AVIATION CAPITAL GROUP LLC
AND SUBSIDIARIES

Unaudited Condensed Consolidated Financial Statements
as of March 31, 2025 and December 31, 2024 and
for the three months ended March 31, 2025 and 2024

Aviation Capital Group LLC and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Thousands)	March 31, 2025	December 31, 2024
ASSETS		
Cash and cash equivalents	$212,422	$167,635
Flight equipment held for lease, net	11,239,464	10,656,176
Assets held for sale	336,612	127,043
Prepayments on flight equipment	727,736	756,725
Notes receivable, net	106,407	109,401
Investment in finance leases, net	46,819	74,178
Other assets, net	195,267	213,774
TOTAL ASSETS	$12,864,727	$12,104,932
LIABILITIES AND EQUITY		
Liabilities:		
Debt financings, net	$8,290,512	$7,528,764
Maintenance reserves	530,497	526,764
Accounts payable, accrued expenses and other liabilities	385,013	344,517
Security deposits	134,783	134,724
TOTAL LIABILITIES	9,340,805	8,534,769
Commitments and contingencies (Note 10)		
Equity:		
Member's equity	3,528,211	3,565,152
Accumulated other comprehensive (loss) income	(4,289)	5,011
TOTAL EQUITY	3,523,922	3,570,163
TOTAL LIABILITIES AND EQUITY	$12,864,727	$12,104,932

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(In Thousands)	2025	2024
REVENUES		
Operating lease revenue	$248,855	$282,995
Amortization of lease incentives and premiums, net	(10,569)	(13,264)
Maintenance revenue	745	6,093
Gain on sale of flight equipment, net	27,326	15,469
Other income	14,193	17,536
TOTAL REVENUES	280,550	308,829
EXPENSES		
Depreciation	125,695	127,444
Interest, net	93,627	103,443
Asset impairment	294	1,803
Selling, general and administrative, net	33,899	30,301
TOTAL EXPENSES	253,515	262,991
Income before provision for income taxes	27,035	45,838
Provision for income taxes	879	2,775
NET INCOME	26,156	43,063
OTHER COMPREHENSIVE (LOSS) INCOME		
Change in fair value of interest rate swap contracts	(9,300)	5,752
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(9,300)	5,752
TOTAL COMPREHENSIVE INCOME	$16,856	$48,815

See Notes to Condensed Consolidated Financial Statements

Aviation Capital Group LLC and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In Thousands)	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total Equity
BALANCES, DECEMBER 31, 2023	$3,402,435	$9,144	$3,411,579
Net income	43,063	—	43,063
Other comprehensive income	—	5,752	5,752
BALANCES, MARCH 31, 2024	$3,445,498	$14,896	$3,460,394
BALANCES, DECEMBER 31, 2024	$3,565,152	$5,011	$3,570,163
Net income	26,156	—	26,156
Distribution (authorized)	(63,097)	—	(63,097)
Other comprehensive loss	—	(9,300)	(9,300)
BALANCES, MARCH 31, 2025	$3,528,211	($4,289)	$3,523,922

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Thousands)	Three Months Ended March 31, 2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$26,156	$43,063
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	125,695	127,444
Asset impairment	294	1,803
Maintenance reserves, security deposits and lease incentives included in earnings	—	(6,868)
Amortization of lease incentives and premiums, net	10,569	13,264
Amortization of debt acquisition costs and original issuance discounts	9,027	5,673
Gain on sale of flight equipment, net	(27,326)	(15,469)
Other operating activities, net	(4,426)	2,955
Change in other assets	597	(6,094)
Change in accounts payable, accrued expenses, and other liabilities	(16,024)	(5,756)
NET CASH PROVIDED BY OPERATING ACTIVITIES	124,562	160,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of flight equipment and related assets	(980,125)	(162,716)
Proceeds from sale of flight equipment and related assets and investment in finance leases	130,974	233,679
Prepayments on flight equipment	(17,660)	(53,324)
Proceeds from sale and receipts of notes receivable	4,709	8,678
Capitalized interest on prepayments on flight equipment	(7,783)	(6,678)
Other investing activities, net	1,756	15,031
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(868,129)	34,670

(Continued)

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Thousands)	Three Months Ended March 31, 2025	2024
(Continued)		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt financings	$792,339	$350,000
Repayment of debt financings	(68,070)	(352,201)
Proceeds from (repayment of) revolving credit facilities and commercial paper, net	30,000	(226,450)
Receipts of maintenance reserves, net of payments	32,217	22,771
Receipts of security deposits, net of payments	2,533	6,134
Other financing activities, net	(665)	(2,371)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	788,354	(202,117)
Net change in cash and cash equivalents	44,787	(7,432)
Cash and cash equivalents, beginning of year	167,635	79,446
CASH AND CASH EQUIVALENTS, END OF PERIOD [1]	$212,422	$72,014
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid, net of capitalized interest	$80,817	$78,049
Non-cash transfer from prepayments on flight equipment to flight equipment held for lease, net	$53,538	$11,978
Flight equipment held for lease, net reclassified to flight equipment held for sale	$270,413	$897,989
Maintenance reserves and security deposits offset in sale of flight equipment	$29,762	$18,096

[1] Includes restricted cash of zero and $1.5 million as of March 31, 2025 and 2024, respectively.

See Notes to Condensed 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. In addition to our leasing activities, we sell aircraft from our portfolio to third parties, including other leasing companies, financial services companies, airlines and other investors. 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 condensed consolidated financial statements (consolidated financial statements) are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The information presented reflects all adjustments, consisting of normal recurring adjustments, that in the opinion of management, are necessary to fairly state the consolidated financial statements for the periods indicated. The condensed consolidated statements of income and comprehensive income for the interim periods presented are not necessarily indicative of the results of operations for the full year. The condensed consolidated balance sheet as of December 31, 2024 was derived from the audited consolidated financial statements as of December 31, 2024. Therefore, the information included in these consolidated financial statements should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2024.

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 2024 condensed consolidated statements of cash flows conform to the 2025 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. Actual results may differ from our estimates under different conditions.

FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

In December 2023, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2023-09 Income Taxes (Topic 740) Improvements to Income Tax Disclosures. ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The new requirements will be effective for annual periods beginning after December 15, 2025. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. We are currently evaluating the impact of this guidance on our consolidated financial statements.

3. FLIGHT EQUIPMENT HELD FOR LEASE, NET

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

	March 31, 2025	December 31, 2024
Cost of flight equipment held for lease	$14,300,301	$13,772,573
Less: accumulated depreciation	(3,060,837)	(3,116,397)
Flight equipment held for lease, net	$11,239,464	$10,656,176

As of March 31, 2025 and December 31, 2024, 70% and 66% of our aircraft portfolio by net book value was comprised of new technology aircraft, which includes Airbus A320neo, A220 and A350 family aircraft and Boeing 737 MAX and 787 family aircraft.

As of March 31, 2025 and December 31, 2024, maintenance right assets of $76.0 million and $76.3 million, respectively, were included in flight equipment held for lease, net.

As of March 31, 2025 and December 31, 2024, flight equipment held for lease, net, with carrying values of $124.5 million and $125.6 million, respectively, were pledged as collateral for our secured loans guaranteed by the export credit agencies of the United Kingdom, France and/or Germany (collectively Export Credit Agencies) (Note 9).

The following table presents the future minimum lease rentals (inclusive of executed deferral and restructuring agreements) we are due under operating leases as of March 31, 2025 *(In Thousands)*:

Years Ending December 31:	
Remainder of 2025	$779,771
2026	978,313
2027	911,401
2028	851,193
2029	806,355
Thereafter	2,573,083
Total	$6,900,116

During 2025, the United States implemented a series of tariffs on goods imported into the country, causing uncertainties with our customers, especially our customers located in China. We are currently monitoring developments, assessing our exposure and evaluating the impact of these tariffs on our consolidated financial statements.

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. 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. 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 ten of our aircraft (including one managed aircraft) remain in Russia. As a result, we recorded losses of $574.7 million related to our

Russia exposure during fiscal year 2022. Additional details relating to this conflict and our aircraft detained in Russia can be found in our previously issued annual financial statements.

Our lessees are required to provide primary insurance coverages 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 respond to our claims for loss. We have submitted insurance claims for the loss of our aircraft that remain in Russia, and in January 2023, we commenced legal proceedings in California against the insurance providers (the "C&P Insurers") under our contingent and possessed insurance policy (the "C&P Policy") for damages in excess of $700 million (the "California Litigation"). In May 2024, we initiated additional proceedings in English court (the "English Litigation") seeking payments for total loss under the various operator (lessee) policies issued by Russian insurers and certain reinsurers located outside of Russia. The English Litigation remains in the early stages and no trial date has been set. As of March 31, 2025, we had not recognized any claim receivables related to insurance recoveries.

Subsequent to March 31, 2025, we entered into settlement agreements with certain of our C&P Insurers for insurance settlement proceeds totaling approximately $398 million. Pursuant to the terms of the settlement agreements and following receipt of proceeds from the C&P Insurers, we will (i) release our insurance claims against each settling C&P Insurer under the C&P Policy in the California Litigation, (ii) release our insurance claims against each settling C&P Insurer under the reinsurance policies at issue in the English Litigation, and (iii) dismiss each settling C&P Insurer from the California Litigation and English Litigation. We intend to use the proceeds from the insurance settlements for general corporate purposes, including the purchase of commercial aircraft and the repayment of outstanding indebtedness.

We continue to have significant claims against non-settling C&P Insurers and certain insurers and reinsurers under the English Litigation and we will continue to vigorously pursue all available insurance claims and related insurance litigation, and all rights and remedies therein. Collection, timing and amounts of any additional insurance and related recoveries in the California Litigation and the English Litigation remain uncertain at this time.

ASSET IMPAIRMENT

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 for potential sale transactions, 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.

For the three months ended March 31, 2025 and 2024, impairments related to flight equipment held for lease, net and lease related assets were $0.3 million and $1.8 million, respectively. Impairment amounts may be derived from maintenance adjusted estimated values, estimated sale prices, and/or present value of estimated future cash flows (Note 8).

4. INVESTMENT IN FINANCE LEASES, NET

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). In a direct financing lease, any profit equal to the difference between our net investment in the lease and the carrying value of our aircraft is deferred and recognized as interest income over the lease term while any loss is immediately recognized. In a sales-type lease, any profit or loss equal to the difference between our net investment in the lease and the carrying value of our aircraft is immediately recognized.

As of March 31, 2025, our investment in finance leases, net, represents three aircraft on lease to two customers. As of March 31, 2025 and December 31, 2024, 100% of our investment in finance leases, net by carrying value were operated in the United States or Canada. The following table presents the components of investment in finance leases, net *(In Thousands)*:

	March 31, 2025	December 31, 2024
Total future minimum lease payments	$37,314	$65,164
Estimated unguaranteed residual value	24,000	32,400
Less: unearned income	(13,961)	(22,633)
Less: allowance for credit losses	(534)	(753)
Investment in finance leases, net	$46,819	$74,178

The following table presents the future minimum lease payments that we are due under finance leases as of March 31, 2025 *(In Thousands)*:

Years Ending December 31:	
Remainder of 2025	$4,397
2026	5,676
2027	5,676
2028	5,676
2029	5,676
Thereafter	10,213
Total	$37,314

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 record an allowance for credit losses at the initial recognition of a finance lease 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 notes receivable, repayment guarantees, investment in finance leases, and deferral and restructuring receivables (collectively referred to herein as Guarantees and Financed Receivables). The majority 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.

In order to manage risk, we have 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 expected credit losses.

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 such expected loss amount over the contractual term using a discount rate equal to the financial asset's effective interest rate, when applicable. 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. We record an allowance for credit losses at the inception of any new deferral or restructuring receivable 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.

The following tables present the movements in the allowance for credit losses during the three months ended March 31, 2025 and 2024 *(In Thousands)*:

	March 31, 2025				
	Deferral and Restructuring Receivables	Notes Receivable, net	Repayment Guarantees	Investment in Finance Leases, net	Total
December 31, 2024 allowance for credit losses	$—	$6,041	$—	$753	$6,794
Current period adjustment for expected losses	239	(59)	—	(219)	(39)
March 31, 2025 allowance for credit losses	$239	$5,982	$—	$534	$6,755

	March 31, 2024				
	Deferral and Restructuring Receivables	Notes Receivable, net	Repayment Guarantees	Investment in Finance Leases, net	Total
December 31, 2023 allowance for credit losses	$—	$525	$468	$769	$1,762
Current period adjustment for expected losses	18	(85)	(173)	191	(49)
March 31, 2024 allowance for credit losses	$18	$440	$295	$960	$1,713

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)*:

	March 31, 2025		December 31, 2024	
	Net Book Value	Percent of Total	Net Book Value	Percent of Total
Region:				
Europe	$3,188,421	27.5 %	$2,639,202	24.5 %
Central America, South America, and Mexico	2,346,041	20.3 %	2,372,717	22.0 %
Asia Pacific (excluding China)	2,289,336	19.8 %	2,012,810	18.7 %
United States and Canada	2,002,071	17.3 %	1,907,814	17.7 %
Middle East and Africa	875,818	7.6 %	930,798	8.6 %
China	696,980	6.0 %	705,824	6.5 %
Sub-total	11,398,667	98.5 %	10,569,165	98.0 %
Aircraft in transition subject to a signed lease or sales commitment	177,409	1.5 %	64,995	0.6 %
Aircraft on ground not subject to a signed lease or sales commitment	—	0.0 %	149,059	1.4 %
Total	$11,576,076	100.0 %	$10,783,219	100.0 %

As of March 31, 2025 and December 31, 2024, no individual lessee accounted for more than 10% of our aircraft portfolio. As of March 31, 2025 and December 31, 2024, the U.S. accounted for 14.8% and 14.1% of our aircraft portfolio, respectively. As of March 31, 2025 and December 31, 2024, 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 of our 2024 annual financial statements and inclusive of executed deferral, restructuring and settlement agreements, based on the lessee's location *(In Thousands)*:

	Three Months Ended March 31,			
	2025		2024	
	Operating Lease Revenue	Percent of Total	Operating Lease Revenue	Percent of Total
Region:				
Europe	$63,110	25.4 %	$57,531	20.3 %
Asia Pacific (excluding China)	53,145	21.4 %	72,066	25.5 %
Central America, South America, and Mexico	52,874	21.2 %	53,754	19.0 %
United States and Canada	40,873	16.4 %	43,435	15.3 %
Middle East and Africa	21,870	8.8 %	17,202	6.1 %
China	16,983	6.8 %	39,007	13.8 %
Operating lease revenue	$248,855	100.0 %	$282,995	100.0 %

For the three months ended March 31, 2025 and 2024, 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 three months ended March 31, 2025, the U.S accounted for 13.0% of our operating lease revenue. For the three months ended March 31, 2024, China and the U.S. accounted for 13.8% and 12.1% of our operating lease revenue, respectively. No other individual country accounted for more than 10% of our operating lease revenue, after adjusting for deferred lease rental payments from cash-basis lessees, for the three months ended March 31, 2025 and 2024.

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. Therefore, we have determined we are the primary beneficiary of these types of SPVs and consolidate them into our consolidated financial statements as VIEs. We are not currently party to any such financing structures.

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. Therefore, we have determined that we are not the primary beneficiary of these types of SPVs and do not consolidate them into our consolidated financial statements. Currently, all of the SPVs in which we are not the counterparty to the capital lease involve financing structures relating to our AFS activities.

The net carrying value of the AFS notes receivable owed to us by these non-consolidated SPVs as of March 31, 2025 and December 31, 2024 was $61.3 million and $62.9 million, respectively, which approximated its fair value at such dates, and is included in notes receivable, net. In addition, as of March 31, 2025 and December 31, 2024, there was $61.8 million and $63.5 million, respectively, outstanding under the debt financings associated with these non-consolidated SPVs, which is included in debt financings, net (Note 9). Our maximum exposure to loss approximates the net carrying value of the AFS notes receivable.

8. 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

The objective of our hedging policy is to mitigate risk with respect to changes in interest rates and foreign currencies. As of March 31, 2025 and December 31, 2024, we had entered into several interest rate swap contracts designed to hedge current and future interest rate payments on some of our floating rate debt financings, and we have designated these swaps as hedging. We have previously entered into foreign currency swaps to hedge exposure with respect to foreign currency fluctuations in connection with term loans we borrowed that were denominated in a foreign currency. As of March 31, 2025 and December 31, 2024, we do not 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 (loss) income (OCI). During the three months ended March 31, 2025 and 2024, we recorded a pre-tax unrealized (loss) gain of ($9.3) million and $5.8 million, respectively, in OCI. During the three months ended March 31, 2025 and 2024, 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 three months ended March 31, 2025 or 2024. Over the next twelve months, we do not anticipate that any 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 March 31, 2025. 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 March 31, 2025, 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 March 31, 2025.

Our swap contracts contain certain termination event clauses, 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 March 31, 2025, 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 table below.

From time to time we have received corporate securities from airlines as part of a bankruptcy settlement or a restructuring agreement. The corporate securities are valued using quoted prices in active markets for identical securities and are included in other assets, net.

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 (*In Thousands)*:

	Level	March 31, 2025	December 31, 2024
Securities and short-term investments	1	$19,584	$24,735
Interest rate swaps - derivative assets	2	$886	$7,190
Interest rate swaps - derivative liabilities	2	($5,174)	($2,178)

As of March 31, 2025 and December 31, 2024, we did not have any material 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 three months ended March 31, 2025 and the year ended December 31, 2024 and still held at period end *(In Thousands):*

	March 31, 2025		December 31, 2024	
	Level 2	Level 3	Level 2	Level 3
Assets held for sale	$41,376	—	$41,670	—
Total	$41,376	$—	$41,670	$—

We used the market approach for all assets measured at fair value on a non-recurring basis during both the three months ended March 31, 2025 and the year ended December 31, 2024.

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 three months ended March 31, 2025, we did not measure any flight equipment held for lease at fair value on a non-recurring basis using Level 3 inputs.

9. DEBT FINANCINGS, NET

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

	March 31, 2025					
	Carrying Amount	Maturity Date	Interest Rate	Type	Interest Period	Currency
Unsecured debt obligations:						
Senior Notes	$6,050,000	August 2025-July 2030	2.0%-6.8%	Fixed	Semi-Annually	USD
Term Loans	2,022,727	September 2025 - December 2029	4.7%-6.3%	Floating	Monthly, Quarterly, and Semi-Annually	USD
Commercial paper	30,000	April 2025	4.8%-5.0%	Fixed	Various	USD
Secured debt obligations:						
Secured loans	261,003	September 2032- April 2036	4.1%-5.8%	Fixed and Floating	Quarterly	USD
Debt acquisition costs	(50,671)					
Original issuance discounts	(22,547)					
Debt financings, net	$8,290,512					

	December 31, 2024					
	Carrying Amount	Maturity Date	Interest Rate	Type	Interest Period	Currency
Unsecured debt obligations:						
Senior Notes	$5,250,000	August 2025- July 2030	2.0%-6.8%	Fixed	Semi-Annually	USD
Term Loans	2,085,227	September 2025 - December 2029	4.7%-6.3%	Floating	Monthly, Quarterly, and Semi-Annually	USD
Secured debt obligations:						
Secured loans	266,573	September 2032- April 2036	4.1%-5.8%	Fixed and Floating	Quarterly	USD
Debt acquisition costs	(52,037)					
Original issuance discounts	(20,999)					
Debt financings, net	$7,528,764					

SENIOR UNSECURED NOTES

In March 2025, we issued two series of senior unsecured notes (Senior Notes), compromised of $300 million of Senior Notes due April 2027 with a fixed interest rate of 4.750% and $500 million of Senior Notes due April 2030 with a fixed interest rate of 5.125%.

As of March 31, 2025 and December 31, 2024, we had $6.1 billion and $5.3 billion, respectively, in Senior Notes outstanding. These notes are issued in reliance on Rule 144A and Regulation S under the U.S. Securities Act of 1933, as amended.

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). As of March 31, 2025, the aggregate borrowing capacity under the Revolving Credit Facility was approximately $2.6 billion, with revolving commitments totaling approximately $2.4 billion that mature in June 2028, $0.1 billion that mature in June 2026, and $0.2 billion that mature in June 2025. 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 both March 31, 2025 and December 31, 2024, no amounts were 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 January 2025 (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, 2026. On December 31, 2025 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 both March 31, 2025 and December 31, 2024, we had not drawn any amounts available under the TC Revolving Credit Facility.

In October 2024, our wholly owned subsidiary, ACG Aircraft Financing Ireland DAC, entered into a five-year senior unsecured facilities agreement (the “Facilities Agreement”) with a syndicate of lenders in Asia that includes a $500 million revolving credit facility (the “Asia Revolver”) and a $500 million term loan facility, each of which is guaranteed by ACG LLC. Borrowings under this facility will bear interest at term SOFR plus a margin. As of both March 31, 2025 and December 31, 2024 , no amounts are outstanding under the Asia Revolver.

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 March 31, 2025 and December 31, 2024, we had commercial paper outstanding in the amount of $30.0 million and zero, 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 March 31, 2025 and December 31, 2024, $75.0 million and $112.5 million, respectively, was outstanding under this loan.

In December 2022, we entered into a five-year senior unsecured term loan with certain lenders (2022 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 are paid in installments that began in March 2025, with final maturity in December 2027. As of March 31, 2025 and December 31, 2024, $275.0 million and $300.0 million, respectively, 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 are paid in installments that began in December 2024, with final maturity in December 2029. As of both March 31, 2025 and December 31, 2024, $272.7 million was outstanding under this loan.

In February 2024, we entered into a four-year senior unsecured term loan with BNP Paribas (acting through its Tokyo Branch) acting as agent for a syndicate of lenders from time to time party thereto (2024-1 Term Loan). We drew the full $350.0 million of commitments available under this loan in February 2024. The 2024-1 Term Loan matures in February 2028 and bears interest at term SOFR plus an applicable margin. As of both March 31, 2025 and December 31, 2024, $350.0 million was outstanding under this loan.

In October 2024, we entered into the $500.0 million term loan facility described above (2024-2 Term Loan) and drew the full $500.0 million of commitments available under this loan in November 2024. The 2024-2 Term Loan matures in October 2029. As of both March 31, 2025 and December 31, 2024, $500.0 million was outstanding under this loan.

In October 2024, we amended and restated a three-year senior unsecured term loan, which we had originally entered into with a syndicate of lenders in July 2022 (2024-3 Term Loan). The 2024-3 Term Loan matures in October 2027 and has initial commitments of $550.0 million, with the ability to increase the commitments by up to an additional $300.0 million in the aggregate. The interest margin on the 2024-3 Term Loan is linked to our performance against two key performance indicators (KPIs) related to our sustainability initiatives. These KPIs were both achieved for fiscal year 2024. As of both March 31, 2025 and December 31, 2024, $550.0 million was outstanding under this loan.

SECURED DEBT OBLIGATIONS

In March 2020, we entered into a $650.0 million secured credit facility (AFS I Facility), which provided 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 March 31, 2025 and December 31, 2024, $61.8 million and $63.5 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 had 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. In January 2025, we terminated the AFS II Facility and the entire $500 million of unused credit commitments thereunder.

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 March 31, 2025 and December 31, 2024, we had $98.5 million and $100.8 million, respectively, outstanding under this loan.

In July 2024, we entered into two secured loans guaranteed by Export Credit Agencies (ECAs) with an aggregate principal amount of $104.3 million and final maturity in April 2036. These loans were financed through wholly owned subsidiaries of ACG LLC, are secured by the financed aircraft and are also guaranteed by ACG LLC. As of March 31, 2025 and December 31, 2024, $100.7 million and $102.4 million, respectively, was outstanding under these secured loans.

Except as noted above, our outstanding debt as of March 31, 2025 is recourse only to ACG and is not guaranteed by Tokyo Century.

As of March 31, 2025 and December 31, 2024, we were in compliance with all applicable debt covenants.

10. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

We lease office facilities in Newport Beach, California; Dublin, Ireland; and Singapore under non-cancelable operating leases.

CAPITAL COMMITMENTS

As of March 31, 2025, we had purchase commitments for 156 aircraft scheduled for delivery through 2031. 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 from original equipment manufacturers (OEMs). The OEMs 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.

In April 2025, we signed a definitive agreement to acquire a portfolio of 20 aircraft that are scheduled to deliver through the end of the year. This portfolio includes 16 narrowbody aircraft and four widebody aircraft. The portfolio acquisition will be financed through operating cash flows and debt. These commitments are not included in the table below.

The following table presents the estimated remaining payments for the purchase of aircraft as of March 31, 2025 *(In Thousands)*:

Years Ending December 31:	
Remainder of 2025	$1,379,848
2026	1,046,699
2027	1,361,505
2028	2,085,950
2029	1,809,940
Thereafter	1,045,769
Total	$8,729,711

As of March 31, 2025, deposits made related to our purchase agreements totaled $635.5 million and are included in prepayments on flight equipment.

GUARANTEES

In connection with our AFS activities, 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 March 31, 2025 and December 31, 2024, the guarantee liability on our consolidated balance sheet was $7.2 million and $7.4 million, respectively, and is included in accounts payable, accrued expenses and other liabilities. As of March 31, 2025, if all of the airlines 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 $549.1 million. However, the guaranteed loans are collateralized by the financed aircraft to the extent of the outstanding loans and unpaid interest due to ACG 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 record an allowance for credit losses at the initial recognition of a repayment guarantee based on our estimate of expected credit losses over the contractual term. 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 for which we provided a repayment guarantee entered into a deferral agreement whereby the principal payments on the loan were scheduled to be deferred through 2021 and repaid through December 2025. 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 March 31, 2025 and December 31, 2024, 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.

11. INCOME TAXES

For the three months ended March 31, 2025 and 2024, our effective tax rates were 3.25% and 6.05%, respectively. The effective tax rates for the respective periods are based upon our expected annual tax expense and projected income for 2025 and 2024, as adjusted for discrete tax items. We are a disregarded entity for U.S. tax purposes and not subject to federal income tax. Instead, our sole member, TCSA, is responsible for income taxes on our U.S. federal and most state taxable income. Therefore, our annual effective tax rate is primarily driven by the operations of our foreign entities that remain subject to tax in their local jurisdiction.

The effective tax rates for the three months ended March 31, 2025 and 2024 differ from the statutory rates due to our status as an entity disregarded as separate from our owner, permanent differences and the impact of expected annual foreign income or loss subject to lower statutory rates.

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 a portion of such assets will not be realized. In making such determinations, we considered all available positive and negative evidence and determined that a valuation allowance should be recorded against our deferred tax assets, net of deferred tax liabilities, based on our three-year cumulative loss in each applicable entity.

12. 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 March 31, 2025 and December 31, 2024, we had a liability associated with these plans of $12.7 million and $12.4 million, respectively, which is included in accounts payable, accrued expenses and other liabilities.

13. 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 that expires in 2028.

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 Term Loan and JBIC Term Loan (Note 9).

In February 2025, the Board of Representatives of ACG LLC (the “Board”) authorized a distribution of $63.1 million to TCSA, the sole member of ACG LLC. The distribution can be paid to TCSA at any time prior to June 30, 2025. The amount of the distribution represents 20% of the Company’s net income for fiscal 2023 and fiscal 2024. The timing and amount of any future distributions will be determined by the Board and will depend, among other things, upon our earnings, financial condition, cash requirements, and investment opportunities at the time any such payment is considered. We recorded the authorized distribution in accounts payable, accrued expenses and other liabilities and directly reduced the member's equity.

14. SUBSEQUENT EVENTS

We have evaluated events subsequent to March 31, 2025 and through May 14, 2025, the date these consolidated financial statements were available to be issued, and have concluded that, except for the events noted in Note 3 and Note 10, no events or transactions have occurred subsequent to March 31, 2025 that require consideration as adjustments to, or disclosures in, the consolidated financial statements.