

# CDB Aviation acquires 12 aircraft

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01/09/2023

During the first half of 2023, CDB Aviation completed lease transactions for a total of 21 aircraft with nine customers.

These transactions included order placements, sales and leasebacks, portfolio acquisitions, remarketing and extensions.

The Jie Chen-led lessor acquired 12 aircraft on operating lease in the six months to 30 June, including six via direct OEM orders, five via sale and leaseback (SLB) and one via a portfolio acquisition.

In the six months to 30 June, CDB Aviation signed financing transactions for \$1.4 billion and it added one new lessee, its parent company, CDB Leasing, said.

As of 30 June, total assets of the aircraft leasing segment of CDB Leasing amounted to RMB98 billion, representing an increase of RMB4.7 billion, or 5%, compared with 31 December 2022, and the total revenue and other income of the aircraft leasing segment amounted to RMB3.98 billion, representing an increase of RMB288.5 million or 7.8% compared with the same period of last year.

In the first half of 2023, the net lease yield of the operating-leased aircraft was 5.2%, the lease yield of the finance-leased aircraft was 1.3%, and the annualized return before tax on average total aircraft leasing assets was 0.1%, an increase of 0.4 percentage points compared with the same period of last year.

For the first half of 2023, aircraft operating lease income was RMB3.7 billion, representing an increase of RMB153.8 million, or 4.4%, compared with the same period of last year, "primarily due to the increase in the scale of aircraft operating lease in the first half of 2023", CDB Leasing said.

As of 30 June, CDB Leasing had a total portfolio of 385 aircraft, consisting of 283 owned aircraft and 102 committed aircraft. Its aircraft leasing business covers 64 lessees in 37 countries. Of the owned aircraft, 280 were held under operating lease, while the remaining three owned units were subject to finance leases.

At the half-year point, CDB Aviation's fleet comprised 75% narrowbody, 21% widebody, and 4% freighter and regional aircraft by value.

As of 30 June, the total net book value of the group's owned aircraft was \$11.22 billion.

CDB Aviation's OEM orderbook counts 90 narrowbodies, including 35 aircraft from Boeing and 55 aircraft from Airbus. These are scheduled to be delivered between the second half of 2023 and 2026.

The lessor also has contractual commitments to acquire a further five aircraft under SLB transactions, and seven from portfolio acquisition.

The aggregated future capital expenditure commitments are RMB28.7 billion.

One freighter is being converted and is scheduled for delivery in the second half of 2023.

In addition to the above, CDB Leasing has 100 non-binding orders with other OEMs, consisting of 20 ARJ21 aircraft and 50 C919 aircraft from COMAC, and 30 MA700 aircraft from AVIC Aircraft.

Among the 102 committed aircraft as of 30 June, 18 are scheduled for delivery in the second half of 2023, 24 in 2024, 38 in 2025 and 22 in 2026.

Of the 90 aircraft committed to be purchased directly from OEMs, 27 were committed for lease as at 30 June, of which 11 were scheduled for delivery in the second half of 2023, 14 in 2024 and two units in 2025.

Meanwhile, of the five SLBs and seven trade acquisitions, seven are scheduled for delivery in the second half of 2023, two in 2024 and three in 2025.

During the first half of 2023, the lessor signed lease extensions for two aircraft and new leases for three remarketed aircraft.

Moreover, CDB Aviation sold five aircraft and other assets with a total net book value on disposal of assets of \$74.2 million and a gain on disposal of \$13 million.

The fleet utilization of CDB Aviation's owned aircraft under operating lease was 95.2% "due to the impact of the conflict between Russia and Ukraine".

For the first half of 2023, impairment losses of CDB Leasing amounted to RMB465 million, representing a decrease of 79.9% compared with the impairment losses of RMB2.3 billion for the same period of last year, primarily due to the fact that the group recorded a large impairment loss last year in respect of aircraft stranded in Russia and the conversion of non-performing items under finance leases.

The Chinese bank-backed lessor notes that no large impairment loss was recorded in the first half of 2023 "due to the improvement in the risk situation of the lessees and the quality of the leased assets".

*Airfinance Journal* recently reported that CDB Aviation was in the market to offload a portfolio of five narrowbody aircraft, with additional sisterships available on request, including a 2018-vintage Airbus A320neo attached to Loong Airlines; two 2016-vintage A320s – one with Loong, the other with Sichuan Airlines; and two 2015-built Boeing 737-800s with leases attached to Xiamen Airlines. [This RFP](#) closed at the end of August.

CDB Leasing is in the process of being sold to a [Shenzhen-based state-owned enterprise](#) called Shenzhen Development Company (深发展), AFJ reported earlier this summer.

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