



Boeing Capital Corporation

CURRENT AIRCRAFT FINANCE MARKET OUTLOOK 2018



The 2018 Current Aircraft Finance Market Outlook forecasts another year of stable growth and funding diversification. The aviation industry has shown an exceptional level of resiliency in an environment of continued geopolitical and economic uncertainty, demonstrating the strength and value of air travel. For the eighth straight year, passenger traffic saw above-trend growth with historically high load factors and aircraft utilization rates. This consistent demand growth, along with the resurgence of air cargo, is attracting new capital and innovative ways to access new financing markets.

In review, 2017 saw domestic export credit remain largely untapped by the major manufacturers due to various obstacles. Against the backdrop of healthy commercial markets, aircraft finance evolved, creating new, incremental capacity through the insurance market and the selected use of global export credit agencies. In the years ahead, these new sources are expected to mature into integral aircraft financing solutions.

Despite macro-economic and geopolitical concerns, the aviation industry has continued to deliver exceptional results and adjust to external dynamics. For 2018, Boeing forecasts strong and efficient liquidity from diverse markets and ready access by investors to support record new aircraft deliveries.

In 2018, Boeing Capital Corporation marks 50 years of leadership in aircraft financing. Founded as McDonnell Douglas Finance Corporation in 1968, we celebrate the intrepid spirit that has empowered us to lead the development of the infrastructure for global aircraft financing while facilitating the availability of efficient financing for our customers. BCC paved the way for the emergence of modern operating lessors and banks by developing innovative financing structures and spearheading industry standards such as the Cape Town Treaty. Into Boeing's second century, BCC will continue to build on this legacy of innovation by providing industry leadership that helps shape the future of aircraft financing.

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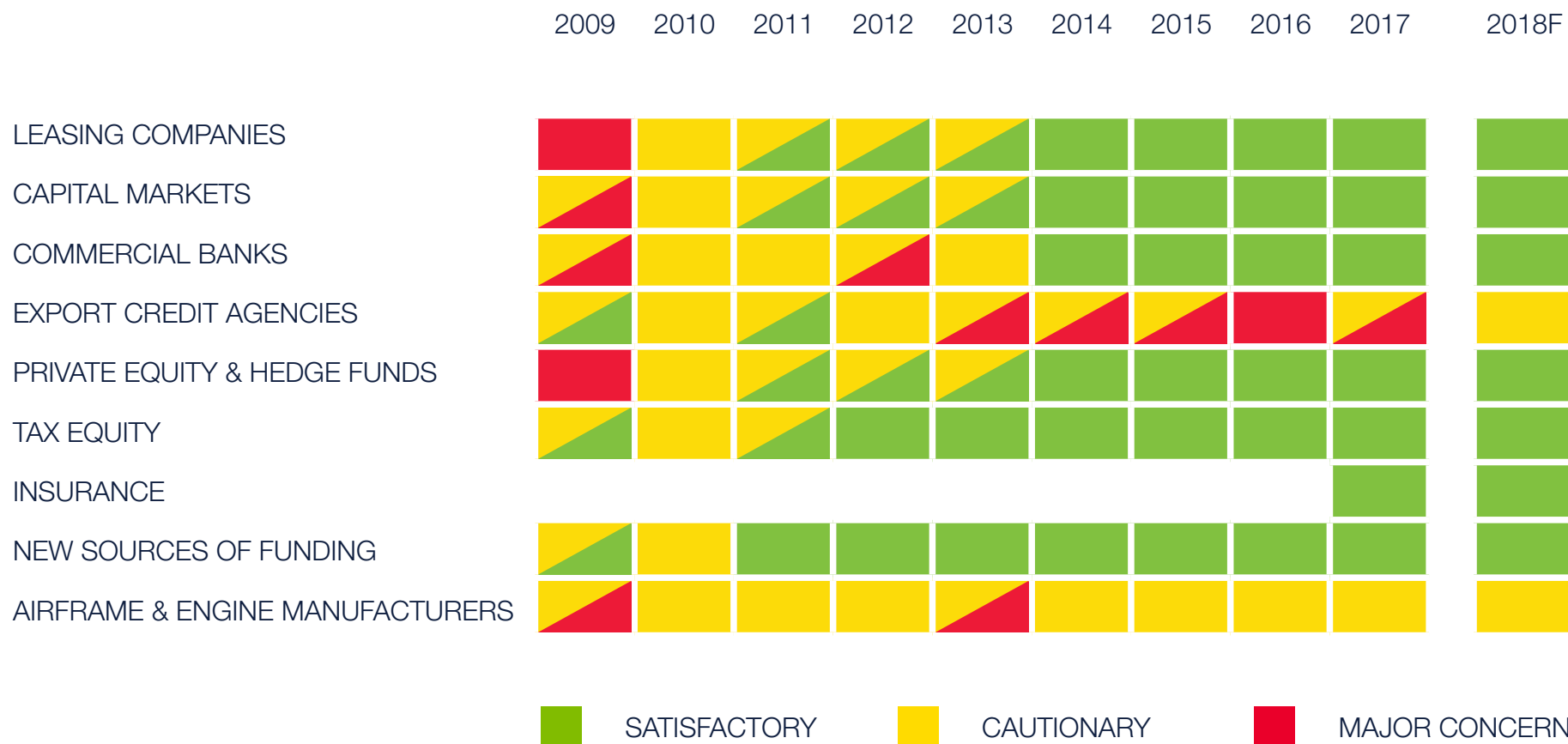
50
YEARS
1968-2018



STRONG AIRCRAFT FINANCING ENVIRONMENT

The overall aircraft finance market encompasses a wide variety of financiers and investors that we expect will continue to increase in 2018. The emergence of a new insurance market in 2017 has enhanced the diversity of options available to airlines and lessors to finance their aircraft. We forecast commercial banks and capital markets to continue to be the largest sources of financing, especially as airlines and

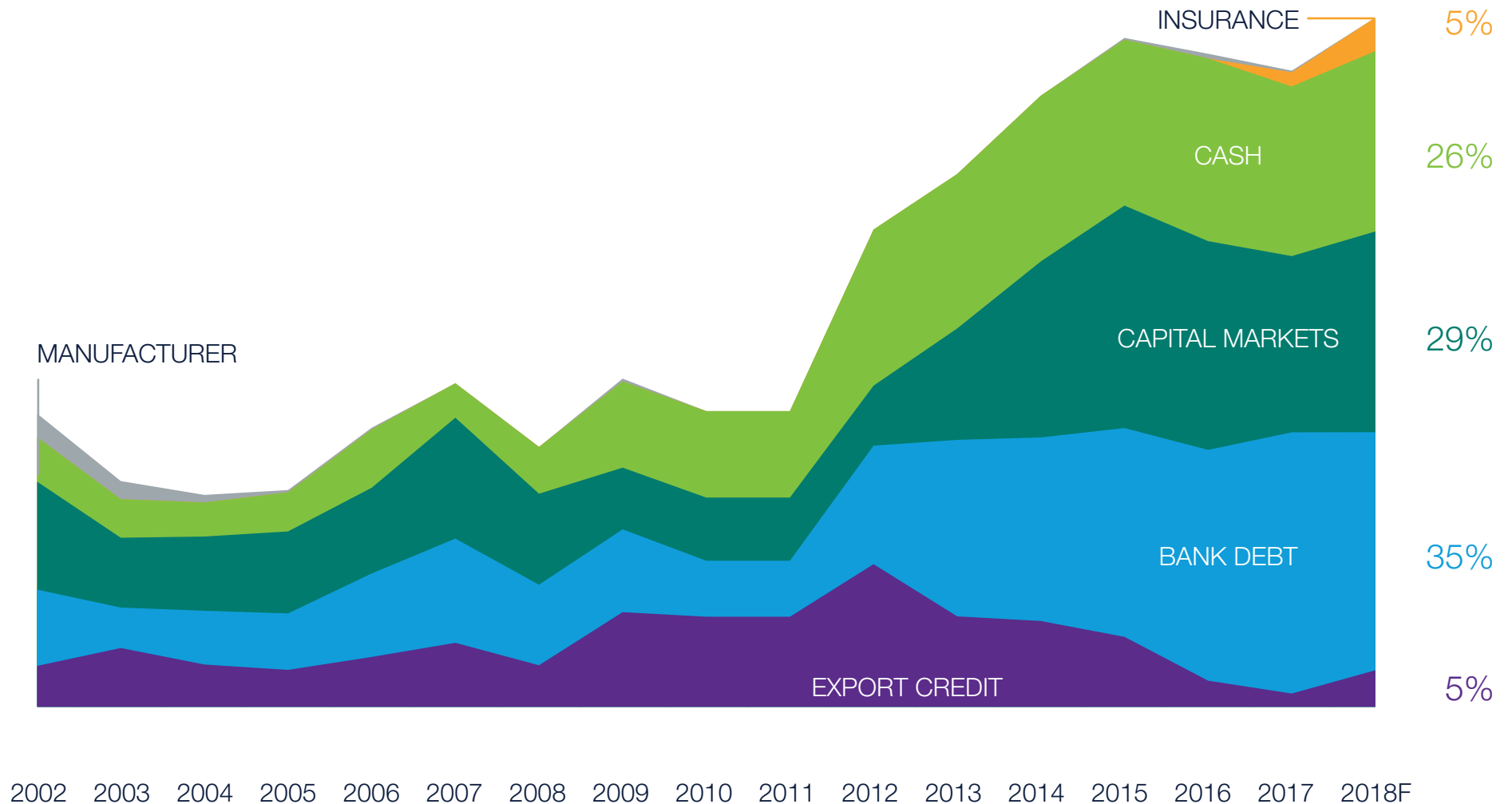
lessors strengthen their credit and gain more access to unsecured debt at competitive rates. This trend is expected to also translate into growth in the tax equity market, which has traditionally been for airlines with stronger credit. In the coming year, we anticipate export credit usage by the two major manufacturers to remain modest, with support likely focused on certain products and jurisdictions.



BALANCED FUNDING FOR BOEING DELIVERIES

In 2018, commercial bank debt is likely to again finance the largest share of Boeing deliveries. However, capital markets and cash should remain reliable sources of financing. We expect the newly created AFIC non-payment insurance market to grow in 2018, potentially

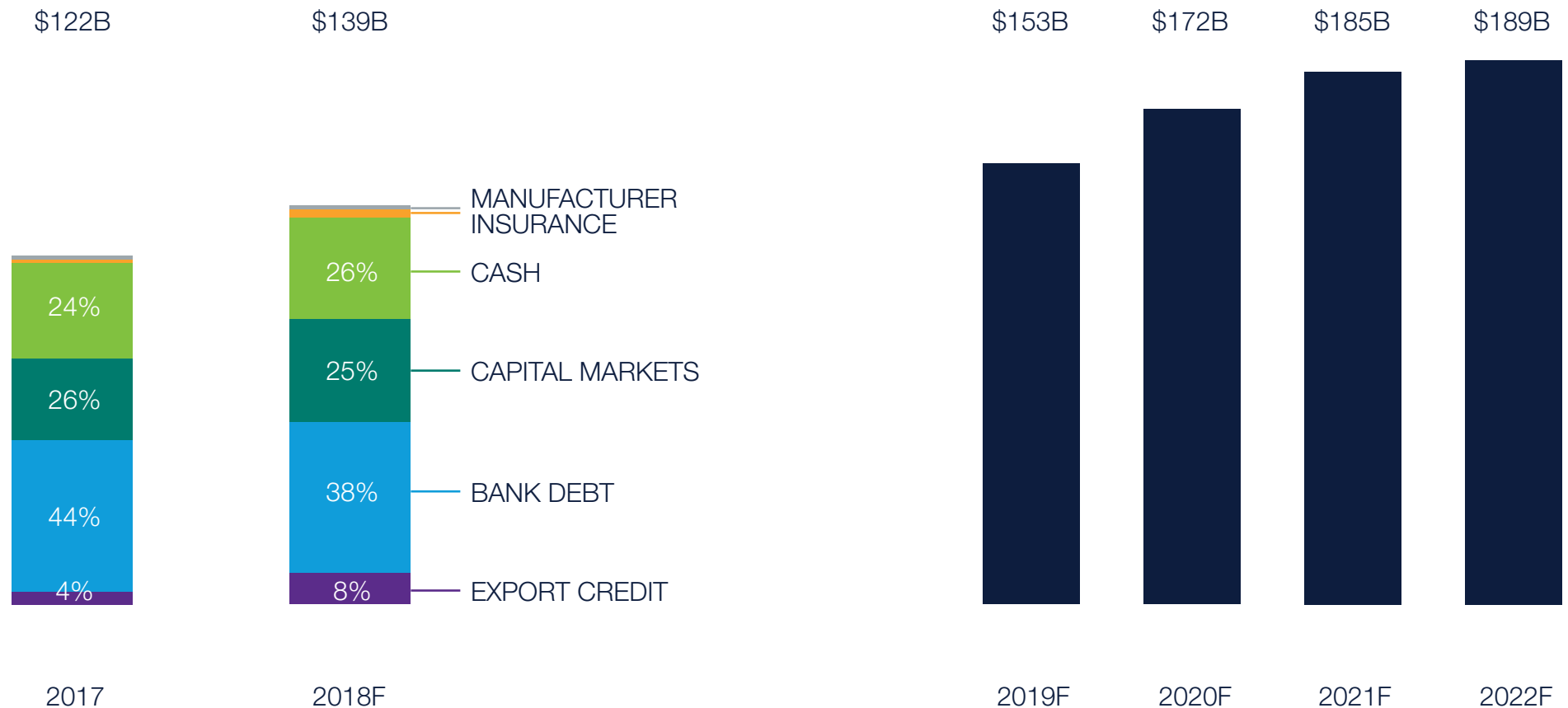
to levels similar to the tax equity and export credit markets. Innovations across aircraft finance, coupled with healthy markets, should further reduce the need for Boeing to support new deliveries in 2018.



SUPPORTING INDUSTRY FLEET GROWTH

As the global aviation industry updates its fleet and adds capacity to meet growing demand, we expect the funding requirement for new aircraft deliveries to increase from \$122 billion in 2017 to \$189 billion in 2022. In 2018, the commercial bank debt market will likely finance the largest share of deliveries as rates continue

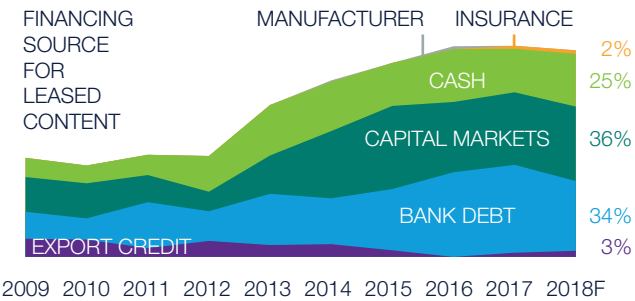
to compete with capital markets due to new market entrants and the increasing stability of the industry. Export credit is expected to gain modest market share as ECAs return as a source of financing; also, the insurance market is predicted to grow as it further establishes itself over the next several years.



LEASING

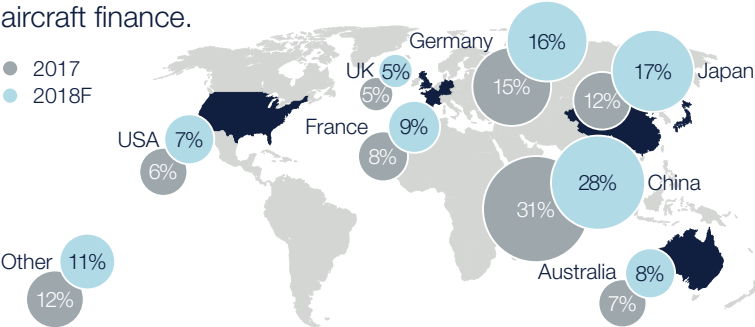
Aircraft leasing continues to grow in absolute size while maintaining a 40 percent global market share. We expect lessors to sustain their growth throughout 2018 while taking advantage of record demand and strong liquidity. The ABS market remains an important alternative for lessors to sell and/or finance portfolios of

aircraft; it has fostered innovative structures that help differentiate and manage risk profiles of all ages of aircraft. These structures are expected to facilitate portfolio liquidity and create more efficient risk management of aircraft residual values. This should allow lessors broader access to financing both in the secured and unsecured markets.



BANK DEBT

Commercial bank debt is expected to continue its resurgence in 2018 as new global banking regulations drift further into the future. This delay has generated additional liquidity with attractive terms. Looking at the growth of bank participants, former regional banks from Australia, Japan, Korea, Taiwan, and Singapore are now serving an important role in global aircraft finance.



CAPITAL MARKETS

Capital markets saw an overall decline in activity in 2017, partly due to airlines deleveraging risk and greater access to bank debt. Lessors accounted for 70 percent of the volume as they accessed capital markets for unsecured debt and ABS issuances to finance their portfolios. We anticipate that 2018 will see an upward trend in capital markets volume as lessors continue to use the space as their primary source of financing. We expect new institutional investors entering the market to further stimulate the use of capital markets and EETCs.

EXPORT CREDIT

With markets remaining healthy and numerous financing options available, export credit volume saw another year of decreased use. In addition, both major manufacturers lacked access to their domestic export credit agencies in 2017; 2018 should more than likely see renewed use. Boeing has taken a global approach, developing agreements to finance new aircraft deliveries via ECAs in countries where Boeing has a supply base. Across the industry, ECA volume will likely increase from historical lows to more stable levels in 2018, though it is expected to remain a marginal share of aircraft financing as we anticipate commercial markets will remain healthy and resilient.

AIRCRAFT FINANCE INSURANCE CONSORTIUM (AFIC)

As part of its charter to find the most efficient aircraft financing solutions for customers, BCC engaged in new market development to bring insurance risk capital to aircraft finance. BCC collaborated with Marsh to facilitate the creation of this new market in 2017. AFIC currently consists of four insurers (Allianz, Axis Capital,

Endurance/Sompo International and Fidelis) that issue an AFIC non-payment insurance policy (ANPI) to cover a lender's credit, aircraft residual and jurisdiction risks. Marsh manages and administers the ANPI platform from business origination. Due to the strength of the insurance companies, AFIC is an efficient source of financing

that complements other new aircraft funding markets for Boeing. More than \$1 billion of new airplane deliveries in 2017 were supported by AFIC; given the early success of this new market, stable growth is projected over the years to come.





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