	43.5%	57	32.4%

Airbus top structure: **Operating Lease**
1Y: 100 DEALS Share: 43.5% (+3.5%)

Boeing top structure: **Operating Lease**
1Y: 57 DEALS Share: 32.4% (-5.2%)



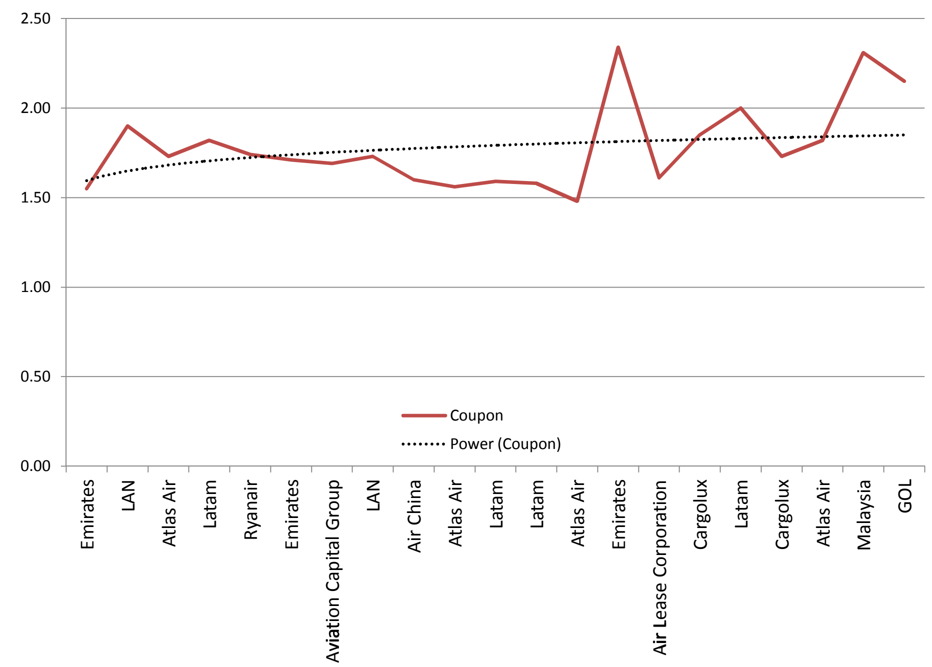
Capital markets

During the second quarter *Airfinance Deals Database* registered 44 new deals from the capital markets (excluding ECA-backed bonds), accumulating $27.8 billion: 28 of them were unsecured ($17.5 billion – 64%), and another 16 deals ($10.5 billion) were secured.
The average secured product was a $612 million bond, with a coupon of 4.9% and a tenor of 8.92 years, and the average unsecured bond was $612 million, paying off 5.12%, with an average life of 6.67 years.

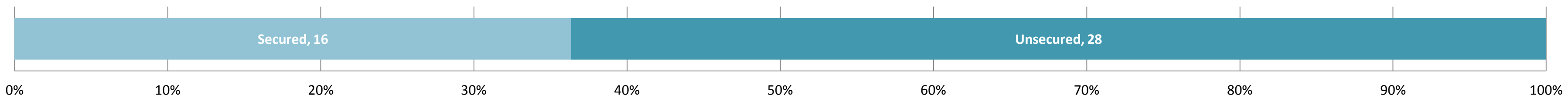
The average issuance rose slightly in the last period, from $507 million in 2012 to $618 million during the second quarter of 2013. The average coupon was 5.01%, with an average tenor of 7.80 years.

The export credit fixed-rate bond average coupon increased once again, to 2%, in the second quarter.

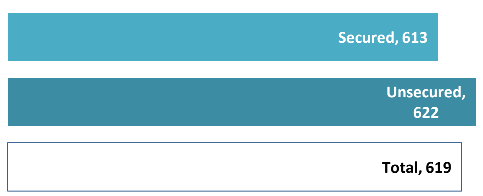
Another aspect that is affecting the market is the difference between export credit agency (ECA) bonds and Ex-Im bonds. The US ECA enjoys a better reputation and bonds achieve smaller yields. As a consequence, European bonds are much less competitive. The estimated spread between them is in the region of 40 basis points. Floating rates could be more common now that guaranteed bonds are getting more expensive.



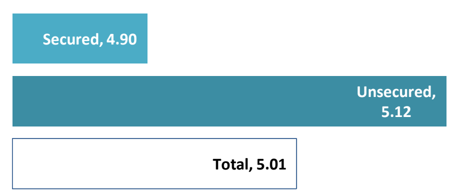
BOND ISSUES



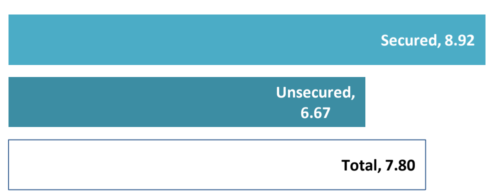
Amount



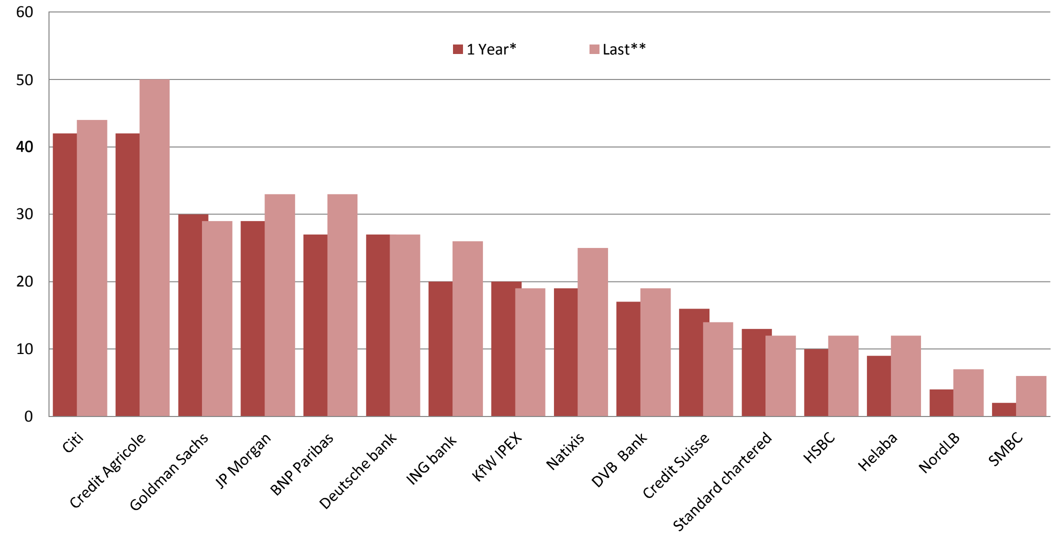
Coupon



Tenor



Banks



Fastest growing bank: **Goldman Sachs**

Share: 6.02% (-0.41%) **1Y to Date: 29 DEALS**

Top bank: **Citibank/Credit Agricole**

Share: 10.37% (-2.61%) **1Y to date: 50 DEALS**

BANK ACTIVITY	Pos.	1 Year*		Last**		Dif
			(%)		(%)	(%)
Citi	1	42	7.88%	44	9.13%	-1.25%
Credit Agricole	0	42	7.88%	50	10.37%	-2.49%
Goldman Sachs	2	30	5.63%	29	6.02%	-0.39%
JP Morgan	-1	29	5.44%	33	6.85%	-1.41%
BNP Paribas	-2	27	5.07%	33	6.85%	-1.78%
Deutsche bank	1	27	5.07%	27	5.60%	-0.54%
ING bank	0	20	3.75%	26	5.39%	-1.64%
KfW IPEX	2	20	3.75%	19	3.94%	-0.19%
Natixis	-1	19	3.56%	25	5.19%	-1.62%
DVB Bank	-1	17	3.19%	19	3.94%	-0.75%
Credit Suisse	0	16	3.00%	14	2.90%	0.10%
Standard chartered	0	13	2.44%	12	2.49%	-0.05%
HSBC	-1	10	1.88%	12	2.49%	-0.61%
Helaba	-2	9	1.69%	12	2.49%	-0.80%
NordLB	0	4	0.75%	7	1.45%	-0.70%
SMBC	0	2	0.38%	6	1.24%	-0.87%

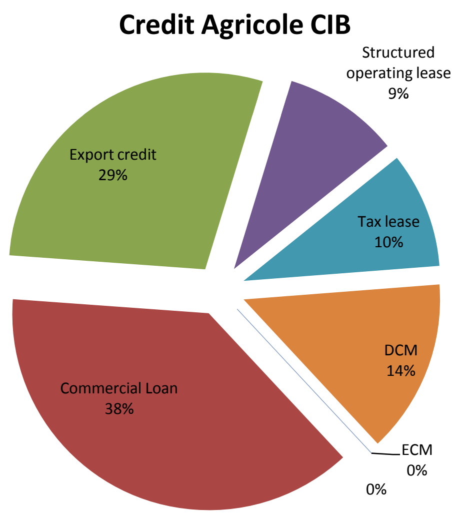
*From 21/03/12 to 21/03/13. Airfinance Deals Database research

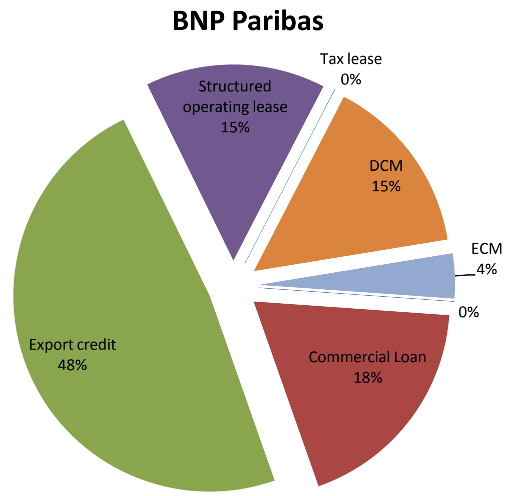
**From 21/12/11 to 21/12/12

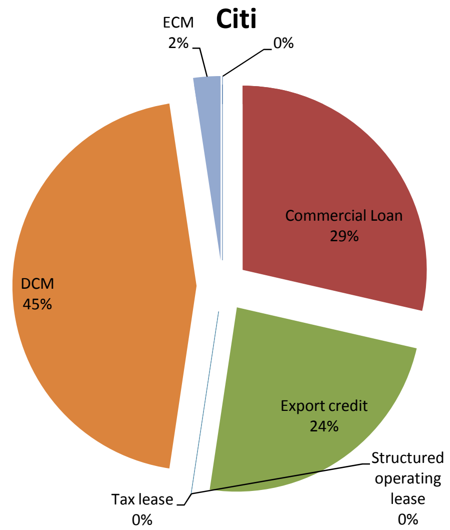
The banks league table underwent a big change in the second part of the year. Citibank and Crédit Agricole Corporate and Investment Banking took the lead in the deals for the past 12 months. They both, though, registered less activity in this quarter despite leading the market.

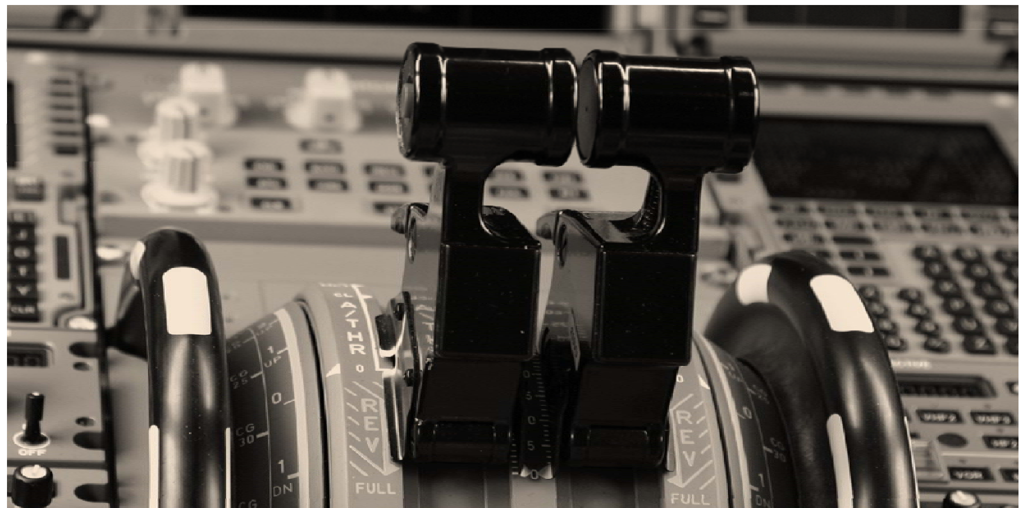
Goldman Sachs and KfW Ipex climbed the most positions. Goldman Sachs registered one more deal than in the previous report, and it was the third most active bank. KfW Ipex registered one more deal also, and the bank climbed from the 10th place to eighth.

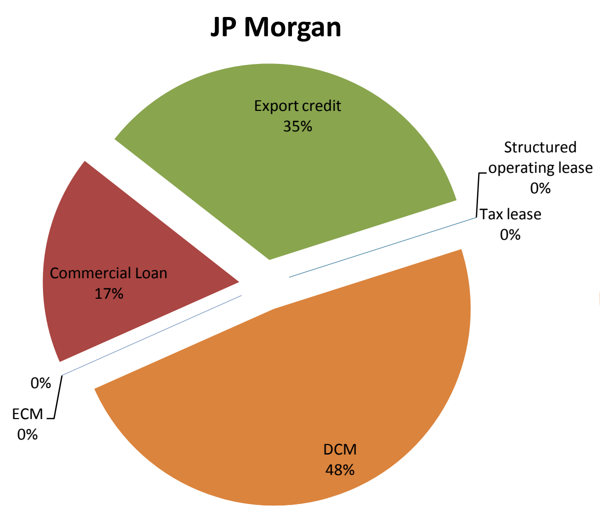
BNP Paribas and Helaba dropped two places – the French bank had five fewer deals than in the previous quarter.

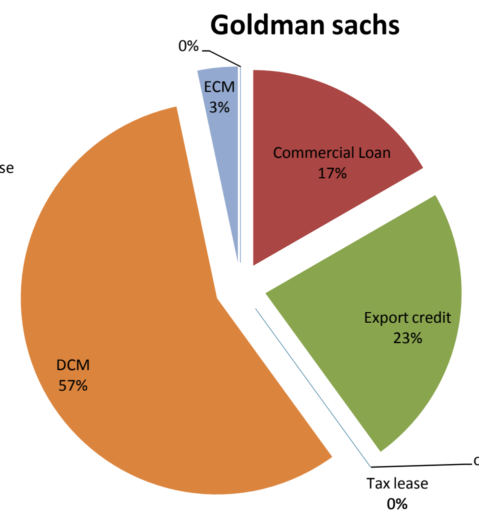


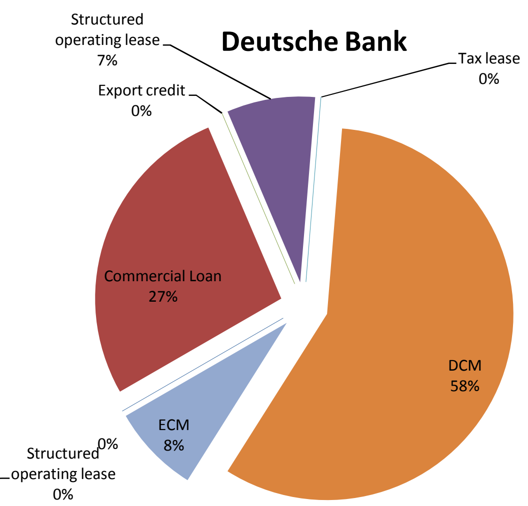





A320. Le Bourget 2013







Banks

Crédit Agricole-CIB was again the most active bank in commercial debt in the past year, while both its activity (three fewer deals) and market share (-2.5%) went down slightly. DVB was involved in 15% of the registered deals, and preserved its second place in the table. Citibank was third, followed by ING, Deutsche Bank and BNP Paribas.

Export credit's top bank was KfW Ipex, which climbed one place. The German bank signed 14 deals, comprising almost 18% of the market share. BNP Paribas was the second most active (16.5%) and Citibank came third (15.2%). JP Morgan dropped four places, going from 17.2% of the share to 12.7% in the second quarter.

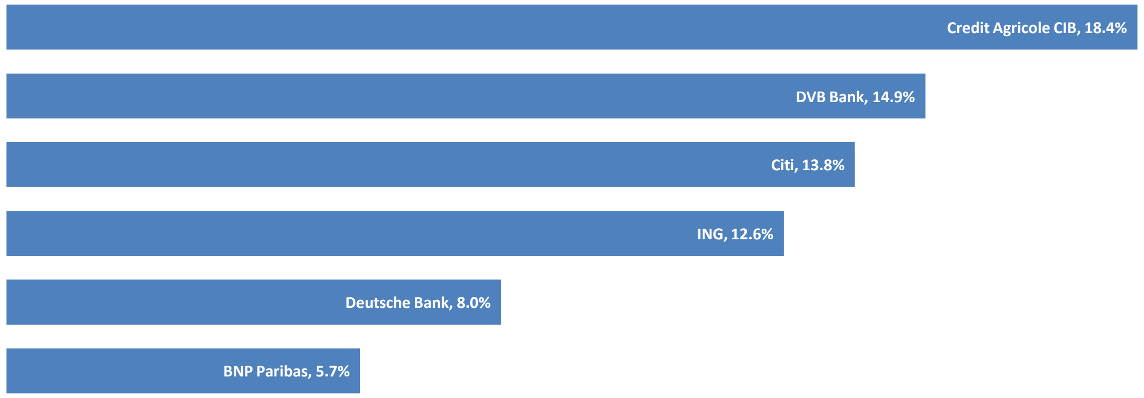
ING bank was once again the most favoured in the structured operating lease market, retaining a presence in almost 30% of the registered deals in the past 12 months. Crédit Agricole-CIB and BNP Paribas achieved the same volume (23.5%) of the market.

Commercial Loan deals

Top bank: Credit Agricole

Share: 18.4% **16 DEALS**

Commercial Loan	Deals	Share
Credit Agricole CIB	16	18.4%
DVB Bank	13	14.9%
Citi	12	13.8%
ING	11	12.6%
Deutsche Bank	7	8.0%
BNP Paribas	5	5.7%

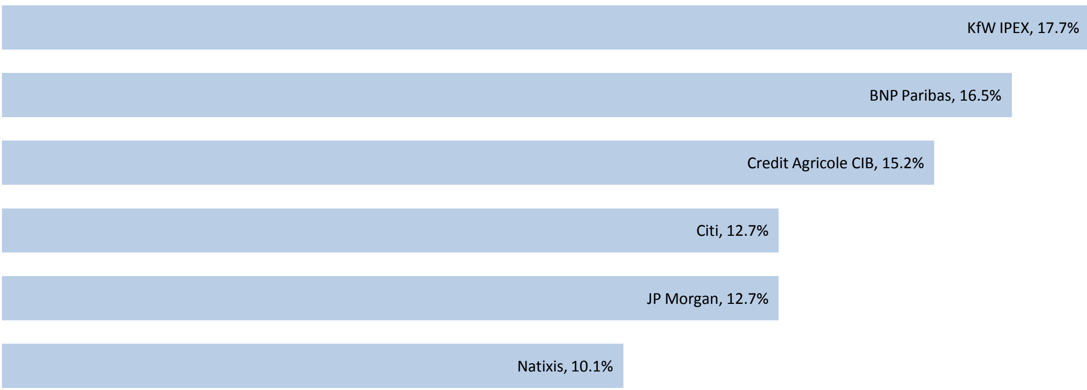


Export Credit deals

Top bank: KfW IPEX

Share: 17.7% **14 DEALS**

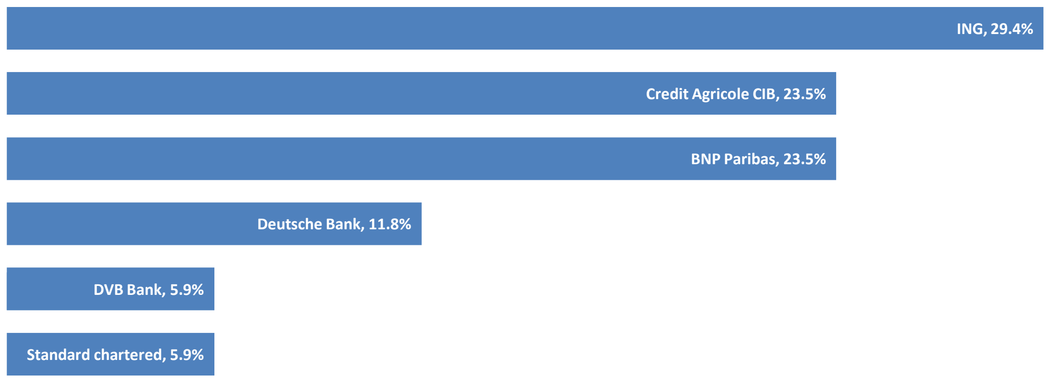
Export Credit	Deals	Share
KfW IPEX	14	17.7%
BNP Paribas	13	16.5%
Credit Agricole CIB	12	15.2%
Citi	10	12.7%
JP Morgan	10	12.7%
Natixis	8	10.1%



St. Operating Lease deals

Top bank: ING Bank

Structured operating lease	Deals	Share
ING	5	29.4%
Credit Agricole CIB	4	23.5%
BNP Paribas	4	23.5%
Deutsche Bank	2	11.8%
DVB Bank	1	5.9%
Standard chartered	1	5.9%

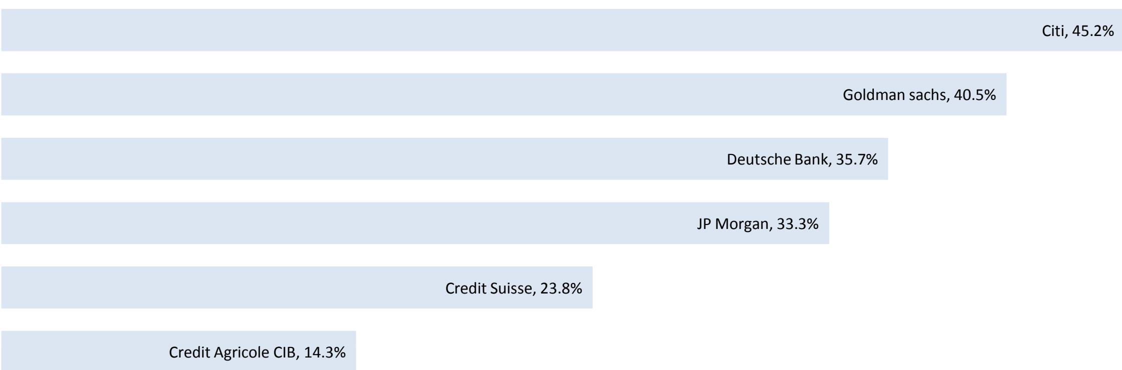


Debt Capital Markets deals

Top banks: Citibank

Share: 45.2% **18 DEALS**

DCM	Deals	Share
Citi	19	45.2%
Goldman sachs	17	40.5%
Deutsche Bank	15	35.7%
JP Morgan	14	33.3%
Credit Suisse	10	23.8%
Credit Agricole CIB	6	14.3%



Remarks

The market is demonstrating consolidation throughout 2013. All kinds of investors are happy with the asset class, and sources from the industry say that they have seen liquidity coming to aviation from other markets that did not achieve good results during the financial crisis.

One of the hot topics at the beginning of this year was the new regulation for export credit agencies (ASU 2011), and concerns that export credit financing would almost disappear when it came into force. The reality is that the minimum premium has consistently gone down in the past year, and if the Organisation for Economic Co-operation and Development drop the premium in the three-monthly revision on July 15, it could come very close to the value of the premium under the old regulation.

The structure is more attractive for lenders than for borrowers, and it has never been the cheapest financing option. It is still a good source for certain borrowers, but it is not likely to be the choice for more than 15% of the transactions in the near future. Brazilian and Canadian export credit agencies are considering using capital markets in the same way as Ex-Im Bank and European ECAs do.

It is vital to open the catalogue of financial options to regional and turboprops because they are often the first choice for new carriers, with no credit history to support new debt. Some of these aircraft are flying also in jurisdictions where investors do not feel comfortable, so ECA support will be crucial to stimulate not only sales but also growth.

The big news from China is that local carriers are considering moving from primarily owned fleets to a mix of owned and leased. This is an outstanding opportunity for non-Chinese lessors to penetrate the fastest-growing market in the world, and consolidate a good position in that market.

This report is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular strategy. This article contains opinions of the author but not necessarily those of Airfinance Journal. The information contained is a result of the research in different sources, and desipte the efforts made, there could be inaccuracies or typological errors in the content. No part of this article may be reproduced in any form, or referred to in any other publication, without express written permission of the publisher.

Contact us

The Airfinance Deals Database is a new addition to the Airfinance family, where you can access a fully searchable database of aircraft deals spanning the past decade.

Deals include details such as financial structures, amount borrowed, arrangers and law firms working on a single transaction. This will allow you to benchmark deals against your competitors in real time or against historic records.

The **Airfinance Deals Database covers both the loan and capital markets, public and private.**

You can search for specific transactions using our advanced search option allowing you to customise your search based on; keywords, product category, product type, financial structure and substructure, borrower/issuer, deal type, dates, country, region, manufacturer, model type, body type, amount from, coupon range, tenor, LTV range, listings, banks, and lawyers.

New deals being added as they happen – so you can stay up to date with aircraft deals in real time.

For more information or to sign up to the Deals Database contact:

Account Manager

Airfinance
DEALS DATABASE

Tel: +44 (0)20 7779 8015
Email: accountmanager@euromoneyplc.com
Web: www.airfinancejournal.com/dealsdatabase
Address: Euromoney Institutional Investor PLC Nestor House, Playhouse Yard, London, United Kingdom EC4V 5EX

Airfinance
DEALS DATABASE