AVIATION CAPITAL GROUP LLC
AND SUBSIDIARIES

Consolidated Financial Statements
as of December 31, 2023 and 2022 and
for the years ended December 31, 2023, 2022, and 2021
and Independent Auditor's Report

Deloitte & Touche LLP
695 Town Center Drive
Suite 1000
Costa Mesa, CA 92626
USA

Tel: +1 714 436 7100
Fax: +1 714 436 7200

INDEPENDENT AUDITOR'S REPORT

Aviation Capital Group LLC and Subsidiaries

Opinion

We have audited the consolidated financial statements of Aviation Capital Group LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income and comprehensive income, equity, and cash flows for each of the three years ended December 31, 2023, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

February 13, 2024

CONSOLIDATED BALANCE SHEETS

(In Thousands)	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$79,446	$200,479
Flight equipment held for lease, net	11,131,387	10,569,242
Assets held for sale	332,152	28,245
Prepayments on flight equipment	606,973	589,051
Notes receivable, net	354,928	520,484
Investment in finance leases, net	134,766	157,996
Other assets, net	220,293	301,750
TOTAL ASSETS	$12,859,945	$12,367,247
LIABILITIES AND EQUITY		
Liabilities:		
Debt financings, net	$8,462,976	$8,175,651
Maintenance reserves	547,095	535,670
Accounts payable, accrued expenses and other liabilities	300,930	246,267
Security deposits	137,365	140,568
TOTAL LIABILITIES	9,448,366	9,098,156
Commitments and contingencies (Note 12)		
Equity:		
Member's equity	3,402,435	3,269,091
Accumulated other comprehensive income	9,144	—
TOTAL EQUITY	3,411,579	3,269,091
TOTAL LIABILITIES AND EQUITY	$12,859,945	$12,367,247

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Years Ended December 31,		
(In Thousands)	2023	2022	2021
REVENUES			
Operating lease revenue	$1,058,566	$887,315	$878,535
Amortization of lease incentives and premiums, net	(39,730)	(27,919)	(26,062)
Maintenance revenue	68,182	52,087	71,329
Gain on sale of flight equipment, net	16,309	5,948	18,369
Other income	106,858	87,721	98,623
TOTAL REVENUES	1,210,185	1,005,152	1,040,794
EXPENSES			
Depreciation	494,308	451,023	428,217
Interest, net	416,761	285,852	268,747
Asset impairment	20,452	153,384	83,695
Losses incurred from Russia exposure	—	574,666	—
Selling, general and administrative, net	140,949	128,786	125,166
TOTAL EXPENSES	1,072,470	1,593,711	905,825
Income (loss) before (benefit from) provision for income taxes	137,715	(588,559)	134,969
(Benefit from) provision for income taxes	(15,053)	51	(4,992)
NET INCOME (LOSS)	152,768	(588,610)	139,961
OTHER COMPREHENSIVE INCOME			
Change in fair value of interest rate swap contracts	9,144	—	—
TOTAL OTHER COMPREHENSIVE INCOME	9,144	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	$161,912	$(588,610)	$139,961

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EQUITY

(In Thousands)	Member's Equity	Accumulated Other Comprehensive Income	Total Equity
BALANCES, DECEMBER 31, 2020	**$3,717,740**	**—**	**$3,717,740**
Net income	139,961	—	139,961
BALANCES, DECEMBER 31, 2021	**3,857,701**	**—**	**3,857,701**
Net loss	(588,610)	—	(588,610)
BALANCES, DECEMBER 31, 2022	**3,269,091**	**—**	**3,269,091**
Cumulative effect due to adoption of new accounting standard	(19,424)	—	(19,424)
Net income	152,768	—	152,768
Other comprehensive income	—	9,144	9,144
BALANCES, DECEMBER 31, 2023	**$3,402,435**	**$9,144**	**$3,411,579**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)	Years Ended December 31, 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$152,768	$(588,610)	$139,961
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	494,308	451,023	428,217
Asset impairment	20,452	153,384	83,695
Losses incurred from Russia exposure	—	574,666	—
Maintenance reserves, security deposits and lease incentives included in earnings	(65,966)	(35,729)	(64,134)
Amortization of debt acquisition costs and original issuance discounts	23,459	26,727	30,163
Amortization of lease incentives and premiums, net	39,730	27,919	26,062
Gain on sale of flight equipment, net	(16,309)	(5,948)	(18,369)
Other operating activities, net	(34,414)	(14,483)	(5,382)
Change in other assets	35,995	55,127	(145,243)
Change in accounts payable, accrued expenses, and other liabilities	7,031	(24,400)	(40,047)
NET CASH PROVIDED BY OPERATING ACTIVITIES	657,054	619,676	434,923
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of flight equipment and related assets	(1,293,307)	(1,255,852)	(1,103,433)
Issuance of notes receivable	—	(344,470)	(131,126)
Prepayments on flight equipment	(349,747)	(301,475)	(243,137)
Proceeds from sale of flight equipment and related assets	245,410	139,779	311,560
Capitalized interest on prepayments on flight equipment	(18,594)	(11,996)	(9,997)
Receipts of notes receivable	216,528	30,376	196,559
Refunded prepayments on flight equipment	—	7,817	508,034
Other investing activities, net	21,807	35,242	45,310
NET CASH USED IN INVESTING ACTIVITIES	(1,177,903)	(1,700,579)	(426,230)

(Continued)

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)	Years Ended December 31, 2023	2022	2021
(Continued)			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from debt financings	$1,885,169	$1,062,033	$1,602,499
Repayment of debt financings	(1,721,641)	(176,236)	(2,858,334)
Receipts of maintenance reserves, net of payments	130,572	114,045	61,445
Proceeds from (repayment of) revolving credit facilities and commercial paper, net	102,809	(304,609)	1,012,050
Receipts of security deposits, net of payments	21,555	32,796	15,880
Other financing activities, net	(18,648)	(6,710)	(13,381)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	399,816	721,319	(179,841)
Net change in cash and cash equivalents and restricted cash	(121,033)	(359,584)	(171,148)
Cash and cash equivalents and restricted cash, beginning of year	200,479	560,063	731,211
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR [1]	$79,446	$200,479	$560,063
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid, net of capitalized interest	$363,579	$249,341	$247,402
Non cash transfer from prepayments on flight equipment to flight equipment held for lease, net	$349,616	$178,217	$291,383
Non cash transfer from assets held for sale to notes receivable, net	—	—	$105,230

[1] Includes restricted cash of $5.2 million, $16.7 million, and $101.8 million of restricted cash as of December 31, 2023, 2022, and 2021, respectively.

See Notes to Consolidated Financial Statements

1. ORGANIZATION

Aviation Capital Group LLC, a Delaware limited liability company (ACG LLC), together with its subsidiaries (collectively ACG, we, us, or our) is a full service aircraft asset manager. Our business consists primarily of the acquisition, leasing, and disposition of commercial jet aircraft and our principal activity is to invest in and lease commercial jet aircraft pursuant to operating leases. We also provide certain aircraft asset management services and aircraft financing solutions (AFS) for third parties. Our lessee customers are primarily commercial airlines operating across the globe.

ACG LLC is a wholly owned subsidiary of TC Skyward Aviation U.S., Inc. (TCSA), a Delaware corporation and direct subsidiary of Tokyo Century Corporation (Tokyo Century), a Japanese corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Our consolidated financial statements include the accounts of all entities in which we have a controlling financial interest, including the accounts of any variable interest entity (VIE) where we are the primary beneficiary.

All intercompany transactions and balances have been eliminated in consolidation.

We manage, operate, and present our business as a single segment.

Certain line items have been expanded or combined in the presentation of the 2022 and 2021 consolidated balance sheets, consolidated statements of income and comprehensive income, consolidated statements of cash flows, and footnotes to conform to the 2023 presentation.

RISK AND UNCERTAINTIES

In the normal course of business, we encounter several significant types of economic risk including, but not limited to, credit, market, aviation industry, and capital market risks. Credit risk is the risk of a counterparty's inability or unwillingness to make contractually required payments and to fulfill its other contractual obligations. Market risk reflects the change in the value of financings, guarantees, and derivatives due to changes in interest rate spreads, including the value of collateral underlying financings or other market factors. Aviation industry risk is the risk of a downturn in the commercial aviation industry that could adversely affect a lessee's ability to make payments, increase the risk of unscheduled lease terminations, depress lease rates, and depress the value of our aircraft. Capital market risk is the risk that we are unable to obtain capital at reasonable rates to fund the growth of our business or to refinance existing debt.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires that we make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. While we believe that the estimates and related assumptions used in the preparation of the consolidated financial statements are reasonable, actual results could differ from those estimates. The use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, acquired contractual rights, accruals, asset valuation, guarantee reserves, and allowance for credit losses. In developing these estimates, we are required to make subjective and complex decisions that are inherently uncertain and subject to material changes as facts and circumstances change.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents primarily include highly liquid investments with an original maturity of three months or less. The line item on our balance sheet also includes restricted cash as described below.

RESTRICTED CASH

Restricted cash includes cash held by banks that is subject to withdrawal restrictions, typically pursuant to secured debt agreements.

FLIGHT EQUIPMENT HELD FOR LEASE, NET, DEPRECIATION, AND IMPAIRMENT

We record our flight equipment held for lease at cost less accumulated depreciation. Cost consists of the acquisition price, including interest capitalized during the construction period of a new aircraft, and major improvements. Depreciation to our estimated residual value is computed using the straight-line method over the estimated useful life of the aircraft, which is generally 25 years from the date of manufacture. We capitalize major improvements to aircraft as incurred and depreciate the improvements over the shorter of the remaining useful life of the aircraft or the improvement.

We test for potential impairment whenever events or changes in circumstances indicate that the carrying value of our flight equipment may not be recoverable. Factors we consider include significant world events, significant under-performance relative to historic results or projected future operating results, significant negative industry or economic trends, reductions to our future minimum lease rentals, a decline in the market values of our aircraft, the maintenance condition of our flight equipment, and the intended use of our aircraft. We may be required to record a significant charge to earnings during the period in which any impairment is determined. Such charges could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We test for potential impairment utilizing a two-step process. Step one is a review of the recoverability which includes an assessment of the estimated future undiscounted cash flows associated with the use of the flight equipment and its eventual disposal. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets, which includes the individual aircraft and the lease-related assets of that aircraft (the Asset Group). Under step two, if the future undiscounted cash flows of the flight equipment are less than the Asset Group's carrying value, the Asset Group is deemed impaired and re-measured to fair value. We measure the impairment, if any, as the excess of the carrying value of the Asset Group over its fair value on the measurement date. An impairment loss for an Asset Group reduces the carrying value of the long-lived assets related to that Asset Group.

ASSETS HELD FOR SALE

We evaluate all proposed flight equipment sale transactions to determine whether the required criteria have been met under U.S. GAAP to classify the flight equipment or Asset Group as assets held for sale. We use judgment in evaluating these criteria. Assets held for sale are valued at the lower of depreciated cost or fair value less estimated costs to sell. An asset impairment is recorded for assets held for sale if the carrying value of the Asset Group exceeds its fair value, less estimated costs to sell. We cease recognition of depreciation expense upon transfer to assets held for sale. We continue to recognize operating lease revenue until the disposition date. Rent collected from the contracted sale date through the disposition date generally reduces the sale proceeds.

PREPAYMENTS ON FLIGHT EQUIPMENT AND CAPITALIZED INTEREST

Prepayments on flight equipment represent progress payments, and capitalized interest thereon, associated with aircraft order positions we hold with various aircraft manufacturers and deposits paid for aircraft purchases with other third parties. We earn interest on certain prepayments on flight equipment, which is included in other income.

We use debt financings to fund these payments during the period the aircraft is under production. We capitalize the interest expense on such financings thereby reducing the interest expense we report for the period. The amount capitalized is calculated using a composite borrowing rate for unsecured financings and is recorded as an increase to prepayments on flight equipment.

Prepayments on flight equipment, deposits paid on third party aircraft purchases and capitalized interest are capitalized to the aircraft's cost upon delivery.

NOTES RECEIVABLE, NET

Notes receivable, net primarily consist of loans made by us to third-party airlines through our AFS program. The AFS notes receivable are secured by liens over the aircraft financed by such loans. The loans are carried at cost, net of principal paydowns and deferred fees. Fees generated on the loans are deferred and amortized over the life of the notes and included as offsets to notes receivable, net. Interest income on performing notes is accrued and recognized at the contractual rate and included in other income.

Our notes receivable credit exposure reflects the risk that the borrowers fail to meet their payment obligations. We record our notes receivable net of deferred fees and an allowance for credit losses. We recorded an allowance for credit losses on outstanding notes receivable upon the adoption of Accounting Standards Update (ASU) 2016-13 - Financial Instruments-Credit Losses, also referenced as Accounting Standards Codification (ASC) 326. We will record an allowance in the future at the initial recognition of a note receivable. Our methodology for calculating the allowance for credit losses is described in Note 5 and is based on our estimate of expected credit losses over the loan term.

ACQUIRED AIRCRAFT CONTRACTUAL RIGHTS

When we acquire used aircraft subject to operating leases, we allocate and record the cost of all assets acquired based on their relative fair value. Assets acquired generally include aircraft and certain contractual rights we acquire under a lease agreement. Contractual rights include the right to receive lease related cash flows above or below market rates (Lease Premium or Discount) and aircraft maintenance right assets and liabilities, which are assessed at the time of acquisition.

Lease Premium or Discount represents the present value of the difference in cash flows specified in an acquired lease agreement and the estimated cash flows the subject aircraft would command in market transactions at the acquisition date. We record Lease Premium or Discount in other assets, net. Amortization of Lease Premium and Discount is recognized as a reduction to or an increase to revenues, respectively, on a straight-line basis over the life of the lease.

We identify, measure, and account for maintenance right assets associated with our acquisitions of aircraft subject to a lease agreement. A maintenance right asset represents the fair value of the contractual right under a lease to receive an aircraft in an improved maintenance condition as compared to the maintenance condition on the acquisition date. A maintenance right liability represents the fair value of the contractual obligation under a lease to receive an aircraft in an inferior maintenance condition as compared to the maintenance condition on the acquisition date.

Our aircraft leases are principally structured as triple net leases whereby the lessee is responsible for maintaining the aircraft and paying operational, maintenance and insurance expenses. This is accomplished through one of two types of provisions in our leases: (i) end of lease return compensation based on the lessee's usage (EOL Leases) or (ii) periodic maintenance payments (MR Leases).

Under EOL Leases, we recognize receipt of cash compensation at the end of the lease as maintenance revenue to the extent such receipts exceed the maintenance rights asset. We record an aircraft improvement when the maintenance rights asset exceeds the cash received and we have confirmed the scope of work performed and that the improvement meets our capitalization policy. Under MR Leases, we recognize maintenance revenue to the extent that the associated maintenance reserves exceed the maintenance right asset at the end of the lease if no qualified major maintenance is performed during the lease. If qualified major maintenance work is performed during the lease, we reimburse the lessee for the performance of some or all of the qualified major maintenance, reclassify the maintenance right asset to an aircraft improvement and any excess maintenance payments, net of reimbursements, are recognized as maintenance revenue.

When flight equipment is sold while on lease, contractual rights are recognized as part of the gain or loss on sale of flight equipment.

We evaluate all acquired aircraft contractual rights for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

DEBT FINANCINGS, NET

Debt financings are carried at the principal amount borrowed, net of principal paydowns, unamortized original issuance discounts, and debt acquisition costs. We amortize original issuance discounts and debt acquisition costs on a straight-line basis, which does not materially differ from the effective interest method, over the life of the related debt instrument/facility, and include the amortization in interest, net.

MAINTENANCE RESERVES AND MAINTENANCE REVENUE

Factors we consider when deciding if a lessee will make periodic maintenance payments, rather than making maintenance payments at the end of the lease term, include the creditworthiness of the lessee, the level of security deposit provided by the lessee and market conditions at the time we enter into the lease.

Under MR Leases, maintenance payments made to us in excess of the required reimbursements to the lessee are recognized as maintenance revenue when we no longer have the obligation to reimburse maintenance reserves. If the lessee fails to perform under the terms of the lease, we may use maintenance reserves to offset outstanding contractual obligations during the lease term or at termination and/or record them as maintenance revenue.

Under EOL Leases, maintenance payments made to us at the end of the lease term are recognized as maintenance revenue when received. Maintenance payments we make to the lessee are capitalized and depreciated on a straight-line basis until the next estimated scheduled maintenance or overhaul event.

SECURITY DEPOSITS

Most of our operating leases require the lessee to pay a cash deposit or provide a letter of credit for security for certain contractual obligations. Security deposits are generally returned to the lessee at the end of the lease. If the lessee fails to perform under the terms of the lease, we may use security deposits to offset outstanding contractual obligations during the lease term or at termination and/or record them as lease termination settlements, which are included in other income.

LEASE INCENTIVES AND LEASE ACQUISITION COSTS

Some of our leases contain provisions which require us to pay a portion of a lessee's major maintenance based on use of the aircraft and major life-limited components that were incurred prior to the current lease. At lease inception, we estimate the amounts we expect to pay the lessee during the lease term based on the estimated utilization of the aircraft by the lessee, the estimated maintenance cost, and the estimated amount the lessee is responsible to pay.

We do not recognize lease incentive liabilities at the inception of the lease. Estimated lease incentive liabilities are recognized as a reduction to operating lease revenues on a straight-line basis over the life of the lease with the offsetting lease incentive liability recorded to accounts payable, accrued expenses, and other liabilities. When a payment is made to the lessee associated with the lease incentive, the lease incentive liability is reduced. Any amount paid in excess of the lease incentive liability is recorded as a prepaid lease incentive asset, which is included in other assets, net and continues to amortize as a reduction to operating lease revenue over the remaining life of the lease.

Major improvements funded by us pursuant to a lease agreement or lessee specific modifications (lease acquisition costs) are capitalized and amortized as a reduction to operating lease revenues over the term of the related lease.

VARIABLE INTEREST ENTITIES

We evaluate our interests in all legal entities to determine if our interest is a variable interest and, if so, the legal entity is a VIE. For those legal entities that qualify as VIEs, we confirm their status on an ongoing basis and consolidate those VIEs in which we have a controlling financial interest and are thus deemed to be the primary beneficiary. A primary beneficiary has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

CONTINGENCIES

We evaluate each contingent matter separately. We record a loss when it is probable and reasonably estimable. Additionally, should we identify a contingency that does not meet our criteria for accrual, but we estimate a reasonably possible chance of occurrence, we will disclose the nature of the contingency and, when possible, provide an estimate of the potential loss.

GUARANTEES

Through our AFS program, we provide repayment guarantees for loans for the benefit of airlines to finance new aircraft deliveries or to finance aircraft already owned by the airlines. These guarantees are limited to the borrower's failure to timely repay principal and interest on the amortizing senior secured loans to the third-party lenders. The guaranteed loans are secured by aircraft purchased with the proceeds of such loans.

FAIR VALUE

Fair value is defined as the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

INCOME TAXES

We are a single member limited liability company that is a disregarded entity for U.S. federal and state income tax purposes and not subject to federal income tax. Our sole member, TCSA, is responsible for income taxes on our U.S. federal and state taxable income. As such, no recognition of U.S. federal or state income taxes has been provided for in the accompanying consolidated financial statements.

OPERATING LEASE REVENUE

Our aircraft leases are principally accounted for as operating leases. All of our current leases require payments in U.S. dollars (USD). We recognize operating lease revenue on a straight-line basis over the term of the lease agreements. Lease payments received under the terms of the lease agreements, but unearned, are recorded as deferred income until earned.

In the event lease payments are not paid when due, we evaluate the collectability of operating lease receivables at an individual customer level. We monitor lessees with past due lease payments and consider relevant operational and financial issues facing those lessees, as well as collateral held in the form of security deposits and maintenance reserves in order to determine an appropriate allowance for doubtful accounts. We cease revenue recognition if collection of the scheduled lease payment is not reasonably assured. During the period when revenue recognition is ceased, we record revenue in the period that payment is received. We resume revenue recognition of the scheduled lease payments when we believe collectability is reasonably assured.

FINANCE LEASE REVENUE

If a lease meets specific criteria at lease commencement or at the effective date of a lease modification, we recognize the lease as a direct financing lease or a sales-type lease (collectively finance leases). At the inception of the lease agreement, a sales-type lease includes a profit or loss equal to the difference between the fair value of the aircraft and our carrying value. In a direct financing lease, any profit or loss between the fair value of the aircraft and the carrying value is deferred and recognized as interest income over the lease term.

Our investment in finance leases, net consists of future minimum lease payments, less the unearned income and allowance for credit losses, plus the estimated unguaranteed residual value of the leased aircraft. We recognize the unearned income over the lease term in a manner that produces a constant rate of return on our net investment in finance leases; finance lease revenue is included in other income. We evaluate the collectability of finance leases at an individual customer level. We monitor lessees with past due lease payments and consider relevant operational and financial issues facing those lessees in order to determine an appropriate allowance for credit losses.

BAD DEBT EXPENSE

We evaluate the collectability of receivables (operating and finance lease receivables, deferral and restructuring receivables, and notes receivable) at an individual customer level. We monitor customers with past due payments and consider relevant operational and financial issues facing those customers, as well as our existing security packages in place with such customers, in order to determine an appropriate amount of bad debt expense or whether to shift such customers to revenue recognition on a cash basis. Bad debt expense is included in selling, general and administrative, net.

RELATED PARTY TRANSACTIONS

We disclose all material related party transactions. Because the requisite conditions of a competitive free-market may not exist, these transactions may differ from those available to us in the open market.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13 (ASC 326), which, together with all subsequent amendments, replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology. The CECL methodology utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses and is based on historical loss information, current conditions, and reasonable and supportable forecasts. Our notes receivable, repayment guarantees, investment in finance leases, and deferral and restructuring receivables (collectively referred to herein as

Guarantees and Financed Receivables) are the primary financial exposures within the scope of ASC 326. Our trade receivables related to aircraft operating leases are not within the scope of ASC 326.

On January 1, 2023, we adopted ASC 326 under a modified retrospective approach. Results for reporting periods after January 1, 2023 are presented under ASC 326, while prior period results are reported in accordance with the previously applicable U.S. GAAP. The cumulative effect of measuring the allowance for credit losses under the CECL methodology, as a result of adopting ASC 326 on January 1, 2023, was an increase to our allowances for credit losses of $19.4 million and a corresponding decrease to member's equity for the same amount. As a result of adopting ASC 326, our allowance for credit losses will reflect our estimate of credit losses over the remaining expected life of the Guarantees and Financed Receivables measured at amortized cost. CECL provisions are recognized in our consolidated statements of income and comprehensive income within selling, general and administrative, net.

3. FLIGHT EQUIPMENT HELD FOR LEASE, NET

The following table presents the components of flight equipment held for lease, net *(In Thousands)*:

	December 31,	
	2023	2022
Cost of flight equipment held for lease	$14,272,162	$13,479,535
Less: accumulated depreciation	(3,140,775)	(2,910,293)
Flight equipment held for lease, net	$11,131,387	$10,569,242

As of December 31, 2023 and 2022, maintenance right assets of $59.5 million and $60.2 million, respectively, were included in flight equipment held for lease, net.

As of December 31, 2023 and 2022, flight equipment held for lease, net, with carrying values of $144.9 million and $304.1 million, respectively, were pledged as collateral for our secured loans guaranteed by either the Export-Import Bank of the United States or the export credit agencies of the United Kingdom, France and/or Germany (collectively Export Credit Agencies) (Note 11).

The following table presents the future minimum lease rentals (inclusive of executed deferral and restructuring agreements) we are due under operating leases as of December 31, 2023 *(In Thousands)*:

Years Ended December 31:	
2024	$1,014,549
2025	901,467
2026	815,373
2027	755,060
2028	690,627
Thereafter	2,343,109
Total	$6,520,185

RUSSIA-UKRAINE CONFLICT

In February 2022, Russia launched a large-scale military invasion of Ukraine and remains engaged in a broad military conflict with Ukraine (Russia-Ukraine Conflict). In response, the United States, European Union, United Kingdom, and other countries have imposed broad, far-reaching sanctions and export controls against Russia, certain Russian persons and certain activities involving Russia or Russian persons. These sanctions include bans on the leasing or sale of aircraft to Russian controlled entities; prohibitions regarding the supply of aircraft and aircraft components to Russian controlled entities or for use in Russia, and corresponding prohibitions on providing technical assistance, brokering services, insurance and reinsurance and financing or financial assistance; and prohibitions restricting aircraft operated by Russian airlines from entering certain airspace. We have complied and will continue to comply with all applicable sanctions. In compliance with the sanctions, we terminated all of our leasing activities in Russia and nine of our aircraft remain in Russia. As a result, we recorded losses for the full amount of our Russia exposure during fiscal year 2022. Additional details relating to the Russia-Ukraine Conflict can be found in our 2022 annual financial statements.

Our lessees are required to provide insurance coverage with respect to leased aircraft and we are named as insureds under those policies in the event of a total loss of an aircraft. We also purchase insurance that provides us with coverage when our aircraft are not subject to a lease or when a lessee's policy fails to indemnify us. We have submitted insurance claims for the full net book value of our aircraft that remain in Russia, and in January 2023, we commenced legal proceedings in California against our insurance providers for damages in excess of $700 million in connection with our losses relating to Russia. Insurance recoveries are generally recognized when they are realized or realizable, which typically occurs at the time cash proceeds are received or a claim agreement is executed, while taking into consideration the counterparty's ability to pay the claim amount. We intend to continue to pursue remedies for the losses incurred by us; however, the timing and amount of any potential recoveries are uncertain and we have not recognized any claim receivables as of December 31, 2023.

4. INVESTMENT IN FINANCE LEASES, NET

As of December 31, 2023, our investment in finance leases, net, represents 17 aircraft on lease to two customers. As of December 31, 2023 and 2022, 100% of our investment in finance leases, net by carrying value were operated in the U.S. The following table presents the components of investment in finance leases, net *(In Thousands)*:

	December 31,	
	2023	2022
Total future minimum lease payments	$91,420	$124,143
Estimated unguaranteed residual value	67,561	67,561
Less: unearned income	(23,446)	(33,708)
Less: allowance for credit losses	(769)	—
Investment in finance leases, net	$134,766	$157,996

The following table presents the future minimum lease payments that we are due under finance leases as of December 31, 2023 *(In Thousands)*:

2024	$32,662
2025	30,315
2026	21,075
2027	2,160
2028	2,160
Thereafter	3,048
Total	$91,420

We have credit exposure related to finance leases that reflects the risk that our finance lease customers fail to meet their payment obligations and the risk that the aircraft value is less than the unguaranteed residual value assumed in the investment in finance leases calculation. We recorded an allowance for credit losses on our outstanding investment in finance leases, net, upon the adoption of ASC 326, and we will record an allowance in the future at the initial recognition of a finance lease. Our methodology for calculating the allowance for credit losses is described in Note 5 and is based on our estimate of expected credit losses over the lease term and the risk that the aircraft value is less than the unguaranteed residual value at lease end.

5. CREDIT LOSSES

We are exposed to credit losses on our Guarantees and Financed Receivables. Substantially all of our Guarantees and Financed Receivables are collateralized by rights to an aircraft or cash collateral, including letters of credit, collected in the form of security deposits or maintenance reserves. We estimate the expected risk of loss over the remaining life of our Guarantees and Financed Receivables using a probability of default and net exposure analysis using historical information, current conditions, and reasonable and supportable forecasts. The probability of default is based on historical cumulative default data published by a third-party servicer, adjusted for current conditions, of similarly risk-rated counterparties over the contractual term. The net exposure is estimated based on the Guarantees and Financed Receivables balance exposure, net of the estimated aircraft value and other cash collateral over the contractual term.

As it relates to our notes receivable, repayment guarantees and investment in finance leases, the expected loss provision for each individual contractual exposure is calculated by multiplying the probability of default by the net exposure over the contractual term. We then determine the present value of the expected loss amount over the contractual term. The discount rate used is equal to the financial asset's effective interest rate. Credit exposure related to our investment in finance leases reflects the risk that our finance lease lessees fail to meet their payment obligations.

Our deferral and restructuring receivables credit exposure reflects the risk that our customers fail to meet their payment obligations. An allowance for credit losses was recorded upon the adoption of ASC 326 and will be recorded at the inception of any new deferral or restructuring receivable and is based on our estimate of expected credit losses over the lease term. We record our deferral and restructuring receivables in other assets, net and net of an allowance for credit losses.

In order to manage risk, we developed an internal credit rating model for airlines in our portfolio. Internal credit ratings are based on both quantitative and qualitative factors of the airlines and the environment in which they operate. The frequency of rating updates is established by our credit risk policy, which requires periodic monitoring and at least an annual review. Our internal risk ratings process is an important source of information in determining our allowance for credit losses related to deferral and restructuring receivables.
The following table presents the movements in the allowance for credit losses during the year ended December 31, 2023 *(In Thousands)*:

	Deferral and Restructuring Receivables	Notes Receivable, net	Loan Guarantees	Investment in Finance Leases, net	Total
December 31, 2022 allowance for credit losses	$—	$—	$—	$—	$—
Cumulative effect due to adoption of ASC 326	15,767	1,945	703	1,009	19,424
Current year decrease in allowance	—	(1,420)	(235)	(240)	(1,895)
Write-offs charged against allowance	15,767	—	—	—	15,767
December 31, 2023 allowance for credit losses	$—	$525	$468	$769	$1,762

6. GEOGRAPHIC CONCENTRATION

The following table presents the global concentration of our aircraft portfolio, including flight equipment held for lease, net and assets held for sale, based on lessee's location *(In Thousands)*:

	December 31,			
	2023		2022	
	Net Book Value	Percent of Total	Net Book Value	Percent of Total
Region:				
Europe	$2,582,308	22.5%	$2,008,218	19.0%
Central America, South America, and Mexico	2,444,177	21.3%	2,226,908	21.0%
Asia Pacific (excluding China)	1,887,129	16.5%	2,510,763	23.7%
United States and Canada	1,871,799	16.3%	1,115,253	10.5%
China	1,367,155	11.9%	1,425,426	13.5%
Middle East and Africa	795,680	7.0%	679,042	6.4%
Sub-total	10,948,248	95.5%	9,965,610	94.1%
Aircraft in transition subject to a signed lease or sales commitment	298,033	2.6%	567,452	5.4%
Aircraft on ground not subject to a signed lease or sales commitment	217,258	1.9%	64,425	0.5%
Total	$11,463,539	100.0%	$10,597,487	100.0%

As of December 31, 2023 and 2022, no individual lessee accounted for more than 10% of our aircraft portfolio. As of December 31, 2023, the U.S. and China accounted for 13.2% and 11.9%, respectively, of our aircraft portfolio. As of December 31, 2022, China accounted for 13.5% of our aircraft portfolio. As of December 31, 2023 and 2022, no other individual country accounted for more than 10% of our aircraft portfolio.

The following table presents the global concentration of our operating lease revenue, calculated consistent with the revenue recognition policy described in Note 2 and inclusive of executed deferral, restructuring and settlement agreements, based on the lessee's location *(In Thousands)*:

	Years Ended December 31,					
	2023		2022		2021	
	Operating Lease Revenue	Percent of Total	Operating Lease Revenue	Percent of Total	Operating Lease Revenue	Percent of Total
Region:						
Asia Pacific (excluding China)	$239,873	22.7%	$219,310	24.7%	$263,231	29.9%
Europe	202,185	19.1%	190,371	21.5%	142,409	16.2%
Central America, South America, and Mexico	191,040	18.0%	163,892	18.5%	148,315	16.9%
China	182,455	17.2%	113,856	12.8%	117,144	13.3%
United States and Canada	174,142	16.5%	134,997	15.2%	138,236	15.7%
Middle East and Africa	68,871	6.5%	64,889	7.3%	69,200	8.0%
Operating lease revenue	$1,058,566	100.0%	$887,315	100.0%	$878,535	100.0%

For the years ended December 31, 2023, 2022, and 2021, no individual lessee accounted for more than 10% of our operating lease revenue after adjusting for deferred lease rental payments from cash-basis lessees. For the years ended December 31, 2023, 2022, and 2021, China accounted for 17.2%, 12.8%, and 13.3% of our operating lease revenue, respectively. For the years ended December 31, 2023, 2022, and 2021, the U.S. accounted for 13.1%, 12.2%, and 12.8% of our operating lease revenue, respectively. No other individual country accounted for more than 10% of our operating lease revenue for the years ended December 31, 2023, 2022, or 2021.

7. VARIABLE INTEREST ENTITIES

In connection with certain of our financing structures, we have participated in the design and formation of certain special purpose vehicles (SPVs). The purpose of these SPVs is to enable the lenders and guarantors under these financing structures to perfect their security interest in certain aircraft that secure the related debt financings.

The SPVs have entered into secured loans with us, third parties, and/or financial institutions that are primarily guaranteed by ACG and in some cases supported by secondary guarantees from an Export Credit Agency. The SPVs use the proceeds from these loans to purchase aircraft. The aircraft secure the loans and are leased, pursuant to capital leases, to an airline or to us. For loans in which ACG does not act as the lender, the loans are recourse to our general credit through ACG guarantees that are in place. These SPVs are considered VIEs because they do not have sufficient equity at risk.

In cases where we are the counter-party to the capital lease, we bear significant risk of loss and participate in gains through the leases, and we have the power to direct the activities that most significantly impact the economic performance of these SPVs. Currently, all of the SPVs in which we are the counter-party to the capital lease involve financing structures with Export Credit Agencies. Therefore, we have determined we are the primary beneficiary of these SPVs and consolidate them into our consolidated financial statements as VIEs.

The net book value of the aircraft owned by the SPVs that are related to these financing structures involving Export Credit Agencies and considered VIEs as of December 31, 2023 and 2022 was $144.9 million and $211.4 million, respectively, and is included in flight equipment held for lease, net (Note 3). In addition, as of December 31, 2023 and 2022, there was $15.7 million and $42.0 million, respectively, outstanding under the debt financings associated with these legal entities, which is included in debt financings, net (Note 11).

In cases where we are not the counter-party to the capital lease, we do not have the power to direct the activities that most significantly impact the economic performance of the SPVs. Currently, all of the SPVs in which we are not the counterparty to the capital lease involve financing structures relating to our AFS program. Therefore, we have determined that we are not the primary beneficiary of these SPVs and do not consolidate them into our consolidated financial statements.

The net carrying value of the AFS notes receivable owed to us by these non-consolidated SPVs as of December 31, 2023 and 2022 was $347.9 million and $505.4 million, respectively, which approximated its fair value at such dates, and is included in notes receivable, net. In addition, as of December 31, 2023 and 2022, there was $355.0 million and $423.6 million, respectively, outstanding under the debt financings associated with these non-consolidated SPVs, which is included in debt financings, net (Note 11). Our maximum exposure to loss approximates the net carrying value of the AFS notes receivable.

8. OTHER ASSETS, NET

The following table presents the components of other assets, net *(In Thousands)*:

	December 31, 2023	2022
Deferral and restructuring receivables	$75,414	$97,275
Securities (equity and debt)	35,833	25,387
Lease premium, net	10,764	21,276
Operating lease receivables	2,494	73,882
Other, net	95,788	83,930
Other assets, net	$220,293	$301,750

9. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We determine fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

In some cases, the inputs used to measure fair value can fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement.

The valuation approaches that may be used to measure fair value are as follows:

Market Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income Uses valuation techniques to convert future amounts to a single current amount based on current market expectation about those future amounts.

Cost Based on the amount that would be required currently to replace the service capacity of an asset (current replacement cost).

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

During the year ended December 31, 2023, we entered into several interest rate swap contracts to hedge current and future interest rate payments on some of our floating rate debt financings and designated the swaps as hedging. The objective of our hedging policy is to mitigate risk with respect to changes in interest rates and foreign currencies. We do not currently have any foreign currency exposure in connection with our outstanding debt financings. Interest rate swap contracts are agreements in which a series of interest rate cash flows are exchanged with a third party over a prescribed period. The notional amount on an interest rate swap contract is not exchanged. Interest rate swap contracts allow us to pay fixed amounts based on fixed interest rates and receive floating amounts based on SOFR rates, which converts our floating rate debt to fixed rate obligations to better match the largely fixed rate cash flows we receive from our rental payments.

As required for all qualifying and effective cash flow hedges, the change in fair value of the interest rate swap contracts is recorded in other comprehensive income (OCI). During the year ended December 31, 2023, we recorded a pre-tax unrealized gain of $9.1 million in OCI. During the year ended December 31, 2023, our hedged forecasted transactions were determined to be probable of occurring.

No amounts were reclassified from accumulated other comprehensive income (AOCI) to earnings resulting from the discontinuance of cash flow hedges due to forecasted cash flows that were no longer probable of occurring for the year ended December 31, 2023. Over the next twelve months, we anticipate that no unrealized gains on derivative instruments in AOCI will be reclassified to earnings.

The fair value of the interest rate swap contracts is determined using market standard valuation methodologies using mid-market inputs that are observable in the market or that can be derived principally from or corroborated by observable market data (Level 2 in the fair value hierarchy) available to us as of December 31, 2023. The pricing models may utilize, among other things, relevant forward and spot rates. Analysis of the swap valuation is performed, which includes both quantitative and qualitative analyses. Examples of procedures performed include, but are not limited to, obtaining third party valuations, reviewing internal calculations for reasonableness and review of changes in the market value of the derivative by accountants.

Credit risk arises from the potential failure of the counterparty to perform according to the terms of the swap contracts. Our exposure to credit risk at any point in time is represented by the fair value of the swap contracts when reported as an asset. Neither we nor our counterparty require collateral to support our swap contracts. As of December 31, 2023, the counterparties to our swap contracts were each rated investment grade by Standard and Poor's, Moody's, and Fitch Ratings. A credit valuation analysis was performed for our positions to measure the risk that the counterparty to each transaction will be unable to perform under the contractual terms (nonperformance risk) and the risk was determined to be immaterial as of December 31, 2023.

Our swap contracts contain certain termination events, including termination events related to specified changes in our ownership. If any such event occurs, our counterparty could choose to terminate the relevant swap contract with payment due based on the fair value of the underlying derivative. As of December 31, 2023, no such termination events have occurred.

We fund certain deferred compensation obligations to meet funding obligations to employee participants. The assets are held in a trust and are subject to the claims of ACG's general creditors under federal and state laws in the event of insolvency. The assets held in the trust are valued using inputs observable in active markets for identical investments. The assets are invested in a mutual fund and are included in other assets, net. The realized and unrealized holding gains and losses related to this investment are recorded in other income. These assets are included as Securities in the following table.

We have received corporate securities from certain airlines as part of a bankruptcy settlement and as part of a restructuring agreement. The corporate securities are valued using inputs observable in active markets for identical securities and are included in other assets, net. The realized and unrealized holding gains and losses related to these investments are recorded in other income.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The following table presents our Level 1 and Level 2 assets and (liabilities) measured at fair value on a recurring basis and still held at period end (I*n Thousands)*:

		December 31,	
	Level	2023	2022
Securities and short-term investments	1	$33,801	$24,335
Interest rate swaps	2	$9,144	—
Foreign currency swap	2	—	$(16,103)

As of December 31, 2023 and 2022, we did not have any Level 3 assets or liabilities that we measured at fair value on a recurring basis.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

We test for impairment by measuring the fair value of our aircraft and related assets when events or changes to circumstances indicate that the carrying amounts of these assets may not be recoverable. The fair value measurements of our aircraft and related assets may be based on the estimated sales price less selling costs (i.e., a market approach) based on Level 2 inputs, maintenance adjusted estimated values (i.e., a market approach) based on Level 3 inputs, or the present value of estimated future cash flows (i.e., an income approach) based on Level 3 inputs.

The following table presents assets measured at fair value (at the relevant measurement date) on a non-recurring basis for the years ended December 31, 2023 and 2022 and still held at period end *(In Thousands):*

	December 31,			
	2023		2022	
	Level 2	Level 3	Level 2	Level 3
Flight equipment held for lease, net	$—	$—	$—	$189,684
Assets held for sale	—	—	14,350	—
Total	$—	$—	$14,350	$189,684

We used the market or income approach for all assets measured at fair value on a non-recurring basis during the years ended December 31, 2023 and 2022.

For the years ended December 31, 2023, 2022, and 2021, impairments related to flight equipment held for lease, net, lease related assets, and other assets were $20.5 million, $153.4 million and $83.7 million, respectively.

LEVEL 3 INPUTS FOR FLIGHT EQUIPMENT HELD FOR LEASE, NET MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

The key inputs for the income approach include the current contractual lease payments, estimated future lease payments extended to the end of the aircraft's estimated holding period in its highest and best use configuration, maintenance related reimbursement rights from a third party other than lessees, estimated disposition value less selling costs, and the discount rate. The key inputs to the market approach include maintenance adjusted estimated values.

Current contractual lease payments are future payments that third parties are contractually obligated to pay us based on in-force lease rates. Estimated future lease payments are based on the aircraft's type, age, configuration, current contracted lease rates for similar aircraft, industry trends, and the estimated holding period. We generally assume a 25-year estimated economic useful life for aircraft. Shorter or longer holding periods may be used based on our assessment of the continued marketability of certain aircraft types or when a potential sale of an individual aircraft has been identified, or is likely. The estimated cash flows are then discounted to present value. In the case of a potential sale, the holding period is based on the estimated sale date. The disposition value reflects an estimated residual value or estimated sales price less selling costs and is generally estimated based on aircraft type, condition, and contractual terms.

For the year ended December 31, 2023, we did not measure any flight equipment held for lease at fair value on a non-recurring basis using Level 3 inputs.

10. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

The following table presents the components of accounts payable, accrued expenses and other liabilities *(In Thousands)*:

	December 31,	
	2023	2022
Accrued interest	$71,570	$46,034
Lease incentives	52,861	41,920
Accounts payable and accrued expenses	45,864	29,706
Deferred income	45,208	49,900
Employee compensation and benefits	40,414	41,600
Lease liabilities	7,506	14,688
Other liabilities	37,507	22,419
Accounts payable, accrued expenses and other liabilities	$300,930	$246,267

11. DEBT FINANCINGS, NET

The following tables present the components of debt financings, net *(Dollars In Thousands)*:

	December 31, 2023					
	Carrying Amount	Maturity Date	Interest Rate	Type	Interest Period	Currency
Unsecured debt obligations:						
Senior Notes	$5,950,000	January 2024 - July 2030	2.0%-6.8%	Fixed	Semi-Annually	USD
Term Loans	1,287,500	July 2025 - December 2029	5.8%-7.3%	Floating	Monthly, Quarterly, and Semi-Annually	USD
Commercial paper	810,250	January 2024 - February 2024	5.9%-6.1%	Fixed	Various	USD
Secured debt obligations:						
Secured loans	480,215	May 2024 - February 2034	1.5%-6.8%	Fixed and Floating	Quarterly	USD
Debt acquisition costs	(39,262)					
Original issuance discounts	(25,727)					
Debt financings, net	$8,462,976					

	December 31, 2022					
	Carrying Amount	Maturity Date	Interest Rate	Type	Interest Period	Currency
Unsecured debt obligations:						
Senior Notes	$ 5,000,000	May 2023 - November 2027	2.0%-5.5%	Fixed	Semi-Annual	USD
Term Loans	1,834,500	July 2023 - December 2027	4.7%-6.1%	Floating	Monthly, Quarterly, and Semi-Annually	USD
Commercial paper	607,441	January 2023	5.0%-5.4%	Fixed	Various	USD
Revolving Credit Facility	100,000	June 2026	5.7%	Floating	Monthly	USD
Term Loans denominated in JPY	81,387	July 2023	0.3%	Floating	Quarterly	JPY
Secured debt obligations:						
Secured loans	607,488	November 2023 - February 2034	1.5%-5.9%	Fixed and Floating	Quarterly	USD
Debt acquisition costs	(35,721)					
Original issuance discounts	(19,444)					
Debt financings, net	$8,175,651					

SENIOR UNSECURED NOTES

As of December 31, 2023 and 2022, we had $6.0 billion and $5.0 billion, respectively, in senior unsecured notes outstanding (Senior Notes). These notes are issued in reliance on Rule 144A and Regulation S under the U.S. Securities Act of 1933, as amended.

In April 2023, we issued $600 million of Senior Notes due April 2028 with a fixed interest rate of 6.25%. In June 2023, we issued $500 million of Senior Notes due July 2030 with a fixed interest rate of 6.375%. In October 2023, we issued $500 million of Senior Notes due October 2028 with a fixed interest rate of 6.750%.

UNSECURED REVOLVING CREDIT FACILITIES

In June 2019, we entered into a senior unsecured revolving credit agreement with a syndicate of lenders (as amended, the Revolving Credit Facility). In June 2023, we extended the final maturity date of the Revolving Credit Facility from June 2026 to June 2027. As of December 31, 2023, the aggregate borrowing capacity under the Revolving Credit Facility was approximately $2.7 billion, with revolving commitments totaling approximately $2.1 billion that mature in June 2027, $0.1 billion that mature in June 2026, $0.2 billion that mature in June 2025, and $0.3 billion that mature in June 2024. Borrowings under the Revolving Credit Facility bear interest at either (i) adjusted term SOFR plus a margin determined by reference to the credit ratings for our debt or (ii) an alternative base rate. As of December 31, 2023 and 2022, zero and $100.0 million, respectively, was outstanding under the Revolving Credit Facility. The Revolving Credit Facility serves as a backstop for our commercial paper program.

In June 2020, we established a revolving line of credit with Tokyo Century, which was amended and restated in December 2023 (as amended, the TC Revolving Credit Facility). The TC Revolving Credit Facility has a borrowing capacity of $1.2 billion (or its equivalent in JPY) and an initial maturity of December 31, 2025. On December 31, 2024 and December 31 of each subsequent year, the TC Revolving Credit Facility will automatically extend for an additional twelve month period unless either party notifies the other party of its intent not to so extend the facility prior to November 1 of the same year. As of December 31, 2023 and 2022, we had not drawn any amounts available under the TC Revolving Credit Facility.

COMMERCIAL PAPER PROGRAM

We have a $1.5 billion commercial paper program under which we may issue notes in minimum denominations of $250 thousand for periods ranging from one to 397 days. As of December 31, 2023 and 2022, we had commercial paper outstanding in the amount of $810.3 million and $607.4 million, respectively.

UNSECURED TERM LOANS

In September 2020, we entered into a $450.0 million unsecured term loan with Tokyo Century (TC Term Loan). Tokyo Century, with the support of the Japan Bank for International Cooperation (JBIC) and other Japanese financial institutions, borrowed this capital on behalf of ACG and lent the proceeds to ACG via an intercompany loan. Principal amounts due under the TC Term Loan are paid in installments that began in December 2022, and the final maturity is in September 2025. As of December 31, 2023 and 2022, $262.5 million and $412.5 million, respectively, was outstanding under this loan.

In July 2022, we entered into a three-year senior unsecured term loan with a syndicate of lenders (2022-1 Term Loan), with initial commitments of $375.0 million and the ability to increase the commitments by up to an additional $300.0 million in the aggregate with the final maturity in July 2025. In September 2022, we increased the commitments to $425.0 million. As of both December 31, 2023 and 2022, $425.0 million was outstanding under this loan.

In December 2022, we entered into a five-year senior unsecured term loan with certain lenders (2022-2 Term Loan), with initial commitments of $300.0 million and the ability to increase the aggregate commitments by up to an additional $50.0 million. This loan is guaranteed by Tokyo Century, and principal amounts due will be payable in installments beginning in March 2025, with final maturity in December 2027. As of both December 31, 2023 and 2022, $300.0 million was outstanding under this loan.

In December 2022, we entered into a seven-year senior unsecured term loan with JBIC that is guaranteed by Tokyo Century (JBIC Term Loan). We drew the full $300.0 million of commitments available under this loan in January 2023. Principal amounts due under the JBIC Term Loan will be payable in installments beginning in December 2024, with final maturity in December 2029. As of December 31, 2023 and 2022, $300.0 million and zero, respectively, was outstanding under this loan.

In February 2024, we entered into a four-year senior unsecured term loan with certain lenders, with commitments of $350.0 million, and a final maturity on the fourth anniversary of the drawdown date.

SECURED DEBT OBLIGATIONS

We enter into various secured loans guaranteed by Export Credit Agencies, some of which are financed through VIEs (Note 7). These loans are secured by the financed aircraft and are also guaranteed by ACG. The remaining secured loans have final maturities between May 2024 and November 2024. As of December 31, 2023 and 2022, we had $15.7 million and $65.9 million, respectively, of secured loans guaranteed by Export Credit Agencies.

In March 2020, we entered into a $650.0 million secured credit facility (AFS I Facility) to provide loans for the benefit of airlines in connection with our AFS business. During the drawdown period, we were able to draw on the facility to fund certain AFS notes receivable. Amounts borrowed under the AFS I Facility are secured by the rights of the ACG borrower in the collateral that secures the notes receivable, including the aircraft financed from the proceeds of such loans. As of December 31, 2023 and 2022, $355.0 million and $423.6 million, respectively, was outstanding under the AFS I Facility pursuant to individual loans maturing between September 2032 and January 2034. No additional amounts may be borrowed under the AFS I Facility.

In July 2023, we entered into a second secured credit facility (AFS II Facility), primarily to provide loans in connection with our AFS business. The AFS II Facility has an initial size of $500.0 million and an accordion option which, if exercised during the availability period, could increase the size of the facility to up to $1.0 billion. The availability period expires in July 2026 and any amounts repaid during the availability period can be re-borrowed. During the availability period, we can use amounts borrowed under the AFS II Facility (i) by on-lending such funds to airlines to finance aircraft, or (ii) to finance aircraft owned by ACG (through a special purpose entity (SPE)) and leased to airlines via operating leases. Amounts lent by the ACG borrower to airlines or an ACG SPE will be secured by liens over the aircraft financed with such funds. Loans made under the AFS II Facility will be secured by the rights of the ACG borrower in the collateral that secures the loan to the airline or the ACG SPE, including the aircraft financed from the proceeds of such loan. Amounts drawn under the AFS II Facility will be amortized over the repayment period for such loan, with final maturity of the AFS II Facility in July 2030. As of December 31, 2023, $500.0 million is available under the AFS II Facility and no amounts have been drawn.

In November 2022, we became the obligor under a term loan that had originally been made to a Russian airline in connection with our AFS program and for which we had provided a repayment guarantee. When we became the obligor, the unpaid principal amount outstanding was $120.0 million. This loan is secured by the financed aircraft, which is located in Russia, so we are not currently able to take possession of it. Principal amounts due under this loan are payable in installments, with final maturity in February 2034. As of December 31, 2023 and 2022, we had $109.5 million and $118.0 million, respectively, outstanding under this loan.

Except as noted above, our outstanding debt as of December 31, 2023 is recourse only to ACG, and is not guaranteed by Tokyo Century.

As of December 31, 2023 and 2022, we were in compliance with all applicable debt covenants.

The following table presents the aggregate estimated scheduled principal repayments of our debt financing obligations as of December 31, 2023 *(In Thousands)*:

Years Ended December 31:	
2024	$2,344,058
2025	1,534,033
2026	1,697,690
2027	948,891
2028	1,200,123
Thereafter	803,170
Total	$8,527,965

12. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

We lease office facilities in Newport Beach, California; Bellevue, Washington; Dublin, Ireland; and Singapore under non-cancelable operating leases. For the years ended December 31, 2023, 2022, and 2021, rent expense, included in selling, general and administrative, was $2.1 million, $2.3 million and $2.1 million, respectively. The following table presents our future minimum office lease payments as of December 31, 2023 *(In Thousands)*:

Years Ended December 31:	
2024	$2,470
2025	2,547
2026	2,189
2027	146
2028	146
Thereafter	1,008
Total	$8,506

CAPITAL COMMITMENTS

As of December 31, 2023, we have unconditional purchase commitments for 120 aircraft scheduled for delivery through 2028. All of these commitments arise from fixed price purchase agreements with Boeing, Airbus and other third parties, and may include escalation provisions. Under certain circumstances, we have the right to alter the mix of aircraft types ultimately acquired. The original equipment manufacturers (OEM) have informed us of expected delivery delays relating to certain aircraft, including as a result of disruption in their production systems. We remain in active discussions with Boeing and Airbus to determine the estimated impact and duration of continued delivery delays given the recent adjustments to their production systems. The commitment schedule below reflects our estimate of when the Boeing and Airbus deliveries will occur. Our leases contain lessee cancellation clauses related to aircraft delivery delays, typically for delays greater than one year. Our purchase agreements with Boeing and Airbus contain similar clauses.

The following table presents the estimated remaining payments for the purchase of aircraft as of December 31, 2023 *(In Thousands)*:

Years Ended December 31:	
2024	$1,361,299
2025	1,091,448
2026	1,673,210
2027	1,280,378
2028	861,155
Thereafter	—
Total	$6,267,490

As of December 31, 2023, deposits made related to our purchase agreements totaled $550.4 million and are included in prepayments on flight equipment.

During 2023, we exercised our right to purchase additional aircraft from an OEM by confirming our order positions for such aircraft with the OEM prior to delivery. These aircraft are included in the table above.

GUARANTEES

In connection with our AFS program, we provide repayment guarantees for loans for the benefit of airlines to finance new aircraft deliveries or to finance aircraft already owned by the airlines. These guarantees are limited to the borrower's failure to timely repay principal and interest on the amortizing senior secured loans to the third-party lenders. The guaranteed loans are collateralized by the financed aircraft and typically have a term of 12 years or less with a maximum term of up to 15 years. The guaranteed loans are denominated in USD or Euros. As of December 31, 2023 and 2022, the guarantee liability on our consolidated balance sheet was $8.3 million and $6.3 million, respectively, and is included in accounts payable, accrued expenses and other liabilities. As of December 31, 2023, if all of the airlines under our AFS program defaulted on their ACG guaranteed loans, our obligation and the estimated potential amount of future principal payments we could be required to make to third party lenders under the guarantees was $629.2 million. However, the guaranteed loans are collateralized by the financed aircraft and, to the extent possible, the guaranteed loans are cross-defaulted and cross-collateralized with other guaranteed aircraft loans and/or operating leases in our portfolio with that airline.

Our exposure related to repayment guarantees reflects the risk that the borrowers fail to meet their payment obligations. We record the allowance for credit losses related to our repayment guarantees in accounts payable, accrued expenses and other liabilities. We recorded an allowance for credit losses upon the adoption of ASC 326, and we will record in the future at the initial recognition of a repayment guarantee. Our methodology for calculating the allowance for credit losses is described in Note 5 and is based on our estimate of expected credit losses over the term of the guaranteed loan.

During 2020, ACG, an airline, and the lender under one of the loans guaranteed within our AFS program entered into a deferral agreement whereby the principal payments on the loan were scheduled to be deferred through 2021 and repaid in the subsequent four years. The airline is current under the terms of this agreement.

GENERAL

In the ordinary course of business, as part of contractual agreements, we provide certain indemnifications related to debt financings, aircraft acquisitions, aircraft dispositions, and other transactions. Historically, we have not made payments for these types of indemnifications. There are currently no indemnifications from which a probable and reasonably estimable loss could arise. Therefore, as of December 31, 2023 and 2022, we had no related liabilities to disclose.

In the ordinary course of our business, we are a party to various legal proceedings, claims and litigation we believe are incidental to the operation of our business. Typically, these claims relate to incidents involving our aircraft and claims that involve the existence or breach of a lease, sale, or purchase contract. We regularly review the possible outcome of such legal actions and accrue for such legal actions at the time a loss is probable and the amount of the loss can be estimated. We also review all applicable indemnities and insurance coverage. Based on information currently available, we believe the potential outcome of these claims, and any reasonably possible losses exceeding amounts already recognized on an aggregated basis, are immaterial to our consolidated financial statements.

13. INCOME TAXES

ACG LLC is a single member limited liability company that is a disregarded entity for U.S. federal and state income tax purposes. Our sole member, TCSA, is responsible for income taxes on our U.S. federal and state taxable income. Our foreign subsidiaries continue to be subject to income tax in their local jurisdiction.

The following table presents income (loss) before (benefit from) provision for income taxes by locations in which such pre-tax income (loss) was earned or incurred. These amounts also include earnings from equity method investments *(In Thousands)*:

	Years Ended December 31,		
	2023	2022	2021
Domestic	$20,438	$(264,275)	$198,005
Foreign	117,277	(324,284)	(63,036)
Total	$137,715	$(588,559)	$134,969

The following table presents the benefit from provision for income taxes *(In Thousands)*:

	Years Ended December 31,		
	2023	2022	2021
Total current	$570	$51	$73
Total deferred	(15,623)	—	(5,065)
(Benefit from) provision for income taxes	($15,053)	$51	$(4,992)

As of December 31, 2023 and 2022, we had deferred tax liabilities of $186.3 million and $164.4 million, respectively, which consisted primarily of difference in the book and tax basis of aircraft. As of December 31, 2023 and 2022, we had deferred tax assets of $223.5 million and $206.9 million, respectively, which consisted primarily of net operating loss carryovers. We have recorded valuation allowances to reduce deferred tax assets held by ACG Aircraft Leasing Ireland Ltd. (AALIL) and Aviation Capital Group Singapore Pte. Ltd., both of which are wholly owned subsidiaries of ACG LLC, to the extent we believe it is more likely than not that all or a portion of such assets will not be realized. As of December 31, 2023 and 2022, we recorded valuation allowances of $21.6 million and $42.6 million, respectively. Our valuation allowance decreased by $20.9 million and increased by $38.5 million for 2023 and 2022, respectively. The decrease in the 2023 valuation allowance is due to the release of the valuation allowance on AALIL's net operating loss carryforwards.

We have net operating losses as of December 31, 2023 of $1.3 million and $1,744.2 million in Singapore and Ireland, respectively, which have no expiration date.

Our effective tax rate differs from the statutory tax rate primarily due to our status as a disregarded entity for U.S. federal and state income tax purposes and foreign income taxed at a different rate than the U.S. statutory rate offset by the decrease in our valuation allowance on foreign deferred tax assets.

ACG has no liability for uncertain tax positions.

Our policy is to recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes in the consolidated statements of income and any accrued interest and penalties related to unrecognized tax benefits within accounts payable, accrued expenses and other liabilities in the consolidated statements of financial condition. During the years ended December 31, 2023, 2022, and 2021, we did not record any interest and penalties related to unrecognized tax benefits.

In October 2021, the Organization for Economic Cooperation and Development (OECD) reached agreement among various countries to implement a minimum fifteen percent tax rate on certain multinational enterprises, commonly referred to as Pillar Two. On December 15, 2022, the Council of the EU formally adopted Directive 2022/2523 to achieve a coordinated implementation of Pillar Two in EU Member States consistent with EU law. On December 18, 2023, the president of Ireland signed Finance (No. 2) Bill 2023 which includes implementation of the 15% Pillar Two global minimum tax. The Pillar Two legislation is effective for our fiscal year beginning January 1, 2024. We are continuing to evaluate the potential impact of Pillar Two on future periods.

Our U.S. tax returns for periods after March 31, 2017 remain open to examination. For periods prior to April 1, 2017, we were included in a U.S. federal consolidated tax return with Pacific Mutual Holding Company (PMHC). The IRS has completed audits of PMHC's consolidated tax returns through 2014, and its U.S. consolidated tax returns for years 2015 onwards are open for examination. The PMHC combined tax return for the tax year ended December 31, 2009 is under examination by the State of California. We do not expect the federal or state audits to result in any relevant, material assessments. Our Irish and Singapore tax returns for years beginning in 2019 remain open to examination.

14. OTHER INCOME

The following table presents the components of other income *(In Thousands)*:

	Years Ended December 31,		
	2023	2022	2021
Interest income	$63,460	$28,820	$45,935
AFS fee income and guarantee liability amortization	14,264	5,050	10,224
Finance lease revenue	10,261	11,868	13,360
Lease termination settlements	4,889	3,019	7,897
Management, transaction and advisory fees	4,532	4,242	4,646
Other	9,452	34,722	16,561
Other income	$106,858	$87,721	$98,623

15. SELLING, GENERAL AND ADMINISTRATIVE

The following table presents the components of selling, general and administrative *(In Thousands)*:

	Years Ended December 31,		
	2023	2022	2021
Employee compensation and benefits	$48,561	$46,707	$42,182
Maintenance and transition expense	46,770	56,052	34,156
Professional services	11,150	8,441	9,931
Bad debt expense	2,109	(16,477)	16,477
Other	32,359	34,063	22,420
Selling, general and administrative	$140,949	$128,786	$125,166

16. INTEREST, NET

The following table presents the components of interest, net *(In Thousands)*:

	Years Ended December 31,		
	2023	2022	2021
Interest on debt financings, premiums paid and net settlements on interest rate derivatives	$405,657	$266,929	$243,378
Amortization of debt acquisition costs and original issuance discounts	23,459	26,727	30,163
Fees paid to service providers	6,578	5,251	4,871
Change in value on non-hedging derivatives	6,483	11,832	10,763
Foreign currency adjustments	(6,056)	(12,510)	(10,431)
Gross interest expense	436,121	298,229	278,744
Capitalized interest	(19,360)	(12,377)	(9,997)
Interest, net	$416,761	$285,852	$268,747

17. EMPLOYEE BENEFITS

We have defined contribution plans for our employees, including a retirement incentive savings plan, a deferred compensation plan and a supplemental executive retirement plan. As of December 31, 2023 and 2022, we had a liability associated with these plans of $14.6 million and $16.3 million, respectively, which is included in accounts payable, accrued expenses and other liabilities.

18. RELATED PARTY TRANSACTIONS

We have a servicing agreement with Tokyo Century to provide certain aircraft related management services for specified aircraft in Tokyo Century's fleet which expires in 2027.

In the ordinary course of business, we have entered into certain transactions with an affiliate of Tokyo Century, including engaging with the affiliate to provide certain aircraft maintenance and related services to us. All transactions with the affiliate are entered into at arm's length.

We have entered into the TC Revolving Credit Facility and the TC Term Loan directly with Tokyo Century, and Tokyo Century also serves as guarantor for our 2022-2 Term Loan and JBIC Term Loan.

19. SUBSEQUENT EVENTS

We have evaluated events subsequent to December 31, 2023 and through February 13, 2024, the date these consolidated financial statements were available to be issued, and have concluded that, except for the events noted in Note 11, no events or transactions have occurred subsequent to December 31, 2023 that require consideration as adjustments to, or disclosures in, the consolidated financial statements.