



Boeing Capital Corporation

Current Aircraft Finance Market Outlook 2017



The 2017 Current Aircraft Finance Market Outlook projects another year of steady performance and stable volume from the primary sources of aircraft financing, with strong aviation industry fundamentals driving new financier and investor participation and competitive pricing for buyers of large commercial aircraft.

Global passenger traffic continues to show remarkable strength, with 2016 marking the seventh straight year of above-trend growth despite regional economic and political dislocations. As the economic development of populous nations such as China and India creates large numbers of new middle class consumers eager to experience air travel for the first time, GDP as a traditional indicator of passenger traffic growth is increasingly being complemented by other factors. Deregulation, air services liberalization, and efficient airline business models are notable examples.

While the aircraft financing environment continues to be healthy overall, there are some developments Boeing is closely monitoring. These include tighter global bank regulations, lingering uncertainty around export credit in the United States and Europe, and a heightened risk of illiquidity due to regulatory reform and central banks' remaining capacity to stimulate.

Despite some emerging watch items, the aircraft finance industry is in a healthy state, with ample liquidity, a wide diversity of funding options, and an overall positive outlook for 2017, barring an exogenous shock to the global financial system or the airline industry. Working together, we can translate this forecast into profitable business for all market constituents.

*—Boeing Capital Corporation
December 2016*

Working Together

for sustainable and efficient aircraft financing



Capital
Providers



Customers

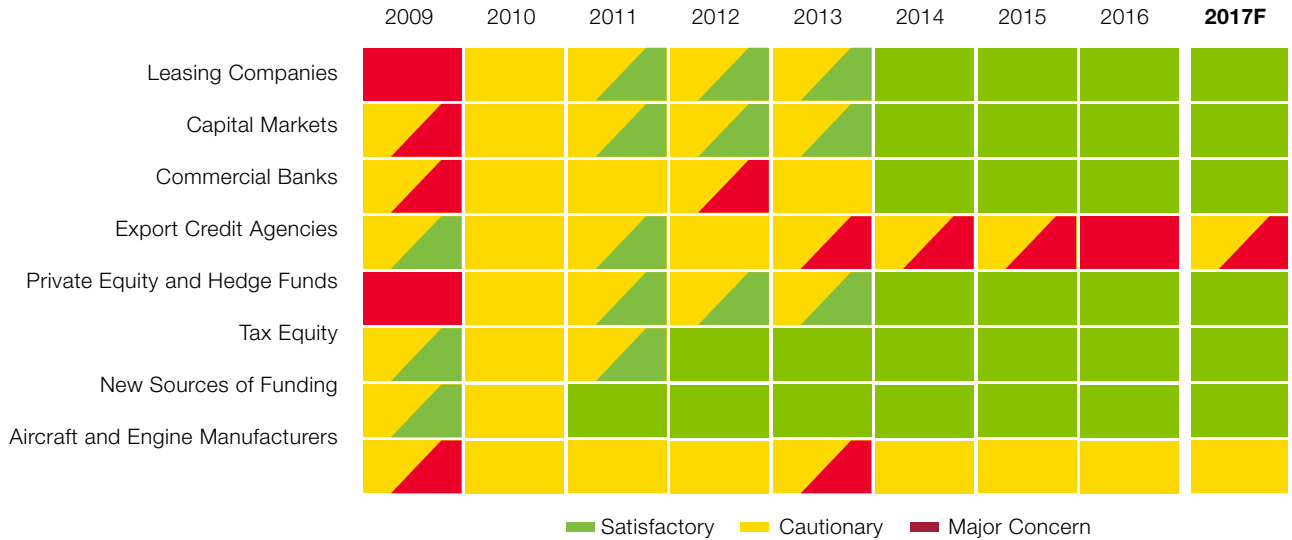


Policy and
Opinion Leaders

Healthy aircraft financing environment

Aircraft finance markets are expected to remain strong in 2017, providing airlines a wide diversity of liquidity sources and structures in support of new airplane deliveries and refinancing activity. The three main sources of funding – lessors, commercial banks, and capital markets – are projected to maintain or grow their overall volume

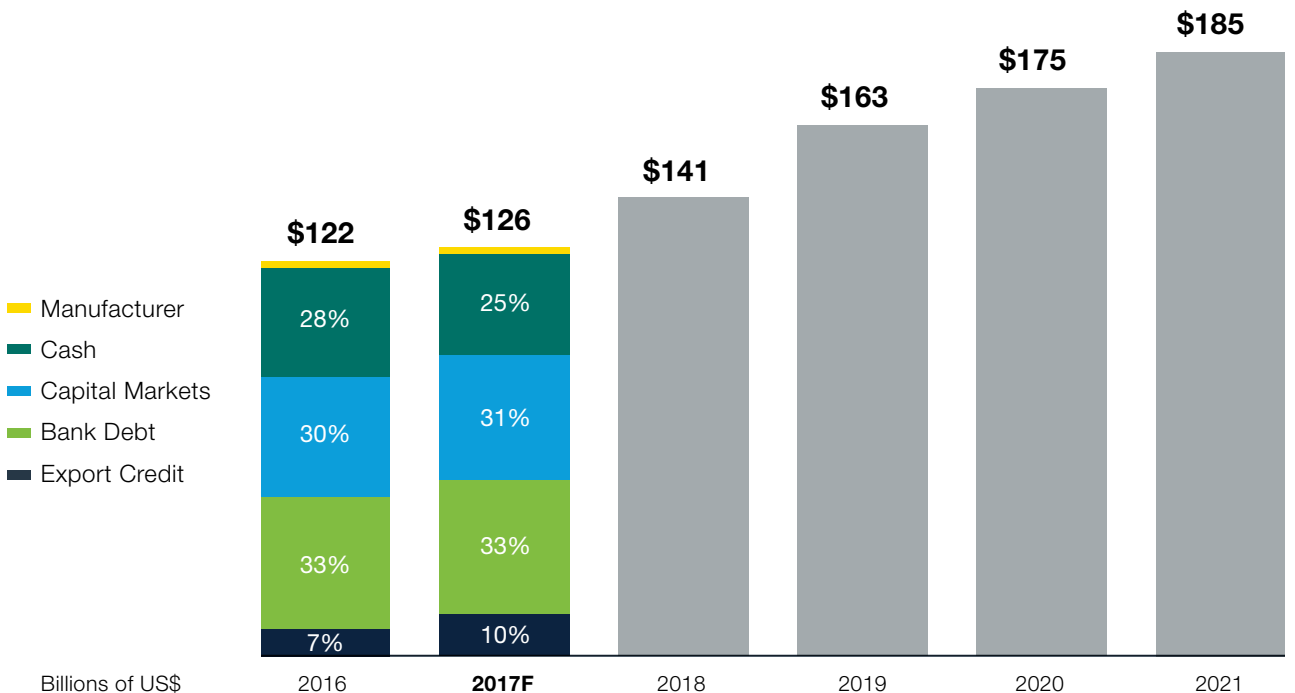
in 2017, resulting in the continued availability of competitive pricing for buyers of commercial aircraft. Similar to what we have seen in recent years, export credit could again be challenged by political developments, with that uncertainty driving manufacturer support for certain products and jurisdictions.



Industry funding needs on the rise

In 2016, commercial aircraft manufacturers delivered approximately \$122B worth of new airplanes. Looking forward over the next five years, we expect that robust global aviation industry fundamentals will continue to drive steady growth in new aircraft funding requirements, to \$126B in

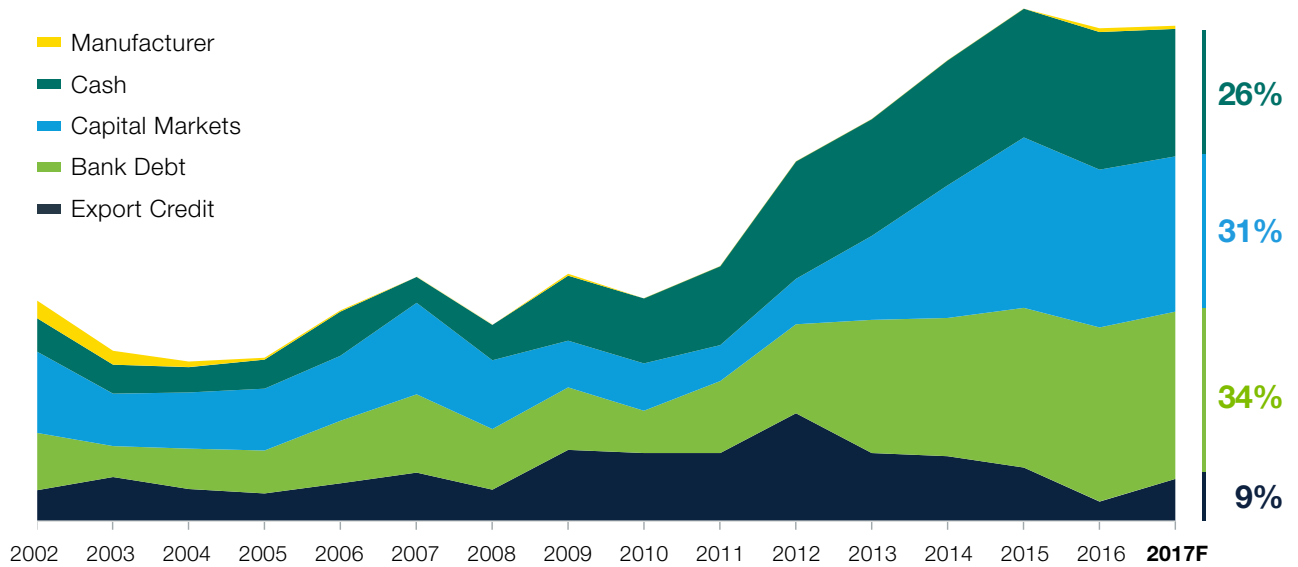
2017 and \$185B by 2021. As in recent years, we fully anticipate the global aircraft finance industry to grow and innovate to meet this rising demand, resulting in the continued availability of a deep and diverse set of financing sources.



Boeing delivery funding: stable and balanced

The CAFMO tracks funding for new aircraft deliveries back to its ultimate source. For example, the Capital Markets category includes both secured structures such as EETCs as well as unsecured debt raised by an airline, lessor, or parent company that may be used to fund deliveries. For Boeing aircraft, we anticipate that 2017 will be a story of stability

and balance, with commercial banks providing the greatest share of funding for the first time since 2014 and the contributions of capital markets and cash remaining relatively steady. Export credit and manufacturer support are expected to be limited to specific jurisdictions and asset types.



New funding sources

One of the key developments we have been tracking for the past several years is the emergence of new funding sources. Notable new funding sources that appear to have reached critical mass include the Korean institutional market, regional banks from Taiwan, Japan, and Australia, and a growing cadre of non-U.S. investors in EETCs.

The growth in international EETC investors over the past several years is being driven by healthy airline fundamentals, a broader understanding of the strength of commercial aircraft as an asset

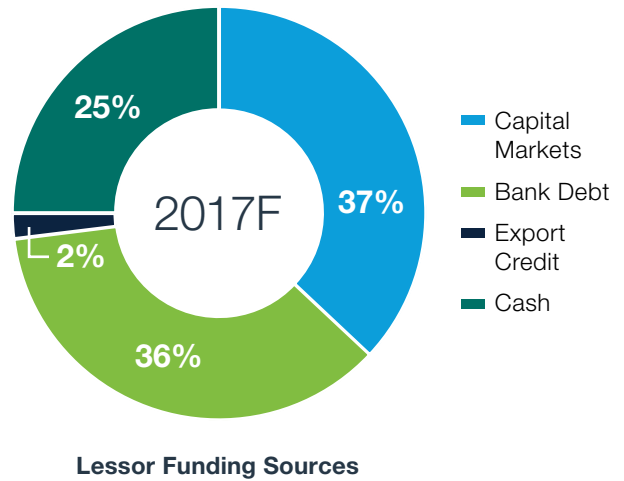
class, and active outreach efforts by investment banks and OEMs. Between 2014 and 2016, investors from nine countries bought public EETC paper for the first time, with just two countries falling away. Over that same period, the overall allocation to international investors jumped from 5.8% to 8.3%, a rise of more than 40%. As global EETC issuances gain further traction, and as non-U.S. investors learn more about the aviation industry and the unique value of commercial aircraft, it is our expectation that this positive trend will continue.



Lessors

Aircraft leasing continues to grow in both size and importance. In 2017, we expect to see the continuance of recent trends, including industry consolidation, rapid portfolio turnover, and the use of innovative structures enabling capital market funds to be deployed as a source of equity. ABS activity has been robust over the past several years, with a growing use of e-notes, and we expect that trend to continue in 2017. We also anticipate that lessors will continue to trade aircraft at a brisk pace, allowing new lessors to grow their fleets and creating room for established lessors to buy new aircraft. Overall, we forecast that lessors will rely on the capital markets and bank debt for the bulk of their funding, with many commercial banks using lessor financing as an entry point into the aviation finance space. Finally, our data suggest

that in 2017 speculative deliveries as a share of lessors' overall fleet growth should continue to climb.



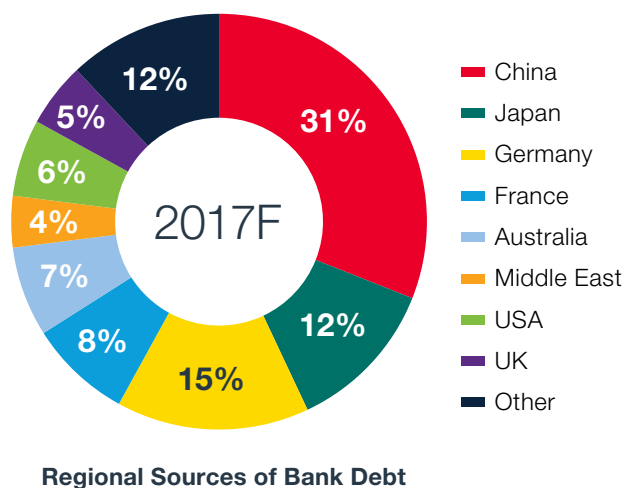
Capital markets

2016 was another busy year for the capital markets in aircraft finance, with global airlines and lessors taking advantage of record-low coupons to raise more than \$45B in secured and unsecured debt. One of the most interesting developments – highlighted in the New Funding Sources section – is the continued rise

in non-U.S. investor participation in EETCs, a trend we expect to see accelerate moving forward. In 2017, we forecast that capital markets momentum will stay strong as the benefits of the Cape Town Convention continue to be better understood by airlines, rating agencies, and investors around the world.

Commercial bank debt

Despite some regulatory headwinds, commercial bank debt continues to be a leading source of funding for new aircraft deliveries. In 2017, we anticipate that commercial bank volume will exceed capital market funding for both Boeing deliveries and the industry overall. This trend, which is primarily driven by the rising share of deliveries to China, where bank debt is the most prevalent source of financing, is expected to be strong enough to make up for any constraints arising from the Basel framework.



Export credit

Export credit volume reached an all-time low in 2016, due in part to healthy commercial markets and in part to separate, unrelated interruptions to official export credit support for Boeing and Airbus aircraft. Our 2017 forecast assumes that U.S. and European

ECAs will come back online sometime in 2017, resulting in a slight uptick due to ongoing customer demand. However, we anticipate that export credit volume should remain at the historically low levels associated with periods of healthy commercial liquidity.



Boeing Capital Corporation

Current Aircraft Finance Market Outlook

P.O. Box 3707 MC 6Y3-16

Seattle, WA 98124-2207

boeingcapital.com/cafmo

Current Aircraft Finance Market Outlook | Issued December 2016

Certain statements in this document may be "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "may," "should," "expects," "intends," "projects," "plans," "believes," "estimates," "targets," "anticipates," and similar expressions are used to identify these forward-looking statements. Examples of forward-looking statements include statements relating to our future financial condition and operating results, as well as any other statement that does not directly relate to any historical or current fact. Forward-looking statements are based on our current expectations and assumptions, which may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties, and changes in circumstances that are difficult to predict. As a result, these statements speak to events only as of the date they are made and we assume no obligation to update or revise any forward-looking statement, except as required by law. Specific factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, the effect of economic conditions in the United States and globally, general industry conditions as they may impact us or our customers, the ability of the Export-Import Bank of the United States to approve the issuance of guarantees to support our aircraft sales, and our reliance on our commercial customers, our U.S. government customers, our suppliers and the worldwide market, as well as the other important factors disclosed previously and from time to time in The Boeing Company's filings with the Securities and Exchange Commission.

Copyright © 2016 Boeing. All rights reserved.