The information in this preliminary offering memorandum is not complete and may be changed. This preliminary offering memorandum is not an offer to sell the notes and we are not soliciting an offer to buy the notes in any jurisdiction where the offer or sale is not permitted.

SMBC Aviation Capital Finance DAC

$ % Senior Notes due 2029

$ % Senior Notes due 2034

Guaranteed by SMBC Aviation Capital Limited

SMBC Aviation Capital Finance DAC (the "Issuer") is offering $ aggregate principal amount of its % senior notes due 2029 (the "2029 notes") and $ aggregate principal amount of its % senior notes due 2034 (the "2034 notes" and, together with the 2029 notes, the "notes"). The 2029 notes will bear interest at the rate of % per year and the 2034 notes will bear interest at the rate of % per year. Interest on the 2029 notes is payable on and of each year, beginning on , 2024. Interest on the 2034 notes is payable on and of each year, beginning on , 2024. The 2029 notes will mature on , 2029 and the 2034 notes will mature on , 2034. The Issuer may redeem some or all of the notes at any time and from time to time at the prices and as described under the caption "Description of the Notes—Maturity, Optional Redemption." The Issuer, a limited liability designated activity company organized under the laws of Ireland, is a finance subsidiary with no operations and, therefore, depends on the cash flow of its parent, SMBC Aviation Capital Limited, a limited company organized under the laws of Ireland (the "Parent"), to meet its obligations, including its obligation of the notes.

The notes and the related guarantees of the Parent (i) will rank equally with all of the existing and future senior unsecured indebtedness of the Issuer and the Parent and senior to any subordinated indebtedness of the Issuer or the Parent and (ii) will be effectively junior to all existing and future secured indebtedness of the Issuer and the Parent to the extent of the value of the assets securing that indebtedness. The notes will not provide holders with any direct claims on the assets of any of the Parent's other Subsidiaries (as defined herein) and will be effectively subordinated to any and all liabilities of the Parent's other Subsidiaries, in each case to the extent of such Subsidiaries' assets.

Upon the occurrence of a Change of Control (as defined herein) that results in a Ratings Event (as defined herein), you will have the right, as a holder of the notes, subject to certain exceptions, to require the Issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See "Description of the Notes—Repurchase at the Option of Holders."

There is currently no market for either series of notes. Application will be made for each series of notes to be quoted on the official list of the Cayman Islands Stock Exchange (the "CSX"). We cannot assure you that any such application will be successful or, if successful, that admission will be maintained for the term of the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 21.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Prospective purchasers that are qualified institutional buyers ("QIBs") are hereby notified that the sellers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act.

Price for 2029 notes: % plus accrued interest, if any, from , 2024.

Price for 2034 notes: % plus accrued interest, if any, from , 2024.

The Initial Purchasers (as defined herein) expect to deliver the notes to purchasers on or about , 2024 only in book-entry form through the facilities of The Depository Trust Company ("DTC") for the accounts of its participants, including Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V., as operator of the Euroclear System.

Joint Book-Running Managers

Citigroup	**Credit Agricole CIB**	**Goldman Sachs International**	**J.P. Morgan**	**RBC Capital Markets**	**SMBC Nikko**

The date of this offering memorandum is , 2024.

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This offering memorandum is confidential. This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of notes. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of the Issuer, the Parent and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

We have furnished the information in this offering memorandum. You acknowledge and agree that each of Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc., Goldman Sachs International, J.P. Morgan Securities LLC, RBC Capital Markets, LLC and SMBC Nikko Securities America, Inc. (together, the "Initial Purchasers") make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the Initial Purchasers.

We have prepared the information contained in this offering memorandum. Neither we nor any of the Initial Purchasers have authorized anyone to provide you with any other information and neither we nor any of the Initial Purchasers takes any responsibility for other information others may give you.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The distribution of this offering memorandum and the offering and sale of the notes in certain jurisdictions may be restricted by law. We and the Initial Purchasers require persons into whose possession this offering memorandum comes to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which such offer or sale would be unlawful.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING APPROVED OR DISAPPROVED OF THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This offering memorandum does not constitute an offer to sell or buy any notes in any jurisdiction where it is unlawful to do so. You should base your decision to invest in the notes solely on information contained in this offering memorandum.

This offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase notes, you agree that your purchase will constitute your representation, warranty, acknowledgment and agreement to all of the statements about purchasers in "Transfer Restrictions."

Each prospective purchaser of the notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

The notes will initially be available in book-entry form only. The Issuer expects that each series of notes will be issued in the form of one or more registered global notes. The global notes will be deposited with the Trustee (as defined herein) as custodian for DTC, as depositary, and registered in the name of Cede & Co. or another nominee of such depositary. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by DTC and its participants. After the initial issuance of the global notes, certificated notes will be issued in exchange for global notes only in the limited circumstances set forth in the indenture governing the notes. See "Book-Entry, Delivery and Form."

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. Please refer to the sections in this offering memorandum entitled "Plan of Distribution" and "Transfer Restrictions."

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes offered hereby.

Each purchaser of the notes offered hereby will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) You (A) (i) are a QIB, (ii) are aware that the sale of the notes to you is being made in reliance on Rule 144A and (iii) are acquiring such notes for your own account or for the account of a QIB, as the case may be, or (B) are not a U.S. person, as such term is defined in Rule 902 under the Securities Act, and are purchasing the notes in accordance with Regulation S.

(2) You understand that the notes have not been registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who you reasonably believe is a QIB acquiring for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to another available exemption from the registration requirements of the Securities Act, (iv) pursuant to an effective registration statement under the Securities Act or (v) to the Issuer or the Parent and (B) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

(3) The notes will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR IN THE CASE OF RULE 144A NOTES, AND 40 DAYS IN THE CASE OF REGULATION S NOTES, AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER OR THE PARENT, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE

TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

The notes will be available initially only in book-entry form. Each series of notes will be issued in the form of one or more global notes bearing the legend set forth above.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This document is for distribution only to persons who (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom ("UK"), or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

PRIIPs Regulation; Prohibition of Sales to UK Retail Investors

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "UK Prospectus Regulation").

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2(e) of Regulation (EU) 2017/1129 (as amended) as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

EU PRIIPs Regulation; Prohibition of Sales to EEA Retail Investors

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129, as may be amended from time to time (as amended, the "EU Prospectus Regulation"). This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to EU any retail investor in the European Economic Area (the "EEA"). For these purposes, (a) an EU retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/E.U. (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Article 2(e) of the EU Prospectus Regulation and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes. Consequently, no key information document required by Regulation (E.U.) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the notes or otherwise making them available to EU retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements in addition to historical information. These forward-looking statements are included throughout this offering memorandum, including in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business Overview" and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "future" and similar terms and phrases to identify forward-looking statements in this offering memorandum.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to vary materially from our future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. Such factors include, among others:

- continued impacts of any existing or new geopolitical developments or escalating tensions and conflicts, including the Russia-Ukraine Conflict and the conflicts in the Middle East;
- the threat or realization of epidemic diseases;
- downturns and volatility in the global capital markets and economy, whether caused by global inflationary dynamics, supply chain issues or otherwise;
- changes in interest rates;
- changes in capital and credit market conditions, including the effectiveness of governmental and regulatory measures in the European Union (the "E.U."), the United Kingdom, the United States (the "U.S.") and elsewhere;
- losses due to defaults by others, including our lessees;
- adverse political, legislative or regulatory developments;
- new accounting rules or changes to existing accounting rules;
- downgrades or potential downgrades in our ratings;
- strong competition in our business;
- lower demand for aircraft;
- a decrease in the credit available to us;
- uncertain operational and financial condition of original equipment manufacturers including aircraft and engine manufacturers such as Boeing, which may impact their outputs and our access to a reliable supply of aircraft;
- our inability to recover our investment in aircraft through re-leasing or selling;

- our inability to make acquisitions of, or lease, aircraft on favorable terms;
- our inability to obtain additional financing on favorable terms, if required, to complete the acquisition of aircraft or to fund the operations and growth of our business;
- our inability to obtain refinancing prior to the time our debt matures;
- impaired financial condition and liquidity of our lessees;
- deterioration of economic conditions in the commercial aviation industry generally;
- increased maintenance, operating or other expenses or changes in the timing thereof;
- the amount of expenses and other liabilities incurred or accrued after the completion of this offering;
- changes in tax laws and the interpretation thereof;
- significant market valuation fluctuations of any of our investments that are relatively illiquid;
- subjectivity in valuation of fixed maturity, equity and trading securities;
- litigation and regulatory investigations;
- inability to attract and retain key personnel;
- impact of war and hostilities generally and current international tensions, including any terrorist attack, or ongoing military and other actions (such as the Russia-Ukraine Conflict and the current conflicts in the Middle East), or a pandemic and the increased costs of aircraft insurance coverage as a result thereof and the extent to which such insurance will continue to be available;
- changes in banks' interbank lending rate reporting practices or the method pursuant to which SOFR is determined;
- our ability to realize the anticipated benefits of the Goshawk Transaction;
- computer system failure or security breach;
- our response to global climate change, environmental, social and governance initiatives and sustainability initiatives;
- impact of undersupply of new aircraft and/or development, manufacturing and/or quality control issues in connection therewith; and
- the other risks and uncertainties identified in this offering memorandum including, without limitation, those under the headings "Risk Factors" and "Business Overview."

Consequently, such forward-looking statements should be regarded solely as our current plans, estimates or beliefs. We do not intend to update, and do not undertake any obligation to update, any forward-looking statements to reflect future events or circumstances after the date of such statements. Given such limitations, you should not rely on these forward-looking statements in making a decision whether to invest in any notes.

You should review carefully the section captioned "Risk Factors" in this offering memorandum for a more complete discussion of risks and uncertainties relating to an investment in any notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We present our consolidated financial statements in United States dollars. In this offering memorandum, references to "$," "U.S.$," "dollars" or "U.S. dollars" are to United States dollars, and references to "€" or "euro" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Consolidated Financial Statements

Our audited consolidated financial statements as of and for the years ended March 31, 2023, 2022 and 2021 included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-E.U.").

Our unaudited condensed consolidated interim financial statements as of and for the nine months ended December 31, 2023 included in this offering memorandum have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as adopted by the EU, and have been reviewed by KPMG in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as stated in their report included elsewhere in this offering memorandum.

Our financial year ends on March 31, and, unless the context otherwise requires, references in this offering memorandum to 2022 are to the 12-month period ended on March 31, 2023, references to 2021 are to the 12-month period ended on March 31, 2022 and references to 2020 are to the 12-month period ended on March 31, 2021.

Unless otherwise indicated, the financial information included in this offering memorandum is presented on the basis of IFRS-E.U and IFRS. IFRS-E.U. and IFRS differ in certain material respects from U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and, as such, the financial statements are not comparable to the financial statements of U.S. companies prepared in accordance with U.S. GAAP. This offering memorandum does not include any explanation of the differences or any reconciliation between IFRS-E.U. or IFRS and U.S. GAAP.

The preparation of financial statements in conformity with IFRS-E.U. and IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the applicable reporting period. Actual results may differ from such estimates. The results for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

There has been no significant change in the financial or trading positions of the Parent, the Issuer, or any of the Parent's subsidiaries since December 31, 2023, except as may be otherwise indicated in this offering memorandum.

Non-IFRS-E.U. Financial Measures

We have included certain non-IFRS-E.U. financial measures in this offering memorandum in "Summary—Summary Financial and Other Data," including EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage. Our EBIT consists of profit from continuing operations for the applicable period, adding back net finance costs and tax expense. Our EBITDA consists of profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, and amortization of intangible assets. Our Adjusted EBITDA consists of profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, impairment, and amortization of intangible assets. Our Revenue Yield consists of total revenue divided by average aircraft assets, which is defined as the average of the opening and closing balance of aircraft assets, consisting of aircraft for hire under operating lease, pre-delivery payments and aircraft held-for-sale, for the period to which the revenue applies. Our Operating Cash Flow Yield consists of net cash from operating activities divided by average aircraft assets. Our Total Net Leverage compares our obligations under finance leases plus our borrowings less our unrestricted cash to our total

equity plus subordinated liabilities. Our Adjusted Net Leverage compares our obligations under finance leases plus our borrowings less our unrestricted cash to our total equity less our cash flow hedge reserve plus subordinated liabilities. Our Third-Party Net Leverage compares our obligations under finance leases (excluding obligations to our shareholder group) plus borrowings (excluding obligations to our shareholder group) less our unrestricted cash to our total equity plus subordinated liabilities.

Each of EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage is a supplemental measure of our financial performance that is not required by, or presented in accordance with, IFRS-E.U. Neither EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage is a measure of our financial performance under IFRS-E.U. and none should be considered as an alternative to operating profit or any other performance measure derived in accordance with IFRS-E.U. nor as an alternative to cash flows from operating activities as a measure of our liquidity.

We present EBIT, EBITDA and Adjusted EBITDA because we believe these measures facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures (affecting net finance costs), tax positions (such as the impact on periods of changes in effective tax rates or fluctuations in permanent differences or discrete quarterly items) and the impact of depreciation and asset impairment. We present Revenue Yield because we believe this measure facilitates revenue performance comparisons across periods. We present Operating Cash Flow Yield because we believe this measure facilitates comparison of the operating cash flow generated from assets from period to period. This is particularly relevant in the current market given pressures on airlines operations. We present Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage as we believe this facilitates an easier understanding of our capital structure and demonstrates the fundamental structure of our shareholder debt, which is revolving in nature.

Our presentation of EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. Other companies in our industry may calculate these measures or similar measures differently than we do, limiting their usefulness as comparative measures.

EBIT, EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider these measures in isolation or as substitutes for analysis of our operating results or cash flows as reported under IFRS-E.U. Some of these limitations are:

- EBIT, EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBIT, EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBIT, EBITDA and Adjusted EBITDA do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and EBIT, EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- EBIT, EBITDA and Adjusted EBITDA do not adjust for all non-cash income or expense items that will be reflected in our consolidated statements of cash flows.

Because of these limitations, EBIT, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our IFRS-E.U. results and using EBIT, EBITDA and Adjusted EBITDA only for supplemental purposes.

Rounding

Certain figures and some percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, the totals included in certain tables contained in this offering memorandum may not correspond to the arithmetic aggregation of the figures or percentages that precede them.

INDUSTRY AND MARKET DATA

Certain of the industry and market information contained in this offering memorandum concerning economic trends and performance is based upon or derived from information provided by third-party consultants and other industry sources. Although we believe these sources are reliable, neither we nor the Initial Purchasers can guarantee the accuracy of such information or have independently verified the assumptions upon which projections of future trends and performance are based. While we are not aware of any misstatements regarding any industry, market or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings "Forward-Looking Statements" and "Risk Factors" in this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer and the Parent are a designated activity company and a limited company, respectively, organized under the laws of Ireland. All of our directors and officers and certain other persons named in this offering memorandum reside outside the United States and all or a significant portion of the assets of the directors and officers and certain other persons named in this offering memorandum and substantially all of our assets are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is some doubt as to the enforceability, in original actions in Irish courts, of liabilities based on the U.S. federal securities laws or "blue sky" laws of any state within the United States and as to the enforceability in Irish courts of judgments of U.S. courts obtained in actions based on the civil liability provisions of the U.S. federal securities laws or any such state securities or blue sky laws. Therefore, it may not be possible to enforce those judgments against us or certain of our directors and officers. For more information, see "Risk Factors—Risks Relating to our Indebtedness and the Notes—Judgments obtained in a court of the United States may not be enforceable in Ireland and it may be difficult to serve process on the Issuer and the Parent."

SUMMARY

This summary is not complete and may not contain all of the information that may be important to you. You should read the entire offering memorandum carefully, including the section entitled "Risk Factors" and the consolidated financial statements and related notes before making an investment decision. Unless stated otherwise, the discussion in this offering memorandum of our business includes the business of SMBC Aviation Capital Limited and its direct and indirect subsidiaries, including the Issuer (collectively, "SMBC Aviation Capital"). Unless otherwise indicated or the context otherwise requires, "SMBC Aviation Capital," "we," "us" and "our" refer to SMBC Aviation Capital Limited and its direct and indirect subsidiaries, the term "Issuer" refers only to SMBC Aviation Capital Finance DAC and the term "Parent" refers only to SMBC Aviation Capital Limited.

Overview

SMBC Aviation Capital forms part of the wider Sumitomo family aircraft financing group and is one of the world's leading aircraft operating lease companies. In operation since 2001, we are a top five aircraft operating lessor globally based on fleet size, with an owned and managed fleet valued at $30.9 billion as of December 31, 2023, comprising 497 owned and 214[1] managed aircraft.

Our success over our more than 22 years of operations has been achieved through our strategy of maintaining a young, narrow-body fleet, generating stable long-term contracted cash flows and attractive risk adjusted returns. As of December 31, 2023, we have accumulated retained earnings of $2.3 billion.

Our direct order book is 100% narrow-body and comprises the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its business which we expect will result in the retirement of older, higher emission aircraft, a dynamic that the COVID-19 pandemic accelerated. Maintaining a portfolio of young, more fuel efficient aircraft assets is critical to long-term profit stability and our increased focus on sustainability.

We are disciplined in terms of the commercial jet aircraft in which we invest, focusing on young, liquid, in-demand assets which have large production runs, the widest installed base and which are flown by most airlines around the world. We acquire these aircraft either directly through orders with the original equipment manufacturers ("OEMs"), through sale-leaseback transactions ("SLBs") with airlines, through portfolio purchases from other lessors or, on occasion, through strategic M&A opportunities. Our strategy is to recalibrate our emphasis on different acquisition channels at different points in the industry cycle to optimize overall returns.

We believe that our focus on aircraft liquidity will continue to reduce earnings volatility in a long-run normalized operating environment and maximize risk-adjusted returns over time. This strategy has resulted in a portfolio as of December 31, 2023 that is comprised almost entirely of what we believe to be the most liquid aircraft available, such as Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Furthermore, 83% of our existing portfolio (weighted by NBV as of December 31, 2023) and 100% of our future direct order commitments are comprised of narrow-body aircraft which are the most liquid aircraft available in the global commercial jet fleet.

We are a global business, headquartered in Dublin, Ireland, with representatives in Japan, China, Hong Kong, Singapore, Europe and the United States. Our global presence provides local access to airline customers, aircraft investors and capital providers in key geographic regions. We lease our owned and managed aircraft to a diverse group of operators, both geographically and by business type. As of December 31, 2023, we had 106 airline customers in 48 different countries worldwide with a balanced geographical mix comprised of 36.6% in Europe, Middle East and Africa, 31.9% in the Americas and 31.4% in Asia (in each case, weighted by NBV as of December 31, 2023).

We trade our aircraft assets frequently to optimize returns and manage risk, ensuring that our portfolio stays young and attractive to our airline and investor customer base. Since our inception in 2001, we have sold over 500 aircraft from our owned portfolio to over 130 trading counterparties as of December 31, 2023, reflecting the strength

[1] Including 5 aircraft for affiliated companies.

of our aircraft trading platform and our ability to access and develop liquidity across a broad spectrum of global investors throughout the economic cycle.

Throughout over 22 years in business, we have maintained one of the youngest portfolios of owned aircraft among investment grade leasing companies[2], with a weighted average age of 5.4 years and a weighted average remaining lease-term of 6.3 years as of December 31, 2023.

SMBC Aviation Capital is a key pillar of our shareholders international expansion strategy and as a result, we receive significant financial support from the shareholder group. In aggregate, the shareholders' total commitment to SMBC Aviation Capital stands at $19.75 billion as of December 31, 2023 on a combined debt and equity basis. We augment our core leasing business through a combination of marketing our shareholders' wider aircraft finance product offerings, for which we receive referral fees, and utilizing our extensive lease management platform to provide fleet management services to aircraft investors for a management fee. These fleet management services are similar to those we perform with respect to our owned fleet and include *inter alia* leasing, remarketing for sale or lease, lease administration and provision of technical oversight.

For the nine months ended December 31, 2023, our business generated a profit before tax of $1.1 billion (including Russian insurance settlement proceeds of $755.8 million), as compared to a profit before tax of $267 million for the nine months ended December 31, 2022. The increased level of profitability reflects the insurance settlement proceeds of $755.8 million and the greater scale of our balance sheet, strength of the market backdrop globally for aircraft financing and the resulting high level of activity across all sections of our business.

It is the combination of our disciplined investment strategy, focused risk management and balance sheet strength, together with our experienced management team and strong shareholder support that underpins our investment grade ratings. Our strong credit ratings in turn facilitate our access to a broad range of competitively priced financing sources, providing us with a strong liquidity base and increased funding optionality in all market conditions.

Ownership and History

Our company commenced operating leasing services in May 2001 when we were acquired by the Royal Bank of Scotland Group ("RBSG"). In June 2012, we were acquired by a consortium led by Sumitomo Mitsui Banking Corporation ("SMBC"), with our ultimate parent becoming Sumitomo Mitsui Financial Group, Inc. ("SMFG"). SMFG beneficially owns 66% of our equity, is a G-SIB (Global Systemically Important Bank), and is one of the largest banking groups in Japan with total assets of $2.014 trillion[3] as of December 31, 2023. A G-SIB is a designation given to a financial institution whose distress or disorderly failure, because of its size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity. SMFG has a senior unsecured rating of A- from Standard & Poor's Ratings Group ("S&P") and A- from Fitch Rating Services, Inc. ("Fitch"). Sumitomo Corporation, rated A- by S&P and Baa1 by Moody's Investor Services, Inc. ("Moody's"), is one of the largest Japanese general trading companies and the beneficial owner of the remaining 34% of our equity.

In November 2018, SMBC Aviation Capital received a further capital investment of $1 billion, consisting of $700 million in preferred share capital issued to Sumitomo Mitsui Finance and Leasing Company Limited (a joint venture of SMFG and Sumitomo Corporation, "SMFL") and SMBC, and a $300 million unsecured subordinated loan from SMBC. In parallel, SMFL became a 50:50 joint venture between SMFG and Sumitomo Corporation (together, our "shareholders"). Our shareholders' beneficial ownership in SMBC Aviation Capital remained unchanged as a result of the reorganization. We received $1.36 billion of preferred share capital from our shareholders in December 2022 to support the Goshawk Transaction. The capital investment by our shareholders demonstrates their commitment to and support of our ongoing strategy and success.

[2] Based on publicly available information concerning the fleets of Air Lease Corporation, BOC Aviation, AerCap Holdings N.V., Aircastle Limited, Dubai Aerospace Enterprise, Avolon and Aviation Capital Group.

[3] Calculated based on an exchange rate as of December 31, 2023 of JPY 141.83:1.00.

Recent Developments

Receipt of Insurance Settlement Proceeds in respect of Certain Russian Aircraft

Following the Russian military invasion of Ukraine, SMBC Aviation Capital lost 34 owned aircraft in Russia which are the subject of claims under applicable insurance policies. On October 2, 2023, SMBC Aviation Capital received insurance settlement proceeds totalling $710 million with respect to 16 owned aircraft previously leased to Public Joint Stock Company "Aeroflot – Russian Airlines", and on December 21st, 2023, SMBC Aviation Capital received $45.8 million with respect to 3 aircraft previously leased to Joint Stock Company Siberia Airlines (S7). The receipt of insurance settlement proceeds was carried out in full compliance with all applicable laws, sanctions and regulations and was approved by the U.S. Department of Commerce and the U.S. Department of the Treasury. As a result of the receipt of insurance settlement proceeds of $755.8 million, the business generated a higher profit before tax of $1.1 billion for the nine months ended December 31, 2023, as compared to a profit before tax of $267 million for the nine months ended December 31, 2022.

We will continue our efforts to seek to mitigate our losses in respect of our aircraft, which are lost in Russia.

The Goshawk Transaction

On December 21, 2022, we completed the acquisition of Goshawk Management Limited (the "Goshawk Transaction"). Following the Goshawk Transaction, Goshawk Management Limited ("GML") was renamed SMBC Aviation Capital Management Limited.

The Goshawk Transaction brought together two of the most strategically aligned businesses in the sector, creating the second largest leasing company globally by number of aircraft and the largest Japanese-owned aircraft lessor based on fleet size. The combined company has a portfolio of over 700 owned and managed aircraft and a direct orderbook of 260 new technology, in-demand Airbus A320NEO family and Boeing 737-MAX-8 aircraft. We believe this places the business in a strong position to capitalize on the opportunities presented by the market.

The equity consideration paid consisted of $1.36 billion of preferred share capital from our shareholders. We have assessed the fair value of the assets acquired and liabilities assumed in the acquisition which resulted in no material goodwill.

Competitive Strengths

We believe that the following strengths will permit us to capitalize on the long-term growth in the global aircraft leasing industry and to execute our business and growth strategies:

Highly disciplined approach to asset selection, resulting in a high-quality, young and globally diversified portfolio

We employ a disciplined approach to asset selection, focusing on the most liquid assets, being the assets with the highest level of appeal to airlines, financiers and investors. To date, SMBC Aviation Capital has invested in a narrow range of the most popular aircraft types, allowing us to reduce earnings volatility and enhance risk-adjusted returns. Liquid aircraft types, in particular the Airbus A320 CEO/NEO family aircraft and Airbus A350, Boeing 737NG/MAX and Boeing 787 aircraft, typically demonstrate lower volatility in terms of value and lease rate throughout the economic cycle, have a large and diverse airline user base and can be more quickly and cost efficiently reconfigured to subsequent lessees' specifications.

Our owned portfolio is comprised almost entirely of what we believe to be the most liquid and investor friendly aircraft, such as the Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Our portfolio, which had a weighted average age by NBV of 5.4 years as of December 31, 2023, is leased to a globally diversified customer base comprising 106 lessees in 48 countries with an average remaining lease term weighted by NBV of 6.3 years. We maintain the quality of our portfolio through a proactive sales strategy and risk management framework, with over 500 aircraft sold from our owned portfolio as of December 31, 2023.

Consistent growth through a direct order delivery pipeline and opportunistically entering the sale and leaseback market while concurrently examining inorganic growth opportunities

Our multi-channel and opportunistic acquisition strategy is designed to allow us to pivot from one procurement channel to another in order to deliver consistent growth and optimal overall returns. As of December 31, 2023, our future capital expenditure is comprised of 188 Airbus A320 family and 83 Boeing 737-MAX-8 aircraft which are to be delivered between FY2023 and FY2031. We have committed capital expenditures of $1.8 billion for fiscal year 2023 and committed capital expenditures of $1.5 billion for fiscal year 2024. The expected delivery dates of our aircraft orders are well dispersed, allowing measured balance sheet growth.

We have a strong track record of placing aircraft directly ordered from the OEMs. We believe that our access to this strong aircraft delivery pipeline over the period allows us to provide airline customers with comprehensive, multi-year solutions to their aircraft leasing and fleet needs, in addition to our other financing solutions.

In September 2023, we announced a firm order for 25 Boeing 737 MAX-8 aircraft, extending the delivery pipeline for this asset type to 2029. Further, in November 2023, we announced an order for 60 Airbus A320neo family aircraft. The order ensures SMBC Aviation Capital has a delivery pipeline of A320 and A321 neo aircraft through to 2031. As of December 31, 2023, we had commitments to acquire 260 direct order aircraft, including 145 A320NEO aircraft, 34 A321NEO aircraft and 81 737-MAX-8 aircraft. In addition to these direct orders, we have sale and leaseback and portfolio acquisitions for 2 Boeing and 9 Airbus aircraft.

The COVID-19 pandemic has provided opportunities for lessors that had the financial strength to take advantage of the market dislocation. Our level of liquidity together with our shareholders' financial support allowed us to redeploy a significant portion of our capital from our deferred and cancelled direct orders into the SLB market where there was superior returns and overall transaction quality. These transactions will both enhance future profitability and maintain portfolio quality.

SMBC also has a strong track record of executing on meaningful M&A transactions at the right point in the cycle. For example, SMBC, SMFL and Sumitomo Corporation acquired the commercial aircraft leasing business of RBSG in June 2012. Prior to the Goshawk Transaction, GML had one of the most strategically aligned leasing fleet portfolios with ours and as a result, the Goshawk Transaction has allowed us to grow significantly while maintaining our industry leading portfolio quality and simultaneously growing our own committed orderbook by an additional 40 new technology narrowbody units.

Experienced management team with a proven track record over cycles

Our senior management team has worked together over more than 22 years to successfully guide our company through two industry economic cycles, the sale of the business and the acquisition of GML. Our highly experienced team, which has an average of close to 30 years of experience each in all facets of the aircraft leasing industry, has developed and applied a consistent, disciplined business strategy of investing in liquid aircraft types and developing robust operational processes, procedures and risk management frameworks to manage our portfolio. In addition, the experience of our senior management team has allowed us to develop and maintain deep, long-standing relationships with the key decision makers at major airlines, aircraft manufacturers, aviation financiers and aviation investors.

Close relationship with shareholders demonstrated by unique product offering and strong financial support

The consortium of SMBC, SMFL and Sumitomo Corporation acquired our business in June 2012. SMBC and Sumitomo Corporation have a long history of providing financing in the aviation industry through debt and operating leasing, respectively, and, together with their joint venture SMFL, are a leading player in the Japanese tax equity market. We differentiate ourselves from other aircraft leasing competitors by offering our airline and aircraft trading customers access to a broader suite of financing solutions. In addition to providing operating lease solutions, we can harness the debt financing capabilities of SMBC and provide access to the world's largest tax based aircraft financing and investor market through SMFL, together with the engine leasing provided by SMFL.

Our shareholders provide significant financial support to our business, with an aggregate amount of $19.75 billion of capital provided as of December 31, 2023, including $5.45 billion[4] of drawn unsecured loan amounts due to parent group undertakings, a $300 million drawn unsecured subordinated liability and $5.05 billion[5] of total equity. In addition, as of December 31, 2023, SMBC had undrawn shareholder funding of $8.9 billion under the SMBC Aviation Capital Revolving Credit Agreement (as defined herein).

Our level of shareholder financial support ensures we have a robust capital structure and deep liquidity base to manage and grow our business. It is also a further demonstration of our shareholders' long-term perspective as well as the significant strategic importance they place on our business.

Significant scale providing an efficient operating platform and relevance to the manufacturers and customer base

Since our founding in 2001, we have grown to $23.8 billion in total assets and 497 aircraft in our owned portfolio as of December 31, 2023.

Our ownership by large Japanese financial institutions provides us with financial support to manage our business and to facilitate our growth strategy. We use our increasing scale to lower our operating costs relative to our expanding revenue base, maintaining an efficient operational structure. Our scale and financial backing make us relevant to both the OEMs and airlines and provide comfort that we can execute purchase agreements for large scale orders and SLB transaction and, when combined with our management's experience and relationships, positions us to negotiate favorable terms, thereby facilitating further profitable growth opportunities.

SMBC Aviation Capital is the second largest leasing company globally by number of aircraft and the largest Japanese-owned leasing company based on fleet size. As of December 31, 2023, we had an owned fleet of 497 aircraft leased to a total of 106 airlines in 48 countries globally with a net book value of $21.4 billion and commitments, through our direct orders with the manufacturers, to purchase 260 new aircraft, with scheduled delivery dates through 2031.

On January 29, 2024, SMBC Aviation Capital finalized an agreement with Caisse de depot et placement du Québec ("CDPQ") to create a USD 1.5 billion global aircraft financing and leasing platform dedicated to modern, fuel-efficient NextGen aircraft. SMBC Aviation Capital will source transactions and, under a sistership condition, invest in opportunities alongside the platform. SMBC Aviation Capital will also act as servicer of the platform, which will operate under the banner Maple Aircraft Company Holdings Limited. This agreement will further increase SMBC Aviation Capital's managed portfolio, leveraging the company's experience and scale.

Comprehensive risk management strategy

Every investment decision we make is considered in the context of risk management and with a view to ultimately trading our assets. We undertake a methodical and rigorous approach to risk assessment through our "3 Pillar" framework, which includes (i) asset risk analysis, (ii) counterparty risk analysis and (iii) transaction risk analysis. Our use of proprietary quantitative models developed and refined internally since our inception, together with the expertise of our 17-member portfolio risk management team and the experienced judgment of our management team, provides a comprehensive, efficient, and effective risk management framework to manage our aircraft asset portfolio. Over our 23-year history, the effectiveness of our risk management framework is evidenced by the high utilization of our fleet (99.5% since 2005).[6]

Trading aircraft at the core of our business

We have an established risk distribution strategy that has led to the sales of over 500 aircraft to a diversified investor base of over 130 trading counterparties as of December 31, 2023. We have an experienced team of aircraft

[4] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

[5] This amount includes $2.3 billion in retained earnings.

[6] Aircraft subject to lease average is calculated as the ratio of the NBV of on-lease aircraft at the end of each fiscal year to the total NBV of all aircraft at the end of such year.

trading professionals dedicated to trading our aircraft assets and cultivating relationships across a broad spectrum of investors globally. As a percentage of owned book, we believe that we have been one of the most active traders of leased aircraft in the industry over the past decade, which has allowed us to optimize returns and manage portfolio risk.

The Japanese market is one of the largest standalone aircraft investment markets globally, partially as a result of the tax deferral benefits available to investors in conjunction with an established aircraft equity investor base. We believe our trading platform, coupled with our shareholders' standing and relationship network in Japan, provide an unparalleled opportunity to sell aircraft into the Japanese operating lease market to distribute our assets. Since April 1, 2016, we have sold 121 aircraft to Japanese investors.

Business Strategy

Capitalize on attractive market opportunities to expand our modern fleet of aircraft

Our strategy is to invest primarily in highly liquid aircraft assets, which are typically aircraft that have or that we project will have large production runs, a broad airline user base and relatively low transition costs. We intend to continue to leverage our stable funding base and competitive cost of capital to take advantage of market conditions to acquire asset types that we believe will continue to have a strong level of appeal to airlines, financiers and investors. We believe our disciplined approach to asset selection, focusing on young, modern, more fuel-efficient aircraft that display strong, long-term value retention characteristics with typically lower re-marketing risks, will enable us to continue to generate stable cash flows over the long-term.

We utilize multiple procurement channels to source aircraft, namely, direct orders with OEMs, SLB transactions with airlines, portfolio acquisitions from other lessors and inorganic opportunities, to selectively build our portfolio. We believe that the utilization of multiple aircraft procurement channels provides us with the flexibility to enhance our portfolio and performance, as each channel can be calibrated to react to, and increase opportunity from, prevailing market conditions.

We have an experienced team of airline marketing professionals dedicated to origination and remarketing. We believe our team's broad industry experience and expertise will enable us to leverage relationships globally to drive our growth and performance.

Based on ongoing discussions with airlines, we anticipate that our portfolio composition will continue to transition into primarily new narrow-body with some wide-body technologies over time as these aircraft types experience strong global demand. We intend to continue to focus predominantly on acquiring single aisle, narrow-body aircraft although we expect to selectively invest in new wide-body technologies (in particular, Boeing 787 and Airbus A350) for a certain proportion of our portfolio.

Actively transition our portfolio and operations towards net zero emissions

SMBC Aviation Capital launched our inaugural Environmental, Social & Governance ("ESG") Strategy in December 2021. This strategy outlines our ESG commitments through 2050, specifically expressing our commitment to target up to 80% new technology, lower carbon emitting fleet by March 2026. We are committed to assisting our airline customers in reducing their carbon emissions through the leasing and financing of the most technologically advanced and fuel-efficient aircraft on the market, and are also exploring additional available net-zero pathways for our industry, including sustainable aviation fuels and new propulsion technology aircraft. SMBC Aviation Capital is also focused on our customers' decarbonization journeys.

In September 2023, we closed our first sustainability-linked loan facility with Bank of Communications (Hong Kong) Limited. This unsecured bilateral facility incorporates sustainability-linked conditions and features and demonstrates our ambition to be a leader in the industry on ESG initiatives.

Actively manage our portfolio to optimize returns and manage risk

We have disposed of over 500 aircraft to over 130 trading counterparties as of December 31, 2023. Our trading strategy continues to permit us to optimize returns and minimize asset residual value and lease remarketing risk by maintaining a low average fleet age, managing the redelivery profile of lease maturities, maintaining geographic diversification and minimizing our exposure to customer concentration.

As a part of this disposal strategy, we intend to continue to leverage our shareholders' debt funding capabilities and network of relationships in Japan to expand our aircraft sales into the Japanese market, which we believe is one of the most attractive aircraft trading markets globally. While we significantly reduced the number of aircraft sales into the secondary market in the year ended March 31, 2021 due to the less attractive market conditions caused, at least in part, by the COVID-19 pandemic, this market rebounded in 2021 and through 2022. As of December 31, 2023, we had sold 26 aircraft, arranged the sale of a further 5 aircraft to investors and also signed letters of intent or agreements for the sale of an additional 21 aircraft, 13 of which have been classified as held for sale as of December 31, 2023. We expect that our high quality, narrow-body focused portfolio will continue to facilitate trading activity through the coming cycle and that we will continue to be an active trader of aircraft.

Procure a flexible strategic order book and remain active in the opportunistic sale and leaseback market as part of our objective to transition to new technologies

Our Airbus A320 NEO family and Boeing MAX direct orders are strategically important to our business because they provide access to highly sought-after, next generation, fuel-efficient aircraft. The selection of these aircraft types is consistent with our strategy of focusing on the most liquid, efficient aircraft assets with a diverse airline user base. We expect that such orders will be attractive to our customers, which will in turn provide a stable stream of revenue while complementing activities in the SLB market. Our management team has extensive experience in obtaining competitive pricing for the aircraft we acquire and in negotiating and administering OEM contracts and contracts for the purchase of components and equipment supplied for installation on new aircraft during the manufacturing process. Procuring a strategic order book is a core part of our objective to transition our portfolio to new aircraft technologies.

Our direct order book is 100% narrow-body and comprises the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its business which will result in the retirement of older, higher emission aircraft, a dynamic that the COVID-19 pandemic has accelerated. Maintaining a portfolio of young, more fuel efficient aircraft assets is critical to long-term profit stability.

In September 2023, we announced a firm order for 25 Boeing 737 MAX-8 jets, extending the delivery pipeline for this asset type to 2029. Further, in November 2023, we announced an order for 60 Airbus A320neo family aircraft. The order ensures SMBC Aviation Capital has a delivery pipeline of A320 and A321 neo aircraft through to 2031. As of December 31, 2023, we had commitments to acquire 260 direct order aircraft, including 145 A320NEO aircraft, 34 A321NEO aircraft and 81 737-MAX-8 aircraft. In addition to these direct orders, we have sale and leaseback and portfolio acquisitions for 2 Boeing and 9 Airbus aircraft.

Serve the internationalization requirements of our shareholders

As part of our shareholders' strategy to meet their internationalization objectives and diversify their revenue base outside of Japan, we intend to continue to expand our revenue base by building on our relationships with our global customers. In particular, we utilize our marketing function to maximize our shareholders' aircraft financing capabilities to promote cross-selling opportunities among the operating lease, commercial debt and tax leasing platforms within our shareholders by providing a broad product offering to our airline and investor customers for which we generate fee income.

The synergies realized by the integrated marketing of our multi-product offering is significant. In the period from April 1, 2016 to December 31, 2023, our shareholders' aircraft financing businesses also arranged commercial debt and tax based financings, in addition to the 121 aircraft sales into the Japanese investor market by our business. Sumitomo Corporation also has an engine leasing portfolio of 83 units as of December 31, 2023.

The Goshawk Transaction enabled SMBC Aviation Capital to further diversify its customer base and reduce its lessee concentrations. The Goshawk Transaction introduced 30 new customers onto our books.

Overview of the Aircraft Leasing Industry

The aircraft leasing industry originally arose in the 1970s to provide short-term solutions to fluctuations in airlines' capacity needs. However, in the last 40 years, the industry's role has become increasingly sophisticated and pervasive.

The increased demand for leased aircraft is largely a function of the benefits that the industry provides. Leasing (i) offers airlines the flexibility to match lease terms to their capacity requirements, (ii) removes residual value risks, (iii) conserves liquidity and debt capacity by reducing up-front capital requirements and (iv) provides availability of aircraft on shorter notice than acquiring such aircraft directly from the manufacturers. Leasing also allows airlines to focus on flight operations while leaving leasing companies to focus on asset and residual value management.

The long-term projected growth in airline traffic, together with the ongoing requirement to replace older, less economical and less efficient aircraft, is expected to drive growth in the global commercial airline fleet, which, in turn, should lead to growth in the aircraft leasing industry. In addition to the projected growth in the world fleet, due to the continued shift from ownership to leasing, aircraft leasing as a proportion of aircraft ownership is expected to grow faster than the world fleet.

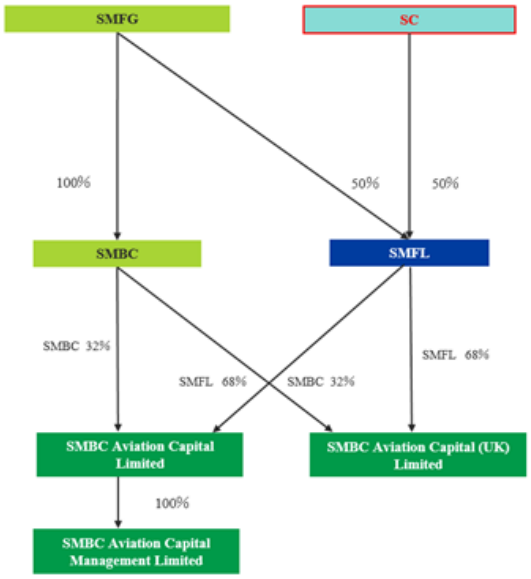
The aircraft leasing sector currently accounts for approximately 50% of the global installed base of commercial airliners according to Cirium. In management's experience, lessors have historically preferred narrow-body aircraft due to their larger fleet sizes and operating bases, as well as lower transition costs between lessees. Wide-body leasing penetration has historically been lower, reflecting the reduced liquidity of these aircraft.

Aircraft are highly mobile assets and can be redeployed around the world at the end of their lease. As such, aircraft lessors are well positioned to optimize their geographic deployment and benefit from demand in higher growth regions, enabling them to capture regional opportunities with the most attractive lease economics.

The aircraft leasing sector has traditionally offered stronger and more stable returns in the aviation space than investing in airlines themselves and offers significant growth prospects for long-term participants. This stability is driven in part by the longer-term nature of lease contracts and the staggering of lease maturities, which shelters lessors from shorter-term market fluctuations.

Our Corporate Structure

The following chart shows the current ownership structure of SMBC Aviation Capital.



Ultimate Share Holding Percentage

SMFG: 66% SC: 34%

SMFG	Sumitomo Mitsui Financial Group	Bank Holding Company
SMBC	Sumitomo Mitsui Banking Corporation	Bank
SMFL	Sumitomo Mitsui Finance & Leasing	Lease & Finance
SC	Sumitomo Corporation	Trading Company

THE OFFERING

This summary highlights information presented in detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should consider before investing in any notes. You should carefully read this entire offering memorandum before investing in any notes, including "Description of the Notes."

Issuer	SMBC Aviation Capital Finance DAC, an Irish limited liability designated activity company.
Guarantor	SMBC Aviation Capital Limited.
Notes Offered	$ aggregate principal amount of % Senior Notes due 2029. $ aggregate principal amount of % Senior Notes due 2034.
Maturity Date	2029 notes: , 2029. 2034 notes: , 2034.
Interest	The 2029 notes will bear interest at the rate of % per annum. The 2034 notes will bear interest at the rate of % per annum. Interest on the 2029 notes and the 2034 notes will be payable semi-annually in arrears on and of each year, beginning on , 2024.
Issue Price	2029 notes: % plus accrued interest, if any, from , 2024. 2034 notes: % plus accrued interest, if any, from , 2024.
Guarantee	The obligations under each series of notes will be fully and unconditionally guaranteed (the guarantee of each series of notes, a "guarantee", and together, the "guarantees"), on a senior unsecured basis, by the Guarantor. See "Description of the Notes—Guarantee."
Ranking	The notes and the guarantees will be senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the Parent's existing and future senior unsecured indebtedness and senior to any subordinated indebtedness of the Issuer or the Parent. The notes and the guarantees will effectively rank junior to all of the Issuer's and the Parent's secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will not provide holders with any direct claims on the assets of any of the Parent's other Subsidiaries and will be effectively subordinated to any and all liabilities of the Parent's other Subsidiaries, in each case to the extent of such Subsidiaries' assets. As of December 31, 2023, we had consolidated total unsecured indebtedness of $16.4 billion. In addition, our JBIC Facilities (as defined herein) includes a requirement that the Parent provide JBIC (as defined herein) with such additional security for the outstanding loans thereunder as JBIC may, in its sole discretion upon the occurrence of certain events, require. JBIC has never requested the Parent to

provide additional security for the JBIC Facilities and we believe that JBIC currently has neither the ability nor the intention to request any such additional security, but if JBIC were to have made such a request successfully, our secured indebtedness would be $1.7 billion as of December 31, 2023. For more information about the JBIC Facilities, see "Description of Other Financial Indebtedness—Amortizing Loan Facility with the Japanese Bank of International Cooperation."

Optional Redemption..... At any time or from time to time prior to the 2029 Par Call Date (as defined herein), the Issuer may redeem the 2029 notes, in whole or in part on not less than ten nor more than 60 days' notice, at its option, at a price equal to the greater of (i) 100% of the principal amount of the 2029 notes to be redeemed or (ii) the sum of the present values of the Remaining Scheduled Payments (as defined herein) that would be due if the 2029 notes to be redeemed matured on the 2029 Par Call Date, discounted to the Redemption Date (as defined herein), on a semi-annual basis at the Treasury Rate (as defined herein) plus basis points, plus, in each case, accrued and unpaid interest, if any, to but not including the Redemption Date. From and after the 2029 Par Call Date, the Issuer may redeem the 2029 notes, in whole or in part, at a price equal to 100% of the principal amount of the 2029 notes to be redeemed, plus accrued and unpaid interest, if any, to but not including the Redemption Date. See "Description of the Notes—Maturity, Optional Redemption."

At any time or from time to time prior to the 2034 Par Call Date (as defined herein), the Issuer may redeem the 2034 notes, in whole or in part on not less than ten nor more than 60 days' notice, at its option, at a price equal to the greater of (i) 100% of the principal amount of the 2034 notes to be redeemed or (ii) the sum of the present values of the Remaining Scheduled Payments (as defined herein) that would be due if the 2034 notes to be redeemed matured on the 2034 Par Call Date, discounted to the Redemption Date (as defined herein), on a semi-annual basis at the Treasury Rate (as defined herein) plus basis points, plus, in each case, accrued and unpaid interest, if any, to but not including the Redemption Date. From and after the 2034 Par Call Date, the Issuer may redeem the 2034 notes, in whole or in part, at a price equal to 100% of the principal amount of the 2034 notes to be redeemed, plus accrued and unpaid interest, if any, to but not including the Redemption Date. See "Description of the Notes—Maturity, Optional Redemption."

Optional Redemption for Changes in Withholding Taxes ..... The Issuer may, at its option, redeem all, but not less than all, of the notes of any series at 100% of the principal amount together with accrued and unpaid interest, if any, to but not including, the Redemption Date if the laws or regulations affecting certain taxes change in certain respects; provided, however, that (i) no notice of redemption for tax reasons may be given earlier than 60 days prior to the earliest date on which the Issuer or the Parent would be obligated to pay additional amounts if a payment on the notes of such series were then due and (ii) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect. See "Description of the Notes—Optional Redemption for Changes in Withholding Taxes."

Additional Amounts..... Subject to certain exceptions, the Issuer or the Parent will pay additional amounts as may be necessary to ensure that the net amounts received by holders of any notes after withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Ireland, any political subdivision thereof or any governmental authority of any jurisdiction in which the Issuer or Parent is then incorporated or organized or otherwise resident or carrying on a

	trade or business for tax purposes and any political subdivision thereof, shall equal the respective amounts of principal and interest (or other amounts stated to be payable under the notes) which would have been received in the absence of such withholding or deduction. For a discussion of the tax consequences of, and limitations on, the payment of additional amounts with respect to any such taxes, see "Description of the Notes—Additional Amounts" and "Certain Irish Tax Considerations."
Change of Control Offer.....	Upon the occurrence of a Change of Control Triggering Event (as defined herein), you will have the right, as a holder of the notes, subject to certain exceptions, to require the Issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the applicable notes repurchased, to, but not including, the repurchase date. See "Description of the Notes—Repurchase at the Option of the Holders."
Covenants.....	The indenture governing the notes includes certain restrictions on liens and mergers, consolidations and transfers of substantially all of our assets. These covenants are subject to important qualifications and exceptions. See "Description of the Notes—Certain Covenants."
Events of Default	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued and unpaid interest and any other amounts due with respect to the notes, see "Description of the Notes—Events of Default."
Use of Proceeds.....	We estimate that the net proceeds from the sale of the notes will be approximately $ million after deducting the Initial Purchasers' discount but excluding estimated offering expenses. We intend to use the net proceeds from the offering of the notes for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.
Book-Entry System; Delivery and Form and Denomination of the Notes.....	The notes will be issued in the form of global notes without coupons and registered in the name of a nominee of DTC. Each series of notes will be issued in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.
Governing Law.....	The notes will be, and the indenture is, governed by New York law.
Trustee, Registrar, Paying Agent and Transfer Agent	Computershare Trust Company, National Association.
Transfer Restrictions	The notes have not been and will not be registered under the Securities Act and are subject to restrictions on transfer and resale. See "Transfer Restrictions" and "Plan of Distribution."
No Registration Rights.....	The Issuer has no intention or obligation to register the notes for resale under the Securities Act or the securities laws of any other jurisdiction or to offer to exchange the notes for registered notes under the Securities Act or the securities laws of any other jurisdiction.

Listing	Application will be made to quote each series of notes on the official list of the CSX; however, we cannot assure you that admission will be granted or maintained for the respective terms of the notes.
Further Issuances	Subject to the limitations included in the indenture, the Issuer may, without the consent of the holders, issue additional notes of either series under the indenture on the same terms and conditions (except as to the date of original issuance or the first interest payment date) as the notes being offered pursuant to this offering memorandum.
Risk Factors	Investing in either series of notes involves substantial risks and uncertainties. See "Risk Factors" and other information included in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in any notes.

SUMMARY FINANCIAL AND OTHER DATA

The following table sets forth summary consolidated historical financial and other data for SMBC Aviation Capital for the periods and as of the dates indicated. We derived the consolidated historical financial information for as of and the fiscal years ended March 31, 2023, 2022 and 2021 from our audited consolidated financial statements, prepared under IFRS as adopted by the E.U., appearing elsewhere in this offering memorandum. We derived the consolidated historical financial information for the nine months ended December 31, 2023 and as of December 31, 2023 from our unaudited condensed consolidated interim financial statements, prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the E.U., appearing elsewhere in this offering memorandum. The results as of and for the nine months ended December 31, 2023 are not necessarily indicative of the results to be achieved for our current fiscal year or for any future period.

You should read the information below along with all other financial information and analysis presented in this offering memorandum, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this offering memorandum.

Consolidated Statement of Comprehensive Income Data

	Nine Months ended December 31,		Year ended March 31,		
	2023	**2022**	**2023**	**2022**	**2021**
	(in thousands of U.S. dollars)				
Income					
Lease revenue	1,445,817	884,241	1,347,962	1,371,721	1,130,832
Other revenue	6,539	6,874	9,072	10,833	13,721
Total revenues	1,452,356	891,115	1,357,034	1,382,554	1,144,553
Other operating income	826,189	26,575	51,617	124,276	22,697
	2,278,545	917,690	1,408,651	1,506,830	1,167,250
Operating Expenses					
Depreciation	(514,379)	(273,434)	(413,633)	(484,213)	(442,094)
Asset impairment	(58,218)	(31,595)	(70,260)	(1,686,034)	(176,439)
Credit impairment credit / (charge)	6,920	(8,736)	(31,693)	35,364	(153,872)
Financial asset impairment	-	-	-	(16,592)	-
Operating expenses	(113,749)	(117,904)	(182,333)	(104,167)	(85,941)
Profit from operating activities	1,599,119	486,021	710,732	(748,812)	308,904
Finance income	236,271	174,158	265,864	108,155	95,208
Finance expense	(732,603)	(392,918)	(635,114)	(475,236)	(389,325)
Net trading gain	-	-	-	576	442
Net finance costs	(496,332)	(218,760)	(369,250)	(366,505)	(293,675)
Profit / (loss) before taxation	1,102,787	267,261	341,482	(1,115,317)	15,229
Tax (charge) / credit	(138,380)	(33,434)	(45,371)	140,418	(1,674)
Profit / (loss) from continuing operations	964,407	233,827	296,111	(974,899)	13,555

	Nine Months ended December 31,		Year ended March 31,		
	2023	**2022**	**2023**	**2022**	**2021**
	(in thousands of U.S. dollars)				
Other comprehensive income					
Cash flow hedges - effective portion of changes in fair value	(13,533)	207,109	113,317	231,245	275,269
Cash flow hedges - reclassified to profit or loss	(570)	556	737	781	820
Fair value through other comprehensive income	1,356	-	(1,356)	-	(1,260)
Tax on other comprehensive income	1,593	(25,958)	(14,257)	(29,003)	(34,512)
Other comprehensive (loss)/ income, net of tax	(11,154)	181,707	98,441	203,023	240,317
Total comprehensive income / (loss)	953,253	415,534	394,552	(771,876)	253,872

Consolidated Statement of Financial Position Data

	As of December 31,	As of March 31,		
	2023	2023	2022	2021
		(in thousands of U.S. dollars)		
Non-current assets				
Property, plant and equipment	21,374,065	21,747,591	13,729,560	13,638,022
Intangible assets	3,993	3,921	3,601	3,081
Advances to OEMS	-	25,087	44,771	364,577
Finance lease and loan receivables	531,052	560,907	586,982	475,532
Lease incentive assets	158,705	140,880	68,383	13,604
Derivative financial instruments	37,062	80,492	24,851	-
	22,104,877	22,558,878	14,458,148	14,494,816
Current assets				
Advances to OEMS	72,629	19,743	563,585	376,602
Assets held for sale	588,683	245,280	34,787	-
Finance lease and loan receivables	38,805	32,262	46,021	26,040
Trade and other receivables	242,347	281,450	212,299	242,029
Cash and cash equivalents	685,414	738,220	994,274	817,055
Lease incentive assets	48,610	43,775	19,769	8,348
Derivative financial instruments	3,107	806	-	1,373
	1,679,595	1,361,536	1,870,735	1,471,447
Total assets	23,784,472	23,920,414	16,328,883	15,966,263
Equity				
Share capital	2,249,513	2,249,513	887,513	887,513
Other components of equity	485,380	495,178	396,737	193,714
Retained earnings	2,311,290	1,346,883	1,050,772	2,025,671
Total equity	5,046,183	4,091,574	2,335,022	3,106,898
Non-current liabilities				
Trade and other payables	1,124,117	1,112,607	464,224	597,805
Obligations under finance leases	-	-	-	2,389
Borrowings	15,314,991	16,501,753	11,301,193	9,602,958
Deferred tax liabilities	476,332	341,933	242,472	355,840
Derivative financial instruments	29,445	50,074	106,737	312,393
Subordinated liabilities	300,000	300,000	300,000	300,000
	17,244,885	18,306,367	12,414,626	11,171,385
Current liabilities				
Liabilities associated with assets held for sale	10,395	26,824	2,773	-
Trade and other payables	710,573	711,208	421,778	380,297
Obligations under finance leases	-	-	-	3,171
Borrowings	772,436	784,441	1,154,478	1,303,567
Derivative financial instruments	-	-	206	945
	1,493,404	1,522,473	1,579,235	1,687,980
Total liabilities	18,738,289	19,828,840	13,993,861	12,859,365
Total equity and liabilities	23,784,472	23,920,414	16,328,883	15,966,263

Consolidated Statement of Cash Flows Data

	Nine Months ended December 31		Year ended March 31		
	2023	**2022**	**2023**	**2022**	**2021**
	(in thousands of U.S. dollars)				
Profit / (loss) before tax	1,102,787	267,261	341,482	(1,115,317)	15,229
Adjustments for:					
Depreciation of property, plant and equipment	514,379	273,434	413,633	484,213	442,094
Impairment charge of property, plant and equipment	58,218	31,595	70,260	1,686,034	176,439
Amortisation of computer software intangible assets	1,025	1,137	1,158	857	755
Lease incentive asset amortisation	35,855	28,746	40,574	18,760	15,924
Credit impairment (credit)/charge on trade debtors	(6,920)	8,736	31,693	(35,364)	153,872
Financial asset impairment	-	-	-	16,592	-
Net interest expense	495,059	219,092	367,506	366,489	293,656
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges	-	-	-	(576)	(442)
Profit on disposal of assets held under operating leases	(48,996)	(8,644)	(29,736)	(69,327)	(1,857)
	2,151,407	821,357	1,236,570	1,352,361	1,095,670
Decrease / (Increase) in receivables	94,650	8,118	18,502	28,750	(247,632)
(Decrease) / increase in payables	(71,870)	53,420	238,553	(187,884)	(40,145)
Cash generated by operations	2,174,187	882,895	1,493,625	1,193,227	807,893
Income taxes paid	(16,813)	(2,335)	(1,532)	(586)	(400)
Interest paid	(538,464)	(190,739)	(279,130)	(380,128)	(357,148)
Net cash from operating activities	1,618,910	689,821	1,212,963	812,513	450,345
Investing activities					
Proceeds on disposal of property, plant and equipment	943,051	804,800	1,230,805	965,918	90,802
Purchases of property, plant and equipment	(1,411,474)	(2,167,226)	(2,941,763)	(3,140,904)	(2,851,456)
Purchases of intangible assets	(1,096)	(1,544)	(1,479)	(1,376)	(2,543)
Net investment in business combination	-	(1,310,208)	(1,310,327)	-	-
Net cash used in investing activities	(469,519)	(2,674,178)	(3,022,764)	(2,176,362)	(2,763,197)
Financing activities					
Proceeds from issuance of share capital	-	1,362,000	1,362,000	-	-
Receipts from restricted cash accounts	-	(112,084)	-	361,700	240,100
Repayment of obligations under finance leases	-	-	-	(5,752)	(7,703)
Proceeds from indebtedness	2,021,524	3,366,832	4,355,582	2,947,802	2,595,900
Repayments of indebtedness	(3,223,368)	(2,342,932)	(4,162,957)	(1,399,635)	(701,568)
Net cash (used in) / from financing activities	(1,201,844)	2,273,816	1,554,625	1,904,115	2,126,729
Effect of exchange rate changes on unrestricted cash and cash equivalents	(353)	(1,591)	(878)	(1,347)	922
Net (decrease) / increase in unrestricted cash and cash equivalents	(52,806)	287,868	(256,054)	538,919	(185,201)
Unrestricted Cash and cash equivalents at beginning of the period	738,220	994,274	994,274	455,355	640,556
Unrestricted Cash and cash equivalents at end of the period	685,414	1,282,142	738,220	994,274	455,355
Restricted Cash and cash equivalents	-	112,084	-	-	361,700
Total cash and cash equivalents	685,414	1,394,226	738,220	994,274	817,055

Other Financial and Operating Data

	Nine months ended December 31,		Year ended March 31,		
	2023[7]	2022	2023	2022	2021
	(in thousands of U.S. dollars)				
EBIT[(1)]	1,599,119	486,021	710,732	(748,812)	308,904
EBITDA[(1)]	2,114.523	760,592	1,125,523	(263,742)	751,753
Adjusted EBITDA[(1)]	2,172,741	792,187	1,195,783	1,422,292	928,192
Revenue Yield[(2)]	8.8%	6.7%	7.6%	10.1%	8.7%
Operating Cash Flow Yield[(3)]	9.9%	5.1%	6.8%	5.9%	3.4%

(1) We define EBIT as profit from continuing operations for the applicable period, adding back net finance costs and tax expense. We define EBITDA as profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, and amortization of intangible assets. We define Adjusted EBITDA as profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, operating lease asset impairment and amortization of intangible assets. We use EBIT, EBITDA and Adjusted EBITDA to assess financial and operating performance and we believe these non-IFRS-E.U. measures are helpful in identifying trends in our performance. Our method of calculating EBIT, EBITDA and Adjusted EBITDA may differ from similarly named non-IFRS-E.U. measures of other companies. For more information, see "Presentation of Financial and Other Information—Non-IFRS-E.U. Financial Measures."

(2) We define Revenue Yield as Total Revenue divided by average aircraft assets, which is defined as the average of the opening and closing balance of aircraft assets, made up of aircraft for hire under operating lease, pre-delivery payments and aircraft held-for-sale, for the period to which the revenue applies.

(3) We define Operating Cash Flow Yield as net cash from operating activities divided by average aircraft assets. The ratio has been annualized for the nine months ended December 31, 2023 and 2022. Our method of calculating Operating Cash Flow Yield may differ from similarly named non IFRS E.U. measures of other companies. For more information, see "Presentation of Financial and Other Information—Non IFRS E.U. Financial Measures."

The following table provides a reconciliation of profit from continuing operations to EBIT, EBITDA and Adjusted EBITDA for each of the periods presented:

	Nine months ended December 31,		Year ended March 31,		
	2023[8]	2022	2023	2022	2021
	(in thousands of U.S. dollars)				
Profit from continuing operations	964,407	233,827	296,111	(974,899)	13,555
Net finance costs	496,332	218,760	369,250	366,505	293,675
Tax Expense	138,380	33,434	45,371	(140,418)	1,674
EBIT	1,599,119	486,021	710,732	(748,812)	308,904
Depreciation	514,379	273,434	413,633	484,213	442,094
Amortization of intangible assets	1,025	1,137	1,158	857	755
EBITDA	2,114,523	760,592	1,125,523	(263,742)	751,753
Asset Impairment charge	58,218	31,595	70,260	1,686,034	176,439
Adjusted EBITDA	2,172,741	792,187	1,195,783	1,422,292	928,192

[7] Includes Russian insurance settlement proceeds net of related charges.
[8] Includes Russian insurance settlement proceeds net of related charges.

The following table provides a reconciliation of Revenue Yield and Operating Cash Flow Yield:

	Nine months ended December 31,		Year ended March 31,		
	2023[9]	2022	2023	2022	2021
Total Revenue	1,452,356	891,115	1,357,034	1,382,554	1,144,553
Net cash from operating activities	1,618,910	689,821	1,212,963	812,513	450,345
Opening aircraft for hire under operating lease	20,681,483	12,888,941	12,888,941	12,655,889	10,404,762
Opening pre-delivery payments	982,062	834,923	834,923	974,258	2,073,330
Opening aircraft held for sale	229,232	34,787	34,787	-	173,677
Opening balance of aircraft assets	21,892,777	13,758,651	13,758,651	13,630,147	12,651,769
Closing aircraft for hire under operating lease	20,229,955	20,887,540	20,681,483	12,888,941	12,655,889
Closing pre-delivery payments	1,053,914	970,885	982,062	834,923	974,258
Closing aircraft held for sale	587,297	104,148	229,232	34,787	-
Closing balance of aircraft assets[10]	21,871,166	21,962,573	21,892,777	13,758,651	13,630,147
Average Aircraft Assets[11]	21,881,972	17,860,612	17,825,714	13,694,399	13,140,958
Revenue Yield	8.8%	6.7%	7.6%	10.1%	8.7%
Operating Cash Flow Yield	9.9%	5.1%	6.8%	5.9%	3.4%

Financial Information and As Adjusted Financial Information

	As of December 31, 2023 (in thousands of U.S. dollars, except ratios)	
	Unadjusted	As Adjusted
Ratio of total financial obligations to total equity[(1)]	2.88x	
Ratio of external financial obligations to total equity[(2)]	1.47x	
Borrowings	16,087,427	16,087,427
The notes offered hereby[(3)]	—	
Total financial obligations	16,087,427	
Loans from our shareholder group	7,551,873	7,551,873
Total external financial obligations	8,535,554	
Total equity[(4)]	5,346,183	5,346,183
Ratio of contracted cash flow of delivered aircraft to total financial obligations[(5)]	72%	
Ratio of contracted cash flow of delivered Aircraft to external financial obligations [(6)]	136%	
Future minimum lease receivables	11,631,738	

(1) We define total financial obligations as the sum of obligations under finance leases and borrowings. S&P treats the $300 million unsecured subordinated loan from SMBC as equity and such amount is included in total equity. The ratio of financial obligations to total equity is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in total financial obligations. For more information, see "Capitalization."

(2) We define external financial obligations as total financial obligations, excluding loans from our shareholder group. S&P treats the $300 million unsecured subordinated loan from SMBC as equity and such amount is not included in the external financial obligations. The

[9] Includes Russian insurance settlement proceeds net of related charges
[10] Exclude assets classified as Finance Leases and Loans Receivable.
[11] Exclude assets classified as Finance Leases and Loans Receivable.

ratio of external financial obligations to total equity is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in total external financial obligations. For more information, see "Capitalization."

(3) Represents the aggregate principal amount at maturity of the notes offered hereby without giving effect to estimated facility fees and offering costs.

(4) S&P treats the $300 million unsecured subordinated loan from SMBC as equity and such amount is included in total equity.

(5) Delivered aircraft defined as the future minimum currently contracted lease rentals from the stated reporting date in respect of aircraft of which we have taken delivery. The ratio of contracted cash flow of delivered Aircraft to total financial obligations is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in total financial obligations. For more information, see "Capitalization."

(6) Delivered aircraft defined as the future minimum currently contracted lease rentals from the stated reporting date in respect of aircraft of which we have taken delivery. The ratio of contracted cash flow of delivered Aircraft to external financial obligations is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in external financial obligations. For more information, see "Capitalization."

RISK FACTORS

Investing in either series of notes involves risks. You should carefully consider the risks described below, as well as other information contained in this offering memorandum before making an investment decision. The risks described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect us in the future. Any of the following risks could materially adversely affect our business, financial condition, cash flow and results of operations. In such case, you may lose all or part of your original investment. To the extent geopolitical risks continue to or begin to adversely affect our business, operations, financial condition and operating results, such events may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Risks Relating to Our Business and the Aircraft Leasing Industry

We face significant risks as a result of ongoing geopolitical conflicts.

Global geopolitical conflicts, including the war between Russia and Ukraine (the "Russia-Ukraine Conflict") and the conflicts in the Middle East, could lead to significant economic downturns and market and other disruptions, including, but not limited to: volatility in the capital markets, economic instability, increases in inflation, increased fuel prices, shipping channel constraints and disruptions, supply chain issues, political and social instability, economic sanctions and changes in consumer or purchaser preferences, all of which may adversely impact us and the aviation industry as a whole, especially if the conflicts occur in areas in which we have a significant concentration of customers.

In addition, existing sanctions and new sanctions that may be imposed on states and actors causing or involved in the hostilities may impact where we can place and deliver our aircraft or the ability of our lessees to operate our aircraft in certain jurisdictions. For example, in early 2022, in connection with the Russia-Ukraine Conflict, the U.S., the E.U., the UK and other jurisdictions imposed economic sanctions and export controls against certain industry sectors and parties in Russia. These sanctions include closure of airspace for aircraft operated by Russian airlines, bans on the leasing or sale of aircraft and engines to Russian-controlled entities and prohibitions on the export and re-export of aircraft and aircraft components to Russian-controlled entities or for use in Russia. These sanctions and any new sanctions imposed due to an expansion of hostilities could have a material adverse effect on our operations, financial condition and business outlook.

To comply with sanctions requirements related to the Russia-Ukraine Conflict, we terminated the leasing of all aircraft on lease to Russian airlines. Prior to the imposition of sanctions, we had aircraft on lease to Russian airlines representing 10% of the NBV of our fleet as of December 31, 2021. SMBC Aviation Capital received insurance settlement proceeds totalling $755.8 million with respect to 19 of its owned aircraft lost in Russia, with such insurance settlements having been carried out in full compliance with all relevant regulations and sanctions. We are continuing to litigate in the UK and Ireland with respect to aircraft lost in Russia and are continuing to suffer losses as a result of such litigation and the lost aircraft. Any further dispossession of aircraft from new or ongoing geopolitical conflicts could impact our results of operations and business. For more information with respect to the ongoing litigation in the UK and Ireland, see "Business Overview—Legal Proceedings".

We cannot predict what the ultimate economic impact of the various conflicts will be on the global economy, the aviation industry or our business. In addition, there is no telling what further actions may ultimately be taken with respect to sanctions or trade relations between the U.S. and other countries. Accordingly, it is difficult to predict exactly how, and to what extent, these conflicts may impact our business, or the business of our lessees or aircraft manufacturers. Any economic downturns or unfavorable government policies on international trade may affect the demand for aircraft from our orderbook, increase the cost of aircraft components, delay production, impact the competitive position of certain aircraft manufacturers or prevent aircraft manufacturers from accessing customer bases in certain jurisdictions. In turn, this may impact where we can place and deliver our aircraft, which may negatively impact our ability to execute on our long-term strategy.

The threat or realization of epidemic diseases may adversely affect the demand for air travel, the financial condition of our lessees and of the aviation industry more broadly, and may ultimately impact our business.

Air travel has historically been disrupted, at times severely, by outbreaks of epidemic diseases, and these disruptions have adversely affected, and may in the future adversely affect, our business and financial condition. For example, the COVID-19 pandemic and related travel restrictions significantly impacted air travel and our results of operations through weaker demand for used aircraft, increased defaults, bankruptcies or reorganizations of our lessees, increased requests for lease deferrals, and delays in delivery of aircraft. While demand for aircraft capacity has increased significantly from the lows of the COVID-19 pandemic, demand has not yet reached pre-pandemic levels in all markets, especially in long-haul travel. Future epidemic diseases and other diseases, or the fear of such events could provoke responses that negatively affect passenger air travel.

The COVID-19 outbreak, additional outbreaks of Severe Acute Respiratory Syndrome, Ebola, H1N1, Zika or other or similar epidemic diseases, such as avian influenza and swine flu, or the fear of such events, may prompt additional restrictions and precautionary measures to be put in place, which have historically negatively affected passenger demand for air travel. Travel restrictions and stay-at-home and quarantine orders may be necessary to combat future epidemic diseases and may lead to lasting significant changes in the behavior of airline customers, similarly to what occurred in response to the COVID-19 outbreak. Passengers may also voluntarily choose to reduce travel. Disease outbreaks can also contribute to regional or global economic downturns and potential political and security problems, which could have wide ranging effects and could materially and negatively harm the business and operations of our airline lessees. All of the foregoing could have a negative impact on the performance of airlines, including our lessees, which may, in turn, negatively impact our financial performance.

To the extent that an outbreak of epidemic disease adversely affects our business and financial performance, it may also have the effect of exacerbating many of the other risks identified in this offering memorandum, including "—Our business depends on the continual leasing and remarketing of our aircraft, and we may not be able to do so on favorable terms," "—The variability of supply and demand for aircraft and other factors outside of our control could depress the value of our leased assets and/or achievable lease rates," "—Our business depends on the ability of aircraft manufacturers to remain financially stable and to fulfill their contractual obligations" and "—Airline defaults under our leases could adversely affect us."

Airlines may face challenges in increasing capacity, including as a result of decreased liquidity and difficulties obtaining a sufficient amount of cost-effective financing, which may in turn adversely affect the ability of our lessees to make payments on their leases.

In response to the materially reduced demand for air travel caused by COVID-19, many airlines throughout the world grounded large portions of their fleet through the end of 2022. Many airlines also decreased their employee base, including among their pilot ranks. Resulting labor shortages have adversely impacted certain airlines that lacked sufficient personnel to operate with increased capacity. In order to bring parked aircraft back into service, airlines needed to perform any required or desired maintenance that was deferred while the aircraft was parked and to ensure sufficient personnel are available to operate an airline with increased capacity. Although many airlines saw a recovery from these personnel shortages and related one-off expenses over the course of 2023, labor shortages and increased expenses still continue to affect some of our lessees, which may impact their ability to make payments on their leases, which in turn would adversely affect our business.

Our business depends on the continual leasing and remarketing of our aircraft, and we may not be able to do so on favorable terms.

Our business depends on the continual leasing and remarketing of our aircraft in order to generate sufficient revenues to finance our growth and operations, pay our debt service obligations and generate positive cash flows from operations. Our ability to lease and remarket our aircraft will depend in part on general market and competitive conditions at the time the initial leases are entered into and the time of their expiry or early termination. If we are not able to lease or remarket an aircraft on favorable terms or at all, we may be required to attempt to sell the aircraft, outside of our normal course of trading, in order to provide funds for our debt service obligations or operating expenses. Our ability to lease, remarket or sell the aircraft on favorable terms or without significant off-lease time and costs could be negatively affected by factors including depressed conditions in the aviation industry, airline

bankruptcies, the effects of terrorism, war, geopolitical uncertainty, natural disasters, epidemic diseases on airline passenger traffic trends, declines in the values of aircraft and various other general market and competitive conditions and factors that are outside of our control. If we are unable to lease and remarket our aircraft, on favorable terms or at all, our financial condition, cash flow, ability to pay debt service obligations and results of operations would be negatively affected.

The variability of supply and demand for aircraft and other factors outside of our control could depress the value of our leased assets, our ability to lease and/or achievable lease rates.

The aviation leasing industry has historically experienced periods of aircraft oversupply and undersupply. Oversupply of aircraft and specific aircraft types can be caused by a number of factors, including status of OEM deliveries, large carriers ceasing operations or rejecting their leases in bankruptcy or similar proceedings, or an economic downturn or slowdown in air travel that contributes to a decrease in overall demand for aircraft. The oversupply of a specific or similar type of aircraft in the market is likely to depress the value of that type of asset. Aircraft values and lease rental rates generally, and the values and lease rental rates of the aircraft in our portfolio, may experience decreases due to oversupply and a number of other cyclical and non-cyclical factors that are outside of our control, including:

- passenger air travel and cargo demand;
- geopolitical and other events, such as war, civil disturbances and unrest, acts of terrorism and natural disasters;
- outbreaks of epidemic diseases, such as the COVID-19 pandemic;
- governmental regulation, including new airworthiness directives and service bulletins applicable to our aircraft, regulation of trade, such as the imposition of import and export controls, tariffs (such as the tariffs imposed by the U.S. and E.U. governments affecting Boeing, Airbus and other companies) and other trade barriers, statutory limits on age of aircraft, climate change initiatives, and environmental, safety, noise and emission standards and regulations;
- weakness in the capital and credit markets, availability of credit and fluctuations in interest rates;
- changing political conditions, including risk of rising protectionism, restrictions on immigration or impositions of new trade barriers;
- cyber risk, including information hacking, viruses and malware;
- operating costs, availability and price of jet fuel and general economic conditions affecting our lessees' operations;
- airline restructurings and bankruptcies;
- manufacturer production issues, production levels and technological innovation;
- aircraft and engine models being retired or otherwise made obsolete;
- manufacturers merging or exiting the industry or ceasing to produce aircraft or engine types;
- new-entrant manufacturers producing additional aircraft that compete with existing models;
- accuracy of estimates relating to future supply and demand made by manufacturers and airlines;
- reintroduction into service of aircraft or engines previously in storage;

- airport and air traffic control infrastructure constraints;
- the particular maintenance, operating and documentary record history of the airframe, engine and parts;
- the number of operators using that model of airframe or engine;
- whether an aircraft is subject to a lease and, if so, whether the lease terms are favorable to us;
- the age of the aircraft;
- the advent of newer models of aircraft competing with our aircraft;
- the increased prominence of other forms of transport;
- the regulatory authority under which the aircraft is operated;
- mechanics' liens and other encumbrances imposed on our aircraft;
- any tax, customs, regulatory and other legal requirements that must be satisfied when an aircraft is purchased, sold, returned or re-leased;
- the compatibility of our aircraft configurations or specifications with those desired by operators of that model of aircraft;
- oversupply of the specific or similar model of aircraft in the market or by a particular manufacturer;
- increased supply of newly manufactured competitive aircraft;
- decreases in the creditworthiness of our lessees;
- the short- and long-term grounding of certain aircraft models by regulators; and
- the availability of spare parts.

The occurrence of any of these factors may produce decreases in aircraft values and lease rental rates, impact our cost of acquiring aircraft, result in lease defaults and delay or prevent the re-lease or sale of aircraft on favorable terms, any of which could have a material adverse effect on our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

In addition, recent and future political developments have resulted and could continue to result in increased regulation of trade or disruption of the supply chain, which could adversely impact demand for aircraft. These factors may have a material and adverse effect on our financial results.

We may not be able to re-lease or sell the aircraft in our fleet at the end of their lease terms on favorable terms or at all.

We bear the risk of re-leasing or selling the aircraft in our fleet at the end of their lease terms. Because only a portion of an aircraft's value is covered by contractual cash flows from the lessee at the inception of an operating lease, there is a risk that we will not fully realize estimated cash flows from future leases and the residual value of the aircraft after the current operating lease expires. If both demand for aircraft and market lease rental rates decrease and the conditions continue for an extended period, the market value of our aircraft would be adversely affected and it might result in impairment charges to us in accordance with the International Accounting Standards—Impairment of Assets, relating to accounting for the impairment or disposal of long-lived assets, which could have a material adverse

effect on our financial condition, cash flow and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates."

Our ability to sell aircraft in our fleet at the end of their lease terms profitably, or at all, will depend on conditions in the airline industry and general market and competitive conditions at the time we seek to sell. For example, during the year ended December 31, 2023, we completed the sale of 26 aircraft and arranged the sale of a further 5 aircraft to investors, with letters of intent and/or agreements signed for an additional 21 units, of which 13 have been classified as held for sale.

Our ability to sell our aircraft will be affected by the maintenance, damage and operating history of the aircraft and its engines. Failure to sell aircraft regularly and profitably could have a material adverse effect on our financial condition, cash flow and financial results, and our ability to meet our potential aircraft purchase commitments, fleet metrics and environmental targets.

Failure to close our aircraft acquisition commitments would negatively affect our ability to further grow our fleet and net income.

As of December 31, 2023, we had entered into binding purchase commitments to acquire a total of 271 commited aircraft (including orders which we acquired in the Goshawk Transaction) for delivery through 2031. If we are unable to complete the purchase of such aircraft, whether as a result of manufacturer delays or otherwise, we may face several risks, including forfeiting deposits and progress payments and having to pay and expense certain significant costs relating to these commitments; not realizing any of the benefits of completing the acquisitions; damage to our reputation and relationship with aircraft manufacturers; and defaulting on our lease commitments, which could result in monetary damages and damage to our reputation and relationships with lessees. These risks, whether financial or reputational, would negatively affect our ability to further grow our fleet and net income.

We may encounter unforeseen difficulties and costs associated with the acquisition and/or management of our aircraft.

Our business strategy contemplates continued acquisitions and leasing of additional aircraft. We may encounter difficulties in acquiring aircraft, on favorable terms or at all, for which there is high market demand, which could reduce our acquisition opportunities or cause us to pay higher prices. Any aircraft acquired by us may not generate sufficient cash flow to justify our investment and may not generate the anticipated profits. In addition, our acquisition strategy exposes us to risks that may harm our business, financial condition, cash flow and results of operations, including risks that we may:

- fail to realize anticipated benefits, such as new customer relationships or cash flow enhancements;
- impair our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense and financial leverage to the extent we incur additional debt to finance acquisitions;
- incur or assume unanticipated liabilities, losses or costs associated with the aircraft that we acquire; or
- incur other significant charges, including asset impairment or restructuring charges.

The aircraft leasing industry is highly competitive.

The aircraft leasing industry is highly competitive. We encounter competition in the acquisition of aircraft from other entities such as airlines, aircraft manufacturers, financial institutions, aircraft brokers, public and private partnerships, investors and funds with more capital to invest in aircraft and other aircraft leasing companies that we

do not currently consider our major competitors. We also face competition from entities that provide other forms of financing for airlines seeking to acquire aircraft, such as banks that make credit available for these purposes.

Competition for a leasing transaction is based principally upon price, lease rates, delivery dates, lease terms, reputation, management expertise, aircraft age and condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. Some of our competitors may have greater operating and financial resources and access to lower capital costs than we have and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments. In addition, some competing aircraft lessors may provide inducements to potential lessees that we cannot match. Furthermore, some competing aircraft lessors with a significant number of aircraft returned as a result of bankruptcy (or other similar proceeding) may be willing to significantly reduce lease pricing, which could affect pricing dynamics across the industry.

Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, price, the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee, if any. We may not always be able to compete successfully with our competitors and other entities, which could have a material adverse effect on our financial condition, results of operations and growth prospects.

Moreover, industry consolidation may result in the emergence of competitors with enhanced scale, pricing power and other competitive capabilities. As a result of such potential consolidation, we may face increased competition.

We cannot assure you that we will be able to enter into profitable leases for any aircraft acquired.

We cannot assure you that we will be able to enter into profitable leases upon the return of aircraft upon the maturity or early termination of leases or the acquisition of the aircraft we purchase in the future. You must rely upon our management team's judgment and ability to evaluate the ability of lessees and other counterparties to perform their obligations to us. We cannot assure you that our management team will be able to perform such functions in a manner that will achieve our investment objectives, which would negatively affect our financial condition, cash flow, ability to pay debt service obligations and results of operations.

We will require a significant amount of cash to make planned capital expenditures and we may be unable to meet our debt and other obligations as they become due.

The aircraft leasing industry is capital intensive and we will require a significant amount of cash to make planned capital expenditures. We have generally financed our aircraft purchases through available cash balances, debt financings and financial support from our shareholders. In addition, in November 2018, SMBC Aviation Capital received a capital investment of $1 billion from its shareholders, consisting of $700 million in preferred share capital issued to SMFL and SMBC and a $300 million unsecured subordinated loan from SMBC. We received $1.36 billion of preferred share capital from our shareholders in December 2022 to support the Goshawk Transaction. Our ability to meet our contractual obligations to airframe manufacturers for new aircraft that we have on order will require additional financing, which might not be available to us in sufficient amounts or on favorable terms and we cannot assure you that we will be able to refinance any of our existing debt on favorable terms, if at all. This, in turn, could adversely impact our financial condition, cash flow and results of operations.

As of December 31, 2023, we have aircraft orders in place with Airbus for 145 A320NEO aircraft, 34 A321NEO aircraft and 81 737-MAX-8 aircraft. In addition to these direct orders, we have sale and leaseback and portfolio acquisitions for 2 Boeing and 9 Airbus aircraft. We have committed capital expenditures of $1.8 billion for fiscal year 2023 and committed capital expenditures of $1.5 billion for fiscal year 2024. As of December 31, 2023, the combined purchase price of these orders totalled $14.5 billion.

We may not continue to have access to the secured or unsecured debt markets in the future. We believe that our cash on hand, cash flows generated from operations, together with the cash generated from the above-mentioned financing arrangements should be sufficient for us to operate our business and repay our maturing debt obligations. If we are unable to raise sufficient cash, we may be unable to meet our debt obligations as they become due and to continue our operations as planned. Further, we may be unable to meet our aircraft purchase commitments as they

become due, which could result in forfeiture of deposits, expose us to breach of contract claims by our lessees and manufacturers and adversely impact growth.

Our business depends on the ability of aircraft manufacturers to remain financially stable and to fulfill their contractual obligations.

We purchase and lease commercial aircraft of a size that are currently built predominately by two airframe manufacturers, Airbus and Boeing. In addition, only a limited number of engine manufacturers produce engines for the types of airframes that we purchase. As a result, we depend on these manufacturers remaining financially stable, producing aircraft and related components that meet our customers' demands, both in type and quantity, and fulfilling their contractual obligations to us. We cannot assure you of any of the foregoing. For example, in early August 2023, Pratt & Whitney announced that microscopic contaminants were found in a metal used in an engine type used on the Airbus A320neo family jets, and inspection and repair will require the temporary grounding of affected engines. Further, a number of Boeing aircraft types have been grounded several times due to development, manufacturing and/or quality control issues. Most recently, the U.S. Federal Aviation Administration (the "FAA") grounded the 737 MAX-9 aircraft as a result of the Alaska Airlines incident in January 2024. Boeing has previously expected to increase production of these aircraft type in order to address delivery delays, but the FAA announced that it would not grant any request from Boeing for MAX production expansion due to these quality control issues. There can be no assurance how negatively Boeing's and Airbus' financial performance (and the aviation market generally) have been or will be impacted including impacts from greater scrutiny of type certification, with potential retrospective scrutiny.

Should the manufacturers fail to respond appropriately to changes in the market environment (including, but not limited to, certain related supply chain issues), or fail to fulfill their contractual obligations, we may experience:

- missed or late delivery of aircraft ordered by us and a consequent inability to meet our contractual obligations to our lessees, resulting in lost or delayed revenues, lower growth rates and/or strained customer relationships;

- an inability to acquire aircraft and related parts on terms that will allow us to lease those aircraft to lessees at a profit, resulting in lower growth rates or a contraction in our fleet;

- a marketplace with too many aircraft available, creating downward pressure on demand for the aircraft in our fleet and reduced market lease rental rates and residual values;

- poor customer support from the manufacturers of aircraft and components resulting in reduced demand for such manufacturers' products, creating downward pressure on demand for the aircraft in our fleet produced by such manufacturers and reduced market lease rental rates and residual values for those aircraft; and

- a reduction in our competitiveness due to deep discounting by the manufacturers, which might lead to reduced market lease rental rates and residual values and might impact our ability to remarket or sell aircraft in our fleet.

Any of these circumstances could have a material adverse effect on our financial condition, cash flow and results of operations.

In the past, there have been well-publicized delays by airframe manufacturers in meeting stated delivery schedules for new aircraft programs. Although we may have the right to terminate a purchase agreement in the event of protracted manufacturing delays, subject to certain grace periods, if we experience delivery delays for new aircraft types or aircraft for which we have made future commitments (such as the Airbus A320NEO, A321NEO and Boeing 737 MAX), it could delay the receipt of contracted cash flows and, in some cases, affected lessees may be entitled to terminate their lease arrangements with respect to such aircraft if the delays extend beyond agreed-upon periods of time. Any such termination could negatively affect our financial condition, cash flow and results of operations.

In addition, new aircraft types may not deliver the anticipated performance improvements, or could experience technical problems that result in the grounding of the aircraft, such as the fleetwide grounding of the Boeing 737 MAX family of aircraft by civil aviation authorities. In either event, the values and lease rates of such aircraft could be adversely affected.

Backlogs and undersupply of new aircraft may impede our ability to grow our desired new build aircraft portfolio.

Boeing, Airbus and certain other manufacturers are significantly behind schedule on new deliveries and have a major backlog in their respective order books of many thousands of aircraft. As of December 31, 2023, Boeing reported a backlog of 6,216 aircraft, while Airbus reported a backlog of 8,598 aircraft. These and other manufacturers face significant production delays driven by, among other things, supply chain issues due to the lingering impact of the COVID-19 pandemic, geopolitical conflicts, energy supply issues, inflation and constrained labor markets. The backlog at Boeing may be further exacerbated by the recent FAA restriction on Boeing's expansion of production of the 737 MAX aircraft as a result of the Alaska Airlines incident in January 2024. The backlog and related undersupply in new aircraft, especially in the more desirable aircraft we target for our portfolio, may make it harder for us to compete for new build aircraft, source and complete desirable financing transactions and effectively and profitably grow our business, any of which could have a material adverse effect on our financial condition, cash flow and results of operations.

The advent of superior aircraft technology or introduction of a new line of aircraft could cause our fleet of aircraft to become in less demand or obsolete.

As manufacturers introduce technological innovations and new types of aircraft and engines, certain aircraft in our existing aircraft portfolio may become less desirable to potential lessees or purchasers. Such technological innovations may increase the rate of obsolescence of existing aircraft faster than currently anticipated by our management or accounted for in our accounting policies. For example, the Boeing 787 and the Airbus A350, which entered production in recent years, provide improved fuel consumption and operating economics as compared to earlier aircraft types with which they compete. In addition, Airbus has launched the A320NEO family, and Boeing has launched the 737 MAX family of aircraft. These "next generation" narrow-body aircraft have lower fuel consumption and reduced noise, emissions and maintenance costs as compared to current technology models. The availability of potential variants of these new aircraft types may have an adverse effect on residual value and future lease rates of older aircraft types and variants. In addition, the imposition of more stringent noise or emissions standards and the development of more fuel-efficient engines could make aircraft in our portfolio less attractive for potential lessees and less valuable in the marketplace. Any of these risks could adversely affect our ability to lease or sell our aircraft on favorable terms or at all or our ability to charge rental amounts that we would otherwise seek to charge, all of which could have an adverse effect on our financial results and growth prospects.

If our aircraft are not properly maintained, their value may decline and we may not be able to lease, re-lease or sell such aircraft at favorable rates, if at all.

If our aircraft are not properly maintained, their value may decline and we may not be able to lease, re-lease or sell such aircraft at favorable rates, if at all. In addition, we may be exposed to increased maintenance costs for our aircraft due to a lessee's failure to properly maintain the aircraft or pay supplemental maintenance rent for such aircraft. Because we are not in possession of an aircraft when it is on lease to an airline, our ability to determine whether the airline is properly maintaining the aircraft is limited to periodic inspections. Our leases require the lessees of our aircraft to be responsible for maintenance of the aircraft. Failure of a lessee to perform required maintenance during the term of a lease could result in a diminution in the value of an aircraft, our inability to re-lease the aircraft at favorable rates, if at all, or a potential grounding of the aircraft, and likely will require us to incur maintenance and modification costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft to an acceptable condition prior to re-leasing or sale. Additionally, if a large number of aircraft are returned to us that we are unable to immediately re-lease, we would need to maintain those aircraft at our own cost.

Further, in the event that a lessee defaults under a lease, there can be no assurance that any security deposit or maintenance reserves provided by the lessee will be sufficient to cover the lessee's outstanding or unpaid lease obligations and maintenance requirements. Some of our leases do not provide for any maintenance reserve payments to be made by lessees as security and instead provide for adjustment payments to be made at the end of the lease term,

in which case we take the credit risk that the lessee will not have adequate funds to meet its financial obligations upon the return of the relevant aircraft. In addition, maintenance reserves may not cover all required maintenance. Furthermore, there can be no assurance that lessees will meet their obligations to pay maintenance reserves or perform required scheduled maintenance and, in some circumstances, they may be relieved from performing these obligations in connection with the rejection of leases in bankruptcy and similar proceedings. For example, for the nine months ended December 31, 2023, we incurred $58.2 million in asset impairment and write-off charges. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." Any failure by our lessees to meet their obligations to perform required scheduled maintenance or their failure to maintain aircraft records or provide required records at the end of the lease term, may materially adversely affect the value of our aircraft, our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

Changes in fuel prices could affect the profitability of the aviation industry and our lessees' ability to meet their lease payment obligations to us.

Historically, fuel prices and fuel availability have fluctuated widely depending primarily on international market conditions, geopolitical and environmental events and currency exchange rates. For example, predominantly as a result of the Russia-Ukraine Conflict and resulting sanctions imposed on Russia, in 2022 oil prices and jet fuel prices rose to their highest levels since 2008, and ongoing conflicts in the Middle East have periodically caused jet fuel price volatility. The cost of fuel represents a major expense to airlines that is not within their control, and significant increases in fuel costs or hedges that inaccurately assess the direction of fuel costs can materially and adversely affect their operating results, financial condition and ability to meet their obligations. Due to the competitive nature of the aviation industry, operators may be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully offsets the increased fuel costs they may incur. In addition, they may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. The profitability and liquidity of those airlines that do hedge their fuel costs can also be adversely affected by swift movements in fuel prices if such airlines are required as a result to post cash collateral under hedge agreements. Furthermore, a sustained period of lower fuel costs may adversely affect regional economics that depend on oil revenue, including those in which our lessees operate. Any changes in fuel prices, such as the recent material increases in fuel prices, could result in our lessees being likely to incur higher costs or generate lower revenues, which may affect their ability to meet their obligations to us.

Sustained periods of financial strength and stability for certain airline customers may result in their purchasing their own aircraft or future aircraft deliveries, entering into fewer aircraft leases with us and/or competing with us, which may have an adverse effect on our business.

In addition to facing competition from other aircraft operating leasing companies, aircraft manufacturers, financial investors (including hedge funds and other funds and private equity firms) and tax lessors, we are also exposed to the risk that, during periods of strong demand for passenger travel and air cargo transportation services which typically lead to sustained periods of financial strength and stability for certain airline customers, we may face a reduction in demand for leasing of our aircraft as certain airline customers seek to purchase their own aircraft rather than entering into aircraft leasing arrangements. In addition, airline consolidation, the availability of investment capital, low jet fuel prices, industry liberalization or deregulation, removal of visa or travel restrictions and growth in new airline business models may also lead to periods of stronger financial performance by our airline customers. Airlines or other aircraft owners may also seek to lease out their own aircraft, thereby leading to increased competition for our aircraft.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the notes.

Airworthiness directives may affect a substantial number of aircraft in our fleet and we may be forced to bear a substantial portion of the cost of compliance.

In addition to the general aviation authority regulations and requirements regarding maintenance, our aircraft may be subject to further maintenance requirements imposed by airworthiness directives issued by aviation authorities. Airworthiness directives typically set forth particular special maintenance actions or modifications to certain aircraft types or models of aircraft that the owners or operators of aircraft must implement. Given the high concentrations of

particular models of aircraft in our fleet, airworthiness directives might affect a substantial number of our aircraft. For example, in January 2024, Airworthiness Directive 2024-02-51 grounded the Boeing 737 MAX 9 after an in-flight structural failure of a door plug and required inspections of the affected model to determine the cause and remedy for the failure. In February 2024, the FAA also published Airworthiness Directive 2024–03–04 ordering Boeing 737-8, 737 8200 and 737-9 operators to inspect their aircraft for any potential loose bolts in the rudder system, due to a prior discovery of two mis-drilled holes that required Boeing to rework 50 aircraft prior to delivery. Our lessees are responsible for maintaining our aircraft as airworthy during the term of the relevant lease, and therefore are responsible for complying with airworthiness directives affecting our aircraft during the term of the relevant lease; however, in some leases we agree to bear a portion of the cost of such compliance if it exceeds a specified threshold. If lessees fail to satisfy their obligations, if we have undertaken some obligations as to airworthiness under a lease or if the aircraft is not subject to a lease, we may be forced to bear (or, to the extent required under the relevant lease, to share) the cost of any airworthiness directives compliance. Additionally, as a result of recent events relating to the Boeing 737 MAX, the U.S. Federal Aviation Administration has begun to develop a plan for re-imagined oversight, which is expected to extend to all U.S. aircraft manufacturers. Such re-imagined oversight and any additional airworthiness directives that follow could have significant costs of compliance for aircraft manufacturers and may create higher costs of compliance for aircraft operators.

The effects of various environmental, health and safety laws and regulations may negatively affect the airline industry.

Many aspects of commercial airlines' operations, including aircraft and engine noise and emissions levels, are subject to comprehensive federal, state, local and foreign environmental, health and safety laws and regulations relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the protection of health and safety. Environmental, health and safety laws and regulations are subject to change, have tended to become more stringent over time and violations can result in substantial fines, permit revocation or other damages. There is also increased global pressure from consumers and governments alike for the aviation industry to reduce its environmental impact and reach "net zero targets" by 2050. This could result in a disruption to the industry for a period of time as new technologies are developed, new regulations are passed and as consumer attitudes towards air travel may change. This may have an impact on cashflows for a period. Moreover, investment in new technologies which are more fuel efficient, or in the development of sustainable aviation fuel or in carbon offset projects may lead to increased capital expenditures. Any or all of these factors could have a material adverse effect on the airline industry and on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the notes.

Governmental regulation of aircraft and engine noise and emissions levels apply based on where the relevant airframe is registered and where the relevant aircraft is operated. For example, the United States and the International Civil Aviation Organization (the "ICAO") each regulate the maximum noise level that an individual civil aircraft can emit by requiring aircraft to meet certain noise certification standards, and have adopted stringent standards for noise levels that apply to engines manufactured or certified on or after January 1, 2006. In 2014, the ICAO adopted more stringent noise level standards for certain aircraft type designs and the United States has adopted noise regulations to harmonize with the new ICAO standards. Currently, United States regulations do not require any phase-out of older aircraft that comply with the older standards, but the E.U. has established a framework for the imposition of operating limitations on aircraft that do not comply with the newer standards. There is also the risk of future penalties for not meeting environmental targets in line with our ESG strategy, which was released in December 2021, or in line with the Paris Agreement (as defined below).

In addition to noise restrictions, the United States and other jurisdictions have imposed limits on aircraft engine emissions, such as NO_x, CO and CO2, consistent with current ICAO standards that can restrict operational flexibility and decrease aircraft productivity. In 2016, the ICAO adopted the Carbon Offset and Reduction Scheme for International Aviation ("CORSIA"), a global market-based scheme aimed at reducing carbon dioxide emissions from international aviation that will become mandatory in 2027. At least 126 states, including the United States, have indicated that they will participate in the voluntary phase-in of CORSIA from January 1, 2024. Limitations on emissions could favor younger, more fuel-efficient aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect our ability to re-lease or otherwise dispose of less efficient aircraft on a timely basis, on favorable terms, or at all. Until the technical rules are developed by ICAO, costs for compliance cannot be determined. The United States adopted rules to incorporate the new standards into domestic law.

The E.U. has included the aviation sector in its emissions trading scheme ("ETS"), and has attempted to apply the ETS to flights outside of European airspace. This effort has been opposed by the U.S. and other countries. The ETS is currently suspended for flights from or to non-European countries, but this exemption is extended only until 2027, by which time the ETS will be assessed by the E.U. after there is more clarity on the content and nature of CORSIA and the extent of participation by Europe's international partners. In the absence of a new amendment, the ETS would revert to its original full scope and include flights from or to non-European countries from 2027.

Additionally, in 2015, over 190 countries, including the United States, reached an agreement to reduce global greenhouse gas emissions at the United Nations Framework Convention on Climate (the "Paris Agreement"). The Paris Agreement does not expressly reference aviation, but could result in an adverse direct or indirect effect on the aviation industry as a whole. On November 4, 2020, the United States withdrew from the Paris Agreement. However, in January 2021, shortly after Joseph Biden was sworn into office as the President of the United States, a series of executive orders were issued regarding climate change, which in part led to the United States again depositing an instrument of acceptance of the Paris Agreement, which thereafter re-entered into force for the United States on February 19, 2021.

Over time, it is likely that governments will adopt additional regulatory requirements and/or market-based policies that are intended to further reduce energy usage, emissions and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts or other factors, and may also impact the global market for certain aircraft and cause behavioral shifts that result in decreased demand for air travel. These concerns could also result in greater limitations on the operation of our fleet, particularly aircraft equipped with older technology engines.

Compliance with current or future regulations relating to the use of sustainable aviation fuels, carbon offsets, alternative technology aircraft, taxes or duties could cause our lessees to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel and adverse impacts on the financial condition of our lessees. Such compliance may also affect our lessees' ability to make rental and other lease payments and limit the market for aircraft in our portfolio, which could have other negative effects on our financial position.

Moreover, the potential acute and chronic physical effects of climate change, such as increased frequency and severity of storms, floods, fires, sea-level rise, excessive heat, longer-term changes in weather patterns and other climate-related events, could affect the airline industry and therefore, our operations and financial results. We are not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change.

ESG matters may impose additional costs and expose us to new risks.

Public ESG and sustainability reporting is becoming more broadly expected by investors, shareholders, regulatory agencies and other third parties. Certain organizations that provide corporate governance and other corporate risk information to investors have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or "sustainability" metrics. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions, or take other actions, to hold these companies and their boards of directors accountable. Board diversity is an ESG topic that is, in particular, receiving heightened attention by investors, shareholders, lawmakers and listing exchanges. We may also face reputational damage in the event our corporate responsibility initiatives or objectives, including with respect to board diversity, do not meet the standards set by our investors, shareholders, lawmakers, listing exchanges or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third party rating services.

Airline defaults under our leases could adversely affect us.

Our principal business is the acquisition and leasing of commercial aircraft to airlines. The ability of airlines to lease our aircraft and perform under our leases is affected by their financial strength and the risks facing airlines at

any given time, including passenger air travel and cargo demand, geopolitical and other events such as war, regional conflicts and unrest, civil disturbances, acts of terrorism, outbreaks of epidemic diseases and natural disasters and the availability and price of jet fuel.

To the extent that our lessees are affected by these risk factors, we may experience:

- lower demand for the aircraft in our fleet, which results in lower market lease rental rates and lease margins;
- a higher incidence of lessee defaults, lease restructurings and aircraft repossessions; or
- difficulty in placing new and used aircraft on commercially acceptable terms when they become available, resulting in aircraft not earning revenue and the requirement for payments for storage, insurance, maintenance and other items.

If we repossess an aircraft after a lessee default, we may be required to incur significant unexpected costs. These costs likely would include legal and other expenses of court or other governmental proceedings, including the cost of posting surety bonds or letters of credit necessary to effect repossession of an aircraft, particularly if the lessee is in bankruptcy or contesting the proceedings to obtain possession and/or re-registration of the aircraft. In addition, during these proceedings, the relevant aircraft would likely not be generating revenue. We could also incur substantial maintenance, refurbishment or repair costs if a defaulting lessee fails to pay such costs and such maintenance, refurbishment or repairs are necessary to put the aircraft in suitable condition for re-lease or sale; storage costs associated with any aircraft that we repossess and are unable to immediately place with another lessee; costs associated with the payment of liens, taxes and other governmental charges on repossessed aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessee might have incurred in connection with the operation of its other aircraft; and other costs in connection with the physical repossession of the aircraft, including costs for pilots and other personnel and costs related to retrieving or recreating aircraft records required for registration of the aircraft and obtaining a certificate of airworthiness. Some of these costs may be substantial.

We may also suffer other adverse consequences as a result of a lessee default and the related termination of the lease and the repossession of the related aircraft. Our rights upon a lessee default are subject to requirements and conditions of applicable law, which may include the need to obtain a court order for repossession of the aircraft and/or consents for deregistration or re-export of the aircraft. When a defaulting lessee is in bankruptcy, administration, insolvency or similar proceedings, additional limitations may apply. In addition, certain jurisdictions will give broad rights to a trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third-party, or will entitle the lessee or a third-party to retain possession of the aircraft without paying lease rentals or performing all or some of the obligations under the relevant lease. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft, in some cases for substantial periods of time.

Our aircraft and our operations may not be insured at all times as a result of lessees' failure to maintain the required insurance during the course of a lease, lessees' coverage limits becoming exhausted or lessees' insurers excluding coverage for certain risks.

While we do not directly control the operation of aircraft, in certain jurisdictions aircraft lessors and/or owners are held strictly liable for losses resulting from the operation of aircraft or for illegal activities involving such aircraft, and in other jurisdictions aircraft lessors may be deemed liable on other theories of liability. Our customers are required under their leases to indemnify us for, and insure against, liabilities arising out of use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Our lessees are also required to maintain public liability, property damage and hull all risks insurance on the aircraft at agreed upon levels and name us on such required insurances as an additional insured party. They are not, however, required to maintain political risk insurance. The hull insurance is typically subject to standard market hull deductibles based on aircraft type that generally range from $250,000 to $1,000,000 per aircraft. These deductibles may be higher or lower in some leases. Deductibles in hull insurance apply in case of repair but in the event of a total loss no deductible applies. Lessees usually have fleet-wide aggregate limits on war risk insurance though these limits may be lowered given the continuing dislocation of the hull war insurance market. Any hull insurance proceeds received in respect of such claims will be paid first to us or our financiers, in the event of a total loss of the aircraft,

or, in the absence of a total loss of the aircraft, subject in some cases to minimum thresholds, to the lessee, to effect repairs. Proceeds of liability insurance for indemnification of third-party liabilities will be paid to the relevant third parties.

As a result of the Russia-Ukraine Conflict, adverse developments have been occurring in the aircraft insurance and re-insurance markets, including significant increases in premiums and the termination of certain coverages. Aviation insurers continue to exclude or restrict certain coverage in the affected region and incorporate other limitations on coverage (such as certain hull, hull war and confiscation coverage) and have increased premiums, compared to insurance coverage prior to the Russia-Ukraine Conflict. Previously, following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to airlines for liability to persons other than airline employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, they significantly increased the premiums for such third-party war risk and terrorism liability insurance and coverage in general. Aided by a number of government indemnity schemes, the scope and price of such liability coverage has almost returned to pre-2001 levels. The majority of government indemnity schemes have now ceased, with airlines again buying war coverage directly in the commercial aviation insurance markets. However, in light of the Russia-Ukraine Conflict, the availability and cost of coverage in the future, including hull war coverage in particular, continues to be uncertain. It is possible that certain coverages may be available only at increased premiums, for reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage required by aircraft lenders and lesssors or by applicable governmental regulations or not be available at all.

There can be no assurance that our lessees' insurance, including any available governmental supplemental coverage, will be sufficient to cover all types of claims that may be asserted against us. While we currently maintain certain contingent insurance coverage to provide protection where a lessee's insurance coverage may be unavailable or inadequate, such coverage may not be sufficient or may not be available in certain circumstances. Default by lessees in fulfilling their indemnification obligations, insolvency and/or financial default of the lessees' insurers may leave us exposed for hull losses or liability claims not covered by insurance. If we had to pay these losses directly, it could have a material adverse effect on our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

Our aircraft may not at all times be duly registered with the appropriate governmental civil aviation authority as a result of lessees failing to maintain such registration during the course of a lease.

Pursuant to the terms of our aircraft leases, our aircraft are required to be duly registered at all times with the appropriate governmental civil aviation authority. Under the laws of most jurisdictions, our aircraft are registered in the name of our lessees. In such case, the failure by a lessee to maintain the registration of any aircraft that is on lease would be a default under the applicable lease, entitling us to exercise our rights and remedies thereunder, but if an aircraft were to be operated without a valid registration, the relevant lessee or, in some cases, we, as the direct or indirect owner or lessor of the aircraft, might be subject to penalties, which could constitute or result in a lien being placed on such aircraft. Lack of registration could have other adverse effects, including grounding of the aircraft and loss of insurance. We cannot assure you that our lessees will always comply with their registration requirements imposed under the leases and applicable law.

If our lessees fail to appropriately discharge aircraft liens, we may be obliged to pay the debts secured by such aircraft liens.

In the ordinary course of business, liens that secure the payment of airport fees and taxes, custom duties, air navigation charges, landing charges, crew wages, repairer's charges, salvage or other charges are likely, depending on the jurisdiction in question, to attach to aircraft that we have leased to a lessee. Such liens may secure substantial sums; in certain jurisdictions and for certain types of liens (particularly fleet liens), the sums secured may exceed the value of the particular aircraft to which such liens have attached. Although the obligation to pay the amounts secured by such liens is the responsibility of the lessees, if they fail to fulfill their obligations, liens may attach to the aircraft leased from us. In some jurisdictions, such liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft.

Until they are discharged (and all other liens on the airlines assets required to be discharged or satisfied to repossess have been discharged), the liens described above could impair our ability to repossess, re-lease or resell our

affected aircraft or could impose a substantial cost in doing so. We cannot assure you that the lessees will comply with their obligations under the leases to discharge liens arising during the terms of the leases. If they do not, we may, in some cases, find it necessary to pay the claims secured by such liens in order to repossess the aircraft, which could have a material adverse effect on our financial condition, cash flow and results of operations.

If our lessees encounter financial difficulties and we restructure or terminate our leases, we are likely to obtain less favorable lease terms.

If a lessee delays, reduces or fails to make rental or maintenance payments when due, or otherwise encounters financial difficulties, we may elect or be required to restructure or terminate the lease. For instance, during the COVID-19 pandemic, SMBC Aviation Capital documented a number of rental deferrals and restructurings with customers.

For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations." A restructured lease will likely contain terms less favorable to us or economic concessions. If we are unable to agree on a restructuring deal and we terminate the lease, we may not receive all or any payments still outstanding, and we may be unable to re-lease the aircraft promptly and at favorable rates, if at all. If we are forced to perform a significant number of restructurings and terminations, the associated reduction in lease revenue could materially and adversely affect our financial condition, cash flow and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The appreciation of the U.S. dollar could negatively impact our lessees' ability to honor the terms of their leases, which are generally denominated in U.S. dollars, and may result in lost revenues and reduced net income.

Many of our lessees are exposed to currency risk due to the fact that they earn revenues in their local currencies while a significant portion of their liabilities and expenses are denominated in U.S. dollars, including their lease payments to us, as well as fuel, debt service, and other expenses. As of December 31, 2023, 86% of our portfolio by NBV consisted of assets on lease to customers who have their principal place of business outside the U.S. The ability of our lessees to make lease payments to us in U.S. dollars may be adversely impacted in the event of an appreciating U.S. dollar. This is particularly true for non-U.S. airlines whose operations are primarily domestic. Shifts in foreign exchange rates can be significant, are difficult to predict, and can occur quickly as evidenced by the significant appreciation of the U.S. dollar in 2022. Should our lessees be unable to honor the terms of their leases due to the appreciation of the U.S. dollar, we may experience lost revenues and reduced net income.

Instability in the banking system or financial markets could impair our lessees' ability to finance their operations, which could affect their ability to comply with payment obligations to us.

Adverse changes in the global banking system or the global financial markets may have a material adverse effect on our business. Many of our lessees have expanded their airline operations through borrowings and some are highly leveraged. These lessees depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. Global financial markets can be highly volatile and the availability of credit from financial markets and financial institutions can vary substantially. Events that adversely impact capital markets, such as bank failures and/or distressed bank consolidations, could lead to the imposition of stricter capital requirements on borrowers, reduce the general availability of credit or otherwise result in higher borrowing costs, limiting our lessees' abilities to finance their operations, which could affect their ability to meet payment obligations to us.

Existing and future litigation against us could materially and adversely affect our business, financial position, liquidity or results of operations.

From time to time in the future we may be a defendant in lawsuits relating to our business. We cannot accurately predict the ultimate outcome of any litigation due to its inherent uncertainties. These uncertainties may be increased by our exposure to different liability standards and legal systems internationally, including some that may be less developed and less predictable than those in advanced economies. An unfavorable outcome could materially and adversely affect our business, financial position, liquidity or results of operations. In addition, regardless of the outcome of any litigation, we may be required to devote substantial resources and executive time to the defense of such actions.

Our business and earnings may be adversely affected by general business, geopolitical and economic conditions throughout the world.

Our business and earnings may be adversely affected by general business and economic conditions throughout the world. A recession or worsening of economic conditions, or continued or worsening outbreaks of epidemic diseases, escalations of war, armed hostilities or conflicts (including the Russia-Ukraine Conflict and the current conflicts in the Middle East), terrorist attacks and any related geopolitical conditions, particularly if combined with high fuel prices, may have a material adverse effect on the ability of our lessees to meet their financial and other obligations under our leases. If our lessees default on their obligations to us under our leases, our financial condition, cash flow and results of operations could be materially and adversely affected. General business and economic conditions that could affect us include future possible epidemics, local, regional and global conflicts, including the Russia-Ukraine Conflict and the current conflicts in the Middle East, the level and volatility of short-term and long-term interest rates as well as global oil prices, inflation, employment levels, bankruptcies, supply chain and freight carrier issues caused by conflict or other events, demand for passenger and cargo air travel, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence and the strength of the global, regional and local economies in which we operate.

In Europe, political uncertainty has created financial and economic uncertainty. For example, the economic consequences of the UK's exit from the European Union in January 2020 ("Brexit"), including the possible repeal of open-skies agreements, remain highly uncertain and could have a material adverse effect on our business. Further, many of the structural issues facing the E.U. following the global financial crisis of 2008 and Brexit remain, and problems could resurface that could affect market conditions, and, possibly, our business, financial results and liquidity, particularly if they lead to the exit of one or more countries from the European Monetary Union (the "EMU") or the exit of additional countries from the E.U. If one or more countries exited the EMU, there would be significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and it would likely lead to complex and lengthy disputes and litigation. Additionally, it is possible that political events in Europe could lead to the complete dissolution of the EMU or E.U. The partial or full breakup of the EMU or E.U. would be unprecedented and its impact highly uncertain, including with respect to our business.

We are subject to various risks and requirements associated with transacting business in multiple countries which could have a material adverse effect on our business, financial condition and financial results.

Our international operations expose us to obligations and risks under trade and economic sanctions and other restrictions imposed by the United States, Ireland, the E.U., the United Nations and other governments or organizations. Under these trade and economic sanctions and other restrictions, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned individuals or entities, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact our business, financial condition and financial results.

The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act ("FCPA"), and other federal statutes and regulations, including those established by the Office of Foreign Assets Control ("OFAC"). In addition, the U.K. Bribery Act of 2010 (the "Bribery Act") and the Irish Criminal Justice (Corruption Offences) Act 2018 (the "Corruption Offences Act") prohibits both domestic and international bribery, as well as bribery across both private and public sectors. An organization that "fails to prevent bribery" by anyone associated with the organization can be charged under the Bribery Act unless the organization can establish the defense of having implemented "adequate procedures" to prevent bribery. Similarly, under the Corruption Offences Act, a corporate body may be impugned with criminal liability for the corrupt actions of its agents unless it can prove that it "took all reasonable steps and exercised all due diligence to avoid the commission of the offence." A violation of these laws or regulations could adversely impact our business, financial condition and financial results.

The U.S., E.U., the UK, Switzerland, Japan, Canada and other jurisdictions have imposed sanctions in response to Russia's invasion of Ukraine, including sanctions that impact the airline industry. Certain jurisdictions

have also suspended the granting of certain types of export licenses to Russia. Russia has imposed its own sanctions on certain individuals in the United States and may impose other sanctions on the United States and the European Union and/or certain businesses or individuals from these regions. We cannot ensure that the current sanctions or any further sanctions imposed by the European Union, the United States or other international interests against Russia or any other country, territory or person will not materially adversely affect our business, financial condition and financial results. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Russia Related Sanctions."

Additionally, other developments in U.S. laws and regulatory environment, including but not limited to executive orders such as Executive Order (E.O.) 13959, "Addressing the Threat from Securities Investments That Finance Communist Chinese Military Companies," may further restrict our ability to transact with certain China-based businesses and the customers and suppliers of such businesses.

We have implemented and maintain policies and procedures reasonably designed to promote compliance with applicable requirements of the FCPA and, the Bribery Act as well as, the Corruption Offences Act and other applicable anti-corruption laws and regulations, as well as applicable sanctions, export controls and anti-terrorism and anti-money laundering laws and regulations. We cannot ensure, however, that our directors, officers, consultants, employees or agents will not engage in conduct for which we may be held responsible, nor can we ensure that our business partners will not engage in conduct which could materially affect their ability to perform their contractual obligations to us or even result in our being held liable for such conduct. Moreover, while we believe that we have been in compliance with all applicable sanctions laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to change. Violations of the FCPA, the Bribery Act, the Corruption Offences Act, other anti-corruption laws and regulations, or sanctions, export controls, or anti-terrorism and anti-money laundering laws or regulations may result in severe criminal or civil penalties, and which could have a material adverse effect on our business, financial condition and financial results.

We may be indirectly subject to many of the economic, legal and political risks associated with emerging markets.

A portion of our fleet is leased to airlines in emerging market countries. Emerging market countries typically have less-developed economies and are often more vulnerable than other countries to economic and political problems. Emerging market countries also may have less developed legal systems, particularly with respect to aviation and leasing, and may make it more difficult to repossess an aircraft or otherwise assert our rights as lessor or owner in such jurisdiction. Emerging market countries may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by government authorities. The occurrence of any of these events in markets served by any of our lessees and the resulting economic instability that may arise could have a material adverse effect on the value of our ownership interest in aircraft subject to leases in such countries, or the ability of our lessees that operate in these markets to meet their lease obligations.

Further, demand for aircraft is dependent on passenger and cargo traffic, which in turn is dependent on general economic conditions. As a result, weak or negative economic growth in emerging markets may have an indirect effect on the value of the assets that we acquire if airlines and other potential lessees are adversely affected. Pandemics and economic and geopolitical events may further exacerbate economic conditions if emerging markets ultimately face higher rates of infection and other difficulties (including difficulties related to vaccine availability and the ability to offer economic stimulus) compared to mature markets. For these and other reasons, our financial condition, cash flow and results of operations and ability to satisfy our debt obligations, including the notes, may be materially adversely affected by adverse economic and political developments in emerging market countries.

We might be unable to attract and retain key personnel.

The success of our business largely depends on our ability to attract and retain key personnel. Our senior management's reputation and relationships with financing parties, lessees and aircraft manufacturers are a critical element of our business. Strong competition exists for qualified personnel with demonstrated ability. Inability to retain key personnel, or to attract and retain additional qualified personnel, could have a material adverse effect on our financial condition, cash flow and results of operations.

Terrorist attacks or the fear of such attacks or civil unrest, even if not made directly on the airline industry, could adversely affect lessees and the airline industry.

Continued or future outbreaks or escalations of war, armed hostilities or conflicts (such as the Russia-Ukraine Conflict and the current conflicts in the Middle East), terrorist attacks, or the fear of such events, could decrease demand for air travel or increase the operating costs of our customers. The situations in Iraq, Afghanistan, Syria, Iran and throughout the Middle East, North Africa and Ukraine remain unsettled, and other international incidents, such as terrorist attacks in the United Kingdom, Belgium, France, Germany and Turkey, tension over North Korea's nuclear program and territorial disputes in East Asia and the Middle East, may lead to regional or broader international instability. Future terrorist attacks, war or armed hostilities, large protests or government instability, or the fear of such events, could further negatively impact the airline industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft values and rental rates and may lead to lease restructurings or aircraft repossessions, all of which could adversely affect our financial results and growth prospects.

Terrorist attacks and geopolitical conditions have negatively affected the airline industry, and concerns about geopolitical conditions and further terrorist attacks could continue to negatively affect airlines (including our lessees) for the foreseeable future, as a result of various factors, including: (i) higher costs to the airlines due to increased security measures; (ii) losses in revenue and increased costs due to (a) safety concerns or the inconvenience of additional security measures required to address terrorist attacks and geopolitical conditions and (b) the imposition of sanctions and airspace closures as a result of war, armed hostilities or conflicts or terrorist attacks; (iii) decreases in passenger demand and revenue due to a decrease in travel; (iv) decrease in the value of aircraft due to the withdrawal from operation of a number of aircraft in a country or region that is the subject of or affected by sanctions or airspace closures; (v) the price and availability of jet fuel and the ability to obtain fuel hedges under current market conditions; (vi) higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, or at all; (vii) higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available; (viii) the ability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of terrorist attacks and geopolitical conditions, including those referred to above; and (ix) special charges recognized by some airlines, such as those related to the impairment of aircraft and other long lived assets stemming from the above conditions.

A cyber-attack that bypasses our information technology, or IT, security systems, causing an IT security breach, may lead to a material disruption of our IT systems and the loss of business information which may hinder our ability to conduct our business effectively and may result in lost revenues and additional costs.

Our business depends on the secure operation of our computer systems to manage, process, store and transmit information associated with aircraft leasing. We have, from time to time, experienced threats to our data and systems, including malware, email impersonation and business email compromise attempts. A cyber-attack could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. Such losses could harm our reputation and result in competitive disadvantages, litigation, regulatory enforcement actions, lost revenues, additional costs and liability. These attacks are becoming increasingly sophisticated through the use of artificial intelligence and machine learning tools and tactics and are often well-funded, including in some cases by state sponsors. While we devote substantial resources to maintaining adequate levels of cyber security at a technical and procedural level, our resources and technical expertise may not be adequate to prevent targeted, highly sophisticated cyber-attacks and attackers.

We are subject to data security and privacy risks, including evolving laws and regulations and associated compliance efforts, which could negatively affect our results, operations or reputation.

We must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S., Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation ("GDPR"), which became effective on May 25, 2018. GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information

also could result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility and could have a negative impact on revenues and profits.

Like in the European Union, a number of states in the U.S. (including California) have passed or are considering passing consumer privacy and personal data protection laws and regulations. Such laws and regulation will create additional obligations related to the protection of consumer personal data and may be costly for our clients or us to implement. There is also discussion in Congress of a new comprehensive federal data protection and privacy law to which we likely would be subject if it is enacted. Such new laws and proposed legislation, if passed, could have conflicting requirements that could make compliance challenging, require us to expend significant resources to come into compliance, and restrict our ability to process certain personal information. It is difficult to predict the full extent to which these laws may affect our or our customers' businesses.

We may use artificial intelligence, automated decision-making and machine learning technology (collectively, "Machine Learning Technology") in order to realize operating efficiencies in our business. Recent technological advances in Machine Learning Technology, including OpenAI's release of its ChatGPT application, pose risks to us. Our personnel, affiliates, or other third parties working with us or on our behalf could, unbeknownst to us, utilize Machine Learning Technology, including in ways that could subject us to potential liabilities. We could be further exposed to the risks of Machine Learning Technology if third-party service providers or any other counterparties with whom we interact, whether or not known to us, also use Machine Learning Technology in their business activities. Machine Learning Technology and its applications continue to develop rapidly, and it is impossible to predict the future risks that may arise from current or future use of Machine Learning Technology, including as a result of new laws that may be enacted to regulate the use of Machine Learning Technology.

Changes in interest rates may adversely affect our net income, particularly by increasing our cost of borrowing.

Like many leasing companies, we are subject to interest rate risk. We use a mix of fixed rate and floating rate debt to finance our business. The principal amount of our outstanding floating rate debt was $1.7 billion (net of swaps) as of December 31, 2023. Our cost of borrowing is affected by the interest rates that we obtain on our debt financings, which can fluctuate based on, among other things, general market conditions, the market's assessment of our credit risk, prevailing interest rates in the market, fluctuations in U.S. Treasury rates and other benchmark rates, changes in credit spreads or swap spreads, and the duration of the debt we issue. While we routinely enter into hedging transactions to mitigate this risk, those hedging transactions may not sufficiently insulate us from the impact of changes in interest rates and may cause us to forgo any benefit that might result from favorable fluctuations in such rates. In addition, we are exposed to the credit risk that the counterparties to our derivative contracts will default on their obligations. Please refer to "Qualitative Disclosures about Commercial and Market Risk" for further details on our interest rate risk. Our primary source of income is leases with multi-year fixed rates. A mismatch in the rates that we are obligated to pay to finance our business and the rents that accrue under leases can negatively impact our net income.

Since March 2022, interest rates increased significantly in the U.S., the E.U., the UK and other countries. If interest rates continue to increase, we will be obligated to make higher interest payments to the lenders of our floating rate debt, which will negatively impact our net income to the extent that those payments are not hedged. Increasing rates may also increase the cost of any new financing we may raise during this period, which could, if not hedged, impact our net income. Typically, we are not able to immediately offset this negative impact by increasing the rates on our leases. During the nine months ended December 31, 2023, 91.1% of our rentals receivable was attributable to leases with fixed lease rates and 8.9% was derived from leases with lease rates tied to floating interest rates. As our leases are primarily for multiple years with fixed lease rates for the duration of the lease, we generally cannot increase the lease rates with respect to a particular aircraft until the expiration of the lease, even if the market is able to bear the increased lease rates. As a result, there will be a lag in our ability to adjust and pass on the costs of increasing interest rates. Rising interest rates may also have a negative impact on the financial condition of our lessees, who may find it more difficult to service their debt and obtain new financing on favorable terms. While most of our leases have fixed lease rates, some lessees do have floating rate leases, and rising interest rates may increase the risk of a lessee with floating rate lease rates defaulting as payments due to us increase.

We are also exposed to certain risks from interest rate decreases. Decreases in interest rates may adversely affect our interest revenue on cash deposits and our lease revenue. A decrease in interest rates would also cause a

decrease in our lease revenue from leases with lease rates tied to floating interest rates. We could also experience reduced lease revenue from our fixed rate leases if interest rates decrease because these are based, in part, on prevailing interest rates at the time we enter into the lease. As a result, new fixed rate leases we enter into at a time of lower interest rates may be at lower lease rates than had no such interest rate decrease occurred, adversely affecting our lease revenue. This may be particularly harmful to our business if we incur debt at higher interest rates and enter into leases at a time of lower interest rates.

Changes in banks' interbank lending rate reporting practices or the method by which widely used floating interest rates are determined may adversely affect our financial condition, cash flow and results of operations.

Due to the discontinuation of LIBOR, we completed the transition of our LIBOR-based instruments, contracts and leases to the Secured Overnight Financing Rate ("SOFR"). The replacement of existing benchmark rates with an alternate benchmark rate may negatively impact the value of those contracts to us, expose us to additional financial, tax, legal, operational or other costs, or expose us to additional interest rate-related risks.

Despite the fact that our transition from LIBOR to SOFR-based benchmarks is complete, the success of SOFR-based benchmarks is not assured and it is possible that further adjustments or transitions to alternative benchmarks may be required in the future. Any alternative benchmark rate may be calculated differently than SOFR-based rates and may increase the interest expense associated with our existing or future indebtedness.

Further, lease rentals are contracted on either a fixed rate or floating rate basis. For floating rate leases, rents are typically reset every three or six months. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Lease Terms." SOFR-based rates could negatively impact payments owed to us under floating rate leases.

Inflationary pressure may have a negative impact on our financial results, including by diminishing the value of our leases.

After a sustained period of relatively low inflation rates, for the year ended March 31, 2023, current rates of inflation are above or near recent historical highs in the United States, the European Union, the United Kingdom, and other countries. High inflation has resulted in market volatility and uncertainty for global commerce. Although we are currently unable to determine to what extent continued inflation may impact us, future increased rates of inflation may have a number of adverse effects on our business. Inflation may increase the costs of goods, services and labor used in our operations, thereby increasing our expenses. To the extent that we derive our income from leases with fixed rates of payment, high rates of inflation will cause a greater decrease in the value of those payments than had the rates of inflation remained lower. Because our leases are generally for multi-year periods, there may be a lag in our ability to adjust the lease rates for a particular aircraft accordingly. High rates of inflation may also lead policymakers to attempt to decrease demand or to adopt higher interest rates to combat inflationary pressures, resulting in the risks detailed in "—Changes in interest rates may adversely affect our net income, particularly by increasing our cost of borrowing." Our suppliers and lessees may also be subject to material adverse effects as a result of high rates of inflation, including as a result of the impact on their financial conditions, changes in demand patterns, price volatility, and supply chain disruption.

The Issuer and the Parent are Irish tax residents and we cannot assure you that the tax rate applicable to each entity will not change in the future.

The Issuer is a qualifying company within the meaning of section 110 of the Taxes Consolidation Act 1997 of Ireland (as amended) and as such is currently subject to Irish corporate tax on its taxable profits at a rate of 25% (for additional information, see "Certain Irish Tax Considerations"). The Parent is a company carrying on a trade in Ireland and as such is subject to Irish corporate tax on its net taxable income at a rate of 12.5%. There can be no assurance that the 25% tax rate or the 12.5% tax rate, as applicable, or the methodology for calculating the taxable income of the Issuer or the Parent, will not change in the future.

Consistent with the global minimum corporate tax rate initiative (discussed further below), Ireland has introduced a minimum effective corporate tax rate of 15% for "large" companies (i.e., certain companies with a global

consolidated revenue above €750 million). Companies with a global consolidated revenue below €750 million should continue to be taxed at 12.5%.

The introduction of the Base Erosion and Profit Shifting ("BEPS") initiative by the Organization for Economic Cooperation and Development ("OECD") may impact the effective tax rate of our Parent in future periods.

The OECD issued various final reports under its BEPS action plan in October 2015 ("the BEPS Plan"). The OECD's reports cover issues such as the prevention of abuse of tax treaties, deductibility of interest costs, determination of permanent establishments and transfer pricing of services. Certain of the proposed BEPS changes to existing double tax treaties have been implemented by means of a Multi-lateral Instrument ("MLI"). On June 7, 2017, representatives from over 70 countries, including Ireland, participated in the OECD signing ceremony for the MLI. The MLI seeks to implement agreed tax treaty-related measures combating tax avoidance into bilateral existing tax treaties without the need to renegotiate a new treaty. The MLI came into effect for Irish tax treaties on January 1, 2020. Further changes to tax law will be required in order to fully implement the BEPS Plan. At this time, it is difficult to determine what further BEPS actions the governments of the jurisdictions in which we operate will implement. Depending on the nature of the BEPS action plans adopted, it may result in an increase in the effective tax rate of our Parent in future periods.

In January 2020, the OECD announced a new program (referred to as "BEPS 2.0") with a view to creating an international consensus on new rules for the framework for international taxation, particularly for businesses with valuable intangible assets; however, the rules are anticipated to have a much wider scope than this. The BEPS 2.0 program is divided into two Pillars: Pillar 1 and Pillar 2. The stated aim of Pillar 1 is to move beyond the arm's length principle and the scope of current taxing rights which are limited to businesses with a physical presence in a country. The new rules, if adopted, would readjust the balance of taxing rights and multinational companies ("MNC") profit allocation between jurisdictions where MNC assets are owned and the markets where users / consumers are based.

Pillar 2 of BEPS 2.0 concerns the development of a minimum tax rate and set of rules (the "Global Anti-Base Erosion Rules") to provide a coordinated system to ensure that MNC's with revenues above €750 million pay a minimum level of tax of 15% on the income arising in each of the jurisdictions in which they operate. Similarly, the E.U. has adopted a minimum tax directive (the "E.U. Minimum Tax Directive") which largely conforms to the Global Anti-Base Erosion Rules. The E.U. Minimum Tax Directive will provide the primary basis for the enactment of the Pillar 2 agreement in Ireland, with the legislation being enacted through the Irish Finance (No.2) Act 2023. As of the date of this offering memorandum, the legislation has been enacted into Irish Law through the Irish Finance (No. 2) Act 2023, with the rules for Pillar 2 applying for accounting periods beginning on or after January 1, 2024. The first accounting period to which this is relevant for the Issuer and our Parent is the year ended March 31, 2025. These rules will likely impact the effective tax rate of our Parent in future periods.

The E.U. Anti-Tax Avoidance proposals may impact the effective rate of tax of our Parent in future periods.

The E.U. Commission adopted an Anti-Tax Avoidance Directive on June 20, 2016 (the "E.U. ATAD") and the amending directive on May 29, 2017 (the "E.U. ATAD 2"), which oblige all member states to introduce a number of anti-tax avoidance measures. Many of these measures have been derived from the OECD's BEPS initiative and there are a number of similarities between the OECD proposals and E.U. ATAD and E.U. ATAD 2. However, even where there are common concepts between the OECD BEPS initiative and E.U. ATAD and E.U. ATAD 2, there are a number of differences in detail.

The E.U. ATAD calls for (i) restrictions on the deductibility of interest, (ii) measures in respect of certain hybrid transactions and instruments, (iii) an exit charge, (iv) a switch over rule, (v) controlled foreign company rules and (vi) a general anti-avoidance rule. While Ireland already had an appropriate general anti-avoidance rule in place prior to the publishing of the E.U. ATAD, other provisions modeled after the E.U. ATAD have been introduced into Irish law on a staggered basis over the last several years, including provisions intended to limit the deductibility of interest with effect from January 1, 2022, applying to accounting periods commencing on or after that date. Such rules provide that a restriction on deductibility of 'exceeding borrowing costs' of 30% of EBITDA will apply, where 'exceeding borrowing costs' means broadly, deductible interest expense in excess of taxable interest revenue. As a result, Irish Revenue has introduced a number of relief measures and exemptions from these rules, including a *de*

minimus exclusion, leasing income concessions and grouping provisions. For more information on the interest restriction rules and their potential applicability to the Issuer, see "Certain Irish Tax Considerations."

The E.U. ATAD 2 was introduced on January 1, 2020 insofar as relating to hybrid mismatches and from January 1, 2022 for reverse hybrid mismatches. The rules under the E.U. ATAD 2 apply only in the case of a mismatch between a taxpayer and an "associated enterprise" or, in the case of "structured arrangements," between the parties involved (all terms as defined for the purpose of these rules).

For a discussion of the hybrid mismatch rules under the E.U. ATAD 2 and their potential applicability to the Issuer, see "Certain Irish Tax Considerations." The rules equally apply to our Parent and, to the extent that the rules apply to restrict deductibility of certain payments, this could have an impact on the effective tax rate of our Parent for future periods.

Furthermore, the E.U. Commission released a draft directive in December 2021 in respect of the misuse of shell companies (commonly referred to as the "E.U. ATAD 3"). The E.U. ATAD 3 has undergone a series of amendments, including the expected timing of implementation, which is likely to see this legislation take effect in Ireland on January 1, 2025 at the earliest. It is anticipated that the E.U. ATAD 3 will provide for rules regarding disclosure and supporting documentation in respect of certain minimum substance requirements, and consequences for companies deemed to be shell companies. The E.U. ATAD 3 is expected to apply to all entities, regardless of their legal form, that are considered tax residents in an E.U. member state that may be considered to misuse shell companies, as well as to partnerships, and other legal arrangements, that are deemed resident for tax purposes in an E.U. member state. There can be no assurance that the E.U. ATAD 3, in the form, if any, that is enacted and implemented by Ireland, will not result in additional taxes being payable by the Issuer or the Parent.

We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes.

We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes. If we are unable to continue to execute our business in jurisdictions with favorable tax treatment, our operations may be subject to significant income and other taxes. Moreover, as our aircraft are operated by our lessees in multiple states and foreign jurisdictions, we may have a nexus or a taxable presence as a result of our aircraft landings in various states or foreign jurisdictions. Such landings may result in us being subject to various foreign, state and local taxes in such states or foreign jurisdictions.

We are indirectly wholly-owned by our shareholders.

Our shareholders (through subsidiaries and other equity investments) hold all of the equity of SMBC Aviation Capital and have appointed a majority of the board of directors of SMBC Aviation Capital and provide a majority of our funding. So long as our shareholders continue to own all of the equity of SMBC Aviation Capital, they will continue to be able to strongly influence or effectively control our decisions. Our shareholders may have economic or business interests or goals that are inconsistent with ours and could take actions that could adversely affect our business, financial condition and results of operations.

In addition, none of our shareholders is a guarantor of the notes and holders of the notes do not have recourse to our shareholders if we fail to meet our payment obligations under the notes. If our shareholders are unable to continue to hold their equity investments, this could affect our organizational structure, potential future capital contributions or loans from our shareholders, our credit ratings (which are partly dependent on the fact that we are majority owned by SMFG) and the value of the notes, or our compliance with certain covenants governing our outstanding indebtedness, which could have a material adverse effect on our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

Conflicts of interest may arise between us and clients who will utilize our fleet management services, which could negatively affect our business interests, cash flow and results of operations.

Conflicts of interest may arise between us and third-party aircraft owners, financiers and operating lessors who hire us to perform fleet management services such as leasing, remarketing, lease management and sales services.

These conflicts may arise because services we anticipate providing for these clients are also services we will provide for our own fleet, including the placement of aircraft with lessees. Our current fleet management services agreements provide, and we expect our future fleet management services agreements to provide, that we will use our reasonable commercial efforts in providing services, and include mechanics to manage any conflicts of interest. Nevertheless, despite these contractual provisions, competing with our fleet management clients in practice may result in strained relationships with them, which could negatively affect our business interests, cash flow and results of operations.

We may not realize the anticipated benefits of the Goshawk Transaction. In particular, we may not successfully realize anticipated growth or cost-savings opportunities.

We completed the Goshawk Transaction in December 2022, and the combination of the operations of SMBC Aviation Capital with those of GML has and is expected to continue to result in financial and operational benefits, including increased revenues, synergies and cost savings going forward. There can be no assurance, however, regarding when or the extent to which we will be able to realize all of the increased revenues, synergies, cost savings or other benefits we anticipated in connection with the transaction, if we do at all.

Risks Relating to our Indebtedness and the Notes

The Issuer is a finance company dependent upon cash flow from the Parent and its subsidiaries to meet its obligations under the notes.

The Issuer is a special purpose finance company with no independent business operations. It has limited assets, no subsidiaries and no ability to generate revenue other than through the Parent. As such, the Issuer will be wholly dependent upon payments from the Parent to meet its obligations, including its obligations under the notes.

Various agreements governing the debt of the Parent and the Parent's subsidiaries may restrict and, in some cases may actually prohibit, the ability of those entities to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation and limit the amounts that some of the Parent's subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. The inability to transfer cash among entities within the Parent and the Parent's subsidiaries' respective restrictive groups may mean that even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity to another in their restricted group in order to make payments to the entity owing the obligations.

The notes and the guarantees are structurally subordinated to all future and existing obligations of the Parent's subsidiaries, which may affect your ability to receive payment on the notes.

The notes and the guarantees are the Issuer's and the Parent's respective unsecured general obligations and will be structurally subordinated to all future and existing obligations of the Parent's subsidiaries (other than the Issuer). As of the closing date, none of the Parent's subsidiaries will guarantee the notes. The notes and the guarantees will be structurally subordinated to all existing and future obligations, including indebtedness and preferred stock, of the Parent's subsidiaries (other than the Issuer). The claims of creditors of the Parent's subsidiaries, including trade creditors, will have priority as to the assets of the Parent's subsidiaries. As of December 31, 2023, the Parent's subsidiaries had $2.36 billion[12] of liabilities and indebtedness to which the notes and the guarantees would be structurally subordinated.

The Parent currently conducts a portion of its operations through its subsidiaries and some of its subsidiaries have significant liabilities. In addition, the Parent may create additional subsidiaries and conduct additional operations through its subsidiaries in the future and, accordingly, its subsidiaries' liabilities may increase. The Parent's cash flow and the Parent's and Issuer's ability to service their debt, including, respectively, the guarantees and the notes, therefore partially depends upon the earnings of the Parent's subsidiaries and the distribution of earnings, loans or other payments by those subsidiaries to the Parent.

[12] Comprised of $1.362 billion of A preference shares, $700 million of B preference shares and $300 million of subordinated debt.

The Parent's subsidiaries are separate and distinct legal entities and (other than the Issuer) have no obligation to pay any amounts due on the notes or, subject to existing or future contractual obligations between the Parent and its subsidiaries, to provide the Parent or the Issuer with funds for their respective payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by the Parent's subsidiaries to the Parent could be subject to statutory or contractual restrictions and taxes on distributions. Payments to the Parent by its subsidiaries will also be contingent upon the subsidiaries' earnings and business considerations. Any inability of the Parent's subsidiaries to make dividends or distributions to the Parent, whether by reason of financial difficulties or other restrictions, could have a material adverse effect on the Issuer's ability to service and repay its debt, including the notes.

The Parent's right to receive any assets of any of its subsidiaries upon liquidation or reorganization, and, as a result, the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors. The indenture permits the Parent's subsidiaries to incur secured and unsecured debt and permits the Parent to establish additional subsidiaries in the future. In addition, even if the Parent were a creditor of any of its subsidiaries, the Parent's rights as a creditor would be subordinate to any security interest in the assets of its subsidiaries and any indebtedness of its subsidiaries senior to indebtedness held by the Parent.

The Issuer's and the Parent's existing and future secured creditors will have prior claims on certain of their respective assets and, if a default occurs, the Issuer and the Parent may not have sufficient funds to fulfill their respective obligations under the notes and the guarantees.

The notes and the guarantees are the Issuer's and the Parent's respective unsecured general obligations and will rank equally in right of payment with their existing and future unsecured indebtedness. The notes and the guarantees are subject to prior claims on certain of the Issuer's and the Parent's assets by their respective existing and future secured creditors and the indenture permits each of the Issuer and the Parent to incur additional secured and unsecured debt.

In addition, the JBIC Facilities include a requirement that the Parent provide JBIC with such additional security for the outstanding loans thereunder (the "JBIC Facilities Lien") as JBIC may, in its sole discretion, require. If JBIC were to exercise such right under the JBIC Facilities, and depending on the amount of the JBIC Facilities Lien, all or a substantial portion of the Parent's assets could be pledged in the future to secure its obligations under the JBIC Facilities. JBIC has agreed that it will not request additional security from the Parent under each of the JBIC Facilities unless, in the reasonable opinion of JBIC, such request is necessary in order to protect the rights, interest and claims of JBIC under the relevant JBIC Facility and has further agreed that a request shall not be deemed to be reasonable when (i) in the case of the 2012 JBIC Facility, both (A) SMBC's absolute and unconditional guarantee of payment of the 2012 JBIC Facility remains in effect and (B) none of S&P, Fitch or Moody's has assigned to SMBC a credit rating that is less than investment grade and (ii) in the case of the 2019 JBIC Facility, either (A) SMFG directly or indirectly holds at least 50% of the beneficial ownership of the Parent or (B) either S&P or Fitch has assigned to the Parent a credit rating that is at least investment grade. As of the date of this offering memorandum, each of SMBC and the Parent was rated investment grade by each of S&P and Fitch, however, we cannot assure you that SMBC and/or the Parent will not be subject to a future ratings downgrade below investment grade. JBIC has never requested the Parent to provide additional security for the JBIC Facilities and we believe that JBIC currently has neither the ability nor the intention to request any such additional security. For more information about the terms of the JBIC Facilities, see "Description of Other Financial Indebtedness—Amortizing Loan Facility with the Japanese Bank of International Cooperation."

In the event of the Parent's insolvency, bankruptcy, liquidation, reorganization, examinership, dissolution or other winding up, proceeds from the disposition of assets that secure debt, including the JBIC Facilities to the extent that JBIC has exercised its JBIC Facilities Lien right, will be available first, to pay (i) the claims of a limited category of preferential creditors, such as the claims of employees and certain taxes on a winding-up, and the remuneration, costs and expenses properly incurred by any liquidator to or examiner of the Issuer and/or the Parent (as the case may be) (which may include any borrowings made by an examiner to fund the Issuer's requirements for the duration of his appointment) that have been approved by the Irish High Court (see "—If the Issuer or the Parent is unable to pay its debts, an examiner may be appointed under Irish law to oversee the Issuer's or the Parent's operations" below) and (ii) the obligations on the debt secured by those secured assets. Holders of the notes will participate in the Parent's remaining assets ratably with all of its unsecured and unsubordinated creditors. If the Issuer and/or the Parent incurs

any additional obligations that rank equally with the notes and/or the guarantees (as the case may be), the holders of those obligations will be entitled to share ratably with the holders of the notes in any proceeds distributed upon the insolvency, bankruptcy, liquidation, reorganization, examinership, dissolution or other winding up of the Issuer and/or the Parent (as the case may be). This may have the effect of reducing the amount of proceeds paid to you. If there are not sufficient assets remaining to pay all these creditors, all or a portion of the notes then outstanding would remain unpaid.

As of December 31, 2023, the Parent and its subsidiaries had no secured indebtedness outstanding and, after giving effect to the possible imposition of a JBIC Facilities Lien in an amount equal to the entire outstanding amount of the JBIC Facilities as of such date, would have had $1.7 billion of secured indebtedness outstanding.

Certain of our debt agreements contain covenants that impose restrictions on us and our subsidiaries that may limit our flexibility to operate our business.

The agreements governing the Parent's debt, including any indentures, revolving credit facilities, term financing facilities, other commercial bank financings and other agreements impose operating and financial restrictions on its activities. These restrictions include certification to, compliance with or maintenance of certain financial tests and ratios, including certification of net worth and maintenance of interest expense coverage ratios, and limit or prohibit the Parent's and its subsidiaries' ability to, among other things:

- sell assets;
- incur additional indebtedness;
- create liens on assets;
- enter into transactions with affiliates;
- engage in mergers or consolidations; and
- change the business conducted by the borrowers and their respective subsidiaries.

These restrictions could seriously harm the Parent's ability to operate its business by, among other things, limiting its ability to take advantage of financing, amalgamation, merger and acquisition and other corporate opportunities.

Various risks, uncertainties and events beyond the Parent's control could affect its ability to comply with these covenants and maintain these financial tests and ratios. Failure to comply with any of the covenants in the Parent's existing or future financing agreements would result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit debt holders to accelerate the maturity for the debt under these agreements and to foreclose upon any collateral securing the debt and to terminate any commitments to lend. Under these circumstances, the Parent may have insufficient funds or other resources to satisfy all its obligations, including its obligations under the guarantees. In addition, the limitations imposed by financing agreements on the Parent's ability to incur additional debt and to take other actions may significantly impair its ability to obtain other financing.

The limited covenants applicable to the notes may not provide protection against some events or developments that may affect the Issuer's or Parent's ability to repay the notes or the guarantees or the trading prices for the notes.

The indenture governing the notes, among other things, does not:

- require the Issuer or the Parent to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the notes in

the event that the Issuer or the Parent experiences significant adverse changes in its financial condition or results of operations;

- limit the Issuer's or the Parent's ability to incur indebtedness, including secured indebtedness (subject to compliance with the liens covenant), that is senior to or equal in right of payment to the notes;

- limit the Parent's subsidiaries' ability to incur secured (subject to compliance with the liens covenant) or unsecured indebtedness, which would be structurally senior to the notes;

- restrict the Issuer's or the Parent's ability to repurchase or prepay their securities;

- restrict the Issuer's or the Parent's ability to make investments; or

- restrict the Issuer's or the Parent's ability to pay dividends or repurchase or make other payments in respect of the Issuer's or the Parent's common stock or other securities ranking junior to the notes.

For these reasons, the limited protection investors are entitled to could have a material negative impact on the value of an investor's investment.

Our substantial level of indebtedness could impair our financial condition and the Parent's and the Issuer's ability to fulfill their debt obligations, including the notes and the guarantees.

We have substantial indebtedness. As of December 31, 2023, our total consolidated indebtedness was $16.4 billion. Our level of indebtedness and the covenants contained in the agreements governing our debt could have important consequences, including:

- making it more difficult for the Parent and the Issuer to satisfy their obligations with respect to the notes and the guarantees and our other indebtedness, which could in turn result in an event of default on such other indebtedness or the notes;

- impairing our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

- requiring us to dedicate a substantial portion of cash flow from operations to debt service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

- increasing our vulnerability to adverse economic and industry conditions;

- limiting flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- limiting your rights to receive payments under the notes if secured creditors have not been paid;

- placing us at a competitive disadvantage compared to our competitors that have proportionately less debt; and

- making us vulnerable to increases in interest rates.

Our policy is to align the leases and the underlying loan financing based on interest rate basis, currency and term, where feasible on an overall portfolio basis. Facilities are aligned in terms of interest rate basis; however, we do have leases that are not aligned by term. This is the nature of portfolio funding rather than match funding to specific leases and all are reviewed monthly; trading leases through the cycle will also have an impact on term alignment. As

of December 31, 2023, our principal outstanding indebtedness was fully matched by currency, as we currently do not have any non-U.S. dollar denominated debt.

Despite the Parent's current indebtedness levels, the Parent or its subsidiaries (including the Issuer) may still be able to incur significantly more debt, which could exacerbate the risks associated with the Parent's substantial debt.

The Parent or its subsidiaries (including the Issuer) may be able to incur additional debt in the future. The terms of the Parent's financing facilities and the indenture governing the notes allows the Parent and its subsidiaries (including the Issuer) to incur substantial amounts of additional debt, subject to certain limitations.

The Issuer and the Parent may not be able to service their debt and meet their other cash needs, which will require a large amount of cash that may not be available.

The Issuer's and the Parent's ability to service their indebtedness, including the Issuer's ability to make scheduled payments of principal and interest on the notes, or to refinance their indebtedness, including the notes, will depend upon the Parent's future operating performance, which will be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond its control.

In addition, the Issuer's and the Parent's ability to borrow funds in the future to repay, refinance or make payments on their debt will depend on the satisfaction of the covenants in their term financing facilities and their agreements governing their other debt, including the indenture governing the notes, and other agreements they may enter into in the future, including securitizations. Many of our loan documents require that we maintain a specified interest expense coverage ratio of not less than 1.50 to 1.00. See "Description of Other Financial Indebtedness." The Issuer and the Parent cannot assure you that their businesses will generate sufficient cash flow from operations or that future borrowings will be available under term financing facilities or from other sources in an amount sufficient to pay their debt, including the notes, or other liquidity needs.

If the Issuer's and the Parent's cash flows and capital resources are insufficient to fund their debt service obligations, they may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance the notes or other indebtedness. The Issuer's and the Parent's ability to restructure or refinance their debt will depend on the condition of the capital markets and their financial condition at such time. Any refinancing of debt could be at higher interest rates and may require the Issuer and the Parent to comply with more onerous covenants, which could further restrict their business operations. Existing or future debt instruments may restrict the Issuer or the Parent from adopting some of these alternatives. These alternative measures may not be successful and may not permit the Issuer or the Parent to meet their scheduled debt service obligations.

If the Parent defaults on its obligations to pay other indebtedness, the Issuer may not be able to make payments on the notes.

Any default under certain agreements governing the Parent's other indebtedness that is not waived by the required holders of such indebtedness, and the remedies sought by the holders of such indebtedness, could leave the Issuer unable to pay principal or interest on the notes and could substantially decrease the market value of the notes. If the Parent is unable to generate sufficient cash flow and is otherwise unable to obtain funds necessary to meet required payments of principal or interest on such indebtedness, or if the Parent otherwise fails to comply with the applicable covenants, including financial and operating covenants, in those agreements governing its indebtedness, it could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, which in turn could trigger cross defaults under other agreements governing some of the Parent's other indebtedness. The Parent may not have, and may not be able to obtain, sufficient funds to pay any accelerated amounts, and it could be forced into bankruptcy or liquidation.

Changes in the credit ratings of the Parent, the Issuer or the notes may adversely affect the value and liquidity of the notes, the Issuer's and the Parent's borrowing costs and their ability to access capital markets.

Any credit ratings on the notes are limited in scope, are not a recommendation to buy, sell or hold the notes and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of any such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies if, in each rating agency's judgment, circumstances so warrant. Any downgrade, placement on negative watch or change in outlook or anticipated changes or downgrades on the Issuer's or the Parent's debt credit ratings generally or the ratings on the notes could impact the trading prices for, or the liquidity of, the notes and adversely affect the Issuer's or the Parent's cost of borrowing, limit their access to the capital markets or result in more restrictive covenants in future debt agreements.

Redemption may adversely affect your return on the notes and you may have reinvestment risk.

The Issuer has the right to redeem some or all of the notes prior to maturity, as described under "Description of the Notes—Maturity, Optional Redemption" and "Description of the Notes—Optional Redemption for Changes in Withholding Taxes." The Issuer may redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security and obligor at an effective rate as high as that of the notes.

The Issuer may not be able to repurchase the notes upon a Change of Control Triggering Event.

Our shareholders may have an interest in pursuing a sale, divesture, merger or other disposition of all or part of us that they believe could enhance their equity investments. Upon the occurrence of a Change of Control Triggering Event, as defined in "Description of the Notes—Repurchase at the Option of Holders," each holder of notes will have the right to require the Issuer to repurchase all or any part of such holder's notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including the date of repurchase. If the Issuer experiences a Change of Control Triggering Event, it cannot assure you that it would have sufficient financial resources available to satisfy its obligations to repurchase the notes. The Issuer's failure to repurchase the notes as required under the indenture governing the notes would result in a default under the indenture governing the notes, which could result in defaults under the instruments governing the Parent's other indebtedness, including the acceleration of the payment of any borrowings thereunder, and have material adverse consequences for the Issuer, the Parent and the holders of the notes. See "Description of the Notes—Repurchase at the Option of Holders."

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of our assets.

A Change of Control Triggering Event will require the Issuer to make an offer to repurchase all of the outstanding notes. One of the circumstances under which a Change of Control, which is a condition to a Change of Control Triggering Event, may occur is upon the sale or disposition of "all or substantially all" of the assets of the Parent. There is no precise established definition of the phrase "substantially all" under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to require the Issuer to repurchase its notes as a result of a sale of less than all of the Issuer's assets to another person may be uncertain.

The Issuer may be unable to repay the notes at maturity.

At maturity of a given series of notes, the entire outstanding principal amount of such series of notes, together with accrued and unpaid interest, will become due and payable. The Issuer may not have the funds to fulfill these obligations or the ability to renegotiate these obligations. If upon the maturity date other arrangements prohibit the Issuer from repaying such notes, it could try to obtain waivers of such prohibitions under those arrangements, or it could attempt to refinance the borrowings that contain the restrictions. In these circumstances, if the Issuer was not able to obtain such waivers or refinance these borrowings, it would be unable to repay such notes.

The Issuer and the Parent are not regulated by any securities, commodities or banking regulatory authority in Ireland or elsewhere, but they cannot assure you that no such laws may be applicable to them in the future.

The Issuer and the Parent believe that they are not required to be licensed or authorized under any current securities, commodities or banking laws of Ireland, their jurisdiction of incorporation, or any other jurisdictions, and none of the Parent's subsidiaries are subject to such regulation. There is no assurance, however, that laws or regulations will not change or that regulatory authorities in one or more jurisdictions may not take a contrary view regarding the applicability of any such laws to the Issuer, the Parent or its subsidiaries. If the Issuer, the Parent or its subsidiaries becomes subject to regulation, it could have an adverse impact on the Issuer, the Parent or the holders of the notes.

The Issuer and the Parent are organized in Ireland, and Irish law differs from U.S. law and may afford you less protection.

Holders of the notes may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the United States. As a designated activity company and a limited company organized under the laws of Ireland, respectively, the Issuer and the Parent are subject to the Companies Acts, 2014 of Ireland (the "Irish Companies Act") and other provisions of Irish law. The Irish Companies Act differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

Under Irish law, the duties of directors and officers of a company are generally owed to the company only. Security holders of Irish companies generally do not have rights to take action against directors or officers of the company, except in limited circumstances. Officers of an Irish company must, in exercising their powers and performing their duties, among other things, act in good faith and in the best interests of the company and must exercise due care, skill and diligence. But because their fiduciary duty is owed to the company and directors and officers have no duty with respect to security holders directly, holders of the notes may not have the same protection provided under U.S. laws.

Judgments obtained in a court of the United States may not be enforceable in Ireland and it may be difficult to serve process on the Issuer and the Parent.

Each of the Issuer and the Parent is incorporated under the laws of Ireland. In addition, certain of the directors and officers of the Issuer and the Parent are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Issuer and the Parent are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Issuer or the Parent, or to enforce against them in U.S. courts judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States.

The United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland. A judgment of the U.S. courts will be enforced by the Irish courts if the following general requirements are met: (i) the procedural rules of the U.S. court must have been observed and the U.S. court must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however, the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that, in the meantime, the judgment should not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. However, the Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (a) if the judgment is not for a definite sum of money; (b) if the judgment was obtained by fraud; (c) if the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice; (d) if the judgment is contrary to Irish public policy or involves certain United States laws which will not be enforced in Ireland; (e) the judgment is inconsistent with a judgment of the Irish courts in respect of the same matter; or (f) if jurisdiction cannot be obtained by the Irish courts over the judgment debtors in

the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Superior Courts Rules.

The guarantees of the notes by the Parent may be voidable, subordinated or limited in scope under laws governing fraudulent transfers and insolvency.

The guarantees of the notes by the Parent may be subject to review under Irish law in the following circumstances:

- if the Parent, having become the subject of liquidation proceedings within six months (or two years if such guarantee is given in favor of anyone who is, in relation to the Parent, a connected person) of issuing such guarantee, is made the subject of an application by the liquidator, on behalf of the Parent, to the Irish courts to void such guarantee on the grounds that the issuance of such guarantee constituted a preference over other creditors at a time when the Parent was insolvent; or

- if the Parent were wound up, the Irish courts, on the application of a liquidator or creditor, may, if it can be shown that such guarantee or any payments made thereunder constituted a fraud on the Parent, order a return of payments made by the Parent under such guarantee; or

- if the Parent having become insolvent, or deemed likely to become insolvent, is made the subject of court protection under the examinership procedure (see further below) and the court approves a scheme for the compromise of debts of the Parent.

In an insolvency of an Irish company, the claims of certain preferential creditors (including the Irish Revenue Commissioners for certain unpaid taxes) will rank in priority to claims of unsecured creditors. If the Parent becomes subject to an insolvency proceeding and the Parent has obligations to creditors that are treated under Irish law as creditors that are senior relative to the holders of the notes, the holders of the notes may suffer losses as a result of their subordinated status during such insolvency proceeding.

If a court voided any guarantee or any payment under any guarantee of the notes as a result of a fraudulent transfer or held it unenforceable for any other reason, the rights of holders of the notes under such guarantee would be seriously undermined and such holders could cease to have any claim against the Parent under such guarantee of the notes.

If the Issuer or the Parent is unable to pay its debts, an examiner may be appointed under Irish law to oversee the Issuer's or the Parent's operations.

Both the Issuer and the Parent are resident in Ireland for tax purposes and their respective centers of main interest for the purposes of Regulation (E.U.) 2015/848 on insolvency proceedings (recast) is likely to be Ireland. If the Issuer or the Parent (each a "Relevant Company") is unable, or likely to be unable, to pay its debts, an examiner may be appointed to oversee that Relevant Company's operations and to facilitate its survival and the whole or any part of its business by formulating proposals for a compromise or scheme of arrangement. If an examiner has been appointed to a Relevant Company or any of its subsidiaries, the examinership may be extended to that Relevant Company and any of its related companies, including the Issuer and/or the Parent, even if the Relevant Company is not itself insolvent. There can be no assurance that either Relevant Company would be exempt from an extension of the examinership.

If an examiner is appointed to a Relevant Company, a protection period, which is not likely to exceed 100 days but which may be longer, will be imposed so that the examiner can formulate and implement his proposals for a compromise or scheme of arrangement. During the protection period, any enforcement action by a creditor is prohibited. In addition, the applicable Relevant Company would be prohibited from paying any debts existing at the time of the presentation of the petition to appoint an examiner. The appointment of an examiner may restrict the ability of the Issuer to make timely payments under the notes and holders may be unable to enforce their rights under the notes and/or, as applicable, may restrict the ability of the Parent to make timely payments under its guarantees and holders may be unable to enforce their rights under the guarantees. During the course of examinership,

holders' rights under the notes and/or the guarantees may be affected by the examiner's exercise of his powers to, for example, repudiate a restriction or prohibition on further borrowings or the creation of a security interest. Further, a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer or the Parent to the holders of the notes irrespective of their views. In the event that a scheme of arrangement is not approved and the applicable Relevant Company subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of that Relevant Company and approved by the Irish High Court) and the claims of certain other creditors referred to above (including the Irish Revenue Commissioners for certain unpaid taxes) will take priority over the amounts due by that Relevant Company to the holders of the notes.

Irish company law contains certain rules regarding the enforcement of guarantees in an examinership and in the event of the appointment of an examiner to the Issuer there are certain steps which the holder of any guarantee from the Parent will have to observe strictly in order to maintain its rights to enforce the obligations of the Parent under such guarantee. In this respect, a notice containing an offer by the holder of any guarantee to transfer to the Parent such holder's rights to vote on the examiner's proposals in respect of the Issuer must be served on the Parent within certain prescribed time limits. There is no flexibility in relation to the prescribed time limits and they must be strictly adhered to. If the creditor under such guarantee does not comply with the notification procedure, it may not enforce, by legal proceedings or otherwise, the obligations of the Parent in respect of the debts of the Issuer or pursuant to such guarantee.

Your ability to transfer the notes may be limited by the absence of an active trading market, and an active trading market may not develop for the notes.

Each series of notes will be a new issue of securities for which there is no established public market. The Initial Purchasers have advised us that they intend to make a market in the notes as permitted by applicable laws and regulations; however, the Initial Purchasers are not obligated to make a market in each series of notes and may discontinue their market-making activities at any time without notice. Application will be made to quote each series of notes on the official list of the CSX. Because the notes are being sold pursuant to an exemption from registration under applicable securities laws and, consequently, may not be publicly offered, sold or otherwise transferred in any jurisdiction where a registration may be required, no public market for the notes is expected to develop. See "Plan of Distribution." Therefore, we cannot assure you as to the development or liquidity of any trading market for the notes. The liquidity of any market for each series of notes will depend on a number of factors, including:

- the number of holders of such notes;
- our operating performance and financial condition;
- the prospects for companies in our industry generally;
- the market for similar securities and the state of credit markets generally;
- the interest or ability of securities dealers (including due to regulatory developments) in making a market in such notes; and
- prevailing interest rates.

Holders of the notes will not be entitled to registration rights, and the Issuer does not currently intend to register the notes under applicable securities laws. There are restrictions on your ability to transfer or resell the notes without registration under applicable securities laws.

The notes are being offered and sold pursuant to an exemption from registration under U.S. and applicable state securities laws and the Issuer does not plan to register the notes under any U.S. and applicable state securities laws in the future. You may transfer or resell notes in the U.S. only in a transaction registered under, or exempt from the registration requirements of, the U.S. and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See "Transfer Restrictions."

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes will be approximately $ million after deducting the Initial Purchasers' discount but excluding estimated offering expenses. We intend to use the net proceeds from the offering of the notes for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.

CAPITALIZATION

The following tables set forth our total financial obligations, shareholder equity and total capitalization as of December 31, 2023, on a historical basis and on an as adjusted basis to give effect to the issuance of the notes offered hereby (after deducting Initial Purchaser's discount including estimated offering expenses). The information presented in the table below should be read in conjunction with "Use of Proceeds" and "Description of Other Financial Indebtedness" and SMBC Aviation Capital's consolidated historical financial statements and the notes thereto, appearing elsewhere in this offering memorandum.

Unless otherwise indicated, any references to "as adjusted" figures or figures provided on an "as adjusted basis" give effect to this offering and the use of proceeds therefrom.

	As of December 31, 2023	
	Actual	As Adjusted
Financial obligations		
Loan amounts due to third-party undertakings (JBIC Facilities and other term loans from third parties)	$5,403,230	$5,403,230
Loan amounts due to parent group undertakings[(1)]	7,551,873	7,251,873
Other debt securities issues (2024 Notes[(2)])	499,834	499,834
Other debt securities issues (2028 Notes[(3)])	1,143,876	1,143,876
Other debt securities issues (2026 Notes[(4)])	497,836	497,249
Other debt securities issues (2033 Notes[(5)])	990,778	990,778
2029 Notes offered hereby[(6)]	—	
2034 Notes offered hereby[(6)]	—	
Total external financial obligations	$16,087,427	$
Shareholder equity		
Share capital	2,249,513	2,249,513
Other equity reserves	485,330	485,330
Retained earnings	2,311,290	2,311,290
Total shareholder equity	5,046,183	5,046,183
Subordinated Liabilities	300,000	300,000
Total capitalization	$21,433,610	$

(1) For more information on loan amounts due to parent group undertakings see "Description of Other Financial Indebtedness—Shareholder Loans."

(2) The $500.0 million in aggregate principal amount of 3.550% senior notes due 2024 issued on April 15, 2019 (the "2024 Notes") is shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligation which is $500.0 million.

(3) The $500.0 million in aggregate principal amount of 2.300% senior notes due 2028 issued on June 15, 2021 and the $650.0 million in aggregate principal amount of 5.45% senior notes due 2028 issued on May 3, 2023 (together, the "2028 Notes") are shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligations which are $500.0 million and $650 million, respectively.

(4) The $500.0 million in aggregate principal amount of 1.900% senior notes due 2026 issued on October 15, 2021 (the "2026 Notes") is shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligation which is $500.0 million.

(5) The $1.0 billion in aggregate principal amount of 5.700% senior notes due 2033 issued on July 25, 2023 (the "2033 Notes") is shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligation which is $1.0 billion.

(6) Amount represents the aggregate principal of the 2029 notes and the 2034 notes, as applicable, in this offering and has been adjusted for estimated facility fees of $[●] million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements included elsewhere in this offering memorandum. Unless otherwise indicated or the context otherwise requires, "SMBC Aviation Capital", "we", "us", and "our" refer to SMBC Aviation Capital Limited and its direct and indirect subsidiaries, the term "Issuer" refers only to SMBC Aviation Capital Finance DAC and the term "Parent" refers only to SMBC Aviation Capital Limited.

Overview

SMBC Aviation Capital forms part of the wider Sumitomo family aircraft financing group and is one of the world's leading aircraft operating lease companies. In operation since 2001, we are a top five aircraft operating lessor globally based on fleet size, with an owned and managed fleet valued at $30.9 billion as of December 31, 2023, comprising 497 owned and 214[13] managed aircraft.

Our success over our more than 22 years of operations has been achieved through our strategy of maintaining a young, narrow-body fleet, generating stable long-term contracted cash flows and attractive risk adjusted returns. As of December 31, 2023, we have accumulated retained earnings of $2.3 billion.

Our direct order book is 100% narrow-body and comprises the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its business which we expect will result in the retirement of older, higher emission aircraft, a dynamic that the COVID-19 pandemic accelerated. Maintaining a portfolio of young, more fuel-efficient aircraft assets is critical to long-term profit stability and our increased focus on sustainability.

We are disciplined in terms of the commercial jet aircraft in which we invest, focusing on young, liquid, in-demand assets which have large production runs, the widest installed base and which are flown by most airlines around the world. We acquire these aircraft either directly through orders with the OEMs, through SLBs with airlines, through portfolio purchases from other lessors or, on occasion, through strategic M&A opportunities. Our strategy is to recalibrate our emphasis on different acquisition channels at different points in the industry cycle to optimize overall returns.

We believe that our focus on aircraft liquidity will continue to reduce earnings volatility in a long-run normalized operating environment and maximize risk adjusted returns over time. This strategy has resulted in a portfolio as of December 31, 2023 that is comprised almost entirely of what we believe to be the most liquid aircraft available, such as Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Furthermore, 83% of our existing portfolio (weighted by NBV as of December 31, 2023) and 100% of our future direct order commitments are comprised of narrow-body aircraft which are the most liquid aircraft available in the global commercial jet fleet.

We are a global business, headquartered in Dublin, Ireland, with representatives in Japan, China, Hong Kong, Singapore, Europe and the United States. Our global presence provides local access to airline customers, aircraft investors and capital providers in key geographic regions. We lease our owned and managed aircraft to a diverse group of operators, both geographically and by business type. As of December 31, 2023, we had 106 airline customers in 48 different countries worldwide with a balanced geographical mix comprised of 36.6% in Europe, Middle East and Africa, 32.0% in the Americas and 31.4% in Asia (in each case, weighted by NBV as of December 31, 2023).

We trade our aircraft assets frequently to optimize returns and manage risk, ensuring that our portfolio stays young and attractive to our airline and investor customer base. Since our inception in 2001, we have sold over 500 aircraft from our owned portfolio to over 130 trading counterparties as of December 31, 2023, reflecting the strength of our aircraft trading platform and our ability to access and develop liquidity across a broad spectrum of global investors throughout the economic cycle.

[13] Including 5 aircraft for affiliated companies.

Throughout over 22 years in business, we have maintained one of the youngest portfolios of owned aircraft among investment grade leasing companies[14], with a weighted average age of 5.4 years and a weighted average remaining lease-term of 6.3 years as of December 31, 2023.

It is the combination of our disciplined investment strategy, focused risk management and balance sheet strength, together with our experienced management team and strong shareholder support that underpins our investment grade ratings. Our strong credit ratings in turn facilitate our access to a broad range of competitively priced financing sources, providing us with a strong liquidity base and increased funding optionality in all market conditions.

Recent Developments

Receipt of Insurance Settlement Proceeds in respect of Certain Russian Aircraft

In response to the invasion of Ukraine by the Russian Federation ("Russia"), the E.U., the United States of America, United Kingdom and other countries imposed a wide range of sanctions against Russia and certain Russian persons and entities. SMBC Aviation Capital has complied with and will continue to fully comply with all applicable sanctions and has terminated the leasing of all our aircraft with Russian airlines.

We sought to repossess all of our aircraft from Russian airlines and successfully grounded and took redelivery of one of our aircraft in the days following the Russian invasion of Ukraine.

In the year ended March 31, 2022, we recognized a full write-off in respect of aircraft that are lost in Russia of $1.6 billion.

We have entitlements under applicable insurance policies which provide coverage in respect of the aircraft which have been lost in Russia and in respect of which we are pursuing claims for recovery of losses. In November 2022, we commenced litigation in the Irish courts against our insurers in respect of the aircraft lost in Russia, following a refusal by our insurers to indemnify us for our loss.

During the nine months ended December 31, 2023, we received insurance settlement proceeds of $755.8 million in respect of certain aircraft previously leased to certain Russian airlines. The insurance settlements and receipt of the insurance settlement proceeds were carried out in full compliance with all applicable laws, sanctions and regulations and have been approved by the U.S. Department of Commerce and the U.S. Department of the Treasury.

In October 2023, we commenced litigation in the UK High Court against the insurers and reinsurers under the airlines' insurance and reinsurance policies in respect of its aircraft lost in Russia which were formerly on lease to Russian airlines, without prejudice to our claims against our own insurers before the Irish Courts. We either did not issue or discontinued (as the case may be) litigation in the UK High Court in respect of airlines and/or aircraft (as the case may be) with whom or in respect of which we concluded insurance settlements.

We will continue our efforts to seek to mitigate our losses in respect of our aircraft, which are lost in Russia.

(i) Summary Financial and Operational Performance

For the nine months ended December 31, 2023, our business generated a profit before tax of $1.1 billion (including Russian insurance settlement proceeds of $755.8 million), as compared to a profit before tax of $267 million for the nine months ended December 31, 2022.

Our profitability remains on a sustained upward trajectory as the rising lease rates generated on both new and used aircraft continue to drive margin growth. The increased level of profitability reflects a combination of the greater scale of our balance sheet, strength of the market backdrop globally for aircraft financing and resulting high level of activity across all sections of our business.

[14] Based on publicly available information concerning the fleets of Air Lease Corporation, BOC Aviation, AerCap Holdings N.V., Aircastle Limited, Dubai Aerospace Enterprise, Avolon and Aviation Capital Group.

During the nine months ended December 31, 2023, we executed $2.8 billion of new aircraft leasing transactions with a range of airline customers spread across a broad geographic area. This is in addition to the $1.4 billion of aircraft added into our fleet during the period. The accelerating demand for air travel combined with a global shortage of narrow-body aircraft is fuelling strong competition on placement campaigns for both new and used aircraft and is also resulting in a growing proportion of aircraft sales to airlines directly.

The same market forces are also driving a marked improvement in investor demand. We are seeing an increased number of opportunities to trade our aircraft, which we will pursue if such opportunities align with our strategy. As of December 31, 2023, we had sold 26 aircraft, arranged the sale of a further 5 aircraft to investors and also signed letters of intent or agreements for the sale of an additional 21 aircraft, 13 of which have been classified as held for sale as of December 31, 2023. We expect that our high quality, narrow-body focused portfolio, combined with the conservative nature of our interest rate hedging policy, will continue to facilitate trading activity through the coming cycle.

As a result of our acquisition and sales activity, 66%[15] of our portfolio is comprised of the newest technology aircraft, including Airbus A320NEO family, Airbus A330 NEO variants, Airbus A350 variants, Boeing 737-MAX-8 and Boeing B787 variants.

(ii) Balance Sheet

As of December 31, 2023, our shareholders provide $13.8[16] billion credit approved senior unsecured revolving debt facilities, $0.6 billion of term loans and $0.3 billion subordinated debt to the business which constitute a key balance sheet strength. As of December 31, 2023, $8.9 billion of these facilities were undrawn. Our Total Net Leverage and Third-Party Net Leverage was 2.88x[17] and 1.47x[18] respectively as of December 31, 2023, which compares to 3.77x[19] and 1.54x[20] respectively as of March 31, 2023, reflecting the significant pace of de-leveraging following our acquisition of GML.

We continued to increase our third-party funding with the execution of $1.65 billion of senior unsecured notes issuances during the first half of the financial year.

Our A-/BBB+ credit ratings from Standard and Poor's ("S&P") and Fitch Ratings, reflect our strong credit profile and materially enhances our third-party fundraising capability.

Our ability to access both shareholder and third-party funding sources provides us with a strong, unsecured liquidity base that provides efficient, flexible funding to the business and mitigates liquidity and refinancing risk, historically one of the aircraft leasing industry's primary balance sheet risks.

The combination of shareholder funding (with a tenor of up to 16 years) and the third-party unsecured bond / term loan markets provides access to a full spectrum of debt tenors, allowing us to match the tenor of our debt facilities to that of our leases, minimizing mismatch risk.

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15 Weighted by net book value as of December 31, 2023.

16 Excludes $2.1 billion of third-party funding provided by the Japan Bank for International Cooperation ("JBIC") and received through our shareholder.

17 Total borrowings of $16.1 billion less unrestricted cash of $0.7 billion / total equity (including $300 million subordinated shareholder loan treated as equity by S&P/Fitch) of $5.3 billion.

18 Total external financial obligations of $8.6 billion less unrestricted cash of $0.7 billion / total equity (including $300 million subordinated shareholder loan treated as equity by S&P/Fitch) of $5.3 billion. Total external financial obligations exclude the $2.1 billion of third party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

19 Total borrowings of $17.6 billion less unrestricted cash of $0.7 billion / total equity (including $300 million subordinated shareholder loan treated as equity by S&P/Fitch) of $4.4 billion.

20 Total external financial obligations of $7.5 billion less unrestricted cash of $0.7 billion / total equity (including $300 million subordinated shareholder loan treated as equity by S&P/Fitch) of $4.4 billion. Total external financial obligations excludes $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

As of December 31, 2023, we had $11.9 billion in unrestricted cash, undrawn, unsecured third-party facilities and shareholder credit approved flexible lines of credit.

ESG Strategy

The airline industry is increasingly focused on addressing the environmental impact of its operations, and SMBC Aviation Capital intends to play a leadership role in this. We see this both as an imperative but also as a source of competitive advantage and are committing resources to ensure that this is embedded into our business strategy and core product offering.

We are committed to assisting our airline customers to reduce their carbon emissions through the leasing and financing of the most technologically advanced and fuel-efficient aircraft on the market and are also exploring additional available decarbonization pathways for our industry.

As facilitators of air travel, our objective is to hold ourselves accountable to the highest standards of ESG, not only for our business and customers but also for our staff, our investors and our shareholders.

This focus on sustainability was underscored by the launch of our inaugural ESG strategy (the "ESG Strategy") in December 2021. This ESG Strategy outlines our long-term commitments to 2050, specifically expressing our commitment to:

- Disclose in line with best practice Task Force on Climate-Related Financial Disclosures ("TCFD") reporting.
- Target up to 80% new technology, lower carbon emitting fleet by March 2026.
- Explore opportunities in the Sustainable Aviation Fuel ("SAF") space, supporting its development in scale.
- Make continued progress on Diversity, Equity and Inclusion ("DEI").
- Channel additional resources to social impact schemes.
- Maintain and enhance our best in class corporate governance.

In September 2023, we closed our first sustainability-linked loan facility with Bank of Communications (Hong Kong) Limited. This unsecured bilateral facility incorporates sustainability-linked conditions and features and demonstrates our ambition to be a leader in the industry on ESG initiatives.

Further, in October 2023, SMBC Aviation Capital won ISTAT's first DEI award and our inaugural TCFD report was published in December 2023.

Factors Affecting Results of Operations

Our results of operations have been affected and will continue to be affected by a variety of factors, including those set out below. Please see "Risk Factors" for a discussion of other factors that might affect our results of operations.

Utilization of Our Aircraft

Our business depends on the continual leasing and remarketing of our aircraft in order to generate sufficient revenues to finance our growth and operations, pay our debt service obligations and generate positive cash flows from operations. Our ability to lease and remarket our aircraft will depend in part on general market and competitive conditions at the time the initial leases are entered into and the time of their expiry or early termination. The ability of

our airline lessees to discharge their obligations under the relevant leases will depend in part on general market conditions and demand for air travel on an ongoing basis.

Size and Mix of Our Fleet

Continued growth in our revenues and profit from operating activities depend upon our ability to grow the size of our portfolio. The overall size of our fleet of aircraft held for lease is the primary driver for lease rental income, on the one hand, and depreciation and interest expense, on the other. The mix of aircraft types and age impact our lease rental income and depreciation, as customer demand for certain types of aircraft determines the lease rental rates generated from leasing or re-leasing the aircraft and older aircraft will depreciate more rapidly under our accounting policies and are generally more susceptible to risk of asset impairment.

Terms of Our Purchase Commitments and Lease Agreements

The price we pay for aircraft and the rental rates for lease transactions and sale and leaseback transactions, which may be affected by general market and competitive conditions and factors that are outside of our control, impact our ability to generate profit from operating activities.

Financial Market Conditions and the Availability and Cost of Debt

Interest expense is our most significant cash expense and the cost of new financing or re-financing impacts our total comprehensive income. Our exposure to interest rate risk arises primarily from loans and borrowings, finance lease payables to third parties and related parties, finance lease receivables from third parties and related parties and lease rental income and expenses. As of December 31, 2023 and December 31, 2022, we had $5.1 billion and $8.3 billion, respectively, in floating rate debt outstanding (including, in each case, $300 million subordinated debt). As of March 31, 2023 and March 31, 2022, we had $5.9 billion and $5.7 billion, respectively, in floating rate debt outstanding (including, in each case, $300 million subordinated debt).

Our ability to incur debt to fund fleet growth and to refinance amortization and debt maturities also significantly impacts our results. We are indirectly wholly-owned by SMFG and Sumitomo Corporation. If our ownership arrangement changes or our shareholders cease to provide us with funding for our operations, it could have a material impact on our financial condition, cash flow and results of operations.

Market Conditions in the Airline and Aircraft Operating Lease Industries

Market conditions affect our ability to negotiate favorable terms in new leases, including higher lease rentals and longer lease terms, and our ability to sell aircraft on favorable terms in order to generate gains on sale or minimize losses. Market conditions also impact appraised values for aircraft, which, in turn, may affect advance rates for secured financings and our asset impairment analyses.

Sale of Aircraft

We sell aircraft to manage risk in our portfolio and to generate gains on sale. If market or other conditions limit our ability to sell aircraft, the size and mix of our fleet may change, with the potential impact described above. Sales prices for our aircraft will affect the gain on sale we are able to generate.

Ability of Our Customers to Meet Their Lease Obligations

Payments generated by performing customers drive our lease rental income. If a customer fails to perform, lease rental income may be negatively impacted and we may incur other operating expenses should we repossess and redeploy the affected aircraft.

Experienced Management Team with a Proven Track Record Over Cycles

Our senior management team has worked together over more than 22 years to successfully guide our company through two industry economic cycles and the sale of the business. Our highly experienced team, which has an average of close to 30 years of experience each in all facets of the aircraft leasing industry, has developed and applied a consistent, disciplined business strategy of investing in liquid aircraft types and developing robust operational processes, procedures and risk management frameworks to manage our portfolio. In addition, the experience of our senior management team has allowed us to develop and maintain deep, long-standing relationships with the key decision makers at major airlines, aircraft manufacturers, aviation financiers and aviation investors. The inability to retain our senior management team could have a material adverse effect on our financial condition, cash flow and results of operations.

Inflation

As of the year ended December 31, 2023, the global economy experienced the effects of increasing inflation and related actions by central banks to stymie inflation. We continue to assess the risk of inflation and decrease in purchasing power in relation to direct expenses in the current and foreseeable economic environment.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based on (i) our unaudited consolidated financial statements for the nine months ended December 31, 2023 and (ii) our audited consolidated financial statements as of and for the years ended March 31, 2023, 2022 and 2021, which have been prepared in accordance with IFRS-EU. The preparation of financial statements in conformity with IFRS-EU requires management to make use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of our reporting and the amount of income and expenses during the reported period.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may differ from those estimates. A summary of our significant accounting policies is presented in the notes to our audited consolidated financial statements. Critical accounting policies and estimates are defined as those that are both important to the portrayal of our financial position and results and require our subjective judgments, estimates and assumptions. Our most critical accounting policies and significant estimates, assumptions and judgments are described below.

Business Combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured at fair value, as are the identifiable net assets acquired. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group (as defined below) acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually.

Plant and Equipment

Aircraft

Purchased aircraft are included under property, plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of aircraft prior to delivery. Subsequent to recognition, purchased aircraft are stated at cost less accumulated depreciation and any recognized asset impairment loss. Modifications, equipment and all other costs associated with placing the aircraft in service are capitalized. The cost of aircraft is stated net of manufacturers' credits. Expenditure for additions and improvements is capitalized. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to the statement of comprehensive income.

The carrying values of aircraft are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Pre-Delivery Payments

Pre-delivery payments ("PDPs") are recorded at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalized as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalization is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

Depreciation

Assets are depreciated over their estimated useful economic lives to their residual values. Management believes the true useful economic life of a new commercial aircraft to an entity operating the aircraft is generally 25 years from the date of manufacture. However, it is our business practice to trade aircraft at regular intervals. As such, we estimate the residual value allowing for the expected physical condition or utility of the aircraft at five year intervals after taking account of the redelivery condition intended in an associated lease. We reset our residual value at each five year point or at lease end, if sooner. We estimate the residual value of office equipment, fixtures and fittings at three to ten years from the date when brought into use. Fully depreciated assets are retained in our financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed and adjusted, as appropriate, at each year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The effects of any revision are recognized in our statement of comprehensive income when the changes arise.

Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in our statement of comprehensive income in the period the asset is derecognized.

Non-current assets held for sale

Non-current assets (or disposals groups comprising assets and liabilities) that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale. Assets classified as held for sale must be available for immediate sale in its present condition and the sale must be highly probable. An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Lease component assets and liabilities

Aircraft acquired on lease are assessed for the existence of lease component assets and liabilities which are considered to be separate components of aircraft assets. To the extent that lease payments are off-market, they are recognized as either lease component assets or liabilities which are amortized over the remaining lease term.

Finance lease receivables

A finance lease is recognized when there is a contractual right to the asset's cash flows and derecognized when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

Loans receivable and advances to OEMs

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in our profit or loss except income tax on items recognized outside the profit or loss, which are credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period/year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the date of reporting.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the date of reporting.

Impairment of Non-Financial Assets (Including Aircraft)

Long-term tangible and intangible assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

Maintenance Reserves

Normal maintenance and repairs, airframe and engine overhauls and compliance with return conditions of the aircraft leased pursuant to operating leases are provided by and paid for by the lessees. Certain lease agreements

require the lessees to make maintenance reserve contributions to us, which subsequently can be drawn on to pay for certain maintenance events.

We cannot and do not return more monies than lessees contribute to the maintenance reserve account. All cash maintenance reserves collected under these lease agreements are recognized as liabilities on our statement of financial position during the time of the lease. At the end of the lease, excess supplemental income from the maintenance reserve account, along with any redelivery payment from or to the lessee, is recognized as revenue in our statement of comprehensive income in accordance with International Accounting Standard ("IAS") 37 – Provisions, Contingent Liabilities and Contingent Assets. Contemporaneously with the recognition of maintenance income, we depreciate the asset to reflect its actual physical condition at lease end. Generally, this end of lease revenue and depreciation recognition results in no net end of lease profit and leaves the asset on our statement of financial position at a value closely correlated to its physical condition.

Lease Incentive Assets and Lessor Contributions

On subsequent re-lease, a lessor contribution will often be made available to the next lessee to incentivize that lessee to enter into the transaction. In general, such contribution relates to maintenance reserves or redelivery adjustments collected in the prior lease and is only payable when the related maintenance is affected. Lessor contributions represent our contractual obligations to contribute to the lessee's cost of the next planned major maintenance events expected to occur during the lease.

Lessor contributions are set up as a liability on our statement of financial position and cleared on settlement. At commencement of the relevant lease, a matching lease incentive asset is set up to match the payable account. This amount is amortized over the life of the associated lease as a charge against lease revenue.

Borrowing Costs

Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds. Borrowing costs are expensed in the period to which they relate.

Specifically, borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use or sale.

Additionally, we borrow to finance certain PDPs for aircraft under construction. The interest incurred on such borrowings is capitalized and included in the cost of the aircraft, except for the interest incurred for aircraft PDPs arising from lease commitments on which we earn income. Capitalization of interest ceases when the aircraft is delivered.

We currently have interest rate swaps in place to hedge our exposure to interest rate movements. As of December 31, 2023, 100.0% (by value) of our swaps currently in place are effectively hedged for the purposes of IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") and, as such, any movements in value are reserve accounted with any hedging ineffectiveness recognized through the Net trading income/(expense) line of our statement of comprehensive income.

Break costs associated with prepayment of loans and breaking derivatives are also charged to borrowing costs in our statement of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duties.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating leases with step rentals are recognized on a straight-line basis over the term of the initial lease, assuming no renewals. Rentals received but unearned under lease agreements are recorded as payments received on account in trade and other payables.

At each reporting date, we assess whether lease receivables are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for lease receivables are deducted from the gross carrying amount of the lease receivable.

New Accounting Pronouncements and Developments

The following new standards approved by the IASB have been applied in preparing these financial statements:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- Initial Application of IFRS 17 and IFRS 9 Comparative Information (Amendments to IFRS 17)

These standards had no impact on the Group. The Group has not adopted any other new or amended accounting pronouncements which have impacted the Unaudited Condensed Consolidated Interim Financial Statements.

The following amended standards and interpretations approved by the IASB but not yet endorsed by the E.U. will be relevant to the Group and Company, but were not effective at December 31, 2023, and have not been applied in preparing these financial statements:

- International Tax Reform Pillar Two Model Rules (Amendments to IAS 12)
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Group is currently considering the impact of these amended standards and interpretations.

Description of Key Line Items

Set forth below is a description of the key line items in our consolidated statement of profit and loss and other comprehensive income.

Income

Revenue

Our primary source of income is revenue received from aircraft operating leases with airlines. Lease revenue includes monthly lease rentals and maintenance income.

Our lessees typically pay rent monthly in advance. Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed at the time of execution of lease contract or just prior to the delivery date by reference to a swap rate in line with the term of the lease. For floating rate leases, rents are typically reset every three or six months by reference to either three or six-month U.S. dollar SOFR. While delivery earlier in the year will generate more revenue, more depreciation and finance expenses will also be incurred.

Unutilized maintenance reserves and redelivery adjustments received from the airline at expiry of a lease are taken as a credit to revenue in the profit and loss. At the same time, a similar amount of additional depreciation is expensed to the profit and loss to reflect the physical condition of the asset.

We also receive aircraft management fees for services provided to aircraft owners for a variety of services, including invoicing and collections, monitoring insurance renewals, monitoring letter of credit renewals, utilization reporting and tracking, technical inspections, transition planning and management, lease placement, sales and marketing and other related services. Fees are typically structured as a percentage of periodic rentals and we receive additional fees for lease placement or sales services.

Other Operating Income

Profit on disposal of property, plant and equipment is derived from sale proceeds and related maintenance reserves retained by us, less net book value (inclusive of lease incentive assets and lessor contributions where relevant) of the relevant aircraft and any sales expenses incurred.

Expenses

Depreciation

Assets are depreciated over their estimated useful economic lives to their residual values. We estimate the residual value allowing for the expected physical condition or utility of the aircraft at five year intervals after taking account of the redelivery condition intended in an associated lease. We reset our residual value at each five year point or at lease end, if sooner.

Asset Impairment Charge

Asset impairment charges reflect the excess of net book value of the aircraft over corresponding recoverable amounts.

Credit Impairment Charge

If management judge that the collectability of rental due under a relevant aircraft operating lease is unlikely, we will continue to recognize the rental income until the lease has been modified or terminated and also recognize an offsetting expected credit impairment charge in respect of the relevant amount of the unpaid rent, effectively removing the income from our profit and loss statement. In the event that the rent obligation is discharged by the lessee, we will write back the previous credit impairment charge taken.

Operating Expenses

Operating expenses are principally comprised of administration expenses, which largely consist of staff costs, marketing and traveling expenses, general office expenses, operating lease expenses, technical service expenses and professional fees.

Staff costs are comprised mainly of gross salary, bonuses, employer's defined pension contribution payments, employer's social welfare / pension liabilities and staff benefits. We currently have short-term and long-term staff incentive plans in place. Our short-term incentive plan bonus is payable to our employees when certain key performance indicator targets (mainly financial and some operational targets) for each year are met. Bonus payments are made over a pre-determined period. The bonus is accrued and recognized in our statement of comprehensive income in the period in which the employees render their services to us.

Our long-term incentive plan is payable to selected employees based on the achievement of certain key performance targets (mainly financial and some operational targets) at the end of a pre-determined period. Bonuses are accrued and recognized in our statement of comprehensive income in the period in which the employees render their services to us. Payment of accrued bonus will be made over a period after each pre-determined period.

Net Finance Costs

Finance costs relate primarily to interest income and expense, fair value changes to ineffective portion of derivative financial instruments and other charges on our loans and borrowings and finance lease payables, which are not capitalized as part of property, plant and equipment, as explained in our critical accounting policies.

Tax Expense

Tax expense is recorded in our profit or loss, except for any income tax on items recognized outside our profit or loss, which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period/year, arising in profit in other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the date of our reporting.

Income tax mainly relates to provisions for deferred tax liabilities and is mainly attributable to temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the date of our reporting.

Results of Operations Data

	Nine Months ended December 31		Year ended March 31		
	2023	**2022**	**2023**	**2022**	**2021**
	(in thousands of U.S. dollars)				
Income					
Lease revenue	1,445,817	884,241	1,347,962	1,371,721	1,130,832
Other revenue	6,539	6,874	9,072	10,833	13,721
Total revenues	1,452,356	891,115	1,357,034	1,382,554	1,144,553
Other operating income	826,189	26,575	51,617	124,276	22,697
	2,278,545	917,690	1,408,651	1,506,830	1,167,250
Operating expenses					
Depreciation	(514,379)	(273,434)	(413,633)	(484,213)	(442,094)
Asset impairment	(58,218)	(31,595)	(70,260)	(1,686,034)	(176,439)
Credit impairment credit / (charge)	6,920	(8,736)	(31,693)	35,364	(153,872)
Financial asset impairment	-	-	-	(16,592)	-
Operating expenses	(113,749)	(117,904)	(182,333)	(104,167)	(85,941)
Profit from operating activities	1,599,119	486,021	710,732	(748,812)	308,904
Finance income	236,271	174,158	265,864	108,155	95,208
Finance expense	(732,603)	(392,918)	(635,114)	(475,236)	(389,325)
Net trading gain	-	-	-	576	442
Net finance costs	(496,332)	(218,760)	(369,250)	(366,505)	(293,675)
Profit / (loss) before taxation	1,102,787	267,261	341,482	(1,115,317)	15,229
Tax (charge) / credit	(138,380)	(33,434)	(45,371)	140,418	(1,674)
Profit / (loss) from continuing operations	964,407	233,827	296,111	(974,899)	13,555
Other comprehensive income					
Cash flow hedges - effective portion of changes in fair value	(13,533)	207,109	113,317	231,245	275,269
Cash flow hedges - reclassified to profit or loss	(570)	556	737	781	820
Fair value through other comprehensive income	1,356	-	(1,356)	-	(1,260)
Tax on other comprehensive income	1,593	(25,958)	(14,257)	(29,003)	(34,512)
Other comprehensive (loss)/ income, net of tax	(11,154)	181,707	98,441	203,023	240,317
Total comprehensive income / (loss)	953,253	415,534	394,552	(771,876)	253,872

Nine Months Ended December 31, 2023 Compared to Nine Months Ended December 31, 2022

Profit before tax of $1.1 billion (including Russian insurance settlement proceeds of $755.8 million) was generated for the nine months ended December 31, 2023, compared to $267 million for the nine months ended December 31, 2022. The increased profitability was mainly due to a combination of:

- Russian insurance settlement proceeds of $755.8 million;
- $561.6 million (63.5%) increase in lease revenue driven by the higher lease yields and 45.1% increase in our average aircraft asset base;
- $15.7 million decrease in credit impairment charges; partially offset by
- $221.0 million increase in net finance costs (before break gains/losses) reflecting both higher debt balances to fund the increased scale of our business and a higher interest rate environment;
- $240.9 million increase in depreciation due mainly to the greater scale of our portfolio; and
- $26.6 million increase in asset impairment.

Income

Lease revenue increased by $561.6 million (63.5%) to $1.4 billion for the nine months ended December 31, 2023 (nine months ended December 31, 2022: $884.2 million) mainly due to the scale of our organic and inorganic acquisition activity which resulted in a 45.1% increase in average aircraft assets, and higher lease rates driven by a combination of the improved operating environment and higher interest rate environment.

Maintenance income increased by $31.9 million to $39.8 million for the nine months ended December 31, 2023 (nine months ended December 31, 2022: $7.9 million income) primarily due to a higher level of redelivery payments in the current period.

Other revenue, which consists mostly of ongoing aircraft management fees, decreased by $0.3 million to $6.5 million for the nine months ended December 31, 2023 (nine months ended December 31, 2022: $6.9 million), mainly as a result of lower fee income from affiliates and related entities.

Other Operating Income

Other operating income is comprised of profit on disposal of aircraft, arranger fee and other fee income.

We trade aircraft for a variety of reasons including for portfolio management purposes as well as for profit. A profit on disposal of aircraft, including gains from settling sale-related funding, of $87.2 million was generated on the sale of 26 aircraft for the nine months ended December 31, 2023 (nine months ended December 31, 2022: $69.5 million profit on disposal, including gains from settling sale-related funding, was generated on the sale of 25 aircraft). We also arranged the sale of a further 5 aircraft to investors during the period. Additionally, contracts and / or letters of intent for a further 21 aircraft sales were signed as of December 31, 2023, which we expect to close in the coming periods.

Expenses

Asset impairment

Asset impairment charges increased by $26.6 million to $58.2 million for the nine months ended December 31, 2023 compared to $31.6 million for the nine months ended December 31, 2022.

The charge for the current period reflects management's prudent approach in the revisions of estimated future cash flows in relation to certain owned aircraft due to come off lease and potential maintenance exposures in cases where management concerns exist, as well as anticipated sales.

Credit impairment charge

Credit impairment charges decreased by $15.7 million to a $6.9 million reversal for the nine months ended December 31, 2023 (nine months ended December 31, 2022: $31.6 million charge). The credit impairment reversal relates mainly to a specific airline restructuring in the period, where the associated security exceeded the lost revenue. The charge in the prior year's period reflected management judgement on the recoverability of receivables.

Net Finance Costs

Net finance costs (before break gains) increased by 64.4% from $343.0 million in the nine months ended December 31, 2022, to $564.0 million in the nine months ended December 31, 2023. The increase reflects the higher funding costs associated with the financing of the $6.5 billion increase in average aircraft assets during the period and the higher interest rate environment.

Tax Expense

Tax expense increased by $104.9 million, from $33.4 million in the nine months ended December 31, 2022, to $138.4 million in the nine months ended December 31, 2023, due to the higher level of overall profitability including the Russian insurance settlement proceeds, and an increase in our effective tax rate from 12.51% to 12.55% due to the geographic spread of profitability in the current period.

Year Ended March 31, 2023 Compared to Year Ended March 31, 2022

Profit before tax of $341.5 million was generated for the year ended March 31, 2023 ("Fiscal 22"), compared to a loss before tax of $1.1 billion for year ended March 31, 2022 ("Fiscal 21"). The loss in Fiscal 21 reflected the impact of Russian sanctions and related write-off of aircraft lost in Russia at the time. The increased profitability was due mainly to a combination of:

- Charge of $1.6 billion in Fiscal 21 to reflect write-off of aircraft lost in Russia;
- $200.1 million (192%) increase in profit on disposal including gains from settling sale-related funding from the sale of 36 aircraft during Fiscal 22;
- $70.6 million (14.6%) decrease in depreciation due to a decrease in redelivery adjustments, sales and the write-off of aircraft which were lost in Russia, partially offset by new deliveries in Fiscal 22;
- $78.2 million (75.0%) increase in operating expenses mainly due to acquisition related costs of $26.7 million, as well higher insurance and staff costs, reflected in the higher average headcount of 230 (Fiscal 22: 203); and
- $67.1 million (189.6%) increase in credit impairment charges in Fiscal 22.

Revenue

Lease revenue remained stable at $1.35 billion for Fiscal 22 (Fiscal 21: $1.37 billion).

Net maintenance income decreased by $235.3 million to an expense of $1.9 million for Fiscal 22 (Fiscal 21: $233.3 million income) primarily due to income recognized in Fiscal 21 following the termination of leasing with Russian airlines.

Other revenue, which consists mostly of ongoing aircraft management fees, decreased by $1.8 million (16.3%) to $9.1 million for Fiscal 22, (Fiscal 21: $10.8 million) mainly as a result of lower fee income from affiliates and related entities.

Other Operating Income

Other operating income is comprised of profit on disposal of aircraft, arranger fee and other fee income.

We trade aircraft for a variety of reasons including for portfolio management purposes as well as for profit. A pre-impairment adjusted profit on disposal of aircraft of $107.5 million was generated on the sale of 36 aircraft for Fiscal 22 (Fiscal 21: $68.5 million, adjusted profit on disposal was generated on the sale of 23 aircraft). Additionally, contracts and / or letters of intent for a further nine aircraft sales were signed as of March 31, 2023, which we expect to close in the coming period.

Expenses

Asset Impairment

Asset impairment charges decreased by $1.6 billion to $70.3 million in Fiscal 22 compared to $1.7 billion in Fiscal 21. The Fiscal 22 charge reflected the full write-off of 34 aircraft that have been lost in Russia. The charge for the current period reflects management's approach in the revisions of estimate of future cash flows in relation to certain owned aircraft with operators at risk of restructuring and anticipated sales and an increase in the discount rate to 6% (Fiscal 21: 5%).

Credit impairment charge

Credit impairment charges increased by $67.1 million to $31.7 million for Fiscal 22 (Fiscal 21: $35.4 million reversal). This credit impairment increase relates predominantly to an increase in receivables, and management judgement on the recoverability of receivables in Fiscal 22 including those relating to operators at risk of restructuring, with airline restructurings having an impact in Fiscal 21.

Net Finance Costs

Net finance costs (before break gains) increased by $173.9 million, from $365.7 million in Fiscal 21, to $539.6 million in Fiscal 22. The increase reflects a 27.3% increase in average debt balances to fund our increased asset base and a higher interest rate environment. An increase in break gains of $171.1 million, including $97.7 million of break gains associated with the sale of aircraft during the period, was also realized in the normal course of business as part of ongoing derivative and liability management.

Tax Expense

Tax expense increased by $185.8 million, from a credit of $140.4 million in Fiscal 21, to a $45.4 million charge in Fiscal 22, due to the higher level of overall profitability and an increase in our effective tax rate from 12.6% to 13.3% due to the geographic spread of profitability in Fiscal 22 and certain non-deductible expenses in Fiscal 22.

Year Ended March 31, 2022 Compared to Year Ended March 31, 2021

(Loss)/Profit before tax decreased by $1.1 billion to a $1.1 billion loss before tax for the year ended March 31, 2022 ("Fiscal 21"), (year ended March 31, 2021 ("Fiscal 20"): $15.2 million profit). The decreased profitability was due mainly to a combination of:

- $1.5 billion increase in operating lease asset impairment and write-off charges;

- $72.8 million (24.8%) increase in net finance costs primarily due to a higher average debt balance used to finance the increase in our average aircraft assets under operating lease and lower PDP interest capitalized;

- $42.1 million (9.5%) increase in depreciation driven by the increased average aircraft assets under operating lease (18.1% increase to $13.7 billion), with acquisitions weighted toward the second half of Fiscal 21, partially offset by resetting of the depreciation curve on aircraft with lease amendments;

- $18.2 million (21.2%) increase in operating expenses primarily due to an increase in general operating costs;

- $240.9 million (21.3%) increase in operating lease revenue (after redelivery adjustments). Operating lease revenue for the period includes $161.6 million recognized following the termination of leasing with Russian airlines in relation to the release of maintenance reserves and other related balances. This amount also includes $76.3 million received in respect of letters of credit which were drawn down as part of this termination;

- $189.3 million (-123.0%) decrease in credit impairment charge to a $35.4 million reversal in the current period; and

- $101.6 million increase in other operating income driven by an increase in profit on disposal of $67.5 million and a $34.1 million increase in other operating income mainly due to the release of security deposits and other related balances following the termination of leasing with Russian airlines and the sale of unsecured claims arising from lessee bankruptcies.

Income

Total Income for Fiscal 21 was $1.5 billion, an increase of $339.6 million (29.1%) from $1.2 billion in Fiscal 20, due to a combination of (i) $240.9 million (21.3%) higher lease revenues after redelivery adjustments; (ii) $101.6 million higher other operating income, primarily consisting of profit on disposal of $69.3 million and $54.9 million other operating income; partially offset by (iii) $2.9 million lower other revenue. Separately (see Expenses), a credit impairment reversal of $35.4 million was recognized in the period (a decrease of $189.3 million on Fiscal 20: charge of $153.9 million).

Revenue

Rentals receivable net of lease incentive amortization increased by $69.9 million (6.5%) to $1.14 billion for Fiscal 21 (Fiscal 20: $1.07 billion) due to an 18.1% increase in average aircraft assets under operating lease, including aircraft held for sale.

Maintenance income increased by $171.0 million to $233.3 million for Fiscal 21 (Fiscal 20: $62.3 million) mainly due to the release of $149.3 million maintenance reserves following the termination of leasing with Russian Airlines, including $76.3 million letters of credit which were drawn down and received as part of this termination.

Other revenue, which consists mostly of ongoing aircraft management fees decreased by $2.9 million (21.0%) to $10.8 million for Fiscal 21, (Fiscal 20: $13.7 million) mainly as a result of lower fee income from affiliates and related entities.

Other Operating Income

Other operating income is comprised of profit on disposal of aircraft, arranger fee and other fee income.

Profit on disposal of aircraft was $69.3 million for Fiscal 21, an increase of $67.5 million compared to $1.9 million for Fiscal 20.

Other operating income includes arranger and other fee income of $34.6 million for Fiscal 21 and $20.3 million recognized following the termination of leasing with Russian airlines in relation to the release of security deposits and other related balances, an increase of $34.1 million from $20.8 million in Fiscal 20.

Expenses

Depreciation

Depreciation increased by $42.1 million (9.5%) to $484.2 million in Fiscal 21 (Fiscal 20: $442.1 million), primarily due to increased average aircraft assets under operating lease (18.1% increase to $13.7 billion), with acquisitions weighted toward the second half of Fiscal 21, partially offset by resetting of the depreciation curve on aircraft with lease amendments.

Operating lease asset impairment and write-off charges

Operating lease asset impairment and write-off charges increased by $1.5 billion to $1.7 billion for Fiscal 21 compared to $176.4 million for Fiscal 20. The amount related to aircraft that remain with Russian airlines (excluding the one aircraft that was recovered from a Russian airline) was $1.7 billion. The balance of the charge relates to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value. Excluding the impairment relating to aircraft in Russia, operating lease asset impairment decreased to $69.4 million for Fiscal 21 compared to $176.4 million for Fiscal 20.

Credit impairment charge

Credit impairment charges decreased by $189.3 million to a credit of $35.4 million for Fiscal 21 (Fiscal 20: charge of $153.9 million) This credit impairment reversal predominantly related to a specific airline restructuring where the outcome of negotiations and subsequent collection of outstanding rentals was better than initially modelled and also the application of security against outstanding rentals as a part of the early lease termination with one airline customer. The credit impairment charge is determined through a combination of the internal credit grading of the airline and management judgement.

Operating Expenses

Operating expenses increased by $18.2 million (21.2%), from $85.9 million in Fiscal 20, to $104.2 million in Fiscal 21, primarily due to an increase in general operating costs.

Net Finance Costs

Net finance costs increased by $72.8 million (24.8%), from $293.7 million in Fiscal 20, to $366.5 million in Fiscal 21. The increase reflects a 17.2% increase in the average debt balance to fund our increased asset base and lower PDP interest capitalized, partially offset by our continued ability to put in place competitively priced debt, resulting in an average cost of debt of 3.1% for the period.

Tax Expense

Tax expense decreased by $142.1 million, from a $1.7 million charge in Fiscal 20, to a $140.4 million credit in Fiscal 21, due to the loss before tax in Fiscal 21 and an increase in our effective tax rate from 11.0% to 12.6%, due to the geographic spread of profitability in the current period.

Condensed Consolidated Statement of Financial Position Data

As of December 31	As of March 31		
2023	2023	2022	2021
(in thousands of U.S. dollars)			

Non-current assets				
Property, plant and equipment	21,374,065	21,747,591	13,729,560	13,638,022
Intangible assets	3,993	3,921	3,601	3,081
Advances to OEMS	-	25,087	44,771	364,577
Finance lease and loan receivables	531,052	560,907	586,982	475,532
Lease incentive assets	158,705	140,880	68,383	13,604
Derivative financial instruments	37,062	80,492	24,851	-
	22,104,877	22,558,878	14,458,148	14,494,816
Current assets				
Advances to OEMS	72,629	19,743	563,585	376,602
Assets held for sale	588,683	245,280	34,787	-
Finance lease and loan receivables	38,805	32,262	46,021	26,040
Trade and other receivables	242,347	281,450	212,299	242,029
Cash and cash equivalents	685,414	738,220	994,274	817,055
Lease incentive assets	48,610	43,775	19,769	8,348
Derivative financial instruments	3,107	806	-	1,373
	1,679,595	1,361,536	1,870,735	1,471,447
Total assets	23,784,472	23,920,414	16,328,883	15,966,263
Equity				
Share capital	2,249,513	2,249,513	887,513	887,513
Other components of equity	485,380	495,178	396,737	193,714
Retained earnings	2,311,290	1,346,883	1,050,772	2,025,671
Total equity	5,046,183	4,091,574	2,335,022	3,106,898
Non-current liabilities				
Trade and other payables	1,124,117	1,112,607	464,224	597,805
Obligations under finance leases	-	-	-	2,389
Borrowings	15,314,991	16,501,753	11,301,193	9,602,958
Deferred tax liabilities	476,332	341,933	242,472	355,840
Derivative financial instruments	29,445	50,074	106,737	312,393
Subordinated liabilities	300,000	300,000	300,000	300,000
	17,244,885	18,306,367	12,414,626	11,171,385
Current liabilities				
Liabilities associated with assets held for sale	10,395	26,824	2,773	-
Trade and other payables	710,573	711,208	421,778	380,297
Obligations under finance leases	-	-	-	3,171
Borrowings	772,436	784,441	1,154,478	1,303,567
Derivative financial instruments	-	-	206	945
	1,493,404	1,522,473	1,579,235	1,687,980
Total liabilities	18,738,289	19,828,840	13,993,861	12,859,365
Total equity and liabilities	23,784,472	23,920,414	16,328,883	15,966,263

Assets

Total assets are comprised primarily of aircraft operating lease assets, aircraft classified as finance lease and loan receivables, aircraft pre-delivery payments ("PDPs"), advances to OEMs, cash, trade and other receivables and assets held for sale.

Total assets decreased by $0.1 billion (0.6%), from $23.9 billion as of March 31, 2023, to $23.8 billion as of December 31, 2023. This was primarily driven by (i) the continued depreciation of our asset base of $514.4 million in the period and (ii) the sale of 26 aircraft from our portfolio generating proceeds of $943.1 million. This was partly offset by purchase of additional aircraft assets in the ordinary course of business and the funding of PDPs totaling $1.4 billion.

Net lease receivables, included in Trade and other receivables, decreased by $65.7 million from March 31, 2023 to December 31, 2023 primarily due to the continued improvement in payment performance by airlines along with the conclusion of a specific airline restructuring in the period the outcome of which was better than initially modelled.

The continued optimization of our portfolio through the active trading of primarily older aircraft assets, depreciation and asset impairment charges, offset by the delivery of new aircraft in the nine months ended December 31, 2023, resulted in a decrease in net book value of aircraft of $130.1 million to $21.4 billion, including aircraft classified as finance lease and loan receivables and aircraft classified as held for sale.

Aircraft assets under operating lease and aircraft classified as held for sale of $20.8 billion were $109.5 million lower as of December 31, 2023 compared to March 31, 2023, with aircraft classified as finance lease and loan receivables totaling $572.6 million as of December 31, 2023 ($593.2 million as of March 31, 2023).

Assets held for sale are classified as such based on a combination of (i) sale contracts or letters of intent that have been signed, and (ii) the completion of the sale of these aircraft are considered to be highly probable and are expected to complete within 12 months of classification as held for sale.

Liabilities

Total liabilities decreased by $1.1 billion (5.5%), from $19.8 billion as of March 31, 2023, to $18.7 billion as of December 31, 2023. Total debt (including $300 million subordinated liabilities) decreased by $1.2 billion from $17.6 billion at March 31, 2023, to $16.4 billion at December 31, 2023.

Maintenance Reserves

Normal maintenance and repairs, airframe and engine overhauls and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees.

Certain lease agreements require the lessees to make maintenance reserve contributions to us, which subsequently can be drawn on to pay for certain maintenance events carried out.

These maintenance reserves are accounted for as a liability on our statement of financial position. If a lessee performs scheduled maintenance of the aircraft, we are required to reimburse the lessee for qualifying scheduled maintenance payments. We may incur additional maintenance expenditure in the future in the event a lessee fails to meet its maintenance obligations under the lease agreement and the actual maintenance exposure on the aircraft exceeds the maintenance reserves held as a liability by us.

Unutilized maintenance reserves and redelivery adjustments received from the airline at expiry of a lease are retained and recorded as income. At the same time, a similar amount of additional depreciation is expensed to reflect the physical condition of the asset.

Maintenance reserves, held in cash and including those associated with assets held for sale, decreased by $13.7 million (2.0%) from $696.1 million as of March 31, 2023, to $682.4 million as of December 31, 2023, primarily due to timing of reserve payments. We also held letters of credit in relation to rental and maintenance exposure of $510.3 million (Fiscal 22: $488.3 million).

Liquidity and Capital Resources

Our primary sources of liquidity are bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and debt financings. Our business is capital intensive, requiring significant investments in order to expand our aircraft fleet during periods of growth and to improve and maintain our existing fleet. The cash flows from our operations, particularly our revenues from operating leases, have historically provided a significant portion of the liquidity for these investments.

In the past, we have also met our liquidity and capital resource needs by utilizing several sources, including:

- lines of credit, unsecured term financings, shareholder funding, secured borrowings supported by export credit agencies for new aircraft acquisitions and bond financings; and
- equity contributions from our shareholders.

Going forward, we expect to continue to seek liquidity from these sources. While we continue to focus on unsecured debt, we may selectively consider secured financing for a portion of our financing needs. In Fiscal 22, 100% of total debt financings were unsecured.

In Fiscal 22, we were, in all material respects, in compliance with all applicable covenants in our financial instruments.

We believe that cash on hand, payments to be received from lessees and other funds to be generated from operations, future borrowings for aircraft, standby revolving credit facilities and proceeds from future aircraft sales will be sufficient to satisfy our liquidity and capital resource needs over the next twelve months, including payments due under our aircraft purchase obligations, required principal and interest payments under our long-term debt facilities, expected capital expenditures and lessee maintenance payment reimbursement.

Cash Flows Data

	Nine Months ended December 31,		Year ended March 31,		
	2023	**2022**	**2023**	**2022**	**2021**
	(in thousands of U.S. dollars)				
Profit / (loss) before tax	1,102,787	267,261	341,482	(1,115,317)	15,229
Adjustments for:					
Depreciation of property, plant and equipment	514,379	273,434	413,633	484,213	442,094
Impairment charge of property, plant and equipment	58,218	31,595	70,260	1,686,034	176,439
Amortisation of computer software intangible assets	1,025	1,137	1,158	857	755
Lease incentive asset amortisation	35,855	28,746	40,574	18,760	15,924
Credit impairment (credit)/charge	(6,920)	8,736	31,693	(35,364)	153,872
Financial asset impairment	-	-	-	16,592	-
Net interest expense	495,059	219,092	367,506	366,489	293,656
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges	-	-	-	(576)	(442)
Profit on disposal of assets held under operating leases	(48,996)	(8,644)	(29,736)	(69,327)	(1,857)
	2,151,407	821,357	1,236,570	1,352,361	1,095,670
Decrease / (Increase) in receivables	94,650	8,118	18,502	28,750	(247,632)
(Decrease) / increase in payables	(71,870)	53,420	238,553	(187,884)	(40,145)
Cash generated by operations	2,174,187	882,895	1,493,625	1,193,227	807,893
Income taxes paid	(16,813)	(2,335)	(1,532)	(586)	(400)
Interest paid	(538,464)	(190,739)	(279,130)	(380,128)	(357,148)

Net cash from operating activities	1,618,910	689,821	1,212,963	812,513	450,345
Investing activities					
Proceeds on disposal of property, plant and equipment	943,051	804,800	1,230,805	965,918	90,802
Purchases of property, plant and equipment	(1,411,474)	(2,167,226)	(2,941,763)	(3,140,904)	(2,851,456)
Purchases of intangible assets	(1,096)	(1,544)	(1,479)	(1,376)	(2,543)
Purchase of investments	-	(1,310,208)	(1,310,327)	-	-
Net cash used in investing activities	(469,519)	(2,674,178)	(3,022,764)	(2,176,362)	(2,763,197)
Financing activities					
Proceeds from issuance of share capital	-	1,362,000	1,362,000	-	-
Receipts from restricted cash accounts	-	(112,084)	-	361,700	240,100
Repayment of obligations under finance leases	-	-	-	(5,752)	(7,703)
Proceeds from indebtedness	2,021,524	3,366,832	4,355,582	2,947,802	2,595,900
Repayments of indebtedness	(3,223,368)	(2,342,932)	(4,162,957)	(1,399,635)	(701,568)
Net cash (used in) / from financing activities	(1,201,844)	2,273,816	1,554,625	1,904,115	2,126,729
Effect of exchange rate changes on unrestricted cash and cash equivalents	(353)	(1,591)	(878)	(1,347)	922
Net (decrease) / increase in unrestricted cash and cash equivalents	(52,806)	287,868	(256,054)	538,919	(185,201)
Unrestricted Cash and cash equivalents at beginning of the period	738,220	994,274	994,274	455,355	640,556
Unrestricted Cash and cash equivalents at end of the period	685,414	1,282,142	738,220	994,274	455,355
Restricted Cash and cash equivalents	-	112,084	-	-	361,700
Closing Cash and cash equivalents	685,414	1,394,226	738,220	994,274	817,055

Nine months ended December 31, 2023 Compared to Nine Months Ended December 31, 2022

The cash generated by operations, before Russian insurance settlement proceeds net of related charges, was $1.4 billion in the nine months ended December 31, 2023, an increase of $0.6 billion compared to $0.9 billion for the nine months ended December 31, 2022, mainly due to additional lease revenue generated by the larger asset base and higher lease yields.

During the nine months ended December 31, 2023, cash was generated from a number of sources including:

- net cash from operating activities, including Russian insurance settlement proceeds of $755.8 million, of $1.6 billion;
- proceeds from indebtedness of $2.0 billion; and
- proceeds from aircraft disposals of $0.9 billion.

Net cash used in investing activities was $469.5 million for the nine months ended December 31, 2023, a decrease of $2.2 billion compared to $2.7 billion for the nine months ended December 31, 2022. This was primarily due to the GML acquisition investment in the nine months ended December 31, 2023 of $1.3 billion and a $755.8 million decrease in purchase of property, plant and equipment to $1.4 billion. Proceeds on disposal of property, plant and equipment increased by $138.3 million to $943.1 million.

Net cash used in financing activities was $1.2 billion for the nine months ended December 31, 2023, compared to a net cash of $2.3 billion from financing activities for the nine months ended December 31, 2022. This decrease of $3.5 billion was mainly due the settlement of debt from surplus cash balances and an equity injection of $1.36 billion received in the previous financial year.

Year Ended March 31, 2023 Compared to Year Ended March 31, 2022

During Fiscal 22 we invested $2.9 billion in aircraft assets and aircraft PDPs and $1.3 billion net investment in GML. The additional cash to fund these investments was generated from a number of sources including:

- proceeds from indebtedness of $4.4 billion;
- proceeds from issuance of share capital of $1.4 billion; and
- proceeds from aircraft disposals of $1.2 billion.

Net cash from operating activities was $1.2 billion for Fiscal 22, an increase of $0.4 billion compared to net cash generated from operating activities of $0.8 billion for Fiscal 21.

The cash generated by operations was $1.5 billion for Fiscal 22, an increase of $0.3 billion compared to $1.2 billion for Fiscal 21, due to an increase in cash collateral held in respect of derivatives due to the movement in interest rates.

Net cash used in investing activities was $3.0 billion for Fiscal 22, an increase of $0.8 billion compared to $2.2 billion for Fiscal 21. This was primarily due to net investment in GML of $1.3 billion, partially offset by a decrease in purchase of property, plant and equipment of $0.2 billion and an increase in the proceeds on disposal of property, plant and equipment of $0.3 billion.

Net cash from financing activities was $1.6 billion for Fiscal 22, compared to $1.9 billion net cash from financing activities for Fiscal 21. This decrease of $0.3 billion was mainly due to a decrease in net proceeds from indebtedness of $1.3 billion and a reduction in receipts from restricted cash accounts of $0.4 billion, partially offset by the proceeds from the issuance of share capital of $1.4 billion.

Year Ended March 31, 2022 Compared to Year Ended March 31, 2021

Unrestricted cash balances increased by $538.9 million for Fiscal 21, during which we invested $3.1 billion in aircraft assets and aircraft PDPs.

The cash to fund these investments was generated from a number of sources including:

- net cash from operating activities of $812.5 million,
- proceeds from aircraft disposals of $965.9 million; and
- net cash from financing activities of $1.9 billion.

Net cash from operating activities was $812.5 million for Fiscal 21, an increase of $362.2 million compared to net cash generated from operating activities of $450.3 million for Fiscal 20.

The cash generated by operations was $1,193 million for Fiscal 21, an increase of $385.3 million compared to $807.9 million for Fiscal 20. This is reflective of the improved cash payments by airline customers in the period compared to the comparative period.

Net cash used in investing activities was $2.2 billion for Fiscal 21, an increase of $0.6 billion compared to $2.8 billion for Fiscal 20. This was primarily due to an increase in proceeds on disposal of property, plant and equipment of $0.9 billion, offset by an increase in purchase of property, plant and equipment of $0.3 billion.

Net cash from financing activities was $1.9 billion for Fiscal 21, compared to $2.1 billion for Fiscal 20. This decrease of $0.2 billion was mainly due to a decrease in the net of repayments of debt and proceeds from new loans

to fund aircraft purchases of $0.3 billion, offset by an increase in receipts from restricted cash accounts of $0.1 billion relating to the reduction in restricted cash required for a collateral call account for derivatives.

Debt Obligations

We raise debt financing from our shareholders and external sources for the purpose of funding the purchase of aircraft, payment to the OEMs of PDPs for aircraft, the repayment of existing debt and for general corporate purposes. As of December 31, 2023, 52% of our total debt financing has been sourced from external sources. Our external debt has been raised through a combination of issuance of unsecured bonds and unsecured term loans in the banking market. We also have unsecured revolving credit facilities available for short to medium term financing requirements and liquidity management.

We have a strong preference for funding our business on an unsecured basis given the operational flexibility this approach provides and our status as one of the most active traders of aircraft in the industry. We intend to make increasing use of corporate recourse borrowings by continuing to expand our unsecured investor base.

The following table provides a summary of our secured and unsecured debt financings as of December 31, 2023:

Debt Obligation	Collateral	Outstanding Borrowing ($'000)	Final Stated Maturity
Unsecured Debt Financings:			
Parent group undertakings	None	7,851,873	Between 2023 and 2039
Third party undertakings	None[21]	8,535,554[22]	Between 2023 and 2033
Total debt financings		16,387,427	

Unsecured Debt Financing

Bank and Bond Financing

As of December 31, 2023, we had unsecured loans totaling $16.4 billion, of which $7.9 billion (including $300 million of subordinated debt) was sourced from shareholder entities, $5.4 billion was sourced from third-party financial institutions and $3.1 billion was raised from our corporate bond offerings.

Unsecured Revolving Credit Facilities

As of December 31, 2023, we had undrawn borrowing capacity of $8.5 billion from Sumitomo Mitsui Banking Corporation ("SMBC") under our credit approved shareholder revolving credit facility. This amount is available up to September 30, 2024, at which time we expect that it will be extended for a further 12 months.

As of December 31, 2023, we also had $2.3 billion of borrowing capacity under our third-party revolving credit and term facilities, $120 million available up to July 10, 2026, $1.0 billion available up to August 17, 2026, $400 million available up to March 5, 2025, $100 million up to September 14, 2028 and $710 million available up to October 26, 2027. We expect to extend or increase these facilities over time.

[21] The JBIC Facilities rank pari passu with our other existing unsecured debt. SMBC guarantees the 2012 JBIC Facility. Should the guarantee cease to remain in effect or should SMBC be assigned a credit rating of less than investment grade by an international rating agency, JBIC has the right to call for additional security for the outstanding amounts owed to it under the facility (note that removal of the guarantee or downgrading of SMBC does not automatically create any charge over our assets).

[22] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

Subordinated Loan

In November 2018, we entered into a floating rate subordinated loan with an initial 16-year maturity with a shareholder entity. The maturity of the loan has been extended on September 30, 2022 to February 2039 and can be extended further annually on request.

Derivatives

Our revenues from operating leases are generated from the rental and maintenance payments we receive from our lessees. These rental payments are generally fixed, but may be fixed or floating with respect to leases entered into in the future. In general, we may be exposed to risks associated with fluctuations in interest rates because the debt used to finance our aircraft assets accrues interest at floating rates, while the lease revenue on some of these aircraft may be fixed. Our policy is to minimize this exposure to interest rate risk for the full term of the lease through the use of interest rate swaps and other derivative instruments.

Derivative financial instruments are used to manage exposure to changes in interest rates and foreign currencies. Derivative financial instruments are not held or issued for trading or speculative purposes.

All derivative financial instruments are required to be recorded as either assets or liabilities in the consolidated statements of financial position and are recorded at fair value. If certain conditions are met, a derivative financial instrument may be specifically designated as a hedge. Fair value changes in derivative financial instruments that are not designated as hedges or do not qualify as hedges are included in earnings. As of December 31, 2023, there are no derivative financial instruments designated as being in a fair value hedge relationship.

On the date we enter into a derivative financial instrument our management designates the derivative as a hedge for an identified exposure if it qualifies.

All relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions, are formally documented at inception. In this documentation, a hedged item is specifically identified and how the hedging instrument is expected to hedge the risks related to the hedged item is stated.

We formally assess the effectiveness of our hedging relationships both at the time of inception and on a quarterly basis in accordance with our risk management policy. For all qualifying and highly effective cash flow hedges, the changes in the fair value of the derivatives are recorded as Other Comprehensive Income to the extent effective.

We attempt to limit our credit exposure by dealing with creditworthy counterparties. In addition, before entering into each agreement and periodically throughout the period a financial instrument is owned, we review each counterparty to evaluate its financial stability.

Contractual Obligations

As of December 31, 2023, we have direct aircraft orders in place with Airbus for 145 A320NEO aircraft and 34 A321NEO aircraft, and direct orders in place with Boeing for 81 737-MAX-8 aircraft. In addition to these direct orders, we have sale and leaseback and portfolio acquisitions for 2 Boeing and 9 Airbus aircraft.

In September 2023, we announced a firm order for 25 Boeing 737 MAX-8 aircraft, extending the delivery pipeline for this asset type to 2029. Further, in November 2023, we announced an order for 60 Airbus A320neo family aircraft.

As of December 31, 2023, the combined purchase price of these firm orders totaled $14.5 billion and scheduled delivery dates are between 2024 and 2031. These contracted obligations are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

The following table sets out our future obligations in respect of aircraft purchase commitments and unsecured debt arrangements with third parties and group companies:

	As of December 31, 2023—$'000			
	Total	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Unsecured Debt—Third party undertakings	8,535,553,528[23]	699,834,225	6,274,931,090	1,560,788,213
Unsecured Debt—Group Undertakings	7,851,873,262	72,602,316	1,755,773,997	6,023,496,949
Aircraft Capital Commitment	14,520,079,461	1,591,801,657	9,533,437,085	3,394,840,719
	30,907,506,251	2,364,238,198	17,564,142,172	10,979,125,881

Off-Balance Sheet Arrangements

Other than aircraft purchase commitments we do not have any off-balance sheet arrangements.

Qualitative Disclosures about Commercial and Market Risk

Commercial Risk

The airline industry is cyclical and highly competitive. Our aircraft are under operating leases where the cost of the aircraft is expected to be substantially recovered over the term of the leases. The oversupply of a specific type of aircraft in the market could depress aircraft lease rates and values, which would affect re-lease rates. The supply and demand of aircraft is affected by various cyclical factors including:

- passenger air travel and air cargo demand;
- fuel prices;
- maintenance costs;
- technological innovation and the introduction of a new generation of aircraft types;
- government and environmental regulations; and
- geopolitical issues.

We are directly exposed to the ongoing impact of the sanctions imposed against Russia. The impact of the sanctions will result in the risks noted above being heightened until the Russian crisis subsides, as well as an adverse impact on our financial condition, results and cashflows.

Market Risk

Market risk represents the risk of changes in value of a financial instrument caused by fluctuations in interest rates and foreign exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the following market risks:

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from loans and

[23] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

borrowings, finance lease payables to third parties and related parties, finance lease and loan receivables from third parties and related parties and lease rental income and expenses.

Our policy is to minimize cash flow and interest rate risk by managing our funding in both duration and interest basis on similar terms to our overall portfolio of leasing transactions, using floating-to-fixed interest rate swaps where appropriate. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. As of December 31, 2023, and March 31, 2023, 29.8% and 32.3% of our debt was secured on a floating rate basis respectively, (excluding subordinated debt). This compares with 4.5% of our portfolio, as measured by net book value, which was leased on a floating rate leases as of December 31, 2023. Taking into consideration the economic effect of these interest rate swaps and other derivative instruments converting our hedged borrowings from floating rates to fixed rates, the effective proportion of floating rate debt to our overall debt was 8.6% (excluding subordinated debt) as of December 31, 2023.

As of March 31, 2023, if interest rates on financial assets or liabilities with variable interest rates decreased/increased by 10 basis points, the underlying post-tax profit for the year would have been $0.1 million lower/higher and other components of equity would have been $4.7 million lower/higher as a result of a decrease/increase in the fair value of cash flow hedge reserve.

We obtain financing primarily through bank borrowings and capital market fundraising. Our objective is to obtain the most favorable interest rates available on acceptable terms and conditions.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due. Any maturity mismatch within the overall long-term structure of our assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of our liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to impact of COVID-19 on various lessees, available liquidity capacity has ensured that there was no material change in the liquidity risk during the year.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. We are exposed to credit risk in the carrying amounts of trade and other receivables, derivative financial instruments, advances to OEMs, fixed deposits and cash and bank balances.

Credit risk on lease receivables is managed within the SMBC Aviation Capital group to enable us to achieve appropriate risk versus reward performance while maintaining credit risk exposure in line with approved risk appetite on an entity basis. Our credit risk on liquid funds is limited because our counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit impairment charge is determined by classifying lessees into four categories, Category 1 being the lowest risk and Category 4 the highest risk with an appropriate provision percentage ascribed to each category depending on payment performance. The Group’s leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair, maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas.

We continue to monitor the economic environment of our customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and

lessee specific circumstances. All lessees who entered bankruptcy protection, administration (or similar arrangements) during the prior financial year are included in Category 4.

Foreign Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We minimize cash flow currency risk by ensuring our leases and associated financing are in the same currency, or entering into currency swaps or forwards over the life of the lease. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. For Fiscal 21 and Fiscal 20, our lease revenues were denominated in U.S. dollars. As of December 31, 2023, we had no currency swaps in place.

All of our financial instruments are primarily in U.S. dollars. However, certain bank accounts and receivables and payables are denominated in Euro, Japanese Yen, Chinese Yuan and Sterling.

BUSINESS OVERVIEW

SMBC Aviation Capital forms part of the wider Sumitomo family aircraft financing group and is one of the world's leading aircraft operating lease companies. In operation since 2001, we are a top five aircraft operating lessor globally based on fleet size, with an owned and managed fleet valued at $30.9 billion as of December 31, 2023, comprising 497 owned and 214[24] managed aircraft.

Our success over our more than 22 years of operations has been achieved through our strategy of maintaining a young, narrow-body fleet, generating stable long-term contracted cash flows and attractive risk adjusted returns. As of December 31, 2023, we have accumulated retained earnings of $2.3 billion.

Our direct order book is 100% narrow-body and comprises the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its business which we expect will result in the retirement of older, higher emission aircraft, a dynamic that the COVID-19 pandemic accelerated. Maintaining a portfolio of young, more fuel efficient aircraft assets is critical to long-term profit stability and our increased focus on sustainability.

We are disciplined in terms of the commercial jet aircraft in which we invest, focusing on young, liquid, in-demand assets which have large production runs, the widest installed base and which are flown by most airlines around the world. We acquire these aircraft either directly through orders with the OEMs, through SLB transactions with airlines, through portfolio purchases from other lessors or, on occasion, through strategic M&A opportunities. Our strategy is to recalibrate our emphasis on different acquisition channels at different points in the industry cycle to optimize overall returns.

We believe that our focus on aircraft liquidity will continue to reduce earnings volatility in a long-run normalized operating environment and maximize risk-adjusted returns over time. This strategy has resulted in a portfolio as of December 31, 2023 that is comprised almost entirely of what we believe to be the most liquid aircraft available, such as Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Furthermore, 83% of our existing portfolio (weighted by NBV as of December 31, 2023) and 100% of our future commitments are comprised of narrow-body aircraft which are the most liquid aircraft available in the global commercial jet fleet.

We are a global business, headquartered in Dublin, Ireland, with representatives in Japan, China, Hong Kong, Singapore, Europe and the United States. Our global presence provides local access to airline customers, aircraft investors and capital providers in key geographic regions. We lease our owned and managed aircraft to a diverse group of operators, both geographically and by business type. As of December 31, 2023, we had 106 airline customers in 48 different countries worldwide with a balanced geographical mix comprised of 36.6% in Europe, Middle East and Africa, 31.9% in the Americas and 31.4% in Asia (in each case, weighted by NBV as of December 31, 2023).

We trade our aircraft assets frequently to optimize returns and manage risk, ensuring that our portfolio stays young and attractive to our airline and investor customer base. Since our inception in 2001, we have sold over 500 aircraft from our owned portfolio to over 130 trading counterparties as of December 31, 2023, reflecting the strength of our aircraft trading platform and our ability to access and develop liquidity across a broad spectrum of global investors throughout the economic cycle.

Throughout over 22 years in business, we have maintained one of the youngest portfolios of owned aircraft among investment grade leasing companies[25], with a weighted average age of 5.4 years and a weighted average remaining lease-term of 6.3 years as of December 31, 2023.

SMBC Aviation Capital is a key pillar of our shareholders international expansion strategy and as a result, we receive significant financial support from the shareholder group. In aggregate, the shareholders' total commitment to SMBC Aviation Capital stands at $19.75 billion as of December 31, 2023 on a combined debt and equity basis. We

[24] Including 5 aircraft for affiliated companies.

[25] Based on publicly available information concerning the fleets of Air Lease Corporation, BOC Aviation, AerCap Holdings N.V., Aircastle Limited, Dubai Aerospace Enterprise, Avolon and Aviation Capital Group.

augment our core leasing business through a combination of marketing our shareholders' wider aircraft finance product offerings, for which we receive referral fees, and utilizing our extensive lease management platform to provide fleet management services to aircraft investors for a management fee. These fleet management services are similar to those we perform with respect to our owned fleet and include *inter alia* leasing, remarketing for sale or lease, lease administration and provision of technical oversight.

For the nine months ended December 31, 2023, our business generated a profit before tax of $1.1 billion (including Russian insurance settlement proceeds of $755.8 million), as compared to a profit before tax of $267 million for the nine months ended December 31, 2022. The increased level of profitability reflects the insurance settlement proceeds of $755.8 million and the greater scale of our balance sheet, strength of the market backdrop globally for aircraft financing and the resulting high level of activity across all sections of our business.

It is the combination of our disciplined investment strategy, focused risk management and balance sheet strength, together with our experienced management team and strong shareholder support that underpins our investment grade ratings. Our strong credit ratings in turn facilitate our access to a broad range of competitively priced financing sources, providing us with a strong liquidity base and increased funding optionality in all market conditions.

Ownership and History

Our company commenced operating leasing services in May 2001 when we were acquired by RBSG. In June 2012, we were acquired by a consortium led by SMBC, with our ultimate parent becoming SMFG. SMFG beneficially owns 66% of our equity, is a G-SIB (Global Systemically Important Bank), and is one of the largest banking groups in Japan with total assets of $2.014 trillion[26] as of December 31, 2023. A G-SIB is a designation given to a financial institution whose distress or disorderly failure, because of its size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity. SMFG has a senior unsecured rating of A- from S&P and A- from Fitch. Sumitomo Corporation, rated A- by S&P and Baa1 by Moody's, is one of the largest Japanese general trading companies and the beneficial owner of the remaining 34% of our equity.

SMBC Aviation Capital is strategically important to SMFG's vision for the next decade to become a global financial group due to its track record of generating consistent profitable U.S. dollar based returns from a diversified, global customer base and by introducing SMFG to business opportunities in new jurisdictions. This was the context in which SMFG acquired our business.

Our shareholders provide significant financial support to our business, with an aggregate amount of $19.75 billion of capital provided as of December 31, 2023, including $5.45 billion[27] of drawn unsecured loan amounts due to parent group undertakings, a $300 million drawn unsecured subordinated liability and $5.05 billion[28] of total equity. In addition, as of December 31, 2023, SMBC had undrawn shareholder funding of $8.9 billion under the SMBC Aviation Capital Revolving Credit Agreement.

As part of its internationalization strategy, SMFG, in particular, focuses on strengthening its business in Asia in order to capitalize on the high medium- to long-term growth potential of Asia's emerging countries. One of SMFG's main goals has been to steadily create a business platform in Asia. SMBC Aviation Capital's platform and customer relationships support this goal, given that, due to strong passenger growth, the Asian region is expected to account for an increasing proportion of the global aircraft financing opportunities in the next 20 years.

SMBC Aviation Capital operates independently but is well-integrated with its shareholders, both from a business and governance perspective, with senior shareholder executives holding a majority of the positions on the board of directors of SMBC Aviation Capital. SMFG and Sumitomo Corporation have a long track record and knowledge in the aviation sector and, in particular, have been active in the commercial debt market and arranging tax

[26] Calculated based on an exchange rate as of December 31, 2023 of JPY 141.83:1.00.
[27] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."
[28] This amount includes $2.3 billion in retained earnings.

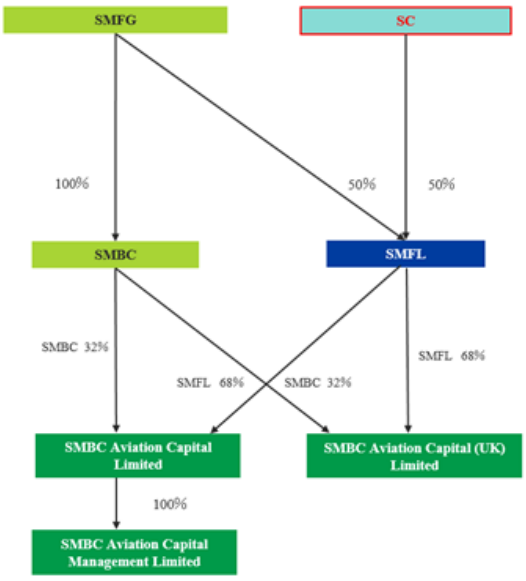
equity products for domestic Japanese investors. SMBC Aviation Capital is now utilized as the platform to maximize SMFG's aircraft financing capabilities.

Since April 2014, we have been working with our shareholders under a co-operation framework that is designed to integrate the marketing of the entire SMFG and Sumitomo Corporation product offering to airlines and investors globally. This initiative is a core component of our shareholders' business strategy, allowing us to differentiate our company from other market participants by offering a broader product proposition to our airline and investor customers. Our marketing team, in conjunction with specialist teams from SMFG and Sumitomo Corporation, offer customers a full suite of financing options including operating leases, Japanese tax leasing structures, debt financing, engine leasing and asset management services. In management's view, this maximizes our relevance to our customer base, resulting in deeper customer relationships than would be possible for a typical "one-product" leasing company.

In November 2018, SMBC Aviation Capital received a further capital investment of $1 billion, consisting of $700 million in preferred share capital issued to SMFL and SMBC, and the $300 million unsecured subordinated loan from SMBC noted above. In parallel, SMFL became a 50:50 joint venture between SMFG and Sumitomo Corporation. Our shareholders' beneficial ownership in SMBC Aviation Capital remained unchanged as a result of the reorganization. We received $1.36 billion of preferred share capital from our shareholders in December 2022 to support the Goshawk Transaction. The capital investment by our shareholders demonstrates their commitment to and support of our ongoing strategy and success.

Following the capital investment, SMBC Aviation Capital continues to remain strategically important to SMFG with a common brand, board composition and integrated strategy. SMBC Aviation Capital will also continue to be a key growth driver for SMFG's international business.

The following chart depicts the current ownership structure of SMBC Aviation Capital.



Ultimate Share Holding Percentage

SMFG: 66% SC: 34%

SMFG	Sumitomo Mitsui Financial Group	Bank Holding Company
SMBC	Sumitomo Mitsui Banking Corporation	Bank
SMFL	Sumitomo Mitsui Finance & Leasing	Lease & Finance
SC	Sumitomo Corporation	Trading Company

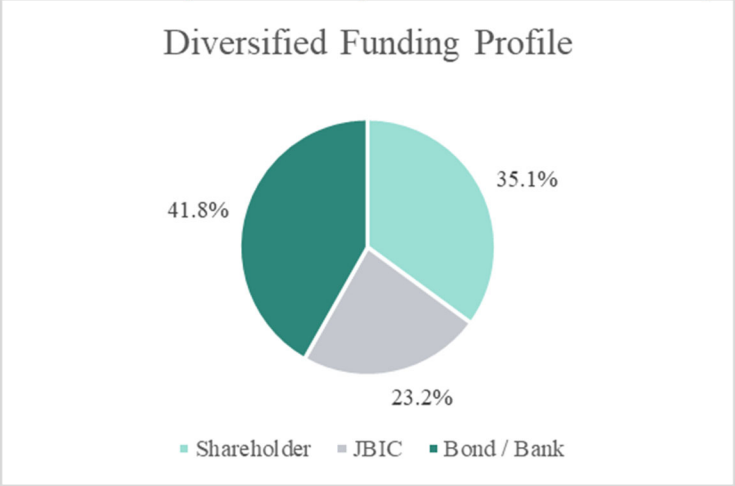
Financing Strategy

In addition to our business strategies described above, the successful implementation of our financing strategy is a critical component of the success and growth of our business, leveraging off our strong external credit ratings. The overall objective of our financing strategy is to provide the capital to grow our business through arrangements

that provide us with a competitive cost of capital, maximize flexibility in strategic choice and minimize risks relating to changes in market conditions and liquidity.

As of December 31, 2023, 100% of our equity capital, 100% of our subordinated liabilities and 33.2%[29] of our total borrowings excluding subordinated liabilities were provided by our shareholders. In addition, our Japanese ownership has enhanced our ability to tap into other sources of debt financing available from Japanese financial institutions. As of December 31, 2023, 29.25%[30] of our total borrowings were provided by term loans from non-shareholder Japanese institutions.

As of December 31, 2023, the funding profile[31] of the business consisted of 35.1%[32] shareholder debt, 23.2% of debt provided by JBIC and the remaining 41.8% from capital market issuances and third party bank financing.



In line with our business plan, the expectation is that our shareholders will continue to be our primary funding provider. However, a key element of our strategy is to develop a more diversified range of financing sources for a proportion of our funding requirements, which will provide us with increased flexibility and scale to finance our growth. We plan to make increasing use of corporate recourse borrowings by developing a significant senior unsecured investor base.

As of December 31, 2023, 20% of our debt excluding subordinated liabilities (14.7% of our capital requirements) was provided by the issuance of the 2024 Notes, the 2026 Notes, the 2028 Notes and the 2033 Notes. We may also consider in the future issuing notes or incurring loans or other indebtedness secured by aircraft and/or related assets, depending on prevailing market conditions and other considerations we deem relevant. For more information about our debt obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt Obligations."

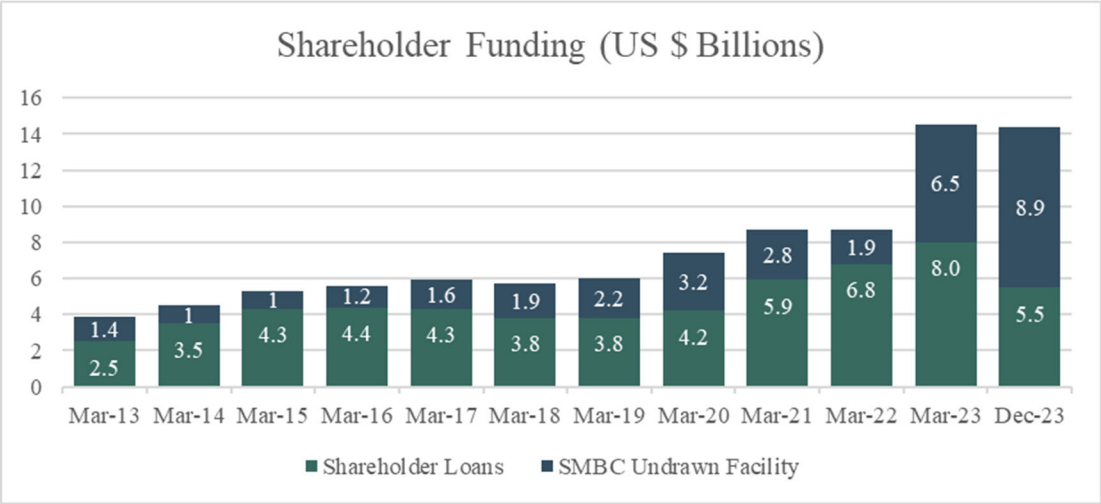
As of December 31, 2023, 100% of our debt was unsecured. Our fully unencumbered balance sheet reduces constraints on selling aircraft, which we believe complements our strategy of actively trading our aircraft assets for portfolio management purposes. The issuance of unsecured notes is in line with our objectives of diversifying funding sources while maintaining flexibility in managing our aircraft portfolio.

It is also our intention to further diversify our sources of financing by building borrowing relationships with international financial institutions. Although we intend to favor unsecured borrowings in the future, depending on market conditions, we may also enter into term loans for the acquisition of a proportion of our aircraft that are secured

[29] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."
[30] This is adjusted to include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."
[31] This is including subordinate debt liabilities.
[32] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

by the acquired aircraft and, in some cases, may be supported by third-party credit guarantees from agencies such as the Ex-Im Bank and European Export Credit Agencies ("ECAs").

In addition to the $5.45 billion[33] of drawn unsecured shareholder loans and the $300 million in unsecured subordinated loans, as of December 31, 2023, SMBC Aviation Capital had undrawn shareholder funding of $8.9 billion available under the SMBC Aviation Capital Revolving Credit Agreement. When combined with the $2.33 billion of capacity available under our undrawn third-party credit facilities and $0.69 billion of unrestricted cash, we had $11.96 billion of available liquidity as of December 31, 2023.



The revolving nature of the majority of our shareholder debt significantly mitigates our refinancing risk. As of December 31, 2023, the average third-party debt repayable over the next 5 years is $1.4 billion per annum. Third-party debt maturities due over the next twelve months is $0.7 billion.

[33] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

Hedging Policy

Our objective is to align our funding sources across all lease cash flows. In general, we are exposed to three sources of mismatch between leases and funding:

Interest rate risk—the risk cash inflows from leases do not adjust in line with cash outflows from funding as interest rates change.

Foreign exchange risk—the risk cash inflows from leases do not adjust in line with cash outflows from funding as foreign exchange rates change.

Liquidity risk—the risk the long-term nature of our leases is not matched with appropriate long-term funding.

Our objective is to minimize our exposure to these risks. To achieve this, we are aided by having access to SMBC's capital markets subsidiary, which provides attractive, commercial terms to hedge the funding of our activities.

Most of our leases are fixed rate (95.5%) but as of December 31, 2023, leases with respect to 4.5% of our owned portfolio, measured by NBV, provided for the lease rentals to be paid on a floating rate basis. We seek to align fixed rate debt funding to fixed rate leases and floating rate debt funding to floating rate leases.

Our financial instruments are primarily in U.S. dollars. Certain bank accounts are held in Euro, Sterling, Japanese Yen and Hong Kong Dollar while certain receivables and payables are also denominated in these currencies. All our leases are denominated in U.S. dollars and funded by U.S dollar denominated borrowings and equity resulting in minimal foreign exchange rate risk for us.

To the extent that lease and funding flows materially do not match, we use our internal trading lines with SMBC to allow us to execute interest rate and cross currency swaps where appropriate to reduce that risk.

Finally, to minimize liquidity risk, the maturity of our funding sources is aligned on an average basis and to the extent possible with contracted lease maturities. We carefully evaluate and monitor our debt maturity profile to ensure that our refinancing requirements are well-dispersed, without any debt maturity spike in any single year. As of December 31, 2023, the notional principal on our interest rate swaps was $3.4 billion.

We believe our capital and hedging structure is efficient and prudent given the nature of our long-term aircraft assets and leases, is consistent with our goal of minimizing refinancing risks and our strategy of generating consistent and stable cash flows and profitability and provides us with flexibility to capitalize on market opportunities as they arise. Further diversification of funding sources by gaining access to the unsecured markets through issuance of notes will enhance our financing flexibility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Description of Other Financial Indebtedness" for more information on our sources of financing.

Portfolio

As of December 31, 2023, we had an owned portfolio of 497 aircraft, a managed fleet of 214 aircraft (including 5 aircraft for affiliated companies) and 271 future purchase commitments (260 on direct order with OEM's and 11 sale and leaseback), as demonstrated in the table below. Our direct orders and sale and leaseback contracts are comprised of 188 Airbus A320 family and 83 Boeing 737-MAX-8 aircraft which are to be delivered between 2024 and 2031.

Aircraft Type	Owned Aircraft	Affiliated Company Owned Aircraft	Managed Aircraft	Committed Aircraft	Total Number
Airbus A320CEO family	**116**	**4**	**45**	**1**	**166**
Airbus A320NEO family	**172**		**53**	**187**	**412**

Airbus A350 family	**14**		**8**		**22**
Boeing 737NG family	**54**	**1**	**26**		**80**
Boeing 737MAX family	**121**		**47**	**83**	**252**
Boeing 787 family	**13**		**22**		**35**
Other	**7**		**8**		**15**
Total	**497**	**5**	**209**	**271**	**982**

The characteristics of our owned and committed fleet reflect what we believe to be one of the most disciplined approaches to aircraft acquisition in the aircraft leasing industry:

1. **Aircraft Type**: Our portfolio is comprised almost entirely of what we believe are the most liquid and investor friendly aircraft types, comprising the Airbus A320CEO/NEO family, Airbus A350, Boeing 737-800/MAX and Boeing 787 aircraft.

2. **Fleet Age**: Our fleet had a weighted average age by NBV of 5.4 years as of December 31, 2023.

3. **Lessee Type**: Our portfolio is diversified by type of airline, with low-cost carriers representing 49.8% of our fleet and established full-service network carriers representing 48% of our fleet as of December 31, 2023.

4. **Lessee Region**: Our portfolio has a balanced geographical mix, comprised of 27.5% Developed and Emerging Europe, 9.2% the Middle East and Africa, 31.9% the Americas and 31.4% Asia weighted by NBV as of December 31, 2023.

5. **Lessee Concentration**: We have a broad array of lessees, with no lessee representing more than 5.02% of our portfolio as of December 31, 2023.

6. **Long-Term Cash Flows**: Our lease maturities are staggered to ensure that there is no concentration of maturities in any particular period. As of December 31, 2023, our portfolio had a weighted average remaining lease term by NBV of 6.3 years, providing a long-term contracted revenue base.

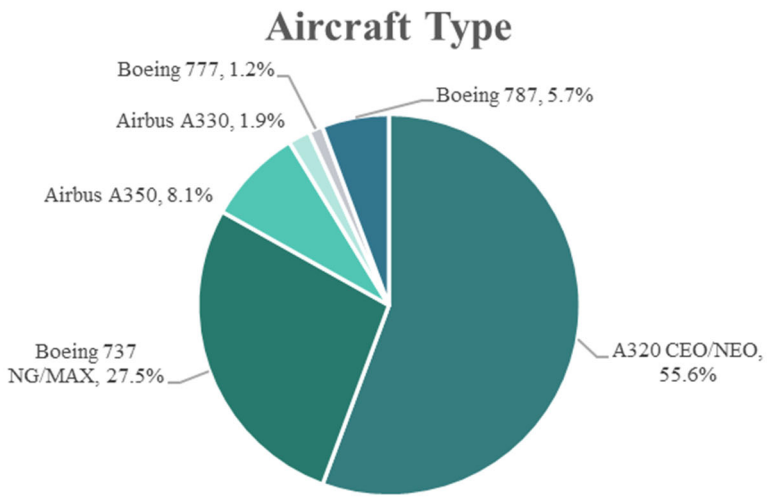
7. **Strategically Important Order Book**: Our direct orders are strategically important as they give us access to highly sought-after, next generation, fuel-efficient aircraft. Our order book represents an important element of our strategy for portfolio transition to new technology.

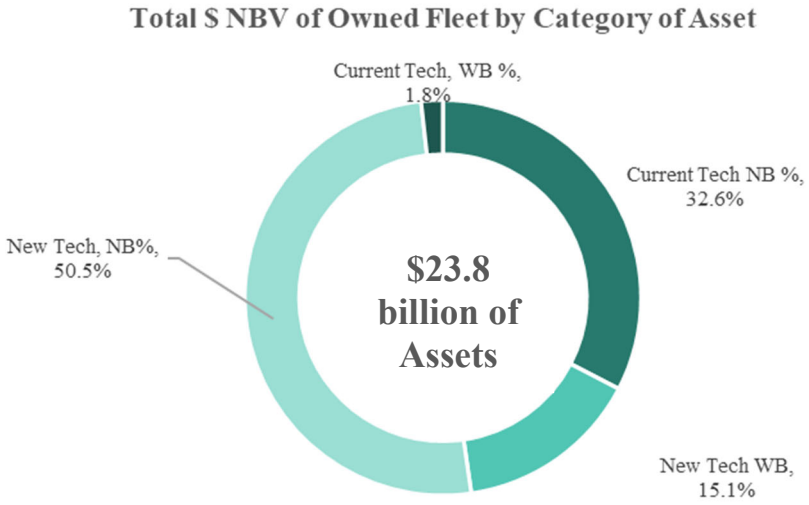
8. **Strong Trading Expertise**: The principle of active aircraft sales is central to our portfolio strategy and allows us to maintain the low average age of our fleet and manage airline concentrations, asset residual value and lease remarketing risk.

9. **Risk Management Approach**: Risk management is core to our business. Over our more than 22 year history, we have had prudent approach towards risk management which has led to minimal levels of default in a normal operating environment, and in efficient resolution of restructurings arising as a result of the COVID-19 pandemic.

Aircraft Type

In selecting aircraft to acquire, our primary focus is on the liquidity of the asset. We seek to acquire the most popular and in-demand aircraft in production today. As of December 31, 2023, our owned portfolio was comprised of Airbus A320CEO/NEO family (55.6%), Boeing 737 NG/MAX (27.5%), Airbus A350 (8.1%), Airbus A330 (1.9%), Boeing 777 (1.2%) and Boeing 787 (5.7%) aircraft, as shown in the first chart below. Of these aircraft types, 32.6% are existing technology narrow-body, 15.1% are new technology wide-body, 50.5% are new technology narrow-body and only 1.8% are existing technology widebody, as shown in the second chart below.





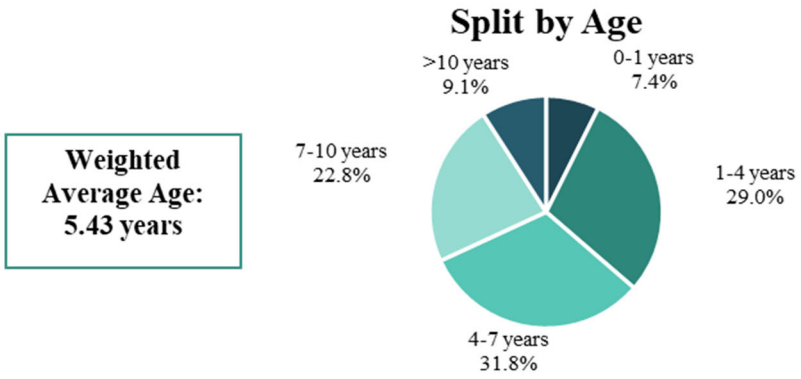
Source: SMBC Aviation Capital (Weighted by NBV).

This disciplined approach to asset selection and our focus on the most liquid aircraft types with large operator bases that are popular among airlines globally maximizes placement opportunities with airlines when aircraft are coming off lease. This strategy has resulted in a portfolio, as of December 31, 2023, that is comprised almost entirely of the Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 aircraft.

Fleet Age

As of December 31, 2023, the average age of our owned aircraft portfolio, weighted by NBV, was 5.4 years. Younger, modern-technology aircraft are more desirable than older aircraft to many lessees because of their fuel efficiency, lower maintenance costs and longer remaining useful lives.

The following graph shows the split by age of our aircraft as of December 31, 2023.

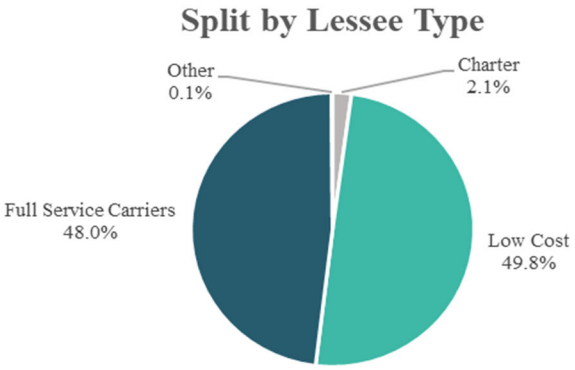


Source: SMBC Aviation Capital (Weighted by NBV).

Lessee Type

We believe creating diversity across business model, geography and lessee mitigates the potential risk of volatility or a material reduction in cash flows by reducing our exposure to any particular sector of the global aviation market. As of December 31, 2023, we had 106 airline clients in 48 countries worldwide.

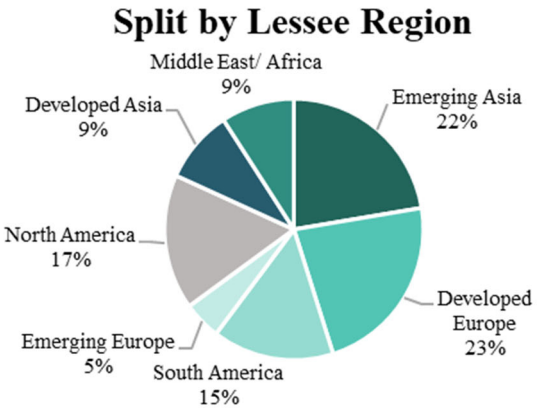
Our owned portfolio is diversified by type of airline, with low-cost carriers and established full-service network carriers (defined as airlines that focus on providing a wide range of pre-flight and on-board services, including different service classes, and connecting flights) ("FSCs") representing 49.8% and 48% of our fleet, respectively, as of December 31, 2023. The following table demonstrates the percentage of each lessee by type.



Source: SMBC Aviation Capital (Weighted by NBV).

Lessee Region

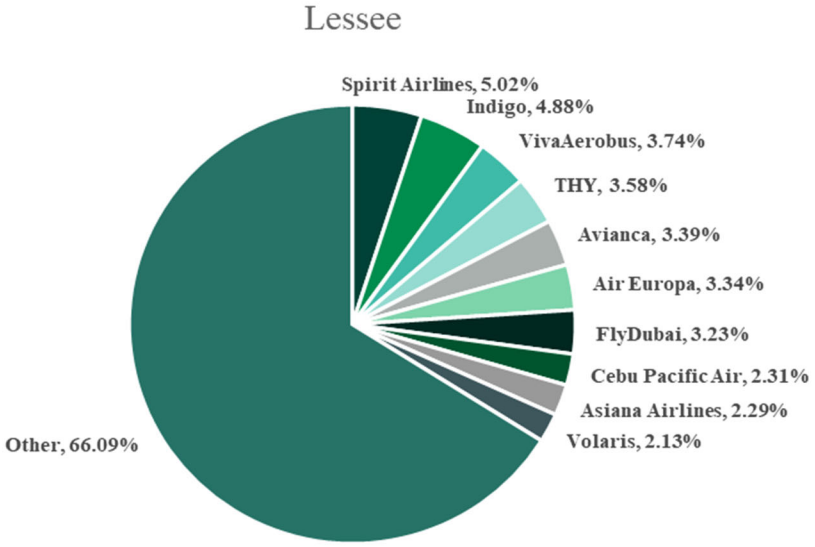
We manage our portfolio to facilitate lessee diversity by geographic region. The geographical mix of our portfolio was 27.5% Developed and Emerging Europe, 9.2% the Middle East and Africa, 31.9% the Americas and 31.4% Asia weighted by NBV as of December 31, 2023. The following chart shows our aircraft lessee concentration by region.



Source: SMBC Aviation Capital (Weighted by NBV).

Lessee Concentration

As of December 31, 2023, no single lessee accounted for more than 5.02% of the NBV of our owned aircraft portfolio. Our five and ten largest lessees comprised 20.6% and 33.9%, respectively, of the total NBV of our aircraft as of December 31, 2023. Our diversified lessee base limits our risk to our counterparties. The following chart illustrates our top 10 lessees as of December 31, 2023.



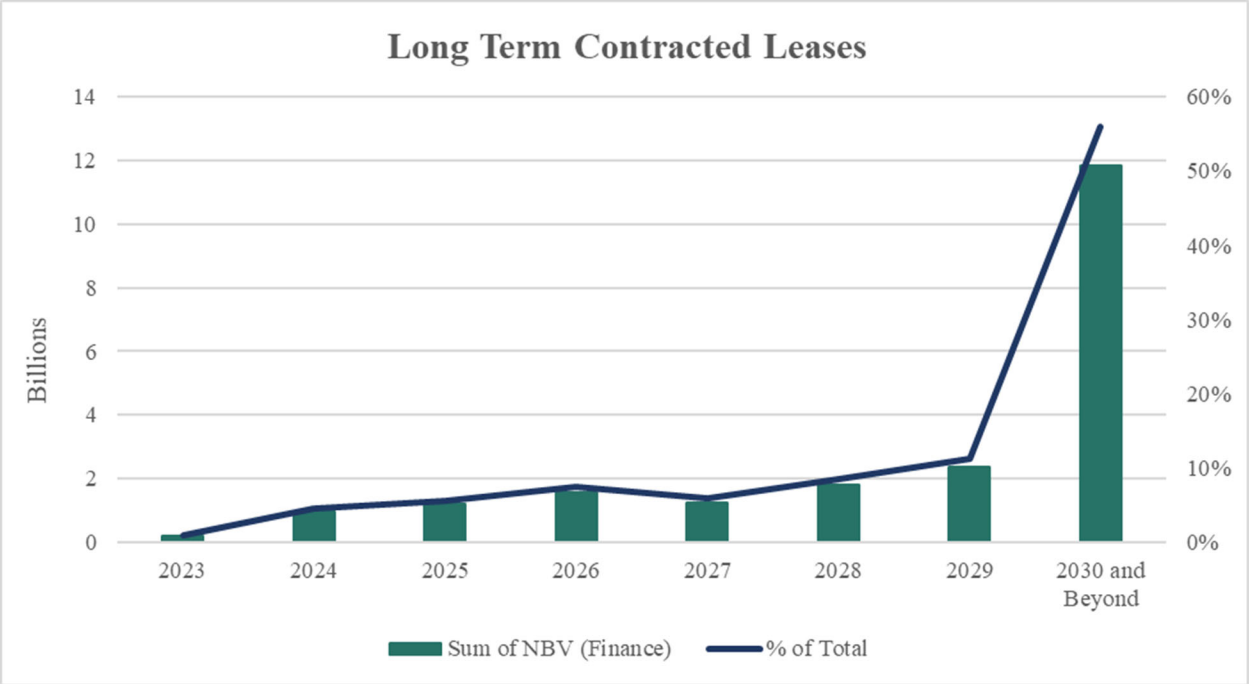
Source: SMBC Aviation Capital (Weighted by NBV).

Long-Term Cash Flows

Our fleet lease maturity concentrations are managed as part of our portfolio risk strategy, with lease maturities staggered to ensure that there is no "wall of maturities" in any particular period, which has resulted in lease maturities in any single year not exceeding 11% (2029) of our lease portfolio. Staggering lease maturities reduces our exposure to market cyclicality.

Our lease maturity profile is managed primarily through a combination of a targeted aircraft trading strategy focused on aircraft with relatively short lease terms remaining and leveraging our strong airline relationships to extend initial lease terms. As of December 31, 2023, our owned portfolio had a weighted average remaining lease term by NBV of 6.3 years, providing us with a long-term contracted revenue base with contracted cash flows from our delivered aircraft of $11.6 billion, equating to 72% of all debt outstanding as of December 31, 2023, not including future interest.

The following table shows the maturities of our leases as of December 31, 2023 weighted by NBV, over the next 10 years and beyond.



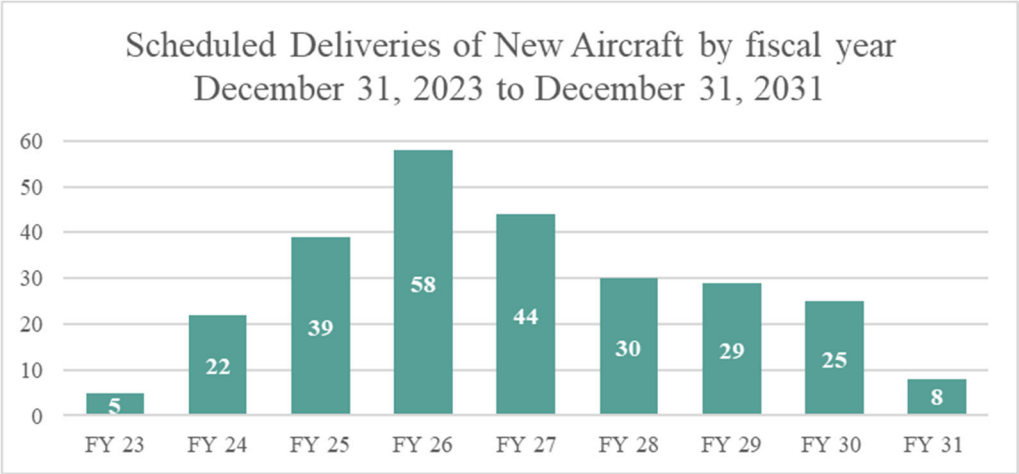
Source: SMBC Aviation Capital (Weighted by NBV).

Strategically Important Order Book

The experience and judgment of our senior management team, combined with the financial standing of our shareholders, provides OEMs with comfort in executing purchase agreements for large scale orders and is instrumental in achieving competitive pricing for our procurement program. We have a strong track record of placing aircraft directly ordered from the OEMs.

Our direct orders are strategically important because they provide us with access to highly sought-after, next generation, fuel-efficient aircraft. The selection of these aircraft types is consistent with our strategy of focusing on the most liquid, efficient assets with a diverse airline user base and our management expects our orders will be attractive to our customers, providing a stable stream of revenue while complementing activities in the SLB market and portfolio purchases.

In September 2023, we announced a firm order for 25 Boeing 737 MAX-8 jets, extending the delivery pipeline for this asset type to 2029. Further, in November 2023, we announced an order for 60 Airbus A320neo family aircraft. The order ensures SMBC Aviation Capital has a delivery pipeline of A320 and A321 neo aircraft through to 2031. As of December 31, 2023, we had commitments to acquire 260 direct order aircraft, including 145 A320NEO aircraft, 34 A321NEO aircraft and 81 737-MAX-8 aircraft. In addition to these direct orders, we have sale and leaseback and portfolio acquisitions for 2 Boeing and 9 Airbus aircraft.



Source: SMBC Aviation Capital.

Strong Trading Expertise

Sales of aircraft assets are central to our portfolio strategy. We are an active trader of aircraft, having disposed of over 500 aircraft to over 130 trading counterparties as of December 31, 2023. We have an experienced team of aircraft trading professionals dedicated to disposing of our aircraft assets and cultivating relationships across a broad spectrum of investors globally.

A successful sales strategy over this sustained time period begins with disciplined procurement, purchasing the correct aircraft at an attractive price and placing aircraft on well-structured leases with good customers. We believe our disciplined approach to asset selection, focusing on the most liquid aircraft types, facilitates a higher proportion of trading activity relative to the majority of our peers.

An active aircraft trading program provides an effective portfolio management tool to maintain the low average age of our fleet and manage airline concentrations, asset residual value and lease remarketing risk while enabling us to trade in scale with our airline customers and recycle and redeploy capital on new aircraft opportunities.

Aircraft sales are also a source of fee income from associated asset management opportunities. As of December 31, 2023, we manage 214 aircraft[34] (market value of $9.5 billion[35]) on behalf of affiliated companies and third parties, a large proportion of whom are investors to whom we have sold an operating lease asset but who do not have an operating lease management platform.

As part of our long-term disposal strategy, we intend to continue to leverage our shareholders' network of relationships in the Japanese domestic market to sell a greater proportion of aircraft into the Japanese investor market.

[34] Including 5 aircraft for affiliated companies.
[35] Half-life value of aircraft as determined by AVITAS.

Risk Management Approach

Risk management is core to our business. Every investment decision made by us is considered in the context of risk management, with a view to creating value consistently over the long term. The experience of our management and staff is fundamental to our risk management expertise.

We have adopted a "3 Pillar" framework approach to risk management. The three fundamental components of this framework are:

- asset risk management;
- counterparty risk management; and
- transaction risk management.

Utilizing this 3 Pillar approach, we analyze our portfolio and inform our strategic decision making to optimize our portfolio risk-reward. Over our more than 22 year history, this three pillar approach has been validated by the high utilization of our fleet (99.5% since 2005)[36].

Asset Risk Management

Our asset risk is assessed with the assistance of proprietary models that form the heart of our quantitative risk management. We have enhanced these models over a span of over 22 years utilizing advanced mathematical analysis and our management's decades of experience to provide internal forecasts of aircraft future values, aircraft supply and demand, aircraft liquidity and investor appeal.

Our in-house aircraft future value model projects current and future values, and associated standard deviations, for aircraft by type, specification and year of manufacture. These projections are based on the forecast value curve and volatility for the selected aircraft type, which are derived from extensive regression analysis of historic aircraft trades and relevant inputs from the supply and demand model, together with estimates for current replacement cost and future aircraft price inflation. The aircraft future value model supports our pricing decisions and provides key inputs to the Monte Carlo model (see "—Transaction Risk Analysis" below). By supporting an independent view of future values for all aircraft types and specifications, the aircraft future value model avoids reliance on external appraisal firms.

Inputs and assumptions for all models are audited and updated quarterly at an Asset Value Committee attended by senior management and representatives of our shareholders.

Counterparty Risk Management

There are three primary elements of counterparty risk:

- **Credit Risk**: We have a qualitative and quantitative approach to evaluating the creditworthiness of our airline counterparties. Detailed financial analysis is at the center of the assessment, but

[36] Aircraft subject to lease average is calculated as the ratio of the NBV of on lease aircraft at the end of each fiscal year to the total NBV of all aircraft at the end of such year.

substantial additional weight is given to factors including the political and macroeconomic environment, competitive environment, market position, management depth and quality, regulatory landscape, ESG, cash flow health via stress testing and sensitivity to macro factors including volatility of FX, interest rates, fuel and carbon prices. Our counterparty grading model allows for each airline to be assessed on a consistent basis, taking account of financial and non-financial criteria. A risk analyst is assigned to each of our airline counterparties based on geographic location to allow that analyst to develop a deeper understanding of the broader region in which the airline operates. Proactive anticipation of potential problems is facilitated at a regular "Watch Forum" at which customers are identified that may present future credit problems. The Watch Forum is attended by representatives of our shareholders, our management team and our Portfolio Risk Management department. We are also exposed to credit risk with respect to undrawn balances of our financing agreements. All such undrawn balances are with or backed by highly rated financial institutions.

- **Concentration Risk:** The size and value of our exposures to counterparties, regions, countries and assets (including types, vintages and remaining lease term) are actively analyzed, discussed and reported within a Portfolio Governance Group consisting of senior staff members from SMBC Aviation Capital and our shareholding entities. The group meets on a regular basis to discuss these exposures and to agree on approach toward such exposures.

- **Technical Risk**: As the lessee is responsible for maintenance of the aircraft during the lease, our technical management team assesses the technical risk prior to lease commencement. In addition, the team conducts periodic inspections of our aircraft throughout the terms of the leases. The team is closely connected to a global network of maintenance, repair and overhaul facilities and various industry suppliers that can provide further early insight into potential problems at an airline and can help us to be prepared to act quickly in the event of a repossession and re-lease of an aircraft.

- **Legal Repossession Risk**: Legal repossession risk assessment is carried out by our commercial negotiation and execution team and our portfolio risk management team as well as a network of reputable international law firms through ongoing jurisdiction reviews in relation to lease enforcement and repossession.

These methods ensure that informed opinions on counterparty risk are developed, allowing us to understand fully the risk we assume while also ensuring we are well positioned to foresee risk issues that may arise with existing customers.

Transaction Risk Management

We use a multi-disciplinary deal team structure to consider and address all aspects of a transaction and to optimize transaction quality. Each deal team is comprised of a representative from each of the primary functional departments. These departments reflect on the commercial, technical, legal, economic and counterparty aspects of each transaction and the ongoing contractual management and tradability of the deal. This multi-disciplinary structure establishes pools of expertise and experience within deal teams, ensuring that we have the capability to fully consider every aspect of a transaction.

Quantitative and qualitative analysis that incorporates select aspects of a transaction is summarized in a positioning paper prepared by the deal team which is then presented to management for each individual transaction and helps to inform views on transaction quality. We have developed a proprietary model which applies Monte Carlo statistical analysis and considers characteristics including asset type, future asset values, rental, security deposits, maintenance reserves, re-delivery conditions, credit quality and lessee jurisdiction, producing a single measure of the risk-adjusted return of a proposed deal, further facilitating the objective cross-comparison of various deals based on a single metric.

Key Lease Terms

Under our operating leases, lessees bear the risks and rewards of operating the aircraft, while we retain title and bear the risks and rewards of owning the aircraft.

Our leases have a stated, fixed lease term, with terms that generally align with scheduled major maintenance events. Typical lease terms are between 5 and 12 years, with leases for new aircraft often in the 9-to-12-year range. Shorter lease terms are more common for used aircraft in some circumstances. Although a lessee may have an extension option, early termination option or a purchase option, such options are typically associated with aircraft coming to the end of their useful economic life and, as such, occur rarely in our portfolio. Our leases also typically require airlines to be responsible for the implementation of airworthiness directives issued by applicable regulatory authorities. In some cases, we agree to make a contribution towards the costs of the implementation of the airworthiness directives, with such payment usually being made at the end of the lease term.

Our lessees typically pay rent monthly in advance. Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed on or before execution of the lease contract or just prior to the delivery date by reference to a swap rate in line with the term of the lease. For floating rate leases, rents are typically reset every three or six months by reference to either three- or six-month USD SOFR. As of December 31, 2023, leases with respect to 4.5% of our owned portfolio, measured by NBV, provided for the lease rentals to be paid on a floating rate basis.

We typically hold a security deposit or letter of credit to secure the performance of the lessee's obligations under the lease, which may be applied against those obligations in the event of a lessee default. The size of any security deposit or letter of credit varies according to the credit quality of the lessee as well as the associated jurisdictional risk but is generally equivalent to between zero- and ten-months' rent. In some cases, we obtain credit support from a third-party for a lessee's obligations under a lease.

Our lease agreements require the aircraft to be maintained in accordance with standards benchmarked with the relevant airworthiness authority and/or aircraft manufacturer. At the end of the lease term, the lessee must return the aircraft in a pre-agreed minimum condition that will generally allow the aircraft to enter service with its next operator. We are typically entitled to receive maintenance payments from our lessees, which represent the maintenance value of cycles, hours or calendar time consumed on the engines and certain other high-value components of the aircraft. Some lessees make these maintenance payments in the form of monthly "maintenance reserve" payments during the term of the lease. Other lessees make a lump sum "return compensation" payment at lease expiry. During the lease, we account for these maintenance payments as a liability on our statement of financial position to the extent we are required to reimburse the lessee following a qualifying maintenance event.

All aircraft are leased on a "dry" basis, with the lessees responsible for all operating expenses such as fuel, crew, flight charges and insurance. In addition, all aircraft maintenance and repairs are the responsibility of the lessees. However, if the lessee pays maintenance reserves, we will typically agree to contribute to the cost of major maintenance events to the extent we have collected maintenance reserves from that lessee or, in some cases, from a previous lessee.

The lessee is generally required to "gross-up" lease payments where such payments are subject to withholding or other taxes, except for taxes on our net income and withholdings that arise out of transfers of the aircraft by us. The lessee is also required to indemnify us for certain other tax liabilities relating to the lease and the aircraft, including value added taxes and stamp duties. Our leases generally provide that the lessee's payment obligations are absolute and unconditional under all circumstances.

Other Revenue Generating Activity

As a complementary product offering to our SLB arrangements, we also occasionally agree with our customers to fund their PDPs to OEMs for future aircraft delivery commitments. In such a situation, we would typically require the relevant customer to pay us a return on the funded portion of the PDP or a higher lease rental to compensate us for making the PDP.

In addition, we utilize our in-house expertise in lease management, technical management and aircraft leasing and sales, when disposing of aircraft to third-party investors who do not have an operating lease platform and provide lease management services in return for a fee. Such services may include:

- invoicing and collections;
- accounting services;
- monitoring insurance renewals;
- monitoring letter of credit renewals;
- utilization reporting and tracking;
- technical inspections;
- transition planning and management;
- lease placement marketing;
- sales marketing;
- lease enforcement oversight; and
- carbon credit provision.

Fees for our third-party lease management services are typically structured as a percentage of periodic rentals. Additional fees may apply for lease placement or sales services. This area of our business generates fee income with minimal capital investment, as it utilizes existing resources and expertise.

We had 214 aircraft under management for affiliated companies and third parties as of December 31, 2023. We will continue to examine strategic opportunities to grow our aircraft asset management business as they arise.

Insurance

We require our lessees to carry casualty and liability insurance customary in the air transportation industry, including comprehensive liability insurance, aircraft all-risk hull insurance and war-risk insurance. We require evidence of insurance to be provided to us prior to delivery of an aircraft to the lessee and prior to expiry of insurance coverages thereafter. Casualty insurance is required to be maintained at levels typically in excess of our NBV for the aircraft and liability policies are required to provide coverage at industry standard levels. Our lessees are required to pay insurance premiums for these coverages.

In late 2005, the international aviation insurance market unilaterally introduced exclusions for physical damage to aircraft hulls caused by dirty bombs, bio-hazardous materials and electromagnetic pulsing. These exclusions generally apply to the insurance policies covering our aircraft. Exclusions for the same type of perils may be introduced in the future into liability policies.

The Russia-Ukraine Conflict has driven changes in the aircraft insurance and reinsurance markets. This includes the termination of certain coverages and restriction of coverage for certain geographical areas including Russia and Ukraine. For example, Hull War insurers are charging increased premiums to have confiscation coverage included upon renewal and therefore, although still available, confiscation coverage now has lower aggregate limits than those that were available prior to the Russia-Ukraine Conflict.

Separately, we currently purchase contingent and possessed liability insurance and contingent and possessed hull insurance on all aircraft in our owned fleet and maintain other insurance covering the specific needs of our business operations. While we believe our insurance is consistent with what has historically been customary for our industry as to coverage and amount, adverse developments have been occurring in the aircraft insurance and re-insurance markets, including significant increases in premiums and the restriction of certain coverages as a result of the Russia-Ukraine Conflict.

There can be no assurance that our lessees and aircraft will be adequately insured against all risks, that lessees will at all times comply with their obligations to maintain insurance or provide the notices required thereunder in respect of any claims, that any particular claim will be paid or that lessees will be able to obtain adequate insurance coverage at commercially reasonable rates in the future. See "Risk Factors—Risks Related to Our Business and the Aircraft Leasing Industry—Our aircraft and our operations may not be insured at all times as a result of lessees' failure to maintain the required insurance during the course of a lease, lessees' coverage limits becoming exhausted or lessees' insurers excluding coverage for certain risks, which could have a material adverse effect on our financial condition, cash flow and results of operations."

Government Regulation

The air transportation industry is highly regulated. Because we do not operate aircraft in commercial service, we are generally not directly subject to most of these laws and regulations. However, our lessees are subject to extensive regulation under the laws of the jurisdictions in which they are registered or under which they operate. These laws govern, among other things, the registration, operation, maintenance and condition of aircraft. Certain jurisdictions impose strict liability on the owners of aircraft, even if such owners do not operate the aircraft.

Most of our aircraft are registered in the jurisdictions in which the lessees are certified as air operators. As a result, the aircraft are subject to the airworthiness and other standards imposed by these jurisdictions. Laws affecting the airworthiness of aircraft generally are designed to ensure that all aircraft and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Aircraft manufacturers may also issue their own recommendations or requirements, compliance with which are generally required under our leases.

Each lessee is responsible for complying with airworthiness directives with respect to aircraft operated by it (whether owned or leased) and is required to maintain the aircraft's airworthiness. To the extent that a lessee fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other manufacturer requirements in respect of an aircraft or if the aircraft is not currently subject to a lease, we may have to bear the cost of such compliance. Under certain of our leases, we have agreed to share with the lessees the cost of complying with material obligations under future airworthiness directives (or similar requirements).

In addition to these direct cost expenditures, which may be substantial, significant new requirements with respect to noise standards, emissions standards, import restrictions and other aspects of aircraft or their operation could cause the value of our owned aircraft portfolio to decrease. Additional governmental regulations relating to noise and emissions levels, or relating to import restrictions or other matters, may be imposed not only by the jurisdictions in which our aircraft are registered but also in other jurisdictions where our aircraft operate or where we may wish to place our aircraft on lease.

In addition, most countries' aviation laws require aircraft to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair. To the extent that our aircraft are not leased or a lessee defaults in effecting such compliance, we will likely be required to comply with such requirements at our expense.

Further, the U.S., the E.U., the UK, Switzerland, Japan, Canada and other countries throughout the world have imposed economic sanctions in response to Russia's invasion of Ukraine. In full compliance with applicable sanctions, we terminated the leasing of all aircraft on lease to Russian airlines in March 2022.

ESG Strategy

The airline industry is increasingly focused on addressing the environmental impact of its operations, and SMBC Aviation Capital intends to play a leadership role in this. We see this both as an imperative but also as a source of competitive advantage and are committing resources to ensure that this is embedded into our business strategy and core product offering.

Our ESG strategy sets out our long-term commitments to 2050, not only for our business and customers but also for our staff, investors and shareholders.

We are committed to assisting our airline customers to reduce their carbon emissions through the leasing and financing of the most technologically advanced and fuel-efficient aircraft on the market and to transition our fleet to up to 80% new technology aircraft by March 2026. We are also exploring additional available decarbonization pathways for our industry including the use of Sustainable Aviation Fuels (SAF).

We have delivered our first sustainability-linked financing instrument, with terms of the facility linked to the Company's future performance against two sustainability-linked Key Performance Indicators (KPIs), which focus on carbon intensity of our owned fleet and gender diversity across currently under-represented levels of seniority in the business.

We also continue to make progress on our social strategy by investing in people and promoting change and inclusion internally and in the broader community. This is evidenced by our continued focus on the development and well-being of our people, alongside public commitment to targets to increase levels of female seniority in our business. Our Corporate, Social, Responsibility ("CSR") strategy focuses on supporting the most vulnerable in society, both financially and through volunteering.

Towards the end of 2023, SMBC Aviation Capital issued its first TCFD report on a voluntary basis in respect of the year ended March 31, 2023. This sets out our commitments to improving and increasing the reporting of climate related financial information. In line with the TCFD framework, SMBC Aviation Capital has set out new governance structures to manage climate risk within our business, has identified relevant climate related risks and opportunities ("CROs"), how we will embed CROs as part of our risk management process and has disclosed our full Scope 1, 2 and 3 Greenhouse Gas ("GHG") emissions.

It is our intention to reduce our carbon emissions, both through our own operations and within our customer base. To further this intention, we have relocated to an office with a Leed 4.1 rating. Where we have not managed to decarbonize our operational emissions, we have offset these annually since 2019, using high quality carbon credits.

Over the coming years, we are committed to the delivery of our ESG strategy and to collaborating across the aviation industry to ensure that we are playing our part to realize our collective ambition of achieving net zero by 2050.

Competition

The acquisition, leasing and sale of aircraft are highly competitive. We face competition from aircraft manufacturers, banks, financial institutions, other leasing companies, aircraft brokers and airlines. Competition for acquisition or leasing transactions is based on a number of factors, including price, delivery dates, lease rates, lease terms, other lease provisions, aircraft condition, the availability of finance and the availability in the marketplace of similar aircraft.

Competition in the acquisition, leasing and sale of used aircraft is based principally on the availability of used aircraft, price and the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee.

Barriers to entry are relatively low in the aircraft acquisition, leasing and sales markets for new and used aircraft. We face competition from other established leasing companies, smaller players and new entrants, with these competitors often focusing on particular market segments. For example, larger lessors are generally more focused on acquiring newer aircraft and include competitors such as AerCap Holdings NV, BOC Aviation, Air Lease Corporation, Aviation Capital Group, CDB Aviation and Avolon Holdings Limited. When leasing or selling used aircraft, we may compete with these same companies and also with a broader group, including ICBC Leasing, Dubai Aerospace Enterprise, Aircastle Limited, Avilease and other players that may rely on private equity or other private funding, such as Carlyle Aviation and Castlelake.

We believe that we are able to compete effectively in aircraft acquisition, leasing and sales activities because of our significant scale, our strong OEM relationships, our access to competitively priced debt capital, the support provided by our shareholders, the reputation and experience of our management team, our rigorous and proactive risk

management policies, our global customer base and good customer relationships and our extensive contacts in the aircraft acquisition, leasing and sales markets.

Employees

We currently have 276 direct employees as well as 12 representatives as of December 31, 2023. We provide certain employee benefits including retirement, health, life, disability and accident insurance coverage benefits to our permanent employees. None of our employees are represented by a union or collective bargaining agreements. We believe that we have good employment relationships with our staff.

Legal Proceedings

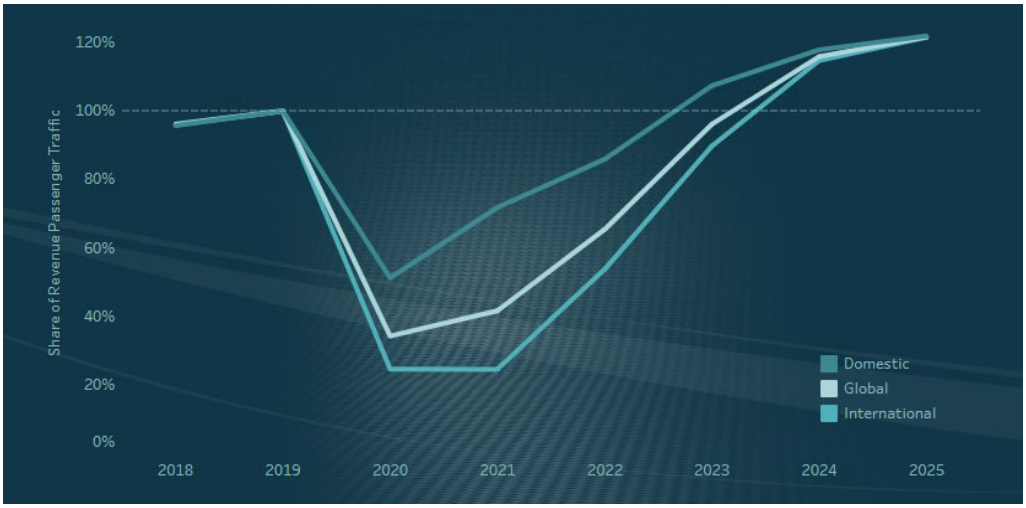
In November 2022, we commenced litigation in the Irish courts against our insurers in respect of the aircraft lost in Russia, following a refusal by our insurers to indemnify us for our losses. Further, in October 2023, we commenced litigation in the UK courts against the insurers and reinsurers under the airlines' insurance and reinsurance policies in respect of aircraft lost in Russia, without prejudice to the claims against our insurers in the Irish courts. We either did not issue or subsequently discontinued litigation in the UK courts in respect of airlines and/or aircraft with whom or in respect of which we concluded insurance settlements.

Other than these litigations, neither we nor any of our subsidiaries are currently involved in any material litigation nor, to the best of our knowledge, is any material litigation currently threatened against us or any of our subsidiaries.

INDUSTRY

Air Traffic Demand

The airline industry has historically been cyclical and affected by exogenous events. Air traffic has declined on three previous occasions in the last 30-year period and, each time, the global air traffic reverted to its long-term growth trend within a three-year period. COVID-19 has had a more prolonged and deeper impact on the aviation industry but air traffic has recovered globally near 2019 levels - though with variations depending on region. The past year showed strong recovery fuelled by greater demand for air travel and the resurgence of international travel, particularly in Asia Pacific. In addition, the fundamentals that have driven air travel for the past five decades remain unchanged and the increasing trend in air traffic over the past 20 years are expected to remain intact.



Source: Boeing Commercial Market Outlook 2023

The total industry wide RPKs for the year 2023 has seen an increase of 36.9% compared to 2022 and is at 94.1% of 2019 levels. Domestic travel continues to be ahead of international travel in terms of recovery and the total domestic RPKs for the year has grown by 30.4% and is now 3.9% above pre-Covid levels. International travel had an increase of 41.6% year-on-year and is at 88.6% of 2019 levels with Asia-Pacific being the primary region lagging behind. The aviation industry is also estimated to have a net profit forecast of $23.3 billion only 3 years after the historic loss in 2020. Boeing forecasts a return to long-term traffic growth of approximately 4% while the International Air Transport Association ("IATA") projects 3.4% annual average growth in global air passengers over the same time period.

IATAs Dec-23 Forecast

	Traffic Growth		Net Profit ($bn)	
	2023	2024	2023	2024
Global	**37%**	**10%**	**23.3**	**25.7**
N. America	15%	6%	14.3	14.4
Europe	20%	10%	7.7	7.9
Asia-Pacific	96%	13%	-0.1	1.1
Middle East	32%	6%	2.6	3.1
Latin America	17%	7%	-0.6	-0.4
Africa	36%	7%	-0.5	-0.4

Source: IATA Passenger Market Analysis December 2023

In its 2023 Commercial Market Outlook ("CMO"), Boeing has updated its projections from 2023-2042 and are no longer referring back to 2019. Boeing forecasts that airline traffic growth (RPK) will grow at an average of 6.1% during this period noting that 2022 traffic was still approximately 30% down on 2019 levels.

Drivers of Recovery

Following the successful vaccine distribution and effectiveness against COVID-19 variants, it became clear that once there is confidence in the health and safety of air travel, and when conditions allowed governments to reopen borders, demand for air travel rebounded quickly. Demand for domestic air travel has made a strong recovery across a number of regions, with international traffic gaining momentum as restrictions ease, tracking a return to pre-pandemic levels during 2024. Active fleet size has recovered to 97% with single aisle aircraft having a slightly higher share given the speedier recovery of short-haul travel. Load factors have also recovered strongly and are only slightly below 2019 levels.

Growth Markets

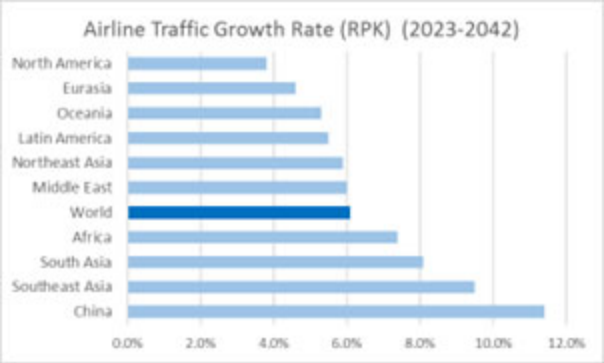
Key elements that drive growth in demand for both new and used aircraft include:

- Global economic growth, resulting in passenger demand and passenger capacity
- Greater travel propensity in emerging markets due to rising middle income household
- New aircraft to replace old aircraft, particularly in mature markets

The industry's largest area of growth is expected to be in developing economies, such as the Asia-Pacific region, which, as the largest region in the world with several thriving economies, is expected to generate strong demand for air travel.

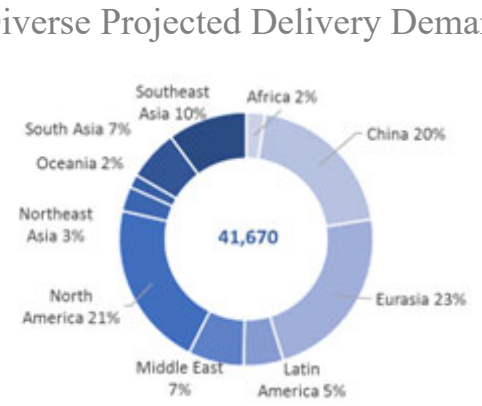
In their Global Outlook for Air Transport, IATA noted that despite the relatively slow pace of recovery from COVID-19, Asia Pacific is expected to be the fastest growing region over the next two decades. With favourable income growth and demographic factors, Asia Pacific is forecasted to add around 2.5 billion additional passengers per year by 2040, at an average annual rate of 4.5%. In Boeing's forecast, the Asia-Pacific region and China will account for 42% of all new passenger aircraft deliveries in the next 20 years.

According to Boeing, despite the significant impact of COVID-19 on China, it remains on track to become one of the largest passenger markets in the coming years. The nation's middle-class population will continue to grow and is expected to double in the next 10 years driving further demand for passenger air travel. Chinese airlines will require approximately 8,400 airplane deliveries over the next 20 years, the largest share of any single country in the world. The fleet is forecasted to grow at a rate of 4.5% over the course of 20 years and 49% of deliveries to the Asia-Pacific region will go to Chinese carriers. While China's growth rate has moderated in recent times, as its economy matures, it is still predicted to have an annual GDP growth rate of 4.1%. Boeing expects RPK of 11.4% in China over the next 20 years. Single-aisle jets are the main driver of this growth, with close to 6,500 new orders forecast for the period. Wide-body demand will account for 18% of China's deliveries, down 3% from 2019's forecast due to the slower recovery in long-haul traffic. The widebody fleet in China is still anticipated to triple by 2042 as airlines continue to expand international and long-haul networks.



Source: Boeing Commercial Market Outlook 2023

India's economy accounts for 90% of South Asia's total economic output and is considered one of the world's leading growth economies with forecasts projecting a 5.5% compound annual growth rate through 2042, according to Boeing. This growth rate continues to lead all countries across the world. The pandemic's short-term impact on the Indian economy has been significant; however, air travel remains strong given the demographic factors that are expected to drive higher propensity to travel. India's domestic market has recovered fully from the pandemic, with traffic and capacity now exceeding 2019 levels by 9% and 11%, respectively. The low-cost carriers continue to stimulate demand with low fares and hold close to 90% share of all domestic and international seats. This has led to strong demand for single-aisle aircraft to bolster fast growing fleets and Boeing forecasts delivering over 2,300 aircraft in South Asia over the next 20 years. This would comprise 86% of all deliveries during this period. 72% of the deliveries to the South Asia market over the 20-year period will be to fuel growth and the fleet is expected to quadruple in the next 20 years cementing its position as an emerging market.

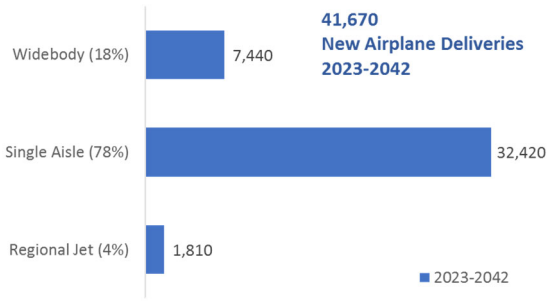


Source: Boeing Commercial Market Outlook 2023

Impact on World Fleet

The future shape and size of the world fleet have changed due to a number of factors arising from the COVID-19 pandemic. A slower recovery in long-haul travel, an increase in retirements, a preference for new technology aircraft as well as a reduction in OEM production rates all impact the supply and demand for aircraft.

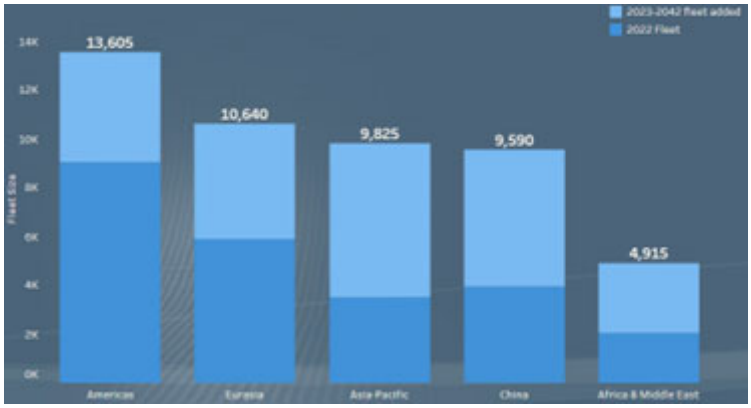
Short-haul demand has led the recovery, with policy dependent long-haul demand lagging behind. As a result of this, demand for narrow-body aircraft is expected to be stronger than wide-body as domestic and regional routes return these aircraft to service. Boeing forecasts that the single-aisle share of the global passenger fleet will increase from 66% in 2022 to 70% by 2042. Boeing expects just over 41,000 passenger aircraft deliveries over the next 20 years and wide-bodies accounting for 17.5%.



Source: Boeing Commercial Market Outlook 2023

Growth, Replacements & Retirements

Traffic growth had been strong in the past decade pre-pandemic, averaging 6.6% per annum, which is above the long-term average of 5.5%. This resulted in an increase in the global fleet through new aircraft deliveries and delayed retirements. Due to the pandemic, airlines grounded certain aircraft type fleets as the cost for operating a significantly reduced schedule with a large variety of aircraft types was high. Once grounded, the additional cost of returning a fleet to service, in addition to the higher operating costs of older, out-of-production models, means that many less-efficient fleets will not return to service. As a result, Boeing is expecting a spike in retirements in the coming years. This is expected to create a temporary dislocation in the retirement/replacement balance in the near term (approximately 10 years) as a greater proportion of deliveries will go towards replacing retiring aircraft than towards growth. Since 2015, 2-3% of the commercial jet fleet is typically replaced every year, but long-term retirement rates have been down a full percentage point and approximately 1500 airplanes that would have retired in typical times remain in the fleet. The proportion also depends on the maturity of the market as North America and Europe deliveries are more focused towards replacements. In contrast, emerging markets have lower replacement needs but higher growth demand and this is seen in Asia-Pacific markets where 60% of new airplane deliveries are forecasted to be for growth.



Source: Boeing Commercial Market Outlook 2023

Reduced Production

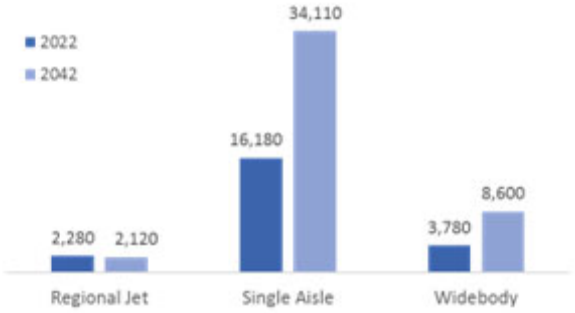
Both Airbus and Boeing have significantly reduced production and rescheduled order books following the COVID-19 pandemic. This reduction in deliveries over the next number of years (relative to pre-pandemic plans) is expected to help balance supply and demand dynamics caused by the downturn. Boeing delivered less aircraft than their initial guidance of 400-450 and their total annual deliveries are only forecasted to exceed 2018 levels in 2025. Boeing has previously expected to increase production of the 737 MAX aircraft in order to address delivery delays,

but the FAA announced that it would not grant any request from Boeing for MAX production expansion due to perceived quality assurances issues with the 737 MAX aircraft.

Boeing expects that the world fleet will grow at an average of 3.5% per annum over the next 20 years. This reflects a minor increase from the prior year forecast of 2.8%, though still lower than what was forecasted in 2019 which was 3.4%.

We believe that despite the current challenges presented to the industry, long-term air travel demand fundamentals remain solid, driven by global GDP growth, increasing traveling populations, development in emerging markets and ongoing price-led competition. This underpins the need for a growing commercial aircraft fleet.

Future World Fleet Breakdown



Source: Boeing Commercial Market Outlook 2023

MANAGEMENT

The following table sets forth certain information concerning the current executive directors and non-executive directors of the Parent as of the date of this offering memorandum.

Executive Directors

Name	Age	Title and Position
Peter Barrett	57	Chief Executive Officer, SMBC Aviation Capital
Catharine Ennis	61	Chief Legal Officer & Company Secretary, SMBC Aviation Capital
Barry Flannery	55	Chief Commercial Officer, SMBC Aviation Capital
David Swan	54	Chief Operating and Sustainability Officer, SMBC Aviation Capital
Aisling Kenny	41	Chief Financial Officer, SMBC Aviation Capital

Non-Executive Directors

Name	Age	Title and Position
Noriyuki Hiruta	57	Executive Officer, Deputy Head of Transportation Business Unit, SMFL
Tetsuro Imaeda	61	Director and Deputy President, Co-Head of Global Banking Unit, SMBC
Masaki Tachibana	67	President, SMFL
Koichi Tanaka	57	Executive Officer & General Manager of Transportation Business Planning Department, SMFL
Shinichiro Watanabe	59	Senior Managing Executive Officer, Head of Transportation Business Unit, SMFL
Takao Kusaka	59	Executive Officer, General Manager, Lease, Ship & Aerospace Business Division, Sumitomo Corporation
Naoki Hirose	48	General Manager of Aviation & Maritime Strategy Department, SMBC
Norihiko Nonaka	62	Managing Executive Officer, General Manager, Transportation & Construction Systems Business Unit, Sumitomo Corporation

Directors

The board of directors of the Parent is comprised of thirteen directors, five of whom are executive directors appointed from the management group of SMBC Aviation Capital and eight of whom are shareholder-appointed non-executive directors. Set forth below is a description of the business positions of each of the directors listed above.

Executive Directors

Peter Barrett, Chief Executive Officer, SMBC Aviation Capital

Peter joined SMBC Aviation Capital as Chief Operating Officer in 2001 and was appointed to the board of directors of the Parent in the same year. Peter was subsequently appointed Chief Executive Officer in 2004. Peter has been active in aircraft leasing and finance for more than 30 years, initially working for Guinness Peat Aviation ("GPA") where he specialized in aircraft cross border tax leasing and financing. After GPA, Peter joined KBC Bank as Head of Aerospace Finance, later becoming Chief Operating Officer for the bank's international operations out of Ireland.

Peter holds a Bachelor of Civil Engineering from University College Cork.

Catharine Ennis, Chief Legal Officer & Company Secretary, SMBC Aviation Capital

Catharine joined SMBC Aviation Capital as Chief Legal Officer in 2002 and was appointed to the board of directors of the Parent in 2004. Catharine subsequently assumed the role of Company Secretary in 2007. Her current responsibilities include Legal, Compliance and Human Resources. Catharine previously worked for Airbus Finance Company Limited with the Airbus Customer Finance team, specializing in securitization, capital markets and

structured finance transactions. Prior to joining Airbus, Catharine worked in the capital markets divisions of GE Capital Aviation Services and GPA and was part of the team that brought the first aircraft portfolio securitization to the market.

Catharine qualified as a solicitor with Dublin law firm Mason Hayes and Curran and holds a Bachelor of Civil Law and a diploma in European Law from University College Dublin.

Barry Flannery, Chief Commercial Officer, SMBC Aviation Capital

Barry began his career as a chartered accountant with Coopers and Lybrand in Dublin and the Cayman Islands. He joined the company that became SMBC Aviation Capital in 1997 as Director of Finance. He then spent two years with responsibility for Airline Marketing in Asia. From 2001, he led the Business and Risk Management team which was responsible for investment analysis and risk management. He was promoted to Head of Structured Solutions in 2003 with responsibility for capital markets activities including aircraft trading, aircraft financing and distribution and tax based structures. He was appointed to the board of directors of the Parent as Chief Financial Officer in 2007 with responsibility for corporate finance, treasury, financial reporting and information technology. Barry was subsequently appointed Chief Commercial Officer in June 2021 and has responsibility for (i) all commercial activities in the business, (ii) every aspect of the customer relationship and (iii) the entire asset management cycle of the aircraft portfolio.

Barry holds a Bachelor of Arts in Psychology and Economics from Trinity College Dublin and is a fellow of the Institute of Chartered Accountants in Ireland.

David Swan, Chief Operating and Sustainability Officer, SMBC Aviation Capital

David joined SMBC Aviation Capital in 2002 and was originally responsible for Airline Marketing in Europe, the Middle East & Africa region. David was promoted to Head of Operations in 2004 before being appointed as Chief Operating Officer and joining the board of directors of the Parent in 2007. His responsibilities cover the operation, risk and asset management of SMBC Aviation Capital's global aircraft leasing business. With over 25 years of industry experience, David has also held various international banking roles as Asia-Pacific Regional Head & Global Head of Aviation Finance at KBC Bank and was based in Hong Kong for five years establishing and leading an aircraft and project finance business. David has also recently assumed executive responsibility for SMBC Aviation Capital's sustainability and ESG initiatives since being appointed Chief Operating and Sustainability Officer in January 2023.

David holds a Bachelor of International Business & Economics from Trinity College Dublin and has completed various Executive Management Programs at Harvard Business School and London Business School. In 2017, he stepped down from the board of directors of the International Society of Transport Aircraft Trading ("ISTAT") following a six year term and was elected to the board of the ISTAT Foundation, until stepping down in 2021. David was also appointed to the Executive Board of Financial Services Ireland in 2017 and to the Supervisory Board of SMBC Aero Engine Lease B.V. in 2019. David was the chair of Aircraft Leasing Ireland ("ALI") from its inception in July 2018 until July 2020 and continues to work on some specific initiatives, in his capacity as the founding chair.

Aisling Kenny, Chief Financial Officer, SMBC Aviation Capital

Aisling started her career as a chartered accountant with Ernst & Young in Dublin. She joined SMBC Aviation Capital in 2012 as Senior Vice President, Finance, managing the finance function, with responsibility for financial reporting and financial operations. From 2017 to 2018, Aisling held the role of Head of Funding and Corporate Tax on an interim basis, with responsibility for SMBC Aviation Capital's third-party funding program, investor relations and its tax department. In 2021, she spent a year working in the Restructuring team of SMBC Aviation Capital, with responsibility for the negotiation of airline restructurings. In November 2021, Aisling was appointed Chief Financial Officer with responsibility for corporate finance, treasury, financial reporting, tax and information technology and was appointed to the board of directors of the Parent in 2022. Prior to joining SMBC Aviation Capital, Aisling held a management position in the Banking and Leasing audit department of Ernst &Young.

Aisling holds a Bachelor of Commerce and a Masters in Accounting, both from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Non-Executive Directors

Noriyuki Hiruta, Executive Officer, Deputy Head of Transportation Business Unit, SMFL

Noriyuki joined Sumitomo Corporation in 1989. After gaining exposure to a wide range of experience in Japan and earning an MBA in the United States in 1998, he was appointed to Manager, Business Promotion Team, Leasing Business Dept, Sumitomo Corporation in April 2009 and then moved to Aircraft Leasing Team No. 1, Leasing Business Dept, Sumitomo Corporation as Manager in April 2010. In June 2012, he was appointed to joint General Manager, Aviation Capital Dept, SMFL and promoted to General Manager, Pan-EU Aerospace Business Dept, Sumitomo Corporation Europe in October 2014. He was appointed to General Manager, Aircraft & Engine Leasing Dept, Sumitomo Corporation in April 2017 and moved to Lease & Business Development Dept, Sumitomo Corporation as General Manager in 2021. Most recently he was appointed to Executive Officer, Deputy Head of Transportation Business Unit, SMFL in April 2023 and moved to Dublin to assume his current role as Chairman and member of the board of directors of the Parent in May of the same year. Noriyuki has indicated he will step down from the board of directors of the Parent effective March 31, 2024.

Noriyuki holds a Bachelor of Economics from the University of Osaka and a Master of Business Administration from the University of Chicago.

Tetsuro Imaeda, Director and Deputy President, Co-Head of Global Banking Unit, SMBC

Tetsuro joined Sumitomo Bank in 1986 and become General Manager, Corporate Banking Dept.-I, Americas Division, SMBC in 2009. He held a number of managerial positions in Tokyo and Singapore before being appointed as Managing Executive Officer and Head of Europe, Middle East and Africa Division, SMBC in 2016. In April 2020, he was promoted to Senior Managing Executive Officer and Head of Europe, Middle East and Africa Division, SMBC. In May 2020, he was also appointed to Director and Senior Managing Executive Officer, Compliance Dept., SMBC. In April 2022, he moved to Global Banking Unit, SMBC and SMFG as Senior Managing Executive Officer, Co-Head, and was promoted to Director and Senior Managing Executive Officer, Co-Head of Global Banking Unit, SMBC in March 2023. Most recently, he was appointed to Director and Deputy President, Co-Head of Global Banking Unit, SMBC in April 2023 and joined the board of directors of the Parent in May 2023.

Tetsuro holds a Bachelor of Law from the University of Tokyo.

Masaki Tachibana, President, SMFL

Masaki joined Sumitomo Bank in 1980 and became General Manager, Tohoku Corporate Business Office, SMBC in 2002. Masaki held various positions in SMBC and SMFG before being appointed as Managing Director, Head of The Americas Division, SMBC in 2010. In April 2015, he was promoted to Deputy President, Member of the Board of Directors, Co-Head of Wholesale Banking Unit (Planning Dept., Wholesale Banking Unit, Strategic Corporate Business Dept., Public & Financial Institutions Banking Dept., Wholesale Banking Unit) and also took the position of Head of Corporate Banking Division, SMBC. Masaki was appointed as President of SMFL and was also appointed to the board of directors of the Parent in June 2017.

Masaki holds a Bachelor of Economics from the University of Tokyo.

Koichi Tanaka, Executive Officer & General Manager of Transportation Business Planning Department, SMFL

Koichi joined Mitsui Bank in 1989 and held a number of managerial positions in Tokyo and New York before being appointed to Senior Vice President & Group Head, Structured Finance Group at SMBC New York in 2003. Koichi progressed further in a number of deputy and joint managerial positions in SMBC offices in New York, Germany and Tokyo and SMFL between 2009 and 2017. During this period, Koichi was also appointed to Chief Operating Officer and Chief Executive Officer, SMBC Aviation Capital Japan Co., Ltd., in 2014 and 2015

respectively. In 2017, Koichi was appointed to Managing Director & General Manager, Global Aviation and Maritime Finance Department (London) at SMBC Europe Limited. Most recently, Koichi was appointed to General Manager, Aviation & Maritime Strategy Department International Banking Unit (renamed as Global Banking Unit in April 2020), SMBC, General Manager, Transportation Business Planning Department, SMFL and was also appointed to the board of directors of the Parent and SMBC Aviation Capital (UK) Limited in April 2018 and was further promoted to Executive Officer & General Manager, Transportation Business Planning Dept, SMFL in April 2021.

Koichi holds a Bachelor of Political Science from Aoyama Gakuin University, Tokyo.

Shinichiro Watanabe, Senior Managing Executive Officer, Head of Transportation Business Unit, SMFL

Shinichiro joined Sumitomo Bank in 1987 and moved to the Corporate Research Department in 1992 where he worked in offices in Osaka, London and Tokyo over the course of 17 years. During this time, in 2007, Shinichiro was appointed Deputy Head of a global research team at SMBC which consisted of 200 analysts in Tokyo, Osaka, New York, London, Singapore, Hong Kong and Shanghai. In 2010, Shinichiro moved to the Corporate Banking Department as Head of Japan Airlines' "work-out" team. Shinichiro then made a further move to Special Credits – Americas Division for SMBC where he was appointed Managing Director in 2011. In July of the same year, Shinichiro was appointed as a project leader in the sale of RBS Aviation Capital to SMBC and, in 2012, was appointed to General Manager of Aviation Capital Department where he was responsible for the integration of SMBC Aviation Capital into the SMBC group. In 2014, Shinichiro was appointed as General Manager of Global Aircraft Finance Department at SMBC and remained as General Manager when it was renamed as Global Aviation and Maritime Finance Department in 2016. Shinichiro then was promoted to Executive Officer in April 2017. Shinichiro was appointed to the board of directors of the Parent in April 2018 and in May 2018, he was appointed as Managing Executive Officer, Head of Aviation & Maritime Business Division of SMFL (renamed as the Transportation Business Unit of SMFL in April 2019). Most recently Shinichiro was promoted to Senior Managing Executive Officer, Head of Transportation Business Unit, SMFL in April 2022.

Shinichiro holds a Bachelor of Economics from Kyoto University and a Bachelor of Philosophy, Politics and Economics from the University of Oxford. Shinichiro also has a certificate in Executive Management Program from the University of Tokyo.

Takao Kusaka, Executive Officer, General Manager, Lease, Ship & Aerospace Business Division, Sumitomo Corporation

Takao joined Sumitomo Corporation in 1989, and was appointed as Manager, Aerospace & Defense, Sumitomo Corporation of America (Los Angeles) in 1998. He was promoted to Executive Director, Aerospace & Defense, Sumitomo Corporation of America (New York) in 2009. In 2015, Takao commenced working at Sumisho Aero-Systems Corporation as President & CEO, and assumed the role until the appointment as General Manager, Aerospace Dept., Sumitomo Corporation in 2017. He was promoted to Corporate Officer, Deputy General Manager, Lease, Ship & Aerospace Business Division in 2019. He moved to Planning & Coordination Dept. as Corporate Officer, General Manager in 2020, and was promoted to Assistant to General Manager, Transportation & Construction Systems Business Unit in 2021. Takao was further promoted from Assistant to General Manager, Lease, Ship & Aerospace Business Division in 2022 and also joined the board of directors of the Parent in 2022.

Takao holds a Masters Degree in Aeronautical Engineering from the University of Tokyo.

Naoki Hirose, General Manager of Aviation & Maritime Strategy Department, SMBC

Naoki joined SMBC in 1998 and held a number of managerial positions in Tokyo, New York and London. Most recently, Naoki was appointed to Joint General Manager, Aviation & Maritime Strategy Department, Planning Department of Global Banking Unit (renamed as Strategic Planning Department of Global Banking Unit in April 2022), SMBC, Deputy General Manager, Transportation Business Planning Department, SMFL in April 2020 and was further promoted to General Manager, Aviation & Maritime Strategy Department, Strategic Planning Department of Global Banking Unit, SMBC, General Manager, Transportation Business Planning Department SMFL in April 2022. He also joined the board of directors of the Parent in May 2022.

Naoki holds a Bachelor of Economics from Keio University and a Master of Business Administration from the Wharton School, University of Pennsylvania.

Norihiko Nonaka, Managing Executive Officer, General Manager, Transportation & Construction Systems Business Unit, Sumitomo Corporation

Norihiko joined Sumitomo Corporation in 1985 and was appointed as Manager, Motor Vehicle Department No.5 in 1997. Norihiko held a number of positions at Sumitomo Corporation's offices in Australia and Tokyo before he was promoted to General Manager, Battery Business Development Department in 2010. Norihiko was promoted to Corporate Officer, Deputy General Manager, Global Power Infrastructure Business Division and General Manager, IPP & IWPP Department. No.1 in 2015 before assuming the role of Assistant General Manager for Asia & Oceania Group, Head of Asia & Oceania Environment & Infrastructure Business Unit, and President Director of PT. Sumitomo Indonesia in 2016. In 2017 Norihiko was appointed to Executive Officer before assuming roles of Executive Officer, General Manager, Planning & Coordination Department., Infrastructure Business Unit in 2020 then Managing Executive Officer, Assistant General Manager, Infrastructure Business Unit in 2021. Norihiko was appointed to Managing Executive Officer, General Manager, Transportation & Construction Systems Business Unit in April 2022 and joined the board of directors of the Parent in May 2022.

Norihiko holds a Bachelor of Laws from the University of Tokyo.

Executive Team

Please see above for a description of the business positions held by our executive team, which is comprised of Peter Barrett, Catharine Ennis, Barry Flannery, David Swan and Aisling Kenny.

DESCRIPTION OF OTHER FINANCIAL INDEBTEDNESS

The following is a summary of the material provisions of our outstanding financial indebtedness and is not intended to be a complete description.

2023 Sustainability Linked Term Loan Facility with Bank of Communications (Hong Kong) Limited

On September 11, 2023, we entered into an unsecured $150.0 million term facility agreement with Bank of Communications (Hong Kong) Limited, as mandated lead arranger, agent and sustainability coordinator and the other financial institutions party thereto. As of December 31, 2023, $50.0 million was drawn under the 2023 Sustainability Linked Term Loan Facility. The facility has a maturity date of September 14, 2028. The 2023 Sustainability Linked Term Loan Facility contains customary events of default and does not contain any restrictive covenants.

Covenants

The 2023 Sustainability Linked Term Loan Facility contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

The 2023 Sustainability Linked Loan is our first sustainability linked financing instrument established by SMBC Aviation Capital, with terms of the facility linked to the Company's future performance against two sustainability-linked Key Performance Indicators (KPIs) – an environmental KPI relating to carbon emissions intensity per RPK of its owned fleet and a social KPI relating to gender diversity across currently under-represented levels of seniority in the business.

2023 DBJ Term Loan Facility

On July 10, 2023, we entered into a term loan facility agreement with Development Bank of Japan Inc., as lender (the "2023 DBJ Term Loan Facility"). The 2023 DBJ Term Loan Facility provides for a non-amortizing term loan credit facility of up to $100.0 million. It is an unsecured facility, which accrues interest at a rate per annum of USD Term SOFR plus a margin. As of December 31, 2023, $100.0 million was drawn under the 2023 DBJ Term Loan Facility. The facility maturity date is July 18, 2028.

Covenants

The 2023 DBJ Term Loan Facility contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2023 DBJ Term Loan Facility contains customary events of default.

2022 Term Loan Facility

On October 17, 2022, we entered into a term loan credit agreement with Bank of America N.A., as administrative agent (the "2022 Term Loan Facility"). The 2022 Term Loan Facility provides for a non-amortizing term loan credit facility of up to $200.0 million. It is an unsecured facility, which accrues interest at a rate per annum of USD Term SOFR plus a margin. As of December 31, 2023, $200.0 million was drawn under the 2022 Term Loan Facility. The maturity date is December 19, 2025.

Covenants

The 2022 Term Loan Facility Agreement governing the 2022 Term Loan Facility contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- hedging agreements;

- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2022 Term Loan Facility contains customary events of default.

Global Syndication Term Loan and Revolving Credit Facilities

On September 26, 2022, SMBC Aviation Capital, and our Hong Kong subsidiary, SMBC Aviation Capital Hong Kong 2 Limited, entered into a term and revolving facilities agreement (the "Global Syndication Term Loan and Revolving Credit Facilities Agreement") with Australia and New Zealand Banking Group Limited (ANZ) and Citigroup Global Markets Asia Limited (Citi) acted as Joint Global Co-ordinators, and together with seven banks, including DBS Bank Ltd., The Korea Development Bank, Oversea-Chinese Banking Corporation Limited, BNP Paribas, CaixaBank, S.A., Cathay United Bank, and Industrial and Commercial Bank of China Limited, London Branch acted as Mandated Lead Arrangers and Bookrunners. The Hongkong and Shanghai Banking Corporation Limited acted as a Senior Mandated Lead Arranger, and Apple Bank for Savings, China Everbright Bank Co., Ltd., Hong Kong Branch and KeyBank joined as Mandated Lead Arrangers at the senior syndication phase of the transaction. Subsequently, 19 banks joined the general syndication phase of the transaction.

The Global Syndication Term Loan and Revolving Credit Facilities Agreement provides for (i) a term loan facility of approximately $1.294 billion (the "Global Syndication Term Loan") and (ii) a revolving credit facility of up to $431.25 million (the "Global Syndication Revolving Credit Facility" and, together with the Global Syndication Term Loan, the "Global Syndication Term Loan and Revolving Credit Facilities"), available for utilization from signing until one month prior to the final maturity date. On November 29, 2022, we entered into a syndication agreement to increase the commitment of (i) the Global Syndication Term Loan up to $1.83 billion and (ii) the Global Syndication Revolving Credit Facility up to $710 million. As of December 31, 2023, $1.83 billion was drawn under the Global Syndication Term Loan and $710 million remained undrawn under the Global Syndication Revolving Credit Facility. The facilities mature on October 26, 2027.

Covenants

The Global Syndication Term Loan and Revolving Credit Facilities Agreement contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;

- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The Global Syndication Term Loan and Revolving Credit Facilities Agreement contains customary events of default.

2022 Syndication Term Loan Facility

On June 1, 2022, we entered into an unsecured $260.0 million term facility agreement with Industrial and Commercial Bank of China Limited (London Branch) as mandated lead arranger, bookrunner and coordinator, Bank of Communications (Hong Kong) Limited and China Citic Bank Corporation Limited (London Branch), as mandated lead arranger and bookrunners (the "2022 Syndication Term Loan Facility"). The 2022 Syndication Term Loan Facility contains customary events of default and does not contain any restrictive covenants. As of December 31, 2023, $260.0 million was drawn under the 2022 Syndication Term Loan Facility.

Covenants

The 2022 Syndication Term Loan Facility contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

2020 Term Loan and Revolving Credit Facilities

On January 20, 2020, our Hong Kong subsidiary, SMBC Aviation Capital Hong Kong 2 Limited, entered into a term and revolving facilities agreement with Australia and New Zealand Banking Group Limited, Caixa Bank, Bank of China Macau Branch, Cathay United Bank, E.Sun Commercial Bank, Ltd. Tokyo Branch and First Commercial Bank, Offshore Banking Branch as Mandated Lead Arrangers and Bookrunners, and Australia and New Zealand Banking Group Limited., as agent (the "2020 Term Loan and Revolving Credit Facilities Agreement"). Eight additional banks entered the transaction with lead arranger and arranger statuses.

The 2020 Term Loan and Revolving Credit Facilities Agreement is guaranteed by the Parent and provides for (i) a term loan facility of $200 million (the "2020 Term Loan") and (ii) a revolving credit facility of up to $400 million (the "2020 Revolving Credit Facility" and, together with the 2020 Term Loan, the "2020 Term Loan and Revolving Credit Facilities"), available for utilization from signing until one month prior to the final maturity date. As of December 31, 2023, $200.0 million was drawn under the 2020 Term Loan and the 2020 Revolving Credit Facility was undrawn. The facilities mature on March 5, 2025.

Covenants

The 2020 Term Loan and Revolving Credit Facilities Agreement contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2020 Term Loan and Revolving Credit Facilities Agreement contains customary events of default.

2019 Revolving Credit Facility

On July 12, 2019, we entered into a revolving credit agreement with Bank of America N.A., as administrative agent (the "2019 Revolving Credit Agreement"). The 2019 Revolving Credit Agreement provides for a revolving credit facility of up to $120.0 million, which may be increased to $170.0 million. On November 24, 2023, this facility

was extended for a further 12 months to a final maturity date as of July 10, 2026. As of December 31, 2023, the 2019 Revolving Credit Facility was undrawn.

Covenants

The 2019 Revolving Credit Agreement governing the 2019 Revolving Credit Facility contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2019 Revolving Credit Facility contains customary events of default.

2015 Revolving Credit Facility

On August 14, 2015, we entered into a revolving credit agreement with JPMorgan Chase Bank, N.A., Citibank Europe plc, Credit Agricole Corporate and Investment Bank, Goldman Sachs Bank USA and Royal Bank of Canada, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent (as amended, the "2015 Revolving Credit Agreement"). In November 2023, the facility (the "2015 Revolving Credit Facility") was amended to increase borrowing capacity by an additional $400 million for total capacity under the facility of $1.0 billion. As a result of a number of extensions, the 2015 Revolving Credit Facility is scheduled to mature on August 16, 2026. As of December 31, 2023, the 2015 Revolving Credit Facility was undrawn.

Covenants

The 2015 Revolving Credit Agreement governing the 2015 Revolving Credit Facility contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;

- consolidations, mergers and sales of assets, liquidation and dissolution;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2015 Revolving Credit Facility contains customary events of default.

Shareholder Loans

Shareholder Acquisition Facility

Between January and February 2023, we entered into four English-law governed loan agreements with our shareholder, SMFL, for aggregate borrowings of $2.5 billion (together, the "Shareholder Acquisition Facility"), as summarized below.

- On January 25, 2023, for an amount of $1.5 billion and maturing on December 14, 2032;
- On February 16, 2023, for an amount of $500 million and maturing on February 20, 2030;
- On February 16, 2023, for an amount of $300 million and maturing on February 20, 2026;
- On February 16, 2023, for an amount of $200 million and maturing on February 20, 2025.

A portion of the proceeds from the Shareholder Acquisition Facility were used to repay the SMFL Bridge Loan Facility in February 2023 and for other uses related to the Goshawk Transaction. $2.1 billion of the $2.5 billion loan was funded by SMFL with proceeds received from JBIC intended to fund, in part, the Goshawk Transaction.

2023 Shareholder Sustainability Linked Term Loan Facility

On December 11, 2023, SMBC Aviation Capital Limited entered into an unsecured $100 million term loan agreement with Sumitomo Mitsui Banking Corporation, New York Branch. It is an unsecured facility, which accrues interest at a rate per annum of USD Term SOFR plus a margin. As of December 31, 2023, $50 million was drawn under the facility. The term loan has a maturity date of December 21, 2028. The 2023 Shareholder Sustainability Linked Term Loan Facility contains customary events of default and does not have any restrictive covenants.

The 2023 Shareholder Sustainability Linked Term Loan is our second sustainability linked financing instrument established by SMBC Aviation Capital, with terms of the facility linked to the Company's future performance against two sustainability-linked Key Performance Indicators (KPIs) – an Environmental KPI in relation to carbon emissions intensity per RPK of its owned fleet and a social KPI regarding gender diversity across currently under-represented levels of seniority in the business.

SMBC NY Term Loan

On March 10, 2021, we entered into a $500 million unsecured non-amortizing term loan facility with Sumitomo Mitsui Banking Corporation, (NY Branch) (the "SMBC NY Term Loan"). The SMBC NY Term Loan is a five-year facility and was drawn down on March 15, 2021. The SMBC NY Term Loan contains customary events of default and does not contain any restrictive covenants.

SMBC Trust Revolving Credit Agreement

On July 28, 2020, we entered into a new $400 million revolving loan agreement with SMBC Trust Bank Ltd (the "SMBC Trust Revolving Credit Agreement"). On September 30, 2021, this facility was amended to extend the last available drawdown date to September 30, 2022. On September 30, 2022, this facility was amended to extend the last available drawdown date to September 30, 2023. On September 29, 2023, this facility was amended to extend the last available drawdown date to September 30, 2024. As of December 31, 2023, the SMBC Trust Revolving Credit Agreement facility was undrawn. The SMBC Trust Revolving Credit Agreement contains customary events of default and does not contain any restrictive covenants.

SMBC Subordinated Term Loan Facility

On November 21, 2018, we entered into a $300 million unsecured subordinated shareholder term loan facility due 2034 with SMBC (as amended, the "SMBC Subordinated Term Loan Facility"). The SMBC Subordinated Term Loan Facility was drawn down in one tranche and accrues interest at a rate per annum equal to USD SOFR plus a margin per annum. The SMBC Subordinated Term Loan Facility is subordinated to senior debt. Prior to a change of control, and upon the written request from SMBC Aviation Capital, the facility may be extended initially to February 29, 2036 and by twelve months thereafter. On September 29, 2023, this facility was extended by one year and will terminate on February 28, 2040.

SMBC Aviation Capital Revolving Credit Facility

On June 1, 2012, we entered into an uncommitted and revolving credit agreement with SMBC (as amended, the "SMBC Aviation Capital Revolving Credit Agreement"). The SMBC Aviation Capital Revolving Credit Agreement provides for a revolving credit facility (the "SMBC Aviation Capital Revolving Credit Facility") with an initial amount of up to $2.0 billion. In June 2018, this facility was further amended and restated and increased to up to $6.4 billion, and SMBC Aviation Capital Netherlands B.V and SMBC Aviation Capital (UK) Limited were added as borrowers. In June 2019, the facility was increased to up to $7.7 billion. On September 30, 2020, this facility was extended for 12 months and SMBC Aviation Hong Kong 3 Limited was added as a borrower. On May 25, 2022 the facility was increased to up to $13.0 billion. On September 29, 2023, this facility was extended for a further 12 months to a final maturity date as of September 30, 2039. As of December 31, 2023, there is an undrawn balance of $8.5 billion under this facility. Any drawdowns occurring during the Availability Period may be termed out on drawdown for a period of up to 15 years to match the relevant lease term attaching to the aircraft that the drawdown is notionally financing. The SMBC Aviation Capital Revolving Credit Agreement contains customary events of default and does not contain any restrictive covenants.

Facilities with the Japanese Bank of International Cooperation

2019 JBIC Facility

On November 29, 2019, we entered into a $1.0 billion senior unsecured facility due 2029 with the Japan Bank for International Cooperation ("JBIC") (as amended, the "2019 JBIC Facility") pursuant to a loan agreement, dated as of November 29, 2019 (as amended, the "2019 JBIC Loan Agreement"), between the Parent and JBIC. The 2019 JBIC Facility can be drawn down up to 2 years after the signing date. As of December 31, 2023, we had $1.0 billion drawn under the 2019 JBIC Facility. The 2019 JBIC Facility accrues interest at USD SOFR plus a margin per annum. There is no SMBC guarantee of the facility.

Covenants

The 2019 JBIC Facility contains certain covenants and repeating representations, subject to customary exceptions and qualifications, including (but not limited to):

- the creation or existence of encumbrances outside of the ordinary course of business;
- material disposals of assets;
- asset covenant requiring that a minimum level of aircraft SMBC Aviation Capital committed to purchase as of November 29, 2019 remain in its ownership for the life of facility
- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- sanctions;
- restrictions on mergers; and
- compliance and reporting with respect to environmental and social considerations.

Events of Default and Prepayment Events

The 2019 JBIC Facility contains customary events of default.

We are required to prepay the 2019 JBIC Facility if, in the sole judgment of JBIC, we are in breach of the environmental/social covenant described above or any requirement imposed by JBIC in accordance with its Environmental Guidelines. We may voluntarily elect to prepay the 2019 JBIC Facility at any time at the face amount plus a prepayment premium of 0.5% of the principal amount of the 2019 JBIC Facility, plus accrued and unpaid interest to, and including, the prepayment date.

In addition, the 2019 JBIC Facility includes a requirement that we provide JBIC with such additional security for the outstanding loans thereunder (the "2019 JBIC Facility Lien") as JBIC may, in its sole discretion, require. JBIC has agreed that it will not request any 2019 JBIC Facility Lien from us unless, in the reasonable opinion of JBIC, such request is necessary in order to protect the rights, interest and claims of JBIC under the 2019 JBIC Loan Agreement, and has further agreed that a request shall not be deemed to be reasonable when either (A) SMFG directly or indirectly holds at least 50% of the beneficial ownership or (B) either S&P or Fitch has assigned to SMBC Aviation Capital a credit rating that is at least investment grade.

2012 JBIC Facility

On June 7, 2012, we entered into a $3.0 billion senior unsecured facility due 2027 with JBIC (as amended, the "2012 JBIC Facility" and, together with the 2019 JBIC Facility, the "JBIC Facilities") pursuant to a loan agreement, dated as of June 7, 2012 (as amended, the "2012 JBIC Loan Agreement"), between the Parent and JBIC. The 2012 JBIC Facility is fully and unconditionally guaranteed by SMBC and accrues interest at USD SOFR plus a margin per annum. As of December 31, 2023, we had $700.0 million outstanding under the 2012 JBIC Facility.

Covenants

The 2012 JBIC Facility contains certain covenants and repeating representations, subject to customary exceptions and qualifications, including (but not limited to):

- the creation or existence of encumbrances outside of the ordinary course of business;
- material disposals of assets;
- restrictions on mergers; and

- compliance and reporting with respect to environmental and social considerations.

Events of Default and Prepayment Events

The 2012 JBIC Facility contains customary events of default, in addition to:

- an event of default triggered by any change in any respect to the beneficial ownership of the Parent's share capital as it exists on the date of this offering memorandum;
- a cross-default without a threshold and including intra-group indebtedness; and
- a material adverse change provision.

We are required to prepay the 2012 JBIC Facility if, in the sole judgment of JBIC, we are in breach of the environmental/social covenant described above or any requirement imposed by JBIC in accordance with its Environmental Guidelines. We may voluntarily elect to prepay the 2012 JBIC Facility at any time at the face amount plus a prepayment premium of 0.5% of the principal amount of the Facility, plus accrued and unpaid interest to, and including, the prepayment date.

In addition, the 2012 JBIC Facility includes a requirement that we provide JBIC with such additional security for the outstanding loans thereunder (the "2012 JBIC Facility Lien") as JBIC may, in its sole discretion, require. JBIC has agreed that it will not request any 2012 JBIC Facility Lien from us under the 2012 JBIC Loan Agreement unless, in the reasonable opinion of JBIC, such request is necessary in order to protect the rights, interest and claims of JBIC under the JBIC Loan Agreement, and has further agreed that a request shall not be deemed to be reasonable when both (A) SMBC's absolute and unconditional guarantee of payment of the 2012 JBIC Facility remains in effect and (B) none of S&P, Fitch or Moody's has assigned to SMBC a credit rating that is less than investment grade. JBIC has never requested the Parent to provide additional security for the 2012 JBIC Facility and we believe that JBIC currently has neither the ability nor the intention to request any such additional security.

Term Loans with Norinchukin Bank

We have entered into ten non-amortizing term loan facilities (collectively, the "Norinchukin Term Loans") with the Norinchukin Bank, London Branch ("Norinchukin"). As of December 31, 2023, the first six Norinchukin Term Loans had matured.

On October 27, 2020, we entered into a $100.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 7"). The Norinchukin Term Loan 7 is unsecured and accrues interest at a rate per annum equal to USD SOFR plus a margin. The Norinchukin Term Loan 7 matures on October 29, 2025.

On June 28, 2021, we entered into a $100.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 8"). The Norinchukin Term Loan 8 is unsecured and accrues interest at a rate per annum equal to USD SOFR plus a margin. The Norinchukin Term Loan 8 matures on June 30, 2026.

On July 12, 2021, we entered into a $100.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 9"). The Norinchukin Term Loan 9 is unsecured and accrues interest at a rate per annum equal to a fixed margin. The Norinchukin Term Loan 9 matures on July 14 2026.

On October 3, 2022, we entered into a $200.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 10"). The Norinchukin Term Loan 10 is unsecured and accrues interest at a rate per annum equal to USD Term SOFR plus a margin. The Norinchukin Term Loan 10 matures on October 5, 2029.

Covenants

The Norinchukin Term Loans contain certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- financial reports;
- semi-annual certification confirming certain financial metrics;
- change of control;
- nature of business; and
- mergers, consolidation and sale of assets.

Events of Default

The Norinchukin Term Loans contain customary events of default.

SMTB Term Loans

We have entered into three non-amortizing term loan facilities (collectively, the "SMTB Term Loans") with Sumitomo Mitsui Trust Bank, Limited (London Branch).

On March 29, 2018, we signed a loan agreement with Sumitomo Mitsui Trust Bank, Limited (London Branch) (the "SMTB Term Loan 1"), which provides for a $100.0 million non-amortizing term loan facility to be utilized within 12 months of the signing of the loan agreement. The SMTB Term Loan 1 is unsecured and has the option to accrue interest at a fixed or floating rate plus a margin. The SMTB Term Loan 1 will mature on the 7th anniversary of the drawdown date. As of December 31, 2023, $100 million was drawn under the SMTB Term Loan 1.

On September 28, 2018, we signed a loan agreement with Sumitomo Mitsui Trust Bank, Limited (London Branch) (the "SMTB Term Loan 2"), which provides for a $200.0 million non-amortizing term loan facility to be utilized within three years of the signing of the loan agreement. During the initial three year period, the facility is also revolving in nature. The SMTB Term Loan 2 is unsecured and has the option to accrue interest at a fixed or floating rate plus a margin. The SMTB Term Loan 2 will mature on the 10th anniversary of the signing of the loan agreement. As of December 31, 2023, $200 million was drawn under the SMTB Term Loan 2.

On December 21, 2022, we signed a loan agreement with Sumitomo Mitsui Trust Bank, Limited (London Branch) (the "SMTB Term Loan 3"), which provides for a $100.0 million non-amortizing term loan facility to be utilized within 45 days of the signing of the loan agreement. The SMTB Term Loan 3 is unsecured with a fixed interest rate. As of December 31, 2023, $100 million was drawn under the SMTB Term Loan 3. The maturity date is January 19, 2028.

Covenants

The SMTB Term Loans contain certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- financial reports;
- semi-annual certification confirming certain financial metrics;
- change of control;
- nature of business; and
- mergers, consolidation and sale of assets.

Events of Default

The SMTB Term Loans contain customary events of default.

Senior Unsecured Notes

2024 Notes

On April 15, 2019, the Issuer issued $500.0 million in aggregate principal amount of 3.550% senior unsecured notes maturing on April 15, 2024. Interest on the 2024 Notes is payable on April 15 and October 15 each year, beginning on October 15, 2019. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

2026 Notes

On October 15, 2021, the Issuer issued $500.0 million in aggregate principal amount of 1.900% senior unsecured notes maturing on October 15, 2026. Interest on the 2026 Notes is payable on April 15 and October 15 each year, beginning on April 15, 2022. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

2028 Notes

On June 15, 2021, the Issuer issued $500.0 million in aggregate principal amount of 2.300% senior unsecured notes maturing on June 15, 2028. Interest on the 2.300% senior unsecured notes is payable on June 15 and December 15 each year, beginning on December 15, 2021. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

On May 3, 2023, the Issuer issued $650 million in aggregate principal amount of 5.45% senior unsecured notes maturing on May 3, 2028. Interest on the 5.450% senior unsecured notes is payable on May 3 and November 3 each year, beginning on November 3, 2023. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

2033 Notes

On July 25, 2023, the Issuer issued $1.0 billion in aggregate principal amount of 5.700% senior unsecured notes maturing on July 25, 2033. Interest on the 5.700% senior unsecured notes is payable on January 25 and July 25 each year, beginning on January 25th, 2024. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Covenants

The indenture governing the 2024 Notes, the 2026 Notes, the two series of 2028 Notes and the 2033 Notes, which is the same indenture that governs the notes offered hereby, contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- limitations on liens;
- limitations on the conduct of the business of the Issuer;
- financial reports; and
- merger, sale of assets and dissolution.

Events of Default

The indenture governing the 2024 Notes, the 2026 Notes, the 2028 Notes and the 2033 Notes contains customary events of default.

Private Shelf Notes

On February 16, 2021, we entered into a $300.0 million private shelf agreement with a US Private Placement Investment Management company (the "2021 Private Shelf Agreement") with pricing terms to be determined at the time of issuance. Pursuant to the 2021 Private Shelf Agreement, we issued $165.0 million in aggregated principal amount of 2.61% senior unsecured notes due July 28, 2031 (the "Private Shelf Notes").

Covenants

The 2021 Private Shelf Agreement governing the Private Shelf Notes, contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- limitations on liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution
- hedging agreements; and
- transactions with affiliates.

Events of Default

The 2021 Private Shelf Agreement governing the Private Shelf Notes contains customary events of default.

DESCRIPTION OF THE NOTES

The Issuer will issue $ aggregate principal amount of % senior notes due 2029 (the "2029 Notes") and $ aggregate principal amount of % senior notes due 2034 (the "2034 Notes" and, together with the 2029 Notes, the "Notes"), with each series of Notes guaranteed (the guarantee of each series of Notes, a Guarantee, and together, the "Guarantees" and, together with the Notes, the "Securities") by the Parent as described herein.

The Securities are securities issued pursuant to that certain indenture dated as of July 19, 2016 (the "Base Indenture"), among the Issuer, the Parent and Computershare Trust Company, National Association as successor to Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by an officers' certificate to be dated as of the date of issuance of the Securities (the "Issue Date") (the "Officers' Certificate" and, together with the Base Indenture, the "Indenture"). The 2029 Notes and the 2034 Notes will each be issued as a separate series. The Indenture is not required to be nor is it qualified under the United States Trust Indenture Act of 1939, as amended (the "TIA"), and the Indenture does not incorporate provisions of the TIA by reference. The following description is only a summary of the material provisions of the Indenture and the Notes. This description does not include all of the provisions of the Indenture.

In this section of the offering memorandum only, unless otherwise noted, references to the "Parent" refer to SMBC Aviation Capital Limited and references to the "Issuer" refer to SMBC Aviation Capital Finance DAC. Certain capitalized terms used in this section of the offering memorandum are defined under "—Certain Definitions" at the end of this section. In addition, references to the "Notes" or the "Securities" refer to, and only to, the Notes or the Securities, unless specifically stated otherwise.

General

The Notes will be the general unsecured obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer's existing and future unsecured and unsubordinated indebtedness. The Issuer is a subsidiary of the Parent created for the purpose of issuing debt securities from time to time (including the Notes), and does not, nor is expected to, have any assets of its own other than one or more loans to the Parent of proceeds of debt offerings by the Issuer, including the Notes, and assets of a *de minimis* nature. The obligations of the Issuer under each series of Notes will be fully and unconditionally guaranteed by the Parent with each Guarantee ranking equal in right of payment with all other existing and future unsecured and unsubordinated indebtedness of the Parent. The Guarantees will be effectively subordinated to the Parent's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The Securities will not provide holders with any direct claims on the assets of any of the Parent's other Subsidiaries and will be effectively subordinated to any and all liabilities of the Parent's other Subsidiaries, in each case to the extent of such Subsidiaries' assets. As of December 31, 2023, we had consolidated total unsecured indebtedness of $16.4 billion. In addition, our JBIC Facilities include a requirement that the Parent provide JBIC with such additional security for the outstanding loans thereunder as JBIC may, in its sole discretion upon the occurrence of certain events, require. After giving effect to the possible imposition of a lien on the Parent's assets in an amount equal to the entire outstanding amount of the JBIC Facilities as of December 31, 2023, we would have had $1.7 billion of secured indebtedness. JBIC has never requested the Parent to provide additional security for the JBIC Facilities loans and we believe that JBIC currently has neither the ability nor the intention to request any such additional security. For more information about the JBIC Facilities, see "Description of Other Financial Indebtedness—Amortizing Loan Facility with the Japan Bank for International Cooperation."

The Indenture does not limit the Parent's ability, or the ability of its Subsidiaries, to incur additional indebtedness.

The Indenture provides for the issuance of the Securities and sets forth the duties of the Trustee. The Parent may cause the Issuer, from time to time, without notice to, or consent of, the holders of the Securities, to create and issue other series of debt securities under the Indenture; provided, however, that any additional notes of the respective series of Notes offered hereby (as applicable, the "2029 Additional Notes" or the "2034 Additional Notes" and together, the "Additional Notes") will have separate CUSIP numbers unless such Additional Notes are fungible with any series of the original notes for U.S. federal income tax purposes. The Indenture does not limit the aggregate principal amount of Securities (or other debt securities) that may be issued thereunder. Any series of debt securities,

including the Securities offered hereby, may be reopened, and additional debt securities of such reopened series may be issued and treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The Issuer will issue the Notes in a private transaction that is not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."

Listing

Application will be made to quote the Notes on the official list of the CSX.

Principal and Interest

In this offering, the Issuer will issue $ in aggregate principal amount of the 2029 Notes and $ in aggregate principal amount of the 2034 Notes.

The Notes of each series will be issued in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Interest on the 2029 Notes will accrue at the rate of % per annum, payable semi-annually in arrears on and of each year, beginning on , 2024 (each, a "2029 Interest Payment Date"). The Issuer will make each payment of interest to the holders of record on the immediately preceding and , respectively, in the case of the 2029 Notes, whether or not such date is a business day.

Interest on the Notes will accrue at the rate of % per annum, payable semi-annually in arrears on and of each year, beginning on , 2024 (each, a "2034 Interest Payment Date" and, together with the 2029 Interest Payment Date, the "Interest Payment Date"). The Issuer will make each payment of interest to the holders of record on the immediately preceding and , respectively, in the case of the 2034 Notes, whether or not such date is a business day.

Interest on each series of the Notes will accrue from the most recent date on which interest has been paid, or, if no interest has been paid, from and including the date of issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Guarantees

The obligations of the Issuer under the Indenture and each series of Notes will be fully and unconditionally guaranteed by the Parent.

The Guarantee with respect to a series of notes will terminate upon defeasance or discharge of such Notes, as provided in "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

Additional Amounts

If any withholding or deduction for or on account of any present or future taxes, duties, assessments or other government charges (or interest on any of the foregoing) of whatsoever nature will be imposed, levied, collected, withheld or assessed by Ireland or any political subdivision thereof, or any governmental authority of any jurisdiction in which the Issuer or Parent is then incorporated or organized or otherwise resident or carrying on a trade or business for tax purposes and any political subdivision thereof (a "Relevant Jurisdiction") on payments of principal (and premium, if any) and interest on the Notes by the Issuer and the Parent, the Issuer and the Parent will pay to holders of such Notes all additional amounts that may be necessary so that the net amount of each payment of interest or principal (including any premium paid upon redemption of such Notes) received by the holder will not be less than the amount such holder would have received if such taxes, duties, assessments or other governmental charges (or interest on any of the foregoing) had not been imposed, levied, collected, withheld, assessed or deducted.

The Issuer's and the Parent's obligations to pay additional amounts is subject to several important exceptions, however. Neither the Issuer nor the Parent will pay additional amounts to any holder for, or solely on account of, any of the following:

(1) any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder or beneficial holder of a Note and the Relevant Jurisdiction, including such holder or beneficial owner (a) being or having been a citizen or resident thereof, (b) maintaining or having maintained an office, permanent establishment, or branch subject to taxation therein or (c) being or having been present or engaged in a trade or business therein (other than the mere receipt of a payment on or holding of, or the enforcement of rights or remedies under, the Notes or the Guarantees);

(2) any estate, inheritance, gift, value added, sales, use, excise, transfer or similar taxes, assessments or other governmental charges imposed with respect to a Note;

(3) any taxes, duties, assessments or other governmental charges imposed because the holder or any other person fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction of the holder or any beneficial owner of a Note, if compliance is required by statute, rule, regulation or by the published official interpretation of applicable tax law by the taxing authorities of the Relevant Jurisdiction or by an applicable income tax treaty, which is in effect and to which the applicable jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and the Issuer or the Parent has given the holders or beneficial owners of the applicable series of Notes at least 30 days' written notice that such information and identification is required to be provided;

(4) any taxes, duties, assessments or other governmental charges not payable by way of deduction or withholding from payments on or with respect to a Note;

(5) any payment on a Note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of a Note; or

(6) in respect of any combination of the above.

Notwithstanding anything to the contrary under this Section "—Additional Amounts," neither the Issuer nor the Parent nor any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "Code") (and any current and future regulations or official interpretations thereof) ("FATCA"), any agreements entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreements implementing the foregoing or any fiscal or regulatory legislation, rules or practices adopted pursuant to any such intergovernmental agreement, including the laws of Ireland implementing FATCA.

In addition to the foregoing, the Issuer and the Parent will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) that are levied by the Relevant Jurisdiction on the execution, delivery, issuance or registration of any of the Notes, the Guarantees, the Indenture or any other document or instrument referred to therein, or enforcement of, the Notes or the Guarantees (other than on or in connection with a transfer of the Notes other than the initial resale of the Notes by the Initial Purchasers).

The Issuer or the Parent will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of the Relevant Jurisdiction's taxes in respect of which the Issuer or the Parent have paid any

additional amount. The Issuer or the Parent will make copies of such documentation available to the holders of the Notes or the relevant Paying Agent.

In the event that additional amounts actually paid with respect to the Notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder or beneficial owner of such Notes, and, as a result thereof such holder or beneficial owner is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder or beneficial owner shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Issuer and the Parent, provided that such assignment or transfer places such holder or beneficial owner in no worse position than had no such withholding tax been imposed.

Any reference in this offering memorandum, the Indenture, the Notes or the Guarantees to principal, premium, interest or any other amount payable in respect of either series of Notes by the Issuer or the Guarantees by the Parent will be deemed also to refer to any additional amount that may be payable with respect to that amount under the obligations referred to in this "—Additional Amounts" section.

Maturity, Optional Redemption

The 2029 Notes will mature on , 2029 (the "2029 Stated Maturity Date"). In addition to as described below under "—Optional Redemption for Changes in Withholding Taxes," the 2029 Notes will be redeemable, in whole or in part, at the Issuer's option, at any time prior to the 2029 Par Call Date, at a redemption price equal to the greater of (x) 100% of the principal amount thereof to be redeemed or (y) the sum of the present values of the Remaining Scheduled Payments that would be due if the 2029 Notes to be redeemed matured on the 2029 Par Call Date, discounted to the Redemption Date, on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months), at the Treasury Rate plus basis points, plus, in either case, accrued and unpaid interest, if any, to, but not including, the Redemption Date on the principal amount of the 2029 Notes to be redeemed. From and after the 2029 Par Call Date, the Issuer may redeem the 2029 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the Redemption Date.

The 2034 Notes will mature on , 2034 (the "2034 Stated Maturity Date" and, together with the 2029 Stated Maturity, the "Stated Maturity Date"). In addition to as described below under "—Optional Redemption for Changes in Withholding Taxes," the 2034 Notes will be redeemable, in whole or in part, at the Issuer's option, at any time prior to the 2034 Par Call Date, at a redemption price equal to the greater of (x) 100% of the principal amount thereof to be redeemed or (y) the sum of the present values of the Remaining Scheduled Payments that would be due if the 2034 Notes to be redeemed matured on the 2034 Par Call Date, discounted to the Redemption Date, on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months), at the Treasury Rate plus basis points, plus, in either case, accrued and unpaid interest, if any, to, but not including, the Redemption Date on the principal amount of the 2034 Notes to be redeemed. From and after the 2034 Par Call Date, the Issuer may redeem the 2034 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the Redemption Date.

Notice of any redemption will be mailed at least ten days but not more than 60 days before the Redemption Date to each registered holder of any series of Notes to be redeemed. Unless the Issuer defaults in the payment of the redemption price and accrued interest, on and after the Redemption Date, interest will cease to accrue on the Notes of the applicable series or any portion thereof called for redemption. On or before the Redemption Date, the Issuer will deposit with a Paying Agent, or the Trustee, sufficient funds to pay the redemption price of and accrued interest on any series of the Notes to be redeemed on such date. If less than all of such series of the Notes are to be redeemed, the Notes to be redeemed of the relevant series shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate (and in accordance with the procedures of the Depository).

The notice of redemption that relates to any Note of any series that is redeemed in part only will state the portion of the principal amount thereof to be redeemed. Any redemption of any series of Notes at the Issuer's option may, if so provided in the applicable redemption notice, be made subject to the satisfaction of one or more conditions precedent.

Optional Redemption for Changes in Withholding Taxes

If, as a result of (1) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Relevant Jurisdiction after the later of (i) the date the Notes are issued and (ii) the date such Relevant Jurisdiction became a Relevant Jurisdiction (such later date, the "Relevant Time") or (2) any amendment to or change in the official interpretation of applicable tax law by the Relevant Jurisdiction's tax authorities or application of such laws, rules or regulations after the Relevant Time, the Issuer or the Parent becomes obligated, or will become obligated, in each case after taking all commercially reasonable measures to avoid this requirement, to pay additional amounts as described in "—Additional Amounts," then, at the Issuer's option, all, but not less than all, of the Notes of any series may be redeemed at any time at a redemption price equal to 100% of the outstanding principal amount of such Notes, plus accrued and unpaid interest and any such additional amounts due thereon up to, but not including, the Redemption Date; provided, however, that (1) no notice of redemption for tax reasons may be given earlier than 60 days prior to the earliest date on which the Issuer or the Parent would be obligated to pay these additional amounts if a payment on such Notes were then due and (2) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect. For the avoidance of doubt, commercially reasonable measures do not include changing the jurisdiction of incorporation of the Issuer or Parent.

Prior to the publication of any notice of redemption pursuant to this provision, the Issuer will deliver to the Trustee:

(1) a certificate signed by one of the Issuer's duly authorized representatives stating that the Issuer is entitled to effect the redemption and setting forth a statement of facts showing that the above listed conditions precedent have occurred; and

(2) an opinion of outside legal counsel of recognized standing qualified under the laws of the Relevant Jurisdiction to the effect that the Issuer or the Parent, as applicable, has or will become obligated to pay such additional amounts as a result of such change or amendment.

This notice, once delivered by the Issuer to the Trustee, will be irrevocable.

The Issuer will give notice of any redemption it proposes as described in this "—Optional Redemption for Changes in Withholding Taxes" section in the same manner as provided in the "—Maturity, Optional Redemption" section above.

Mandatory Redemption, Exchange and Purchase

Except as set forth below under "—Repurchase at the Option of Holders," the Issuer is not required to make any mandatory redemption or sinking fund payments with respect to either series of Notes. The Issuer or the Parent may at any time and from time to time purchase Notes in the open market or otherwise at any price, subject to applicable law.

The Issuer or the Parent may at any time make offers to the holders to exchange their Notes for other notes issued by the Issuer, the Parent or by any other Person.

Repurchase at the Option of Holders

If a Change of Control accompanied by a Ratings Event (a "Change of Control Triggering Event") occurs at any time, unless the Issuer has exercised its right to redeem the Notes as described above under "—Optional Redemption," each holder of the Notes will have the right to require the Issuer to repurchase all or any part (in denominations of $200,000 or integral multiples of $1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control offer on the terms set forth in the Indenture at a repurchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to, but not including, the date of repurchase.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, or, at the Issuer's option, prior to any Change of Control but after the public announcement of the Control of Control, unless the Issuer has otherwise exercised its right to redeem the Notes, it will deliver a notice to each holder describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is sent (the "Change of Control Payment Date"), pursuant to the procedures required by the Indenture and described in such notice. The notice, if sent prior to the date of consummation of the Change of Control, will state that the Change of Control offer is conditioned on the Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date. Unless the Issuer defaults in such payment, all Notes accepted for payment pursuant to the Change of Control offer will cease to accrue interest after such payment date.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the provisions in the Indenture applicable to a Change of Control offer, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under such provisions by virtue of such compliance.

On the payment date in relation to a Change of Control offer the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control offer;

(2) prior to 10:00 a.m. New York City time, deposit with the Paying Agent an amount equal to the aggregate purchase price in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly deliver to each holder of Notes properly tendered the purchase price for such Notes, and the Trustee will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a principal amount of $200,000 or an integral multiple of $1,000 in excess thereof.

The Issuer will publicly announce the results of the Change of Control offer on or as soon as practicable after the Change of Control payment date.

The provisions described above that require the Issuer to make a Change of Control offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a merger, takeover, recapitalization or any other transaction.

Notwithstanding anything to the contrary in the Indenture applicable to a Change of Control offer made by the Issuer, the Issuer will not be required to make a Change of Control offer upon a Change of Control Triggering Event if a third-party makes the Change of Control offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control offer or the Issuer has exercised its right to redeem the Notes as described above under "—Maturity, Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

If holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw the Notes in a Change of Control offer, and the Issuer, or any third-party making a Change of Control offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer

will have the right, upon not less than 20 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control offer described above have passed at the time the notice is issued, to redeem all Notes that remain outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the Redemption Date.

Notwithstanding anything to the contrary contained herein, a Change of Control offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control offer is made.

Certain Covenants

Limitations on Liens

Except as provided below, neither the Parent nor the Issuer will, nor will they permit any Subsidiary to, at any time pledge or otherwise subject to any Lien any of their or such Subsidiary's property, tangible or intangible, real or personal (hereinafter "property") securing Relevant Indebtedness, without thereby expressly securing each series of Notes (together, if the Parent or the Issuer so chooses, with any other securities entitled to the benefit of a similar covenant) equally and ratably with any and all other Relevant Indebtedness, including any guarantee, secured by such Lien, so long as any such other Relevant Indebtedness shall be so secured and the Parent and the Issuer covenant that if and when any such Lien is created, each series of Notes will be so secured thereby; provided, that, this restriction shall not apply to any Lien on any property existing as of the date of issuance of the Notes or to the following Liens securing Relevant Indebtedness, including any guarantee:

(1) any Lien on Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity (a) existing at the time of acquisition of such property or the entity owning such property (including acquisition through merger or consolidation), or (b) given to secure the payment of all or any part of the purchase, lease or acquisition thereof or the cost of construction, repair, refurbishment, modification or improvement of Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity;

(2) a banker's lien or right of offset of the holder of such indebtedness in favor of any lender of moneys or holder of commercial paper of the Parent, the Issuer or any Subsidiary in the ordinary course of business on moneys of the Parent, the Issuer or such Subsidiary deposited with such lender or holder in the ordinary course of business; and

(3) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien existing on the Issue Date or referred to in the foregoing clauses, including in connection with the refinancing of indebtedness of the Parent, the Issuer and any Subsidiary secured by such Lien.

This covenant does not limit Liens that do not secure Relevant Indebtedness.

Any Lien that is granted to secure the Notes pursuant to the preceding two paragraphs will be automatically released and discharged at the same time as the release (other than through the exercise of remedies with respect thereto) of each Lien that gave rise to such obligation to secure the Notes under the preceding two paragraphs.

Limitation on the Conduct of Business of the Issuer

In addition to the other restrictions set forth in the Indenture, the Indenture provides that the Issuer may not become liable for any material obligations or engage in any significant business activities other than in connection with serving as an Issuer of the Notes or as an issuer or borrower in connection with financing activities (including financing activities with third parties and among the Parent and its Subsidiaries and providing credit support (including guarantees and Liens) to the extent otherwise permitted under the Indenture), together with activities reasonably related thereto. Except in accordance with "—Merger, Sale of Assets and Dissolution," the Parent will not sell or otherwise dispose of any shares of Capital Stock of the Issuer and will not permit the Issuer, directly or indirectly, to

issue or sell or otherwise dispose of any shares of its Capital Stock or to otherwise cease to be a direct Wholly Owned Subsidiary of the Parent.

Reports

So long as any Notes remain outstanding:

(1) The Parent will furnish or cause to be furnished to the Trustee, or to any holder of the Notes upon the request of the holder, annual consolidated financial statements audited by the Parent's independent public accountants within 120 days after the end of the Parent's fiscal year, and unaudited quarterly consolidated financial statements (consisting of a statement of financial position and statement of comprehensive income for the fiscal quarter or quarters then ended and the corresponding fiscal quarter or quarters from the prior year) within 60 days after the end of each of the first three fiscal quarters of each fiscal year. The Parent will make such information available to the Trustee and holders of the Notes, and also to prospective investors in the Notes and market makers in the Notes affiliated with any Initial Purchaser, by (A) posting to the website of the Parent or on any password-protected online data system or (B) otherwise providing substantially comparable availability of such reports (as determined by the Parent in good faith) (it being understood that, without limitation, making such reports available on a private electronic information service shall constitute substantially comparable availability). For the avoidance of doubt, the Parent will furnish or cause to be furnished to any holder certain annual or quarterly consolidated financial statements requested by such holder. Such annual and quarterly financial statements will be prepared in accordance with IFRS-E.U. and be accompanied by a "management discussion and analysis" of the results of operations and liquidity and capital resources of the Parent and its Subsidiaries on a consolidated basis for the periods presented in a level of detail comparable to the management discussion and analysis of the results of operations and liquidity and capital resources of the Parent and its Subsidiaries contained in this offering memorandum.

(2) the Parent will provide the Trustee copies of all public filings made by the Issuer or the Parent with any securities exchange or securities regulatory agency or authority within 30 business days of such filing (the Trustee shall have no responsibility to determine whether any such public filings have been made); and

(3) The Parent and the Issuer will furnish or cause to be furnished to any holder of a Note or to any prospective purchaser designated by such a holder, upon the request of the holder, the business and financial information called for under paragraph (d)(4) of Rule 144A of the Securities Act, so long as the Notes are not freely transferable under the Securities Act by Persons who are not "affiliates." Reports by the Parent and the Issuer delivered to the Trustee or made available by posting to the website of the Parent should be considered for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Merger, Sale of Assets and Dissolution

Neither the Issuer nor the Parent will consolidate or merge with or into or wind up into (whether or not the Parent or the Issuer is the surviving corporation), in one or more related transactions, any Person unless:

(1) the resulting or surviving Person (the "Successor Company") is the Issuer, the Parent, a Wholly Owned Subsidiary of the Parent or a Person organized and existing under the laws of a Permitted Jurisdiction;

(2) the Successor Company (if other than the Issuer or the Parent) expressly assumes all of the obligations of the Parent or the Issuer under the Notes or the applicable Guarantee, as applicable, and the Indenture pursuant to a supplemental indenture;

(3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(4) the Issuer and the Parent shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, winding up or disposition, and such supplemental indenture, if any, comply with the Indenture.

The Parent will not sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the Parent's properties and assets, in one or more related transactions, to any Person unless:

(1) the Person receiving the sale, assignment, conveyance, transfer, lease or disposition is a Wholly Owned Subsidiary of the Parent or a Person organized and existing under the laws of a Permitted Jurisdiction;

(2) the Person receiving the sale, assignment, conveyance, transfer, lease or disposition expressly assumes all of the obligations of the Parent under the Guarantees and the Indenture pursuant to a supplemental indenture;

(3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(4) the Parent shall have delivered to the Trustee an officers' certificate and an opinion of counsel, stating that such sale, assignment, conveyance, transfer, lease or disposition, and such supplemental indenture, if any, comply with the Indenture.

For the purpose of these covenants, Aircraft Asset leasing in the ordinary course of business of the Parent, the Issuer or any of the Parent's Subsidiaries shall not be considered the leasing of "all or substantially all" of the Parent's or the Issuer's consolidated assets.

Neither the Parent nor the Issuer will liquidate or dissolve other than in connection with a transaction permitted by this "—Merger, Sale of Assets and Dissolution" covenant.

Events of Default

The Indenture defines an Event of Default with respect to the Notes of any series as being any one of the following occurrences:

(1) the failure to pay any installment of interest on any Notes of such series when due and payable, and the continuation of its failure to pay for 30 days or more;

(2) the failure to pay all or any part of the principal of (or premium, if any, on) any Notes of such series when due at maturity, when due upon redemption, or when due by declaration or otherwise;

(3) a default in the performance of or compliance with any of the covenants described above under "Repurchase at the Option of Holders" or "Merger, Sale of Assets and Dissolution;"

(4) a default in the performance of any other covenant contained in the Indenture or any Note of such series continued for 90 days after written notice to the Issuer and the Parent by the Trustee, or written notice to each of the Issuer, the Parent and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Notes of such series;

(5) a default under any mortgage, indenture (including the Indenture) or instrument under which Indebtedness for borrowed money (other than any Indebtedness owed to any Subsidiary or that is, by its terms, recourse only to specific assets) of the Parent is issued or is secured or evidenced or the payment of which is guaranteed by the Parent, which default constitutes a failure by the Parent

to pay principal of such Indebtedness in an amount exceeding $100 million at the final stated maturity date (other than as a result of acceleration), after expiration of any applicable grace periods or results in the Parent's Indebtedness for borrowed money (other than any Indebtedness owed to any Subsidiary or that is, by its terms, recourse only to specific assets) in the aggregate of $100 million or more being accelerated or becoming due and payable before the date on which it would otherwise become due and payable, and such acceleration is not rescinded or annulled or such Indebtedness for borrowed money is not discharged within 60 days after written notice to the Issuer and the Parent by the Trustee, or written notice to each of the Issuer, the Parent and the Trustee by the holders of at least 25% in principal amount of the outstanding Notes of such series; or

(6) certain events in bankruptcy, insolvency, reorganization, receivership or liquidation, whether voluntary or involuntary with respect to the Parent; or

(7) the Guarantee with respect to such series of Notes ceases to be in full force and effect in any material respect (except as contemplated by this "Description of the Notes") or the Parent denies or disaffirms its obligations under the Indenture or such Guarantee.

If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes of a series may declare the Notes of such series to be due and payable immediately. However, the holders of a majority in principal amount of the outstanding Notes of such series, by written notice to the Issuer, the Parent and the Trustee, may rescind and annul such declaration and its consequences if: (a) the Issuer or the Parent has paid or deposited with the Trustee a sum sufficient to pay all overdue interest on all Notes of such series, all principal of (and premium, if any) on any Notes of such series that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal (and premium, if any) and (to the extent permitted by applicable law) all interest upon overdue interest in respect of the Notes of such series, if any, and (b) all Events of Default with respect to the Notes of such series, other than the nonpayment of amounts that have become due solely by reason of such declaration, have been cured, waived or otherwise remedied. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The holder of any Note of any series will not have any right to institute any proceeding with respect to the Indenture or remedies thereunder, unless:

(1) the holder previously gives the Trustee written notice of an Event of Default that is continuing with respect to the Notes of such series held by such holder;

(2) the holders of not less than 25% in principal amount of the outstanding Notes of such series have made written request to the Trustee and offered the Trustee indemnity satisfactory to it against the costs, losses, expenses or liabilities to institute such proceeding as Trustee; and

(3) the Trustee has failed to institute such proceeding for 60 days after its receipt of such notice and offer of indemnity and the Trustee has not been given inconsistent direction during such 60-day period by holders of a majority in principal amount of Notes of such series at the time outstanding.

However, the right of any holder of any Note of any series to institute suit for enforcement of any payment of principal (and premium, if any) and interest on such Note on or after the applicable due date may not be impaired or affected without such holder's consent.

The holders of a majority in principal amount of the outstanding Notes of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or for exercising any trust or power conferred on the Trustee with respect to such series of Notes. However, the Trustee may refuse to follow any direction that conflicts with any rule of law or the Indenture. Before proceeding to exercise any right or power under the Indenture at the direction of such holders, the Trustee shall receive security or indemnity satisfactory to it from such holders against the costs, losses, expenses and liabilities which could be incurred in compliance with any such direction. The Trustee may withhold from holders of such Notes notice of any continuing default (except a default in payment of principal (or premium, if any) or interest) if it determines that withholding notice is in their interests.

The Issuer and the Parent are required to furnish to the Trustee within 120 days after the end of each fiscal year a certificate from the Parent's principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge that (a) no Event of Default or (b) no event that, with the giving of notice, the passage of time, or both, would constitute an Event of Default, has occurred and is continuing at such time. If an event specified in (a) or (b) has occurred, the certificate shall specify all such events and the nature and status thereof and what action the Issuer plans to take to cure such default or Event of Default.

Amendment, Supplement and Waiver of the Indenture and the Notes

The Issuer and the Parent, together with the Trustee, may amend or supplement the Indenture, the Notes and the Guarantees with respect to the series of securities that constitutes the Notes with the consent of the holders of a majority in principal amount of the outstanding Notes, voting as a single class; provided that (x) if any such amendment, supplement or waiver will only affect one series of Notes then outstanding under the Indenture, then only the consent of the holders of a majority in principal amount of the Notes of such series then outstanding shall be required and (y) if any such amendment or waiver by its terms will affect a series of Notes in a manner different and materially adverse relative to the manner such amendment or waiver affects other series of Notes, then the consent of the holders of a majority in principal amount of the Notes of such series then outstanding shall be required. The holders of not less than a majority in principal amount of the outstanding Notes of any series may, on behalf of the holders of such Notes, waive (i) compliance by the Issuer and the Parent with certain covenants or other provisions of the Indenture, the Notes and the Guarantees with respect to the series of securities that constitutes the Notes of such series and (ii) any past default with respect to the series of securities that constitutes the Notes and the related consequences, except that a default in the payment of principal of (and premium, if any) or interest on any Note of such series cannot be modified or amended without the consent of the holder of each affected outstanding Note of such series. However, neither the Issuer nor the Parent may enter into any amendment, supplement or waiver without the consent of the holders of all affected Notes of the applicable series affected if the amendment, supplement or waiver would:

(1) change the Stated Maturity Date or any installment of principal or interest on any Note of such series;

(2) reduce the principal amount payable of the rate of interest on, any additional amounts payable on or any premium payable upon the redemption of, any Note of such series;

(3) adversely affect any right of repayment at the option of the holder of any Note of such series, following the occurrence of a Change of Control Triggering Event with respect to such Change of Control Triggering Event;

(4) make any Note of such series payable in a currency other than that stated in the Note of such series;

(5) impair the right of any holder of any Note of such series to institute suit for the enforcement of any payment with respect to such Note on or after the Stated Maturity Date thereof;

(6) reduce the percentage in principal amount of outstanding Notes of such series whose holders must consent to any amendment, supplement or waiver; or

(7) amend, change or modify any provision of the Indenture that would cause the Notes of such series or the respective Guarantee not to be pari passu in right of payment with the Issuer's or the Parent's existing unsecured and unsubordinated indebtedness in a manner adverse to the holders of such Notes.

The Notes of such series will not be considered outstanding, and therefore not eligible to vote, if the Issuer has deposited or set aside in trust for you money for their payment or redemption including under circumstances where they have been defeased as described below in "—Legal Defeasance and Covenant Defeasance" or discharged as described below in "—Satisfaction and Discharge." The Issuer and the Parent, together with the Trustee, may, without the consent of any holder of the applicable series of Notes, amend or supplement the Indenture for purposes that include:

(1) to evidence the Issuer's or the Parent's succession by another Person and the assumption by any such successor of the covenants in the Indenture, the Notes and the Guarantees;

(2) to add covenants or any additional Event of Default for the benefit of the holders of the Notes of such series (or any other series of securities under the Indenture);

(3) to surrender any right or power conferred upon the Issuer or the Parent;

(4) to change or eliminate any provision of the Indenture if such change or elimination is effective only when there are no Notes of such series outstanding issued prior to such change or elimination and entitled to the benefit of such provision;

(5) to secure the Notes of such series (or any other series of securities under the Indenture);

(6) to establish the form or terms of any other series of securities as permitted under the Indenture;

(7) to add to, delete from or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of debt securities, other than the Notes of such series;

(8) to evidence the appointment of a successor trustee with respect to the Notes of such series (or any other series of notes) and to add to or change any of the provisions of the Indenture as may be necessary to provide for or facilitate the administration of the trusts thereunder by more than one trustee;

(9) to cure any ambiguity, omission or defect or to correct or supplement any provision of the Indenture, the Notes of such series or the Guarantee that is inconsistent with other provisions;

(10) to make any provision which does not materially adversely affect the interests of the holders of the Notes of such series; or

(11) to conform the text of the Indenture or the Notes of such series to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim, or substantially verbatim, recitation of a provision of the Indenture, the Notes of such series or the respective Guarantee (as provided for in an Officers Certificate to the Trustee).

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have discharged all of its and the Parent's obligations with respect to the outstanding Notes of any series and the respective Guarantee ("Legal Defeasance"), other than:

(1) its obligation to register, transfer and exchange certificated Notes;

(2) its obligations with respect to mutilated, destroyed, lost or stolen certificated Notes;

(3) its obligations to maintain an office or agency in the place designated for payment of the Notes and with respect to the treatment of funds held by Paying Agents;

(4) its obligation to prepare and exchange definitive Notes for any temporary Notes issued, if any;

(5) its obligation to hold, or cause the Paying Agent to hold, money in trust for the payment of principal (and premium, if any) and interest due on outstanding Notes for the benefit of such holders;

(6) certain obligations to the Trustee; and

(7) certain obligations arising in connection with such discharge of obligations.

In addition, the Issuer may, at its option and at any time, elect to have its and the Parent's obligations released with respect to any series of the Notes and the respective Guarantee with respect to certain covenants that are described in the Indenture, including the covenants described in this Description of the Notes under the headings "—Certain Covenants" or "—Repurchase at the Option of Holders" ("Covenant Defeasance"), and thereafter any omission to comply with such obligations shall not constitute an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default with respect to the Notes of such series and the respective Guarantee. In the event Covenant Defeasance occurs, certain events (excluding the Issuer's or the Parent's failure to pay any amount with respect to the Notes of such series or the Issuer's or the Parent's bankruptcy, insolvency, receivership, reorganization or insolvency) described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes of such series.

The conditions the Issuer must satisfy to exercise Legal Defeasance or Covenant Defeasance include the following:

(1) The Issuer or the Parent must have irrevocably deposited with the Trustee, in trust for the benefit of the holders of Notes of such series, cash in U.S. dollars or U.S. Government Obligations or a combination thereof, in an amount sufficient (without reinvestment) to pay at maturity or redemption the entire amount of principal (and premium, if any) and interest on the Notes of such series, and to pay any mandatory sinking fund or analogous payments (provided that, in the case of a Redemption Date, if the amount of cash or U.S. Government Obligations that the Issuer or Parent must have irrevocably deposited cannot be definitively calculated, the Issuer or the Parent must have irrevocably deposited an amount of cash or U.S. Government Obligations that will generate enough cash to pay principal (and premium, if any) and interest in full, without discounting, to the Redemption Date, it being understood that any excess amounts will be returned to the Issuer or, at the Issuer's direction, the Parent, promptly following the Redemption Date).

(2) No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to the Notes of such series or the respective Guarantee shall have occurred and be continuing on the date the Issuer makes the deposit (other than an Event of Default arising in connection with the substantially contemporaneous borrowing of funds to fund such deposit and the granting of any security interest securing such borrowing, in each case, other than in contemplation of an event of the type described under clause (6) of "Events of Default") or, for certain purposes, during the period ending on the 91st day after the date of such deposit, or on the day after the expiration of any longer preference periods.

(3) The Legal Defeasance or Covenant Defeasance will not cause the Trustee to have a conflicting interest as referred to in the Indenture.

(4) The Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, the Indenture (other than an Event of Default arising in connection with the substantially contemporaneous borrowing of funds to fund such deposit and the granting of any security interest securing such borrowing, other than in contemplation of an event of the type described under clause (6) of "Events of Default") or other material agreements or instruments or cause the Notes of such series, if listed on a national securities exchange, to be delisted.

In the case of Legal Defeasance, the Issuer is also required to deliver to the Trustee an opinion of counsel stating that the Issuer has received a direct ruling from the IRS, or such a public ruling has been published, or since the date of the Indenture there has been a change in the applicable federal income tax law, such that the beneficial owners of the outstanding Notes of such series to be defeased will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance. The opinion must state that the beneficial owners of the outstanding Notes of such series to be defeased will be subject to U.S. federal income tax on the same amounts, in the same manner, and at the same times as would have been the case if such Legal Defeasance had not occurred.

In the case of Covenant Defeasance, the Issuer is required to deliver to the Trustee an opinion of counsel to the effect that the beneficial owners of the outstanding Notes of such series for which such Covenant Defeasance is proposed will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred.

In either case, the U.S. Government Obligations may not be callable or redeemable at the option of the issuer of such U.S. Government Obligations. The Issuer will deliver a depository receipt issued by a bank, as defined in Section 3(a)(2) of the Securities Act, as custodian with respect to such U.S. Government Obligation or a specific payment of principal of or interest on such U.S. Government Obligation held by the custodian for the account of the Trustee, as holder of such depository receipt. The custodian shall not be authorized to make any deduction from any amount payable to the holder of the depository receipt except as required by law.

Satisfaction and Discharge

The Indenture will cease to be of further effect with respect to the Notes of a series and the Guarantee of such series, and the Trustee, upon the Issuer's demand and at the Issuer's expense, will execute appropriate instruments acknowledging the satisfaction and discharge of the Indenture with respect to the Notes of a series and the Guarantee of such series upon compliance with certain conditions, including:

(1) the Issuer or the Parent having paid all sums payable by the Issuer or the Parent under the Indenture with respect to the Notes of such series and the Guarantee of such series, as and when the same shall be due and payable;

(2) the Issuer having delivered to the Trustee for cancellation all Notes of such series theretofore authenticated under the Indenture; or

(3) all Notes outstanding of such series under the Indenture not theretofore delivered to the Trustee for cancellation shall have become due and payable, whether on the Stated Maturity Date or on a Redemption Date, or are by their terms to become due and payable within one year, and the Issuer or the Parent shall have irrevocably deposited with the Trustee sufficient cash or U.S. Government Obligations that will generate enough cash to pay principal (and premium, if any) and interest, at the Stated Maturity Date or Redemption Date, as the case may be, of all Notes outstanding of such series under the Indenture (provided that, in the case of a Redemption Date, if the amount of cash or U.S. Government Obligations that the Issuer or Parent must have irrevocably deposited cannot be definitively calculated, the Issuer or the Parent must have irrevocably deposited an amount of cash or U.S. Government Obligations that will generate enough cash to pay principal (and premium, if any) and interest in full, without discounting, to the Redemption Date, it being understood that any excess amounts will be returned to the Issuer or, at the Issuer's direction, the Parent, promptly following the Redemption Date).

Limited Liability of Certain Persons

The Indenture provides that none of the Issuer's or the Parent's past, present or future incorporators, stockholders, directors, officers or employees, or of any successor corporation or any of the Issuer or the Parent's Affiliates, shall have any personal liability in respect of the Issuer's or the Parent's obligations under the Indenture, the Notes or the Guarantees by reason of his, her or its status as an incorporator, stockholder, director, officer or employee. Each holder of the Notes, by accepting a Note, waives and releases all such liability. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the U.S. Securities and Exchange Commission (the "Commission") that any such waiver is against public policy.

Notices

Notices to the holders of the Notes will be given by mail at the addresses of such holders as they appear in the registry of the Notes or in accordance with the depositary's procedures for notes held in book entry form.

The Trustee

Computershare Trust Company, National Association acts as the Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Trustee may resign at any time upon 60 days prior written notice (or less if the Issuer and the Parent agree and a successor Trustee is appointed in accordance with the provisions of the Indenture). The Trustee may be removed by us under certain limited circumstances specified in the Indenture, including if the Trustee is insolvent or bankrupt. If the Trustee resigns, is removed or if a vacancy occurs in the office of the Trustee for any reason, a successor Trustee shall be appointed in accordance with the provisions of the Indenture.

In addition to the arrangements with the Trustee pursuant to the Indenture, each series of the Notes and the respective Guarantees, the Issuer and the Parent may maintain bank accounts, borrow money and have other commercial banking, investment banking and other business relationships with the Trustee and/or its Affiliates in the course of the Issuer's or the Parent's business.

Governing Law

The Indenture is, and the Notes and the Guarantees will be, governed by and construed in accordance with the laws of the State of New York, without giving effect to applicable principles of conflicts of law to the extent that application of the law of another jurisdiction would be required thereby.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the executed Indenture following the closing date of this offering without charge by writing to SMBC Aviation Capital Limited, IFSC House, IFSC, Dublin 1, Ireland, Attention: Head of Funding and Corporate Tax Group.

Certain Definitions

Certain significant terms which will be defined in the Indenture are set forth below:

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Parent.

"Aircraft Assets" means (x) aircraft, airframes, engines (including spare engines), propellers, parts and other operating assets and PDPs relating to any of the items in this clause (x) and (y) intermediate or operating leases relating to any of the items in the foregoing clause (x).

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with IFRS-E.U.

"Capital Stock" of a Person means equity interests in such Person, including any ordinary shares, preference shares, common stock, preferred stock, limited liability or partnership interests (whether general or limited), and all warrants or options with respect to, or other rights to purchase, the foregoing, but excluding other indebtedness (other than preferred stock) convertible into equity.

"Change of Control" means the occurrence of any of the following:

(1) any event, transaction or series of related transactions whereby a “person” or “group” (as those terms are used in Section 13(d) of the Exchange Act), other than any of the Permitted Holders, becomes the direct “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of a majority in the aggregate of the total voting power of the Parent’s Voting Stock, whether as a result of the issuance of securities by the Parent, any merger, consolidation, liquidation or dissolution of the Parent, or any direct or indirect transfer of securities issued by the Issuer or the Parent by the then beneficial owners or otherwise (for purposes of this clause, the beneficial owners shall be deemed to beneficially own any Voting Stock of a Person held by any other Person so long as the beneficial owners beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Stock of the Parent);

(2) the adoption of a plan relating to the Parent’s liquidation or dissolution; or

(3) the Parent’s merger or consolidation with or into another Person or the merger of another Person with or into the Parent, or the sale of all or substantially all of the Parent’s assets (determined on a consolidated basis in accordance with IFRS-E.U.) to another Person, in each case, other than a transaction in which the survivor or transferee is a Person whose Voting Stock is at least majority beneficially owned by the Permitted Holders.

"Comparable Treasury Issue" means the U.S. Treasury security selected by one of the Reference Treasury Dealers appointed by the Parent as having a maturity comparable to the 2029 Par Call Date (with respect to redemptions of 2029 Notes) or the 2034 Par Call Date (with respect to redemptions of 2034 Notes) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to the 2029 Par Call Date or the 2034 Par Call Date, as applicable.

"Comparable Treasury Price" means, with respect to any Redemption Date for the Notes:

(1) the average of at least four Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of those Reference Treasury Dealer Quotations; or

(2) if the Issuer obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations obtained by the Issuer.

“ECA Indebtedness” means any indebtedness incurred in order to fund the deliveries of Aircraft Assets, which indebtedness is guaranteed by one or more Export Credit Agencies, including guarantees thereof by the Parent or any of its Subsidiaries.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Export Credit Agencies” means collectively, the export credit agencies or other governmental authorities that provide export financing of Aircraft Assets (including, but not limited to, the Brazilian Development Bank, Compagnie Francaise d’Assurance pour le Commerce Exterieur, His Britannic Majesty’s Secretary of State acting by the Export Credits Guarantee Department, Euler-Hermes Kreditversicherungs AG, the Export-Import Bank of the United States, the Export Development Canada or any successor thereto).

“Fitch” means Fitch Rating Service, Inc., and its successors.

“Governmental Authority” means:

(1) the government of:

- the U.S. or any State or other political subdivision thereof, or

- any other jurisdiction in which the Parent or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any of the Parent's properties or any of the properties of any of the Parent's Subsidiaries, or

(2) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"IFRS-E.U." means International Financial Reporting Standards as adopted by the European Union, as applicable to the Parent as of the date hereof.

"Indebtedness" means, with respect to any Person, at any time, without duplication,

(1) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(2) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(3) all liabilities appearing on its balance sheet in accordance with IFRS-E.U. in respect of Capital Leases;

(4) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(5) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); and

(6) any guarantee of such Person with respect to liabilities of a type described in any of clauses (1) through (5) hereof.

"Investment Grade Rating" means any of: (1) a rating equal to or higher than BBB− (or the equivalent) by S&P, (2) a rating equal to or higher than BBB− (or the equivalent) by Fitch or (3) a rating equivalent to an Investment Grade Rating, as that term is defined for each of S&P and Fitch, for any other Rating Agency that provides a rating of the Notes.

"IRS" means the Internal Revenue Service of the U.S., a bureau of the U.S. Department of Treasury.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"2029 Par Call Date" means , 20 (the date that is months prior to the 2029 Stated Maturity Date).

"2034 Par Call Date" means , 20 (the date that is months prior to the 2034 Stated Maturity Date).

"Paying Agent" means Computershare Trust Company, National Association, and its successors and assigns, and/or any Person the Issuer appoints as Paying Agent.

“Permitted Holders” means any of Sumitomo Mitsui Financial Group, Sumitomo Corporation and their respective Subsidiaries, without regard to any person or group that may be a beneficial owner of Sumitomo Mitsui Financial Group or Sumitomo Corporation.

“Permitted Jurisdiction” means any of the United States, any state thereof, the District of Columbia, or any territory thereof, any member state of the Pre-Expansion European Union, Norway, Switzerland, Bermuda, the Cayman Islands, Japan and Singapore.

“Person” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“Pre-Expansion European Union” means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

“Preferred Stock” means any class of Capital Stock of a Person that is preferred over any other class of Capital Stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

“Property” or “Properties” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“Rating Agencies” means S&P, Fitch and, subsequent to the date of the Indenture, shall include any other credit rating agency that provides a rating of the Notes, so long as that credit rating agency is properly registered with, and recognized by, the Commission as a valid nationally recognized statistical rating organization pursuant to Section 15E of the Exchange Act at all times that such credit rating agency provides a rating of the Notes.

“Ratings Event” means that at any time within 60 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) from the date of the public notice of a Change of Control or of the Parent’s intention or that of any Person to effect a Change of Control, the rating on the Notes is lowered, and the Notes are rated below an Investment Grade Rating, by (1) one Rating Agency if the Notes are rated by two or fewer Rating Agencies or (2) at least a majority of such Rating Agencies if the Notes are rated by three or more Rating Agencies; provided, that a Ratings Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Ratings Event for purposes of the definition of Change of Control Triggering Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Parent and the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Ratings Event).

“Redemption Date” means the date specified as such in a notice given by the Issuer to the holders of the the 2029 Notes or the 2034 Notes, as applicable.

"Reference Treasury Dealer" means each of Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, RBC Capital Markets, LLC, a Primary Treasury Dealer (as defined below) selected by Credit Agricole Securities (USA) Inc. and SMBC Nikko Securities America, Inc. and one or more Primary Treasury Dealers appointed by the Parent and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer (a "Primary Treasury Dealer"), the Parent will substitute therefor another nationally recognized Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Issuer, of the bid and asked prices of the Comparable Treasury

Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

"Relevant Indebtedness" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures or other similar securities that are for the time being quoted, listed or ordinarily dealt in on any securities exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness. For the avoidance of doubt, any amounts owed in relation to ECA Indebtedness or otherwise guaranteed by one or more Export Credit Agencies will not constitute Relevant Indebtedness notwithstanding that such amounts are incurred or guaranteed directly or indirectly by the Issuer, the Parent or any Subsidiary.

"Remaining Scheduled Payments" means, with respect to each Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related Redemption Date but for such redemption; provided, however, that, if such Redemption Date is not an Interest Payment Date with respect to such Note, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such Redemption Date.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. and its successors.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Special Purpose Aircraft Financing Entity" means any of the Parent's Subsidiaries or other entities formed for the purpose of purchasing or financing Aircraft Assets, related moneys and deposits and other related assets incidental thereto.

"Subsidiary" means (x) any corporation, association or similar business entity (other than a partnership, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors or trustees thereof (or Persons performing similar functions) or (y) any partnership, limited liability company, trust or similar entity of which more than 50% of the capital accounts, distribution rights or total equity, as applicable, is, in the case of clauses (x) and (y), at the time owned, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Parent.

"Treasury Rate" means, with respect to any Redemption Date for a Note, the rate per annum equal to the semi annual equivalent yield to maturity, as determined by a Reference Treasury Dealer appointed by the Parent, of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date. The Treasury Rate will be calculated on and as of the third business day preceding the Redemption Date.

"U.S." means United States.

"U.S. Government Obligations" means securities that are:

(1) direct obligations of the U.S. for the payment of which its full faith and credit is pledged, or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the U.S., the payment of which is unconditionally guaranteed as a full faith and credit obligation by the U.S.

"Voting Stock" means, with respect to any Person, Capital Stock (including shares, interests, membership interests, participations or other equivalents, however designated, in the equity of such Person) of any class or kind having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"We" or "our" means the parent, SMBC Aviation Capital Limited

"Wholly Owned Subsidiary" means, with respect to any Subsidiary of a Person, that all of the shares of Capital Stock or other ownership interests of such Subsidiary (except director's qualifying shares and, in the case of any Subsidiary in a jurisdiction outside the U.S., shares not exceeding 5% of total shares) are at the time, directly or indirectly, owned by such Person.

BOOK-ENTRY, DELIVERY AND FORM

The certificates representing each series of the notes will be issued in fully registered form without interest coupons. Each series of the notes sold in reliance on Rule 144A initially will be represented by permanent global notes in fully registered form without interest coupons (each a "Restricted Global Note") and will be deposited with the Trustee as custodian for DTC, as depositary, and registered in the name of a nominee of such depositary.

Each series of the notes sold in offshore transactions in reliance on Regulation S initially will be represented by permanent global notes in fully registered form without interest coupons (each, a "Regulation S Global Note" and, together with the Restricted Global Notes, the "Global Notes") and will be deposited with the Trustee as custodian for DTC, as depositary, and registered in the name of a nominee of such depositary. Prior to the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "distribution compliance period"), a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the Trustee of a written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A. Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note whether before, on or after such time, only upon receipt by the Trustee of a written certification to the effect that such transfer is being made in accordance with Regulation S.

The Global Notes (and any notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the indenture and will bear the legend regarding such restrictions set forth therein, in the indenture and as set forth under the heading "Transfer Restrictions" herein. QIBs or non-U.S. purchasers may elect to take a Certificated Security (as defined below under "Certificated Securities") instead of holding their interests through the Global Notes, which certificated notes will be ineligible to trade through DTC (collectively referred to herein as the "Non-Global Purchasers") only in the limited circumstances described below. Upon the transfer to a QIB of any Certificated Security initially issued to a Non-Global Purchaser, such Certificated Security will, unless the transferee requests otherwise or the Global Notes have previously been exchanged in whole for Certificated Securities, be exchanged for an interest in the Global Notes of the applicable series. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Notes, see "Transfer Restrictions."

The Global Notes

We expect that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount at maturity of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depositary ("participants") and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Such accounts initially will be designated by or on behalf of the Initial Purchasers and ownership of beneficial interests in the Global Notes will be limited to participants or persons who hold interests through participants. Holders may hold their interests in the Global Notes directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

So long as DTC or its nominee is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the indenture. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's procedures, in addition to those provided for under the indenture with respect to the notes.

Payments of the principal of, and premium (if any) and interest (including additional interest, if any) on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Issuer, the Parent, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment of principal of, and premium (if any) and interest (including additional interest, if any) on, the Global Notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way through DTC's same-day funds system in accordance with DTC rules and will be settled in same-day funds. If a holder requires physical delivery of a Certificated Security, such holder must transfer its interest in a Global Note, in accordance with the normal procedures of DTC and with the procedures set forth in the indenture.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the indenture, DTC will exchange the Global Notes for Certificated Securities, which it will distribute to its participants and which will be legended as set forth under the heading "Transfer Restrictions."

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York banking law, a "banking organization" within the meaning of the New York banking law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt issues that participants deposit with DTC. DTC also facilitates the post-trade settlement among participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between participants' accounts. This eliminates the need for physical movement of securities certificates. Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to indirect participants such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Parent, the Trustee or any paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

A Global Note is exchangeable for certificated notes in fully registered form without interest coupons ("Certificated Securities") only in the following limited circumstances:

- DTC notifies the Issuer and the Parent that it is unwilling or unable to continue as depositary for the Global Notes and the Issuer and the Parent fail to appoint a successor depositary within 90 days of such notice, or

- there shall have occurred and be continuing an event of default with respect to the notes under the indenture and DTC shall have requested the issuance of Certificated Securities.

Certificated Securities may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

Exchanges Between Regulation S Notes and Restricted Global Notes

Prior to the expiration of the distribution compliance period, beneficial interests in the Regulation S Global Notes may be exchanged for beneficial interests in the Restricted Global Notes only if:

(1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:

  (a) who the transferor reasonably believes to be a QIB within the meaning of Rule 144A;

  (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and

  (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, whether before or after the expiration of the distribution compliance period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) (and any other documentation requested by the Trustee) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the distribution compliance period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Restricted Global Notes will be effected by DTC by means of an instruction originated by the Trustee through the DTC deposit/withdrawal at custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Restricted Global Notes or vice versa, as applicable. Any beneficial interest in one Global Note that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion based upon present law of certain U.S. federal income tax considerations for prospective purchasers of the notes. The discussion addresses only persons that purchase notes in the original offering at their issue price, hold the notes as capital assets (generally, assets held for investment), and, if they are U.S. Holders (as defined below), use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, dealers, traders who elect to mark their investment to market, persons required to accelerate the recognition of any item of gross income as a result of such income being recognized on an "applicable financial statement," and persons holding the notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. The discussion does not address any state, local or non-U.S. taxes, the Medicare tax on net investment income or the federal alternative minimum tax. Prospective investors should note that no rulings have been, or are expected to be, sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE STATE AND LOCAL LAWS OF THE UNITED STATES, THE LAWS OF IRELAND AND THE LAWS OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, "U.S. Holder" means the beneficial owner of a note that for U.S. federal income tax purposes is

- a citizen or individual resident of the United States,
- a corporation organized in or under the laws of the United States or any political subdivision thereof,
- a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or that has validly elected to be treated as a U.S. person, or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

"Non-U.S. Holder" means a person that is a beneficial owner of a note other than a U.S. Holder.

The treatment of partners in a partnership that owns notes may depend on the status of such partners and the status and activities of the partnership, and such partnerships should consult their own tax advisors about the consequences to their partners of an investment in the notes.

Characterization of the Notes

The Issuer intends to take the position that the notes are indebtedness for U.S. federal income tax purposes. No ruling regarding the notes has been sought or received by the IRS, however, and there can be no assurance that the IRS will agree with the foregoing treatment. Prospective purchasers should consult their tax advisors with respect to the proper tax treatment of the notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Issuer may be required to make payments on a note that would change the yield of the note. See "Description of the Notes—Repurchase at the Option of Holders" and "Description of the Notes—Maturity, Optional Redemption." This obligation may implicate the provisions of Treasury Regulations relating to contingent payment debt instruments ("CPDIs"). According to the applicable Treasury Regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are "remote or incidental" or certain other circumstances apply. The Issuer intends to take the position that the notes are not CPDIs. This determination, however, is not binding on the IRS and if the IRS were to challenge this

determination, a holder may be required to accrue income on the notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such notes before the resolution of the contingency. If the notes are not CPDIs but such contingent payments are made, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the notes will not be treated as CPDIs.

Interest

Stated interest paid to a U.S. Holder, and any additional amounts with respect to withholding tax on the notes (including the amount of tax withheld from payments of interest and additional amounts), will be includible in the U.S. Holder's gross income as ordinary interest income at the time interest and additional amounts are received or accrued in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income tax withheld on interest payments on the notes to the extent that such withholding tax constitutes a "covered withholding tax" under Treasury Regulations. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes; provided that, in the case of any "covered withholding tax," the U.S. Holder has elected to deduct all foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex and Treasury Regulations have imposed additional requirements that must be met for a foreign tax to be creditable (including requirements that a "covered withholding tax" be imposed on nonresidents in lieu of a generally applicable tax that satisfies the regulatory definition of a "net income tax"). U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including redemption) of a note, a U.S. Holder generally will recognize a taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid interest, which will be taxable as interest to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will be equal to the amount that the U.S. Holder paid for the note. Any such gain or loss generally will be a capital gain or loss and generally will be a long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition (including redemption). Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Subject to the discussion of backup withholding and FATCA below, and of further discussion of FATCA in "Certain Irish Tax Considerations—FATCA Implementation in Ireland" below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on interest and additional amounts on, or any gain with respect to, the notes. A Non-U.S. Holder also generally will not be subject to U.S. federal income tax on a net basis with respect to interest and additional amounts received in respect of the notes or a gain realized on the sale, exchange or other taxable disposition (including redemption) of the notes, unless that interest or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of a gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting generally will apply to payments of principal of, and interest on, notes (including additional amounts), and to proceeds from the sale, exchange or other taxable disposition (including redemption) of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding (currently at a 24% rate) may be required on reportable payments if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The notes generally are expected to constitute "specified foreign financial assets" unless they are held in accounts maintained by financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the notes.

FATCA Withholding

Pursuant to FATCA, a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made on or after the date that is two years after the date of publication of final regulations defining the term "foreign passthru payment" to the extent such payments are treated as attributable to certain U.S. source payments unless a Non-U.S. Holder complies with applicable certification procedures to establish that they are not subject to FATCA withholding. In addition, obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining "foreign passthru payment" are filed generally will be "grandfathered" and exempt from withholding unless the obligations are materially modified after that date. Many non-U.S. governments, including the government of Ireland, have entered into agreements with the United States to implement FATCA in a manner that alters the rules described above. Holders should therefore consult their own tax advisors on how these rules may apply to their investment in the notes. In the event any withholding under FATCA is imposed with respect to any payments on the notes, no additional amounts will be paid to compensate for the withheld amount.

Prospective investors should consult their tax advisors about the potential application of FATCA.

For additional information regarding the implementation of FATCA into Irish law, see "Certain Irish Tax Considerations—FATCA Implementation in Ireland".

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN IRISH TAX CONSIDERATIONS

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of the notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. The summary relates only to the position of persons who are the absolute beneficial owners of the notes and may not apply to certain classes of persons such as dealers in securities.

The summary is based upon Irish tax laws and the practice of the Revenue Commissioners of Ireland at the date of this offering memorandum, which are subject to prospective or retroactive change. The summary does not constitute tax or legal advice and the comments below are of a general nature only.

Prospective investors in the notes should consult their own advisors as to the Irish or other tax consequences of the purchase, beneficial ownership and disposal of the notes including, in particular, the effect of any state or local tax laws.

Definitions

For the purposes of this Irish taxation section, terms have the meanings as set out below:

A "Relevant Territory" is:

(a) a member state of the E.U. other than Ireland;

(b) not being such a member state, a territory with which Ireland has a signed a double taxation agreement that is in effect; and

(c) not being a territory referred to at (a) or (b), a territory with which Ireland has signed a double taxation agreement that is not yet in effect but that will come into effect upon completion of the procedures set out in section 826(1) of the Taxes Consolidation Act 1997 of Ireland, as amended (the "TCA 1997").

A "Return Agreement" is a Specified Agreement whereby payments due under the Specified Agreement are dependent on the results of the Issuer's business or any part of the Issuer's business.

A "Specified Agreement" means any agreement, arrangement or understanding that:

(a) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof; and

(b) transfers to a person who is a party to the agreement, arrangement or understanding or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in an asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

A "Specified Person" means

(a) a company which directly or indirectly controls the Issuer, is controlled by the Issuer, or is controlled by a third-party which also directly or indirectly controls the Issuer; or

(b) a person or connected persons from whom assets were acquired or to whom the Issuer has made loans or advances or to whom loans or advances held by the Issuer were made or with whom the Issuer has entered into Specified Agreements, where the aggregate value of such assets, loans, advances or agreements represents not less than 75% of the aggregate value of the qualifying assets of the Issuer.

(c) With regard to "control" as noted in (a) above, a person has control of a company where that person has:

(i) the power to secure:

(A) by means of the holding of shares or in the possession of voting power in or in relation to that or any other company, or

(B) by virtue of any powers conferred by the constitution, articles of association, or other document regulating that or any other company,

that the affairs of the company are concluded in accordance with the wishes of that person, or,

(ii) significant influence over the company and holds, directly or indirectly, more than:

(A) 20% of the issued share capital

(B) 20% of the principal value of any securities issued by the company which are profit participating notes, or

(C) the right to 20% of the interest or other distributions payable in respect of any securities issued by the company which are profit participating notes.

Taxation of the Issuer

Corporation Tax

In general, Irish companies must pay corporation tax on their income at the rate of 12.5 per cent in relation to trading income and at the rate of 25 per cent in relation to income that is not income from a trade. However, section 110 of the TCA 1997 provides for particular treatment in relation to qualifying companies. A qualifying company means a company:

(a) which is resident in Ireland;

(b) which either acquires qualifying assets from a person, holds, manages or both holds and manages, qualifying assets as a result of an arrangement with another person, or has entered into a legally enforceable arrangement with another person which itself constitutes a qualifying asset;

(c) which carries on in Ireland a business of holding qualifying assets or managing qualifying assets or both, including in the case of plant and machinery acquired by the qualifying company, a business of leasing that plant and machinery;

(d) which, apart from activities ancillary to that business, carries on no other activities;

(e) which has notified an authorized officer of the Revenue Commissioners of Ireland (the "Revenue Commissioners") in the prescribed format and within the relevant time limit that it intends to be such a qualifying company; and

(f) the market value of all qualifying assets held, managed, or both held and managed, by the company or the market value of qualifying assets in respect of which the company has entered into legally enforceable arrangements is not less than EUR 10,000,000 on the day on which the qualifying assets are first acquired, first held, or a legally enforceable arrangement in respect of the qualifying assets is entered into (which is itself a qualifying asset),

but a company shall not be a qualifying company if any transaction is carried out by it otherwise than by way of a bargain made at arm's length apart from in relation to certain interest payments.

For this purpose, qualifying assets include assets which consist of, or of an interest (including a partnership interest) in financial assets, commodities or plant and machinery. Therefore, the Issuer expects that its assets should be qualifying assets for the purposes of section 110 of the TCA 1997.

The Issuer is currently and is expected to remain a qualifying company for the purpose of section 110 of the TCA 1997. As a qualifying company for the purpose of section 110 of the TCA 1997, profits arising from the Issuer's activities are chargeable to corporation tax under Case III of Schedule D of the TCA 1997 (which is applicable to non-trading income) at a rate of 25 per cent. However, for that purpose those profits are computed in accordance with the provisions applicable to Case I of Schedule D of the TCA 1997 (which is applicable to trading income).

In connection with notes issued, the interest on the notes will not be deductible where:

(a) the interest represents more than a reasonable commercial return on the principal outstanding (to the extent that the interest is in excess of a reasonable commercial return) or is dependent on the results of the Issuer's business; and

(b)

(i) at the time the interest is paid on the notes, the Issuer is in possession, or aware, of information that can reasonably be taken to indicate that the payment is part of a scheme or arrangement the main benefit or one of the main benefits of which is the obtaining of a tax relief or the reduction of a tax liability the benefit of which would be expected to accrue to a person who, in relation to the Issuer, is a Specified Person; or

(ii) the interest is paid to a person that:

(A) is not resident in Ireland; and

(B) is not a pension fund, government body or other person resident in a Relevant Territory who, under the laws of that Relevant Territory, is exempted from tax which generally applies to profits, income or gains in that territory (except where the person is a Specified Person), and

that income is not subject, without any reduction computed by reference to the amount of such interest, to a tax under the laws of a Relevant Territory, which generally applies to profits, income or gains received in the Relevant Territory by persons from outside the Relevant Territory.

The provisions at (b)(ii) above, will not apply in respect of an interest payment in respect of a quoted Eurobond within the meaning of section 64 of the TCA 1997 ("Quoted Eurobond") or a wholesale debt instrument within the meaning of section 246A of the TCA 1997 ("Wholesale Debt Instrument"), except where the interest is paid to a Specified Person and at the time the Quoted Eurobond or Wholesale Debt Instrument was issued, the Issuer was in possession, or aware, of information, including information about any arrangement or understanding in relation to ownership of the Quoted Eurobond or the Wholesale Debt Instrument after that time, which could reasonably be taken to indicate that interest which would be payable in respect of that Quoted Eurobond or Wholesale Debt Instrument would not be subject, without any reduction computed by reference to the amount of such interest, to a tax

in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory.

For the purposes of the above, it is expected that the notes will be Quoted Eurobonds (see further details at "Taxation of Holders of Notes—Withholding Taxes") within the meaning of section 64 of the TCA 1997.

Where a payment is made out of the assets of the Issuer under a Return Agreement that is dependent on the results of the Issuer's business or any part of its business and that interest would not be deducted in computing the profits or gains of the Issuer if the payment was to be treated for the purposes of the TCA 1997 (other than section 246 thereof) as a payment of interest in respect of securities of the Issuer other than a Quoted Eurobond or a Wholesale Debt Instrument that was dependent on the results of the Issuer's business, that payment shall not be deducted.

Separately, subject to a number of exceptions, there are additional restrictions on the deductibility of interest paid by a qualifying company within the meaning of section 110 of the TCA that is profit dependent or exceeds a reasonable commercial return to the extent that interest is paid in connection with the holding or managing of certain assets by the qualifying company. As the Issuer will not be engaged in a "specified property business" (within the meaning of section 110 of the TCA), these rules should not apply to its business.

Pillar Two

Finance (No.2) Act 2023 enacted the EU Minimum Tax Directive (otherwise known as 'Pillar Two') in Ireland. The relevant legislation transposing the Directive into Irish law is specifically included in Part 4A TCA 1997. The rules aim to ensure that large groups (with a turnover of €750 million or more in at least two of the last four years) incur a minimum 15% effective tax rate ("ETR") on a jurisdiction-by-jurisdiction basis. The implementation of the 15% ETR applies to periods commencing on or after December 31, 2023.

Irish tax legislation provides for three taxes which act as implementation mechanisms to collect any top-up tax under the Global Anti-Base Erosion ("gLoBE") rules as follows:

- the Income Inclusion Rule top-up tax;
- the Undertaxed Profits Rule top-up tax; and
- Qualified Domestic Top-up Tax.

As to which tax applies will be dependent on the particular group structure in question. The rules are complex and have application for Issuer, our Parent and the rest of our group, depending on their jurisdiction of tax residency. With respect to Issuer explicitly, we would anticipate that for the purposes of Irish tax legislation, it should be classified as a "*constituent entity"* under the rules (being an entity that is a member of an MNC group with turnover in excess of €750m) and will need to consider its ETR based on the gLoBE rules for any potential top-up tax. In this regard, Issuer may be required to pay a Qualified Domestic Top-up Tax in Ireland to bring its ETR up to 15%. On the basis that Issuer is taxed at 25% on the margin it earns (as noted above), we would anticipate the Pillar Two rules may not have a material impact on Issuer itself. Our Parent and wider group will be impacted to varying degrees.

Irish Anti-Hybrid Legislation

Finance Act 2019 implemented the anti-hybrid measures in EU ATAD and EU ATAD 2 in Ireland with effect for payments made on or after January 1, 2020. Finance Act 2021 implemented the reverse hybrid rules in Ireland with effect for payments made on or after January 1, 2022.

It is not expected that the reverse hybrid rules as implemented into Irish law should be relevant to the taxation of the Issuer as the Issuer is a company subject to corporation tax in Ireland.

The anti-hybrid rules cover four (4) broad types of hybrid mismatch situations: hybrid mismatches that result from payments under a financial instrument; hybrid mismatches that are the consequence of differences in the

allocation of payments made to a hybrid entity or permanent establishment (including as a result of payments to a disregarded permanent establishment); hybrid mismatches that result from payments made by a hybrid entity to its owner or deemed payments between the head office and permanent establishment or between two or more permanent establishments; lastly, double deduction outcomes resulting from payments made by a hybrid entity or permanent establishment. ATAD 2 also provides for measures to counteract imported mismatches, i.e. it provides for the disallowance of a deduction if the corresponding income from that payment is set off directly or indirectly, against a deduction that arises under a hybrid mismatch giving rise to a double deduction or a deduction without inclusion between third countries (i.e. non-EU member states).

The hybrid rules only apply to associated enterprises unless the transaction is considered a structured arrangement. In summary, associated enterprises are defined broadly as enterprises where:

(a) One enterprise has at least 25% of the share capital of the other, or if no share capital, 25% of the ownership rights in the other.

(b) One enterprise is entitled to exercise not less than 25% of the voting power of the other.

(c) One entity is entitled to receive at least 25% of the profits distributed, if a company, or 25% share of the profits, if an entity other than a company.

(d) Another enterprise is in relation to the two enterprises an associated enterprise under any of the above tests.

(e) Both enterprises are consolidated into a set of financial accounts (or would be consolidated if consolidated accounts were prepared under IAS) and are not entities that are fair valued or held for sale.

(f) One enterprise has significant influence in the management of the other enterprise. Significant influence under this test appears to point only towards the highest level of decision making, i.e., the board.

The 25% threshold is increased to 50% in respect of double deduction mismatches, hybrid entity mismatches, permanent establishment mismatches, and imported mismatches.

A structured arrangement involves a transaction or series of transactions whereby the mismatch outcome is priced into the arrangement or the arrangement was designed to give rise to a mismatch outcome. It is not expected that the current transaction should be considered a structured arrangement.

Provided that the ultimate holder of the notes does not consolidate the Issuer into its group financial statements (and would not do so if it prepared consolidated financial statements under IAS), then it is unlikely to be an associated enterprise on the basis that it holds no equity ownership interests, no voting rights, is not acting together with another enterprise with respect to voting rights, share ownership or similar ownership rights, has no influence over the decisions, appointments, resignations of the directors of the Issuer and its limited veto rights are unlikely to be considered voting power in the Issuer. Further consideration would need to be given as to whether the ultimate note holder would be considered to be associated with the Issuer via ownership of the note and whether it could be considered to exert significant influence over the management of the Issuer.

We would anticipate that the consequences of the implementation of these rules for the Issuer could be:

- The notes should be considered to be financial instruments. Even where the eventual holders of the notes were considered to be associated with the Issuer, there should be no deduction without inclusion outcome under the financial instrument mismatch provision provided the full amount of interest paid by the Issuer to the note holders is taxed in each investor's country of residence in a tax period commencing no more than 12 months after the end of the period in which the deduction was taken, or it would be reasonable to consider that it will be taxed in a tax period subsequent to

that period and the terms applicable to the payment are those that would apply to a transaction made at arm's length.

- While it would generally be expected that there should be no imported mismatches, it may be required to assess the ultimate source of funds to conclude on this issue.

- Neither the Issuer nor any of its Irish tax resident group should be considered to be a hybrid entity.

- There should be no tax residency mismatches as the Issuer and its Irish tax resident group will only be tax resident in Ireland.

- There should be no hybrid transfers.

Irish Interest Limitation Legislation

Ireland's interest limitation rules were introduced into Irish legislation by Finance Act 2021 and are in effect for all Irish tax resident companies for accounting periods beginning on or after January 1, 2022.

The interest limitation rules operate to impose a restriction on the deductibility of "exceeding borrowing costs" (which is the excess of "deductible interest equivalent" over "taxable interest equivalent") to 30% of earnings before interest, tax, depreciation and amortisation (EBITDA). Importantly "EBITDA" in the context of the Irish interest limitation rules has a particular meaning as defined within the legislation.

However, there are a number of exemptions and carve-outs from the interest limitation rules which may limit the impact of the rules on companies. The exemptions provided under the Irish interest limitation rules include the following:

- For as long as the Irish taxpayer is not in an Irish Interest Group within the meaning of the rules (see below), where the Irish taxpayer's exceeding borrowing costs are less than €3 million on an annual basis, often referred to as the *de minimis exemption*. This is a "cliff edge" test in that once the exceeding borrowing costs exceed the de-minimis amount, the full amount of exceeding borrowing costs are within the scope of the rules. However, should the exceeding borrowing costs not exceed €3 million, the interest limitation rules should not apply to the company provided it is not in an Irish Interest Group. A company must make an election to be in an Irish Interest Group for Irish tax purposes.

- Where a company is a standalone company, being a company that has no associated enterprises (within the meaning of paragraphs (a) to (d) of the anti-hybrid legislation commentary above) or permanent establishments and is not consolidated for financial statements purposes with any other entity. In these circumstances, the standalone entity should not be subject to the interest limitation rules.

- Interest in respect of Long-Term Public Infrastructure Projects, being a project to provide, upgrade, operate or maintain a 'large-scale asset' (as defined for the purpose of the Irish interest limitation rules) in the general public interest, is not within the scope of the rules.

- Interest on legacy debt, broadly, debt the terms of which were agreed before June 17, 2016, is not within the scope of the rules.

In addition to the exemptions from Irish interest limitation rules, there are group provisions that provide relief from the rules. These include the following:

- Worldwide Group: This refers to a consolidated worldwide group for accounting purposes. The indebtedness of the overall Worldwide group may provide relief from the rules by virtue of the:

- The equity ratio rule - This ratio considers the ratio of equity to total assets. Provided the taxpayer's equity to asset ratio is equal to, or no more than two percentage points greater or less than the equity to asset ratio of the consolidated worldwide group, the interest limitation rules will not apply to restrict the deductibility of interest for the individual taxpayer.

- The group ratio rule - The group ratio rule considers the group's exceeding borrowing costs as a percentage of the consolidated EBITDA for the group. If the group's percentage is higher than 30%, the taxpayer may use the higher figure when applying the deductibility restriction to exceeding borrowing costs (i.e., the threshold for a restriction on deductibility to apply may be higher than 30%).

- Single Company Worldwide Group: A single worldwide group is defined as a company that is not:

  - A member of a worldwide group,

  - A member of an interest group, or

  - A standalone entity.

When a company is considered to be a single company worldwide group, the equity ratio rule and group ratio rule outlined above in respect of worldwide groups can be availed of subject to certain adjustments for transactions with associated enterprises (within the meaning of paragraphs (a) to (f) above) as prescribed in the legislation which, in broad terms may mean that, provided the company is not funded by such an associated enterprise, there may be no restriction.

- Irish Interest Group: Irish tax resident entities can form an Irish Interest Group and be viewed as a single taxpayer for interest limitation rules purposes. An Irish Interest Group is defined as comprising of companies that are within the charge to Irish corporation tax and are:

  - members of the same worldwide group, or

  - where not members of the same worldwide group, deemed to be members of the same group within the provision of S.411 TCA 1997, and

  - have elected to be members of the Irish Interest Group

The election to form an Irish Interest Group must be made on or before the corporation tax return due date for the accounting period to which the election is first made and the election shall apply for a period of at least three years from the beginning of the accounting period in which the election was made.

We would anticipate that the consequences of the implementation of these rules will impact the Issuer. However, it would be generally expected that the matching interest income and expense would give rise to minimal exceeding borrowing costs for the Issuer. The Issuer's group relationship with the Parent and the creation of an Irish Interest Group would likely impact the analysis.

Stamp Duty

If the Issuer is a qualifying company within the meaning of section 110 of the TCA 1997 (the Issuer is currently such a qualifying company and it is expected that the Issuer will continue to be such a qualifying company) no Irish stamp duty will be payable on either the issue or transfer of the notes, provided that the money raised by the issue of the notes is used in the course of the Issuer's business.

Taxation of Holders of Notes

Income Tax

In general, residents of Ireland are liable to Irish taxation on their world-wide income whereas, non-residents of Ireland are only liable to Irish taxation on their Irish source income, including income from the notes and in such circumstances, subject to the exemptions outlined below. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Interest paid on the notes will have an Irish source and therefore interest earned on such notes will be regarded as Irish source income for the purpose of Irish tax. Accordingly, pursuant to general Irish tax rules and in the absence of any of the applicable exemptions applying, a non-Irish resident person in receipt of such income would be technically liable to Irish income tax (and, if received by an individual, to the universal social charge where their Irish source income exceeds (currently) €13,000 in the tax year). Non-Irish resident companies, where the income is not attributable to a branch or agency of the company in Ireland, are subject to income tax at the standard rate (which is currently 20 per cent). Therefore, any withholding tax suffered should be equal to and in satisfaction of the full income tax liability (as the current rate of interest withholding tax corresponds to the standard rate). Non-Irish resident companies operating in Ireland through a branch or agency of the company in Ireland to which the income is attributable would be subject to Irish corporation tax. Irish domiciled individuals who are neither resident nor ordinary tax resident in Ireland may be subject to the domicile levy as a consequence of owning the notes.

There is an exemption from Irish income tax under section 198 of the TCA 1997 in certain circumstances.

These circumstances include:

(a) where interest is paid by a qualifying company within the meaning of section 110 of the TCA 1997 to a person that is not a resident of Ireland and that person is a resident of a Relevant Territory;

(b) where interest is paid by a company in the ordinary course of its trade or business and the recipient of the interest is a company that is a resident of a Relevant Territory and, either

  (i) such Relevant Territory imposes a tax that applies generally to interest receivable in that territory by companies from sources outside that Relevant Territory; or

  (ii) the interest paid is exempted from the charge to Irish income tax under a double taxation treaty that is in effect, or if not yet in effect, that has been signed between Ireland and the territory of which the company is a resident for tax purposes; or

(c) where the interest is exempt from withholding tax because it is payable on a Quoted Eurobond (see "Withholding Taxes" below) and is paid by a company to:

  (i) a person who is not a resident of Ireland and is a resident of a Relevant Territory; or

  (ii) a company controlled, whether directly or indirectly, by persons resident in a Relevant Territory under the law of that Relevant Territory, and who are not under the control, whether directly or indirectly, of a person who is, or persons who are not so resident; or

  (iii) a company the principal class of shares of which is substantially and regularly traded on a stock exchange in Ireland, on a recognized stock exchange in a Relevant Territory or on such other stock exchange as is approved by the Minister for Finance of Ireland.

For the purposes of section 198 of the TCA 1997, a person is a resident of a Relevant Territory if:

(a) unless specified otherwise, in the case where the Relevant Territory is a territory which has entered into a double taxation treaty with Ireland that has the force of law under the procedures set out in section 826(1) of the TCA 1997 or that will have the force of law on the completion of the procedures set out in section 826(1), the person is regarded as being a resident of that Relevant Territory under that double taxation treaty; and

(b) in any other case, the person is by virtue of the law of the Relevant Territory resident for the purposes of tax in that Relevant Territory.

Interest on the notes which does not fall within the above exemptions is within the charge to Irish income tax. However, it is understood that the Revenue Commissioners have, in the past, operated a practice (as a consequence of the absence of a collection mechanism rather than adopted policy) whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

(a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or

(b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

(c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Revenue Commissioners will apply this practice in the case of the holders of notes and, as mentioned above, there is a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Withholding Taxes

In general, withholding tax (currently 20 per cent as noted above) must be deducted from payments of yearly Irish source interest made by the Issuer. However, Irish tax legislation provides a range of exemptions from this obligation to operate withholding tax.

Section 64 of the TCA 1997 ("Section 64") provides for the payment of interest on a Quoted Eurobond without deduction of tax in certain circumstances. A Quoted Eurobond is defined in Section 64 as a security which:

(a) is issued by a company;

(b) is quoted on a recognized stock exchange (the Cayman Islands Stock Exchange is a recognized stock exchange for this purpose); and

(c) carries a right to interest.

There is no obligation to withhold tax on Quoted Eurobonds where:

(a) the person by or through whom the payment is made is not in Ireland, or

(b) the payment is made by or through a person in Ireland, and

  (i) the Quoted Eurobond is held in a recognized clearing system (DTC is a recognized clearing system for this purpose); or

(ii) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

Notes which are quoted on the official list of the Cayman Islands Stock Exchange or another stock exchange recognized for Irish tax purposes and cleared through a recognized clearing system will qualify as Quoted Eurobonds and the payment of interest in respect of such notes should be capable of being made without withholding tax, regardless of where the holder of notes is resident. We also anticipate that interest payments on the notes will be made by the Trustee, a paying agent located outside of Ireland. Accordingly, as long as this is the case (i.e., the notes are cleared through a recognized clearing system or the Trustee is located outside of Ireland and the notes remain quoted on the official list of the Cayman Islands Stock Exchange or another stock exchange recognized for Irish tax purposes), the exemption from withholding tax on Quoted Eurobonds described above should apply to payments of interest on the notes, without the need for written declarations.

Separately, section 246 of the TCA 1997 ("Section 246") provides certain exemptions from this general obligation to withhold tax. Section 246 provides an exemption in respect of interest payments made by a qualifying company within the meaning of section 110 of the TCA 1997 to a person resident in a Relevant Territory except where that person is a company and the interest is paid to the company in connection with a trade or business carried on in Ireland by that company through a branch or agency. Section 246 also provides an exemption in respect of interest payments made by a company in the ordinary course of business carried on by it to a company resident in a Relevant Territory and either (i) such Relevant Territory imposes a tax which generally applies to interest receivable in that territory by companies from sources outside the Relevant Territory or (ii) the interest paid is exempted from the charge to Irish income tax under a double taxation treaty that is in effect, or, if not yet in effect, that has been signed between Ireland and the territory in which the company is resident for tax purposes except where the interest is paid to the company in connection with a trade or business carried on in Ireland by that company through a branch or agency.

To date, Ireland has signed a double tax treaty with each of Albania, Armenia, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia & Herzegovina, Botswana, Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Ghana (signed but not yet in effect), Greece, Hong Kong, Hungary, Iceland, India, Israel, Italy, Japan, Kazakhstan, Kenya (signed but not yet in effect), Korea (Rep. of), Kosovo, Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Panama, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Vietnam and Zambia. Negotiations for new agreements with Oman and Uruguay and for a Protocol to the existing Double Taxation Agreement with Mexico have concluded.

Outbound Payments

Ireland's new taxation measures to apply on Outbound Payments were introduced in Finance (No.2) Act 2023 in Chapter 5 of Part 33 of the TCA 1997. The new rules aim to apply defensive measures to outbound payments of interest, royalties, and the making of distributions in certain circumstances where the recipient is an associated entity located in a specified territory. For these purposes, an associated entity means an instance where one entity holds more than 50% of the issued share capital, ownership rights, voting rights or entitlement to profits of the other entity, or one entity has definite influence in the management of the other entity. Where a third entity meets the ownership test or the definite influence test in respect of the payor and payee entities, then the payor and payee will be considered associated for these purposes. A specified territory in this regard means an EU black listed territory or a "zero" or "no" tax territory.

Where applicable, the rules seek to disapply certain withholding tax exemptions (including the Quoted Eurobond exemption noted above) which may have applied in respect of the relevant payment. There are exceptions from the application of these rules on Quoted Eurobond interest payments where it is "reasonable to consider" that the payor is not and should not be aware that any portion of the interest is made to an associated entity.

The Issuer does not expect to make any payment of interest to an associated entity resident in a specified territory and as such we would anticipate that the implementation of these rules should have no substantial impact on the Issuer.

Encashment Tax

Interest on any note which qualifies for exemption from withholding tax on interest as a Quoted Eurobond (see above) realized or collected by an agent in Ireland on behalf of a holder of notes will generally be subject to an encashment tax at a prescribed rate of 25%. This is unless the beneficial owner of the note that is entitled to the interest is not resident in Ireland and makes a declaration in the required form. This is provided that such interest is not deemed, under the provisions of Irish tax legislation, to be the income of another person that is resident in Ireland. In addition, an exemption applies where the payment is made to a company where that company is beneficially entitled to that income and is or will be within the charge to corporation tax in respect of that income.

Deposit Interest Retention Tax (DIRT)

Interest on the notes should not be liable to DIRT on the basis that the Issuer is not a 'Relevant Deposit Taker' as defined in section 256 of the TCA 1997.

Capital Gains Tax

A holder of notes will not be subject to Irish taxes on capital gains provided that such a holder of notes is neither resident nor ordinarily resident in Ireland and such a holder of notes does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the notes are attributable. In the case of a person who is either resident or ordinarily resident in Ireland, the disposal or redemption of the notes may be liable to Irish capital gains tax at a rate of 33 per cent (currently).

Capital Acquisitions Tax

Capital acquisitions tax ("CAT") comprises principally gift and inheritance tax. A gift or inheritance of the notes will come within the charge to CAT if either:

(i) the disponer or the beneficiary in relation to the gift or inheritance is resident or ordinarily resident in Ireland. For the purposes of CAT, under current legislation, a non-Irish domiciled person will not be treated as being resident or ordinarily resident in Ireland for CAT purposes except where that person has been resident in Ireland for the purposes of Irish tax for 5 consecutive years of assessment immediately preceding the year of assessment in which the date of the gift or inheritance falls; or

(ii) the notes are regarded as property situated in Ireland. For example, if the notes are registered then they will be regarded as Irish property if the principal register of proprietary interests is maintained in Ireland, or, if in bearer form, if the instrument of ownership is located in Ireland.

On the basis that the notes are registered then they will be regarded as property situated in Ireland if the principal register of proprietary interests is maintained in Ireland. Consequently, a transfer of the notes would be within the charge to CAT regardless of the residence position of the disponer and the beneficiary.

Gifts and inheritances from spouses are exempt from Irish CAT. The rate of CAT is currently 33% and is payable if the taxable value of the gift or inheritance exceeds certain tax-free thresholds. The appropriate tax-free threshold depends on (1) the relationship between the disponer and the beneficiary and (2) the aggregation of the values of previous gifts and inheritances received by the beneficiary from persons within the same group threshold.

The person who receives the gift or inheritance is generally accountable for any CAT due.

Automatic Exchange of Financial Account Information for Tax Purposes

The automatic exchange of information regime implemented under Council Directive 2011/16/E.U. on Administrative Cooperation in the Field of Taxation (as amended by Council Directive 2014/107/E.U.) ("DAC2") provides for the implementation among E.U. member states (and certain third countries that have entered into information exchange agreements) of the automatic exchange of information in respect of various categories of income and capital and broadly encompasses the regime known as the Common Reporting Standard ("CRS") proposed by the Organization for Economic Cooperation and Development as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions.

Under the CRS, governments of participating jurisdictions have committed to collect detailed information to be shared with other jurisdictions annually.

CRS is implemented in Ireland pursuant to the Returns of Certain Information by Reporting Financial Institutions Regulations 2015, S.I. 583 of 2015, made under section 891F of the TCA 1997.

DAC2 is implemented in Ireland pursuant to the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations of 2015, S.I. No. 609 of 2015 made under section 891G of the TCA 1997.

Pursuant to these Regulations, reporting financial institutions are required to obtain and report to the Revenue Commissioners annually certain financial account and other information for all non-Irish and non-U.S. account holders in respect of their accounts/note holding. The returns for such reporting financial institutions must be submitted by June 30 annually. The information must include, among other things, details of the name, address, taxpayer identification number ("TIN"), place of residence and, in the case of accountholders who are individuals, the date and place of birth, together with details relating to payments made to accountholders and their holdings. This information may be shared with tax authorities in other E.U. member states (and in certain third countries subject to the terms of Information Exchange Agreements entered into with those countries) and jurisdictions which implement the CRS. The Issuer is not currently and does not, as a result of the issuance of the notes, expect to constitute a reporting financial institution as defined in terms of CRS rules.

Prospective investors should consult their tax advisors about the potential application of CRS and DAC2.

FATCA Implementation in Ireland

The obligations of Irish financial institutions under FATCA are covered by the provisions of the Ireland/US Intergovernmental Agreement ("IGA") (signed in December 2012) and the Financial Accounts Reporting (United States of America) Regulations 2014, as amended ("the Regulations"). Under the IGA and the Regulations, any Irish financial institutions as defined under the IGA are required to report annually to the Revenue Commissioners details on its US account holders including the name, address and taxpayer identification number ("TIN") and certain other details. Such institutions have been required to amend their account on-boarding procedures in order to easily identify US new account holders and report this information to the Revenue Commissioners. Based on the IGA and current Irish Revenue guidance, the Issuer is not, and does not, as a result of the issuance of notes, expect to constitute a FFI.

CERTAIN ERISA CONSIDERATIONS

Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), prohibit employee benefit plans subject to ERISA ("ERISA Plans"), as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, "Plans"), from engaging in certain transactions involving "plan assets" (within the meaning of ERISA) with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to Plans. Any of the Issuer, the Trustee, the Registrar, the Paying Agent, the Transfer Agent, SMBC Aviation Capital, the Initial Purchasers, or any of their respective affiliates (each, a "Transaction Party") may be a Party in Interest with respect to certain Plans. Where any of the Transaction Parties is a Party in Interest with respect to a Plan (either directly or by reason of our ownership of our subsidiaries), the purchase and holding of the notes by or on behalf of the Plan may be a prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, unless exemptive relief were available under an applicable prohibited transaction exemption.

Accordingly, the notes (or any interest therein) may not be purchased or held by any Plan, any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under one or more Prohibited Transaction Class Exemptions ("PTCE"), including PTCE 96 23, 95 60, 91 38, 90 1 or 84 14, issued by the United States Department of Labor or another applicable prohibited transaction exemption or exception. Any purchaser or holder of the notes or any interest therein will be deemed to have represented by its purchase and holding thereof that (a) either (i) it is not (and for so long as it holds the notes or interest therein will not be) a Plan or a Plan Asset Entity and is not (and for so long as it holds the notes or interest therein will not be) purchasing the notes (or any interest therein) on behalf of or with "plan assets" of any Plan, or a governmental plan or church plan subject to any laws or rules that are similar to the prohibited transaction provisions of ERISA or the Code or (ii) its purchase and holding of the notes or any interest therein is eligible for the exemptive relief available under an applicable exemption or exception from the prohibitions under Section 406 of ERISA and Section 4975 of the Code (or, in the case of such a governmental or church plan, will not violate any such similar laws or rules) and (b) it will not sell or otherwise transfer the notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations and agreements with respect to its purchase and holding of the notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to these "prohibited transaction" rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or documents. Fiduciaries or other persons considering purchasing the notes on behalf of such a plan should consult with their counsel regarding these other applicable laws, rules or documents.

Due to the complexity of the applicable rules, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of a Plan, a Plan Asset Entity or with "plan assets" of any Plan consult with their counsel regarding the relevant provisions of ERISA and the Code and the availability of exemptive relief under PTCE 96 23, 95 60, 91 38, 90 1 or 84 14, or another applicable prohibited transaction exemption or exception.

None of the Transaction Parties is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any of the notes by any Plan or Plan Asset Entity.

Each Purchaser or transferee of any notes or (or any interest therein) that is a Plan or a Plan Asset Entity will be deemed to represent, warrant and agree that (i) none of the Transaction Parties or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan or Plan Asset Entity ("Plan Fiduciary"), has relied as a primary basis in connection with its decision to invest in the notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan, Plan Asset Entity or the Plan Fiduciary in connection with the Plan's or Plan Asset Entity's acquisition of the notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the notes.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc., Goldman Sachs International, J.P. Morgan Securities LLC, RBC Capital Markets, LLC and SMBC Nikko Securities America, Inc. are acting as joint book-running managers of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser has severally and not jointly agreed to purchase, and the Issuer has agreed to sell to each Initial Purchaser, the principal amount of the 2029 notes and the 2034 notes set forth opposite the Initial Purchaser's name.

Initial Purchasers	Principal Amount of 2029 Notes	Principal Amount of 2034 Notes
Citigroup Global Markets Inc.	$	$
Credit Agricole Securities (USA) Inc.		
Goldman Sachs International		
J.P. Morgan Securities LLC		
RBC Capital Markets, LLC		
SMBC Nikko Securities America, Inc.		
Total	$	$

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the notes of the relevant series if they purchase any of the notes.

The Initial Purchasers propose to resell each series of notes at the offering price set forth on the cover page of this offering memorandum within the United States to QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which each series of notes is offered may be changed at any time without notice.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In connection with sales outside the United States made in reliance on Regulation S, the Initial Purchasers have agreed that they will not offer, sell or deliver the notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchaser's distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the Issue Date. The Initial Purchasers will send to each dealer to whom they sells such notes during such 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Parent have agreed that, on or prior to the closing date, neither the Issuer nor the Parent, without the prior written consent of the representatives, will offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by the Issuer or the Parent. The representatives, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice.

Each of the 2029 notes and the 2034 notes will constitute a new class of securities with no established trading market. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the notes. However,

they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes.

In connection with the offering, the Initial Purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of notes than they are required to purchase in the offering.

- Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for its own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. In addition, affiliates of some of the Initial Purchasers are lenders, and in some cases agents or managers for the lenders, under our Global Syndication Term Loan and Revolving Credit Facilities Agreement and 2015 Revolving Credit Agreement. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. A typical such hedging strategy would include the Initial Purchasers or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, one of our affiliates, SMBC Nikko Securities America, Inc., is an Initial Purchaser in this transaction.

The Issuer and the Parent have agreed to indemnify the Initial Purchasers under the purchase agreement against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

The offering of the notes by the Initial Purchasers is subject to receipt and acceptance of the notes and subject to the Initial Purchasers' right to reject any order in whole or in part.

Notice to Prospective Investors in the European Economic Area

EU PRIIPs Regulation; Prohibition of Sales to EEA Retail Investors

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129, as may be amended from time to time (as amended, the "EU Prospectus Regulation"). This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EU retail investor in the European Economic Area (the "EEA"). For these purposes, (a) an EU retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/E.U. (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Article 2(e) of the EU Prospectus Regulation and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes. Consequently, no key information document required by Regulation (E.U.) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the notes or otherwise making them available to EU retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is for distribution only to, and is only directed at, persons who (i) are persons falling within the categories of "investment professionals" as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are persons described in article 48(2) of the Financial Promotion Order (being individuals who have certified their net worth in the form and as required by the Financial Promotion Order, or (iv) are persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. This offering memorandum may not be forwarded or distributed to any person in the UK which is not a relevant person.

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "UK Prospectus Regulation").

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in Article 2(e) of Regulation (EU) 2017/1129 (as amended) as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements*, *Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglaise seulement.

Notice to Prospective Investors in Ireland

No action may be taken with respect to the notes in Ireland otherwise than in conformity with the provisions of (a) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) of Ireland ("MiFID Regulations"), or any codes of conduct issued in connection therewith and the provisions of the Investor Compensation Act 1998 of Ireland (as amended), (b) the Companies Act 2014 of Ireland (as amended), the Central Bank Acts 1942 to 2023 of Ireland (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 of Ireland (as amended) and (c) Regulation (E.U) 2017/1129 of the European Parliament and of the Council of June 14, 2017 (as amended), the European Union (Prospectus) Regulations 2019, Regulation (E.U.) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (as amended), the European Union (Market Abuse) Regulations 2016 of Ireland (as amended) and any rules and guidance issued under Section 1363 or Section 1370 of Companies Act 2014 of Ireland by the Central Bank of Ireland.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes has been or may be issued or has been or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements by qualifying the private placement to qualified institutional investors only as provided for in "i" of Article 2, Paragraph 3, Item 2 of the FIEA. A transferor of the notes shall not transfer or resell them except where a transferee is a qualified institutional investor under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the Financial Instruments and Exchange Act of Japan (the Ministry of Finance Ordinance No. 14 of 1993, as amended). Otherwise, the notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except pursuant to any other exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "SFA") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities;

securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or arises from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law;

- as specified in Section 276(7) of the SFA; or

- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined

in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Switzerland

The offering of the notes is not a public offering in Switzerland. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"). This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland. The notes offered hereby will not be listed on the SIX Swiss Exchange Ltd or on any other trading venue (exchange or multilateral trading facility) in Switzerland, and, therefore, the documents relating to the notes offered hereby, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the FinSA and the listing rules of the SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or any other Swiss trading venue.

Neither this offering memorandum nor any other offering or marketing material relating to the offering nor the notes have been or will be filed with or approved by any Swiss regulatory authority. The notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (FINMA), and investors in the notes will not benefit from protection or supervision by such authority.

TRANSFER RESTRICTIONS

The notes are subject to restrictions on transfer as summarized below. By purchasing the notes, you will be deemed to have made the following acknowledgments, representations to and agreements with the Issuer, the Parent and the Initial Purchasers:

You acknowledge that:

- the notes have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

- the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below.

You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer or the Parent, that you are not acting on their behalf and that either:

- you are a QIB (as defined in Rule 144A under the Securities Act) and are purchasing the notes for your own account or for the account of another QIB, and you are aware that the Initial Purchasers are selling the notes to you in reliance on Rule 144A; or

- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the notes in an offshore transaction in accordance with Regulation S.

You acknowledge that none of the Issuer, the Parent or the Initial Purchasers nor any person representing the Issuer, the Parent or the Initial Purchasers has made any representation to you with respect to the Issuer, the Parent or the offering or sale of the notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers as to the accuracy or completeness of such materials and you agree that you have had access to such financial and other information concerning the Issuer, the Parent and the notes as you have deemed necessary in connection with your decision to purchase the notes, including an opportunity to ask questions of and request information from the Initial Purchasers, the Issuer and the Parent.

You represent that you are purchasing the notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule l44A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the notes, and each subsequent holder of the notes by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes may be offered, sold or otherwise transferred only:

(a) to the Issuer or the Parent;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) for so long as the notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a QIB that is purchasing for its own account or for the account of another QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons in offshore transactions within the meaning of Regulation S under the Securities Act and in accordance with the laws applicable to it in the jurisdiction in which such purchase is made; or

(e) under any other available exemption from the registration requirements of the Securities Act.

Subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller's or account's control and, in each case, in compliance with the securities laws of any applicable U.S. state or any other applicable jurisdiction.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that the Issuer, the Parent or any of their affiliates were the owner of the notes or any predecessor of the notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends (except in the case of our affiliates);

- the Issuer, the Parent and the Trustee reserve the right to require in connection with any offer, sale or other transfer of the notes under clauses (d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Parent and the Trustee; and

- each note will contain a legend substantially to the following effect:

THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR IN THE CASE OF RULE 144A NOTES, AND 40 DAYS IN THE CASE OF REGULATION S NOTES, AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER OR THE PARENT, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

You agree that you will give to each person to whom you transfer notes notice of any restrictions on transfer of such notes.

You also acknowledge that (A) you either (i) are not (and for so long as the notes or any interest therein are held will not be) and are not acting on behalf of (and for so long as the notes or any interest therein are held will not be acting on behalf of) an "employee benefit plan" as defined in and subject to Title I of ERISA, a "plan" described in Section 4975(e)(1) and subject to Section 4975 of the Code, or a person investing "plan assets" (within the meaning of ERISA), any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of an employee benefit plan's or plan's investment in the entity or a governmental plan or church plan subject to any laws or rules that are similar to the prohibited transaction provisions of ERISA or the Code, or (ii) represent that your purchase and holding of the notes or any interest therein is eligible for the exemptive relief available under an applicable exemption or exception from the prohibitions under Section 406 of ERISA and Section 4975 of the Code (or, in the case of such a governmental or church plan, will not violate any such similar laws or rules) and (B) you will not sell or otherwise transfer the notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations and agreements with respect to its purchase and holding of the notes and any interest therein.

You acknowledge that each note will contain a legend substantially to the following effect:

EACH PURCHASER OR TRANSFEREE OF ANY NOTES (OR ANY INTEREST THEREIN) THAT IS A PLAN OR A PLAN ASSET ENTITY WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE TRANSACTION PARTIES OR OTHER PERSONS THAT PROVIDE MARKETING SERVICES, NOR ANY OF THEIR AFFILIATES, HAS PROVIDED, AND NONE OF THEM WILL PROVIDE, ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE PLAN OR PLAN ASSET ENTITY ("PLAN FIDUCIARY"), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THE NOTES, AND THEY ARE NOT OTHERWISE ACTING AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, TO THE PLAN, THE PLAN ASSET ENTITY OR THE PLAN FIDUCIARY IN CONNECTION WITH THE PLAN'S OR PLAN ASSET ENTITY'S ACQUISITION OF THE NOTES; AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THE NOTES.

You acknowledge that the Issuer, the Parent, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the notes is no longer accurate, you will promptly notify the Issuer, the Parent and the Initial Purchasers. If you are purchasing any of the notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

You confirm that none of the Issuer, the Parent or the Initial Purchasers, nor any person acting on the Issuer, the Parent or the Initial Purchasers' behalf, has offered to sell the notes by, and that it has not been made aware of the offering of the notes by, any form of general solicitation or general advertising.

You acknowledge that the Trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer, the Parent and the Trustee that the restrictions set forth in this section have been complied with.

LEGAL MATTERS

The validity of the notes offered hereby and certain legal matters in connection with this offering will be passed upon for us by Milbank LLP as to matters of U.S. Federal and New York law and McCann FitzGerald LLP as to matters of Irish law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Clifford Chance US LLP.

INDEPENDENT AUDITORS

The consolidated financial statements of SMBC Aviation Capital Limited as of March 31, 2023, 2022 and 2021 and for each of the years then ended, included in this offering memorandum, have been audited by KPMG Chartered Accountants, independent auditors, as stated in their reports appearing herein.

With respect to the unaudited interim financial information of SMBC Aviation Capital Limited as of and for the nine months ended December 31, 2023, included herein, KPMG Chartered Accountants, independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit, and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

AVAILABLE INFORMATION

This offering memorandum summarizes documents that are not delivered herewith. Copies of certain documents are available at your request, without charge, for physical inspection from SMBC Aviation Capital Limited at IFSC House, IFSC, Dublin 1, Ireland, including, for as long as either series of notes shall be outstanding, the Certificate of Incorporation on Change of Name of the Parent, dated June 8, 2012 and the Certificate of Incorporation on Conversion to a Private Company Limited by Shares, dated September 14, 2016, the Constitution of the Parent, the Certificate of Incorporation of the Issuer, dated February 10, 2016, the Constitution of the Issuer, SMBC Aviation Capital's annual reports and the indenture governing the notes.

Neither the Issuer nor the Parent is subject to the information requirements of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each of the Issuer and the Parent agree that, for so long as it is not subject to the information requirements of the Exchange Act, upon the request of any holder of either series of notes, or by any holder of an interest in a global note representing either series of notes, it will furnish, or cause to be furnished, to such holder or to a prospective purchaser of such notes designated by such holder, the information specified in Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with resales of the notes.

You should rely only upon the information provided in this offering memorandum. The Issuer and the Parent have not authorized anyone to provide you with different information. You should not assume that the information in this offering memorandum is accurate as of any date other than the date of this offering memorandum.

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SMBC Aviation Capital Limited

Unaudited consolidated financial statements
as of and for the nine months ended December 31, 2023

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SMBC AVIATION CAPITAL LIMITED ("the Group")

Conclusion

We have been engaged by SMBC Aviation Capital Limited ("the Group") to review the Group's condensed set of consolidated interim financial statements in the interim financial report for the nine months ended 31 December 2023 which comprises condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated interim financial statements in the interim financial report for the nine months ended 31 December 2023 is not prepared, in all material respects in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as adopted by the EU.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (Ireland) 2410") issued for use in Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the interim financial report to identify material inconsistencies with the information in the condensed set of consolidated interim financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors.

The Directors are responsible for preparing the condensed set of consolidated interim financial statements included in the interim financial report in accordance with IAS 34 as adopted by the EU.

As disclosed in note 1, the annual financial statements of the Group for the year ended 31 March 2023 are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In preparing the condensed set of consolidated interim financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of consolidated interim financial statements in the interim financial report based on our review.

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Group in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants
1 Harbourmaster Place,
IFSC,
Dublin 1

20 February 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 31 December 2023

	Note	Unaudited 9 months ended 31 December 2023 US $'000	Unaudited 9 months ended 31 December 2022 US $'000	Audited Year ended 31 March 2023 US $'000
CONTINUING OPERATIONS				
Income				
Lease revenue	2	1,445,817	884,241	1,347,962
Other revenue	2	6,539	6,874	9,072
Total revenues		1,452,356	891,115	1,357,034
Other operating income	3	826,189	26,575	51,617
		2,278,545	**917,690**	**1,408,651**
Operating expenses				
Depreciation	7	(514,379)	(273,434)	(413,633)
Asset impairment	7	(58,218)	(31,595)	(70,260)
Credit impairment credit / (charge)	11	6,920	(8,736)	(31,693)
Operating expenses	4	(113,749)	(117,904)	(182,333)
PROFIT FROM OPERATING ACTIVITIES		**1,599,119**	**486,021**	**710,732**
Finance income	5	236,271	174,158	265,864
Finance expense	5	(732,603)	(392,918)	(635,114)
NET FINANCE COSTS		**(496,332)**	**(218,760)**	**(369,250)**
PROFIT BEFORE TAXATION		**1,102,787**	**267,261**	**341,482**
Tax expense	6	(138,380)	(33,434)	(45,371)
PROFIT FROM CONTINUING OPERATIONS		**964,407**	**233,827**	**296,111**
OTHER COMPREHENSIVE INCOME				
Cash flow hedges - effective portion of changes in fair value		(13,533)	207,109	113,317
Cash flow hedges - reclassified to profit or loss		(570)	556	737
Fair value through other comprehensive income		1,356	-	(1,356)
Tax on other comprehensive income		1,593	(25,958)	(14,257)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD / YEAR, NET OF TAX		**(11,154)**	**181,707**	**98,441**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR		**953,253**	**415,534**	**394,552**

The notes on pages 11 to 29 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	Unaudited 31 December 2023 US $'000	Audited 31 March 2023 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	21,374,065	21,747,591
Intangible assets		3,993	3,921
Advances to OEMs		-	25,087
Finance lease and loan receivables	9	531,052	560,907
Lease incentive assets	12	158,705	140,880
Derivative financial instruments		37,062	80,492
		22,104,877	22,558,878
CURRENT ASSETS			
Advances to OEMs		72,629	19,743
Assets held for sale	13	588,683	245,280
Finance lease and loan receivables	9	38,805	32,262
Trade and other receivables	11	242,347	281,450
Cash and cash equivalents	10	685,414	738,220
Lease incentive assets	12	48,610	43,775
Derivative financial instruments		3,107	806
		1,679,595	1,361,536
TOTAL ASSETS		23,784,472	23,920,414
EQUITY			
Share capital	17	2,249,513	2,249,513
Other components of equity	18	485,380	495,178
Retained earnings		2,311,290	1,346,883
TOTAL EQUITY		5,046,183	4,091,574
NON-CURRENT LIABILITIES			
Trade and other payables	14	1,124,117	1,112,607
Borrowings	15	15,314,991	16,501,753
Deferred tax liabilities		476,332	341,933
Derivative financial instruments		29,445	50,074
Subordinated liabilities	16	300,000	300,000
		17,244,885	18,306,367
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	13	10,395	26,824
Trade and other payables	14	710,573	711,208
Borrowings	15	772,436	784,441
		1,493,404	1,522,473
TOTAL LIABILITIES		18,738,289	19,828,840
TOTAL EQUITY AND LIABILITIES		23,784,472	23,920,414

The notes on pages 11 to 29 are an integral part of these unaudited condensed consolidated interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2023

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained earnings US $'000	Total Equity US $'000
BALANCE AT 1 APRIL 2022		887,513	470,555	(73,818)	1,050,772	2,335,022
Issue of preference shares		1,362,000	-	-	-	1,362,000
Total comprehensive income						
Profit for the period		-	-	-	233,827	233,827
Other comprehensive income for the period		-	-	181,707	-	181,707
		-	-	181,707	233,827	415,534
BALANCE AT 31 DECEMBER 2022		2,249,513	470,555	107,889	1,284,599	4,112,556
Total comprehensive income						
Profit for the period		-	-	-	62,284	62,284
Other comprehensive income for the period		-	(1,356)	(81,910)	-	(83,266)
		-	(1,356)	(81,910)	62,284	(20,982)
BALANCE AT 31 MARCH 2023	17 / 18	2,249,513	469,199	25,979	1,346,883	4,091,574
Total comprehensive income						
Profit for the period		-	-	-	964,407	964,407
Other comprehensive income for the period		-	1,356	(11,154)	-	(9,798)
		-	1,356	(11,154)	964,407	954,609
BALANCE AT 31 DECEMBER 2023	17 / 18	2,249,513	470,555	14,825	2,311,290	5,046,183

The notes on pages 11 to 29 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine months ended 31 December 2023

	Note	Unaudited 9 months ended 31 December 2023 US $'000	Unaudited 9 months ended 31 December 2022 US $'000	Audited Year ended 31 March 2023 US $'000
PROFIT BEFORE TAX		1,102,787	267,261	341,482
Adjustments for:				
Depreciation of property, plant and equipment	7	514,379	273,434	413,633
Impairment charge of property, plant and equipment	7	58,218	31,595	70,260
Amortisation of computer software intangible assets		1,025	1,137	1,158
Lease incentive asset amortisation	2	35,855	28,746	40,574
Credit impairment (credit) / charge on trade debtors		(6,920)	8,736	31,693
Net interest expense		495,059	219,092	367,506
Profit on disposal of assets held under operating leases	3	(48,996)	(8,644)	(29,736)
		2,151,407	821,357	1,236,570
Decrease in receivables		94,650	8,118	18,502
(Decrease) / increase in payables		(71,870)	53,420	238,553
CASH GENERATED BY OPERATIONS		2,174,187	882,895	1,493,625
Income taxes paid		(16,813)	(2,335)	(1,532)
Interest paid		(538,464)	(190,739)	(279,130)
NET CASH FROM OPERATING ACTIVITIES		1,618,910	689,821	1,212,963
INVESTING ACTIVITIES				
Proceeds on disposal of property, plant and equipment		943,051	804,800	1,230,805
Purchases of property, plant and equipment		(1,411,474)	(2,167,226)	(2,941,763)
Purchases of intangible assets		(1,096)	(1,544)	(1,479)
Net investment in business combination		-	(1,310,208)	(1,310,327)
NET CASH USED IN INVESTING ACTIVITIES:		(469,519)	(2,674,178)	(3,022,764)
FINANCING ACTIVITIES				
Proceeds from issuance of share capital	17	-	1,362,000	1,362,000
Proceeds from indebtedness		2,021,524	3,366,832	4,355,582
Repayments of indebtedness		(3,223,368)	(2,342,932)	(4,162,957)
NET CASH (USED IN) / FROM FINANCING ACTIVITES.		(1,201,844)	2,273,816	1,554,625
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(353)	(1,591)	(878)
NET DECREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(52,806)	287,868	(256,054)
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD / YEAR		738,220	994,274	994,274
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD / YEAR	10	685,414	1,282,142	738,220
Unrestricted cash and cash equivalents as above	10	685,414	1,282,142	738,220
Restricted cash as reported	10	-	112,084	-
Total cash and cash equivalents	10	685,414	1,394,226	738,220

The notes on pages 11 to 29 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Significant Accounting Policies

SMBC Aviation Capital (the "Company") is a company incorporated and domiciled in Ireland. The address of its registered office is IFSC House, International Financial Services Centre, Dublin 1, Ireland.

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS in accordance with IAS 34.

The accounting policies and presentation applied by the Group in the preparation of these Unaudited Condensed Consolidated Interim Financial Statements are consistent with those set out on pages 17 to 24 of the Group's Consolidated Financial Statements for the year ended 31 March 2023.

a. Basis of preparation

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments. Highlights of the principal accounting policies are set out below, the full listing of which can be found in the Group's Consolidated Financial Statements for the year ended 31 March 2023 as noted above.

The Unaudited Condensed Consolidated Interim Financial Statements as at and for the nine months ended 31 December 2023 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union. They do not include all the information and disclosures necessary for a complete set of IFRS compliant financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Group financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 March 2023.

These financial statements should be read in conjunction with the Group's audited financial statements as at and for the year ended 31 March 2023, which were prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS Interpretations Committee ("IFRIC") interpretations as adopted by the European Union ("EU") and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

These Unaudited Condensed Consolidated Interim Financial Statements do not comprise statutory accounts within the meaning of the Companies Act 2014. The statutory accounts for the year ended 31 March 2023 were approved by the Board of Directors on 23 May 2023, and contained an unqualified audit report.

The Company's functional currency is the US Dollar, being the currency of the airline industry in which the Group operates. All financial information presented in US Dollar has been rounded to the nearest thousand US Dollar unless otherwise stated.

These financial statements, which should be read in conjunction with the Management Review, have been prepared on a going concern basis and in accordance with IFRS as adopted by the European Union.

b. Estimates and judgements

The preparation of Unaudited Condensed Consolidated Interim Financial Statements requires the Group to make estimates and judgements that impact the reported amounts of assets and liabilities, income and expense.

During the period, the Group applied the following assumptions involved in the Group's accounting policies:

Note 8 - Property, Plant and Equipment:

The material judgements in respect of property, plant and equipment include the identification and subsequent measurement of impairment such as triggers and estimates of cash flow including residual values and discounts rates. The discount rate used in the measurement of impairment was 6% in the current period. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

Note 13 – Trade and Other Receivables:

The Group recognises an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

There have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 March 2023, as set out on page 18 of the Group's Consolidated Financial Statements for the year ended 31 March 2023.

c. **Basis of consolidation**

The Unaudited Condensed Consolidated Interim Financial Statements include the interim Financial Statements of the Company and all of its subsidiaries, for the nine month period ended and as at 31 December 2023. The Group does not have investments in associates or joint ventures as defined in IFRS.

d. **Business combinations**

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured at fair value, as are the identifiable net assets acquired. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually

e. **Lease component assets and liabilities**

Aircraft acquired on lease are assessed for the existence of lease component assets and liabilities which are considered to be separate components of aircraft assets. To the extent that lease payments are off-market, they are recognised as either lease component assets or liabilities which are amortised over the remaining lease term.

f. **New standards adoption and amendments to IFRS**

The following new standards approved by the IASB have been applied in preparing these financial statements:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting policies (Amendments to IAS 1)

- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- Initial Application of IFRS 17 and IFRS 9 Comparative Information (Amendments to IFRS 17)

These standards had no impact on the Group. The Group as not adopted any other new or amended accounting pronouncements which have impacted the Unaudited Condensed Consolidated Interim Financial Statements.

The following amended standards and interpretations approved by the IASB but not yet endorsed by the EU will be relevant to the Group and Company, but were not effective at 31 December 2023, and have not been applied in preparing these financial statements:

- International Tax Reform Pillar Two Model Rules (Amendments to IAS 12)
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Group is currently considering the impact of these amended standards and interpretations.

g. **Financial risk factors**

The Group's activities expose it to a variety of financial risks: asset risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Unaudited Condensed Consolidated Interim Financial Statements do not include all financial risk information and disclosures required in annual financial statements; they should be read in conjunction with the Group's Consolidated Financial Statements as at and for the year ended 31 March 2023. There have been no changes in any risk management policies since the year end.

2. Revenue

	9 months ended 31 December 2023 US $'000	9 months ended 31 December 2022 US $'000	Year ended 31 March 2023 US $'000
Operating lease revenue			
Rentals receivable	1,441,889	905,057	1,390,481
Lease incentive amortisation (see note 12)	(35,855)	(28,746)	(40,574)
Maintenance income	39,783	7,930	(1,945)
Lease revenue	1,445,817	884,241	1,347,962
Fee income			
Aircraft management fees	6,539	6,874	9,072
Other revenue	6,539	6,874	9,072
	1,452,356	891,115	1,357,034

Maintenance income in the prior period (both 9 months ended 31 December 2022 and year ended 31 March 2023) include $1.9 million recognised in respect of letters of credit which were drawn down and received as part of the

termination of leasing of aircraft with Russian airlines. Maintenance income also include redelivery payments received during the period, which increased compared to the prior period due to a higher level of redelivery activity.

3. Other Operating Income

	9 months ended 31 December 2023 US $'000	9 months ended 31 December 2022 US $'000	Year ended 31 March 2023 US $'000
Profit on disposal of property, plant and equipment	48,996	8,644	29,736
Other operating income.....	777,193	17,931	21,881
	826,189	26,575	51,617

Profit on disposal of property, plant and equipment increased in the current period due to increased aircraft trading activity. Other operating income in the current period include insurance settlement proceeds of $755.8 million (note 7) received in respect of aircraft previously leased to certain Russian airlines. Other operating income in the prior period (both 9 months ended 31 December 2022 and year ended 31 March 2023) include $3.3 million received by the Group in respect of letters of credit which were drawn down and received as part of the termination of leasing of aircraft with Russian airlines.

4. Operating Expenses

	9 months ended 31 December 2023 US $'000	9 months ended 31 December 2022 US $'000	Year ended 31 March 2023 US $'000
Administration expenses	(112,724)	(116,767)	(181,175)
Amortisation of intangible assets	(1,025)	(1,137)	(1,158)
	(113,749)	(117,904)	(182,333)

5. Net Finance Costs

	9 months ended 31 December 2023 US $'000	9 months ended 31 December 2022 US $'000	Year ended 31 March 2023 US $'000
Finance income:			
Interest income on swaps	174,723	126,395	196,937
Interest income on finance lease and loan receivables.....	44,651	33,628	47,811
Interest income on deposits.....	16,897	14,135	21,116
Total interest income.....	236,271	174,158	265,864
Finance costs:			
Interest payable on swaps.....	(122,840)	(140,558)	(195,807)
Interest payable on borrowings	(590,927)	(250,027)	(430,267)
Interest payable on security deposits.....	(108)	(141)	-
Less: Interest capitalised to the cost of aircraft (see note 15).....	21,356	15,789	23,036
Bank charges, guarantee & other fees on borrowings	(40,084)	(17,981)	(32,076)
Total interest payable and related charges.....	(732,603)	(392,918)	(635,114)
Net interest payable.....	(496,332)	(218,760)	(369,250)

6. Taxation

a. **Analysis of Tax Charge for the Period**

	9 months ended 31 December 2023 US$'000	9 months ended 31 December 2022 US$'000	Year ended 31 March 2023 US$'000
Current tax charge:			
- Current period	2,381	2,121	2,742
Deferred tax - origination and reversal of temporary differences:			
- Current period	135,999	31,313	42,629
Tax charge	138,380	33,434	45,371

b. **Factors Affecting the Tax Charge for the Period**

Profit before tax subject to tax at 12.5% (2022: 12.5%)	1,094,516	260,997	333,440
Profit before tax subject to tax at 28% (2022: 28%)	-	61	84
Profit before tax subject to tax at 25% (2022: 25%)	1,820	1,748	2,740
Profit before tax subject to tax at 16.5% (2022: 16.5%)	361	1,061	434
Profit before tax subject to tax at 8.25% (2022: 8.25%)	6,090	3,394	4,784
	1,102,787	267,261	341,482
Tax on profit at the rate of 12.5% (2022: 12.5%)	136,815	32,625	41,680
Tax on profit at the rate of 28% (2022: 28%)	-	17	24
Tax on profit at the rate of 25% (2022: 25%)	455	437	685
Tax on profit at the rate of 16.5% (2022: 16.5%)	60	175	72
Tax on profit at the rate of 8.25% (2022: 8.25%)	502	280	395
Other differences	919	(28)	(119)
Permanent difference - non-taxable income	(371)	(117)	(302)
Permanent difference - disallowed expenses	-	45	2,936
Tax charge	138,380	33,434	45,371

7. Property, Plant and Equipment

	Aircraft for hire under operating leases US $'000	Pre- Delivery Payments ("PDPs") US $'000	Office equipment and fixtures & fittings US $'000	Right-of-use assets US $'000	Total US $'000
COST					
At 1 April 2022	16,860,129	834,923	13,038	12,740	17,720,830
Additions	3,122,367	214,138	538	76,796	3,413,839
Transfers	312,551	(312,551)	-	-	-
Acquired as part of business combination	6,246,208	245,552	-	5,689	6,497,449
Disposals	(1,471,968)	-	-	(2,606)	(1,474,574)
Transfer to assets held for sale (see note 13)	(318,673)	-	-	-	(318,673)
At 31 March 2023	24,750,614	982,062	13,576	92,619	25,838,871
Additions	1,155,469	245,374	11,568	961	1,413,372
Transfers	173,522	(173,522)	-	-	-
Disposals	(779,736)	-	-	-	(779,736)
Transfer to assets held for sale (see note 13)	(635,946)	-	-	-	(635,946)
At 31 December 2023	24,663,923	1,053,914	25,144	93,580	25,836,561
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2022	3,971,188	-	11,800	8,282	3,991,270
Charge for the period	408,960	-	505	4,168	413,633
Impairment for the period	70,260	-	-	-	70,260
Disposals	(291,836)	-	-	(2,606)	(294,442)
Transfer to assets held for sale (see note 13)	(89,441)	-	-	-	(89,441)
At 31 March 2023	4,069,131	-	12,305	9,844	4,091,280
Charge for the period	508,000	-	373	6,006	514,379
Impairment for the period	58,218	-	-	-	58,218
Disposals	(152,732)	-	-	-	(152,732)
Transfer to assets held for sale (see note 13)	(48,649)	-	-	-	(48,649)
At 31 December 2023	4,433,968	-	12,678	15,850	4,462,496
CARRYING AMOUNT					
Net Book Value at 31 December 2023	20,229,955	1,053,914	12,466	77,730	21,374,065
Net Book Value at 31 March 2023	20,681,483	982,062	1,271	82,775	21,747,591

During the year ended 31 March 2023, the Group acquired 154 aircraft and other fixed assets as part of its acquisition of Goshawk.

The value of lease and maintenance component assets included in above is $1.8 billion (31 March 2023: $2.04 billion). These lease and maintenance component assets arose from the purchase of second hand aircraft and are accounted for in accordance with our policy as set out in note 1(e) of these financial statements and note 1(m) of the Group's Consolidated Financial Statements for the year ended 31 March 2023.

During the period, assets in the Group with a carrying value of $1.41 billion (year ended 31 March 2023: $1.48 billion) and average age of 8.6 years (year ended 31 March 2023: 8.4 years) were subject to impairment partly due to lower realisable values and an assessment of the value of the cash flows of the leases attached discounted at a rate of 6% (year ended 31 March 2023: 6%).

The carrying amount before impairment of these aircraft of $1.41 billion (year ended 31 March 2023: $1.55 billion) was determined to be higher than the value in use, maintenance adjusted current market value or fair value less costs to sell (where a letter of intent to sell exists) of $1.35 billion (year ended 31 March 2023: $1.48 billion) and an impairment loss of $58.2 million (year ended 31 March 2023: $70.3 million) was recognised during the period. The impairment loss in the current period included upfront trading losses of $31.1 million (6 months ended 31 December 2022: $20.8 million; year ended 31 March 2023: $31.5 million), representing anticipated losses on disposal of these aircraft at 31 December 2023.

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations, including reduced lease rentals for airlines that have entered restructuring proceedings. In certain instances these cash flow projections may also include potential cash outflows in respect of near-term scheduled

maintenance events. Cash flow assumptions applied for these lease restructurings, and for customers with ongoing restructuring negotiations, have been assessed and the estimated outcomes have been included in line with the customer specific circumstances. Residual values are projected based on management's view of expected return conditions of the aircraft which is based on current or expected lease redelivery conditions, or in the case of potential repossessions on an 'as is' physical condition. The impairment loss recognised takes account of both the value in use, the maintenance adjusted current market value and the fair value less costs to sell of the relevant aircraft.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

On 31 December 2023, the Group classified qualifying assets with a carrying value of $587.3 million (year ended 31 March 2023: $229.2 million) as assets held for sale as they met the relevant criteria (see note 13).

The Group recognised a write off of $1.62 billion in the period ended 31 March 2022, representing 100% of the carrying value of the 34 aircraft lost in Russia. Those aircraft are the subject of a claim for a total loss under applicable insurance and are now also the subject of litigation commenced in the Irish Courts. Some of the aircraft are also the subject of litigation before the UK Courts.

During the current period under review, the Group received insurance settlement proceeds (note 3) in respect of certain of its aircraft previously leased to certain Russian airlines. The amount represents a settlement of the Group's insurance claims under the relevant airlines' insurance and reinsurance policies relating to relevant aircraft and associated engines. The insurance settlement and receipt of the insurance settlement proceeds were carried out in full compliance with all applicable laws, sanctions and regulations and have been approved by the U.S. Department of Commerce and the U.S. Department of the Treasury.

8. Financial Instruments

The carrying value and fair value of the Group's financial assets and liabilities by class and category are summarised below:

31 December 2023	Carrying Value US $'000	Fair Value US $'000
Financial assets at fair value through profit or loss:		
Derivative financial instruments	40,169	40,169
Financial assets measured at amortised cost:		
Advances to OEMs	72,629	72,629
Finance lease and loan receivables	569,857	569,857
Trade and other receivables	242,347	242,347
Cash and cash equivalents	685,414	685,414
Financial assets	1,610,416	1,610,416
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	29,445	29,445
Financial liabilities measured at amortised cost:		
Trade and other payables	1,845,085	1,845,085
Borrowings	16,087,427	14,586,822
Subordinated liabilities	300,000	297,278
Financial liabilities	18,261,957	16,758,630

31 March 2023	Carrying Value US $'000	Fair Value US $'000
Financial assets at fair value through profit or loss:		
Derivative financial instruments	81,298	81,298
Financial assets measured at amortised cost:		
Advances to OEMs	44,830	42,224
Finance lease and loan receivables	593,169	593,169
Trade and other receivables	281,450	281,450
Cash and cash equivalents	738,220	738,220
Financial assets	1,738,967	1,736,361
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	50,074	50,074
Financial liabilities measured at amortised cost:		
Trade and other payables	1,850,639	1,850,639
Borrowings	17,286,194	18,494,649
Subordinated liabilities	300,000	280,382
Financial liabilities	19,486,907	20,675,744

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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

The valuation techniques and significant inputs used in determining the fair values for financial assets and liabilities classified as Level 2 are as follows:

The financial instruments at fair value through profit or loss, being the assets and liabilities shown as above, all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Cash and cash equivalents - The fair value of cash and cash equivalents is considered to be approximately equal to their carrying amount as the components are highly liquid.

Advances to OEMs measured at amortised cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Obligations under finance leases, Borrowings and Subordinated liabilities fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

The remaining financial assets and liabilities measured at amortised cost all fall within Level 2. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

9. Finance Leases and Loan Receivables

	31 December 2023 US $'000	31 March 2023 US $'000
Current		
Fixed rate receivables		
Finance leases	3,498	3,218
Floating rate receivables		
Loan receivables	35,307	29,044
	38,805	32,262
Non-current		
Fixed rate receivables		
Finance leases	35,137	37,652
Floating rate receivables		
Loan receivables	495,915	523,255
	531,052	560,907
Total finance lease and loan receivables	569,857	593,169
The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:		
Less than 1 year	6,225	6,329
1-2 years	6,225	6,225
2-3 years	33,336	6,225
3-4 years	417	32,170
4-5 years	-	-
Total undiscounted lease payments receivable	46,203	50,949
Unearned finance income	(7,568)	(10,079)
Net investment in finance leases	38,635	40,870

Finance lease receivables

The Group has entered into lease arrangements as a lessor that are considered to be finance leases. The Group leases two aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of these arrangements as finance leases

Loan receivables

The Group acquired ten aircraft in recent years, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as loan receivables.

Finance income in the period on the net investment in finance leases and loan receivables totalled $44.7 million (9 months ended 31 December 2022: $33.6 million; see note 5).

10. Cash and Cash Equivalents

	31 December 2023 US$'000	31 March 2023 US$'000
Bank account	81,175	83,693
Bank account with parent group undertakings	100,214	16,711
Short-term deposits with parent group undertakings	504,025	637,816
	685,414	738,220
Restricted cash	-	-
Cash and cash equivalents net of restricted cash	685,414	738,220

11. Trade and Other Receivables

	31 December 2023 US $'000	31 March 2023 US $'000
Trade debtors	93,524	159,677
Deferred lease receivables	42,842	53,587
Credit impairment provisions	(55,709)	(66,945)
Net lease receivables	80,657	146,319
Amounts due from parent group undertakings	-	6,999
Prepayments	126,570	99,824
Other debtors	35,120	28,308
	242,347	281,450
Age analysis of trade debtors		
Less than one month	14,765	19,175
One to two months	12,091	9,833
More than two months	66,668	130,669
	93,524	159,677

Analysis of exposure to credit risk and credit impairment provisions for trade debtors as at:

	Expected credit loss provision %		31 December 2023		31 March 2023	
	31 December 2023 %	31 March 2023 %	Gross carrying amount US $'000	Impairment loss US $'000	Gross carrying amount US $'000	Impairment loss US $'000
Category 1	0.2%	0.2%	2,270	1	8,600	-
Category 2	1.0%	1.1%	7,807	4	3,024	-
Category 3	7.6%	7.2%	3,583	110	8,328	-
Category 4	33% - 100%	33% - 100%	79,864	55,594	139,725	66,945
			93,524	55,709	159,677	66,945

Most airline customers continue to show an improved payment performance, which, along with a restructuring during the period, resulted in a decrease in lease receivables during the period. The credit impairment reversal in the current period of $6.9 million (year ended 31 March 2023: charge of $31.7 million) reflect ongoing operations and review of receivables more than offset by a specific restructuring which occurred during the period, which resulted in securities held being applied against certain receivable balances. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance.

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible

costs associated with repossession, repair, maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. As at 31 December 2023, the Group held letters of credit in relation to lease rentals and maintenance exposures of $510.3 million (31 March 2023: $488.3 million) in addition to $847.0 million of cash security deposits and maintenance reserves (31 March 2023: $854.4 million; see note 14).

12. Lease Incentive Assets

	31 December 2023 US $'000	31 March 2023 US $'000
Lease incentive assets	184,655	88,152
Amortised during the period / year	(35,855)	(40,574)
Additions of lease incentive assets	72,631	167,719
Sold during the period / year	(12,731)	(14,594)
Transfer to assets held for sale	(1,386)	(16,048)
	207,314	184,655
Analysed as:		
Current lease incentive assets (amortising within 12 months)	48,610	43,775
Non-current lease incentive assets (amortising after 12 months)	158,704	140,880
	207,314	184,655

The lease incentive assets are amortised over the respective lease terms and recorded as a reduction of lease income (see note 2).

13. Assets held for Sale and Liabilities Associated with Assets held for Sale

The Group's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	31 December 2023 US $'000	31 March 2023 US $'000
Assets held for sale		
Property, plant and equipment – aircraft	587,297	229,232
Lease incentive assets	1,386	16,048
	588,683	245,280
Liabilities associated with assets held for sale		
Security deposits	8,906	3,420
Maintenance reserve	-	4,033
Lessor contributions	1,489	19,371
	10,395	26,824
	578,288	218,456

At 31 December 2023, the Group classified 13 aircraft (31 March 2023: 7 aircraft) as held-for-sale as the Group had agreements for the sale of these aircraft in place which met the requirement to be classified as held-for-sale. The Group generally continues to recognise lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

14. Trade and Other Payables

	31 December 2023 US $'000	31 March 2023 US $'000
Security deposits	155,705	154,848
Maintenance reserve	682,409	692,056
Lessor contributions	311,706	294,597
Prepaid lease rentals and fee income received	155,666	148,552
Trade creditors	32,102	33,651
Accrued interest - third party undertakings	99,098	109,573
Amounts due to parent group undertakings	161,541	144,961
Collateral cash received	31,600	41,800
Other creditors	204,863	203,777
	1,834,690	1,823,815
Analysed as:		
Non-current trade and other payables (payable after 12 months)	1,124,117	1,112,607
Current trade and other payables (payable within 12 months)	710,573	711,208
	1,834,690	1,823,815

As described in note 1(u) of the Group's Consolidated Financial Statements for the year ended 31 March 2023, the Group enters into derivative transactions with counterparties, which may be subject to bilateral collateral agreements. The Group monitors the fair value of its derivative transactions on a daily basis, with additional collateral paid or received as necessary. At 31 December 2023, the Group held $31.6 million of collateral cash received in relation to such derivative transactions.

Analysis of Group trade and other payables:

As at 31 December 2023	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	6,323	149,382	155,705
Maintenance reserve	45,896	636,513	682,409
Lessor contributions	58,953	252,753	311,706
Prepaid lease rentals and fee income received	155,201	465	155,666
Trade creditors	32,102	-	32,102
Accrued interest - third party undertakings	99,098	-	99,098
Amounts due to parent group undertakings	157,983	3,558	161,541
Collateral cash received	31,600	-	31,600
Other creditors	123,417	81,446	204,863
	710,573	1,124,117	1,834,690

As at 31 March 2023	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	11,858	142,990	154,848
Maintenance reserve	75,531	616,525	692,056
Lessor contributions	29,828	264,769	294,597
Prepaid lease rentals and fee income received	148,087	465	148,552
Trade creditors	33,651	-	33,651
Accrued interest - third party undertakings	109,573	-	109,573
Amounts due to parent group undertakings	144,961	-	144,961
Collateral cash received	41,800	-	41,800
Other creditors	115,919	87,858	203,777
	711,208	1,112,607	1,823,815

Security deposits fall due at the end of each respective lease, while maintenance reserves, lessor contributions and amounts due to parent group undertakings which relate to operating leases fall due during the remaining term of each respective lease based on the timing of expected maintenance events.

Amounts due to parent group undertakings include cash balances held at period-end on behalf of affiliate group companies in accordance with existing cash pooling agreements.

15. Borrowings

	31 December 2023 US $'000	31 March 2023 US $'000
Loan amounts due to third party undertakings	5,403,230	5,502,868
Loan amounts due to parent group undertakings	7,551,873	9,789,094
Other debt securities issued	3,132,324	1,994,232
	16,087,427	17,286,194
The borrowings are repayable as follows:		
On demand or within one year	772,436	784,441
In the second year	1,263,096	1,243,166
In the third to fifth year inclusive	6,767,609	5,735,348
After five years	7,284,286	9,523,239
	16,087,427	17,286,194
Less: Amounts due for settlement within 12 months	(772,436)	(784,441)
Amounts due for settlement after 12 months	15,314,991	16,501,753

As at 31 December 2023, the Group had $11.5 billion of available capacity in place through a combination of undrawn shareholder funding ($8.9 billion), third party availability ($1.8 billion) and unrestricted cash balances. The Group has short-term debt repayment obligations (due within 12 months) totalling $772.4 million and other current liabilities of $721.0 million. The short-term debt obligations include shareholder funding repayments of $72.6 million, which will become available as additional capacity on repayment. The Group also had purchase commitments consisting of direct orders and sale-leaseback commitments totalling $1.6bn due to fall due within a year (note 20).

The Group closed the sale of $650 million of its 5.45% senior unsecured notes due 2028 on 3 May 2023 as well as the sale of $1.0 billion of its 5.70% senior unsecured notes due 2033 on 18 July 2023. At 31 December 2023, the Group had the following notes in issuance:

- $500 million of its 3.55% senior unsecured notes due 2024 issued on 15 April 2019
- $500 million of its 2.30% senior unsecured notes due 2028 issued on 15 June 2021
- $500 million of its 1.90% senior unsecured notes due 2026 issued on 15 October 2021
- $650 million of its 5.45% senior unsecured notes due 2028 issued on 3 May 2023
- $1.0 billion of its 5.70% senior unsecured notes due 2033 issued on 18 July 2023

The Group closed the sale of these notes through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was $21.4 million (year ended 31 March 2023: $23.0 million; 9 months ended 31 December 2022: $15.8 million; note 7). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

Reconciliation of cash and non-cash movements of Group borrowings:

		Non-cash changes			
	As at 1 April 2023 US $'000	Net cash flows in the period US $'000	Fair value changes US $'000	Amortisation of issuing costs US $'000	As at 31 December 2023 US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	4,840,000	(100,000)	-	-	4,740,000
Loan amount due to parent group undertakings	736,482	(686,482)	-	-	50,000
	5,576,482	(786,482)	-	-	4,790,000
Fixed rate borrowings					
Loan amount due to parent group undertakings	9,052,612	(1,550,739)	-	-	7,501,873
Loan amounts due to third party undertakings	662,868	-	-	362	663,230
Other debt securities issued	1,994,232	1,136,524	-	1,568	3,132,324
	17,286,194	(1,200,697)	-	1,930	16,087,427

Terms, conditions and analysis of Group borrowings before impact of derivatives:

As at 31 December 2023	Average interest rate %	Year of maturity	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	6.77	2025-2029	200,000	4,540,000	4,740,000
Loan amount due to parent group	7.02	2028	10,000	40,000	50,000
			210,000	4,580,000	4,790,000
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.61	2024-2035	62,602	7,439,271	7,501,873
Loan amounts due to third party undertakings	2.92	2025-2031	-	663,230	663,230
Other debt securities issued	4.16	2024-2033	499,834	2,632,490	3,132,324
			772,436	15,314,991	16,087,427

As at 31 December 2023, the average interest rate on floating rate borrowings after the impact of derivatives is 5.23% (31 March 2023: 4.98%).

Terms, conditions and analysis of Group borrowings before impact of derivatives - continued:

As at 31 March 2023	Average interest rate %	Year of maturity	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	5.97	2024-2029	200,000	4,640,000	4,840,000
Loan amount due to parent group undertakings	7.62	2029-2033	28,678	707,804	736,482
			228,678	5,347,804	5,576,482
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.94	2023-2035	55,929	8,996,683	9,052,612
Loan amounts due to third party undertakings	2.92	2025-2031	-	662,868	662,868
Other debt securities issued	2.97	2023-2028	499,834	1,494,398	1,994,232
			784,441	16,501,753	17,286,194

16. Subordinated Liabilities

	Average interest rate %	Year of maturity	31 December 2023 US $'000	31 March 2023 US $'000
$300 million floating rate loan due to parent group undertakings	9.64	2039	300,000	300,000
			300,000	300,000

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2039 and can be extended further with the agreement of both parties.

17. Share Capital

	31 December 2023 $	31 March 2023 $
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
A Preference shares of $1 each	1,362,000,000	1,362,000,000
B Preference shares of $1 each	700,000,000	700,000,000
	2,362,000,000	2,362,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
A Preference shares of $1 each	1,362,000,000	1,362,000,000
B Preference shares of $1 each	700,000,000	700,000,000
	2,249,512,800	2,249,512,800

	31 December 2023	31 March 2023
	Number of shares	
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
A Preference shares of $1 each	1,362,000,000	1,362,000,000
B Preference shares of $1 each	700,000,000	700,000,000
	2,362,000,000	2,362,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
A Preference shares of $1 each	1,362,000,000	1,362,000,000
B Preference shares of $1 each	700,000,000	700,000,000
	2,249,512,800	2,249,512,800

The Company's ordinary shares have voting rights attached but carry no right to fixed income, while its preference shares have no voting rights attached and may be paid a fixed non-cumulative preferential dividend of 7.5% of nominal value at the Company's discretion in any financial year.

In December 2022, the Company converted existing preference shares to B preference shares and increased its authorised share capital by 1.362 billion non-voting 7.5% non-cumulative A preference shares.

At the same time, and as part of the purchase of Goshawk Leasing, the Company issued 1.362 billion new A preference shares at par to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") in such proportions that the shareholding of SMFL and SMBC would remain the same.

18. Other Components of Equity

	31 December 2023 US $'000	31 March 2023 US $'000
Share premium	261,102	261,102
	261,102	261,102
Capital contribution	207,486	207,486
Other reserve	1,967	1,967
Fair value through other comprehensive income	-	(1,356)
Cash flow hedge reserve	14,825	25,979
Total other reserves	485,380	495,178

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207,486,000 in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as shareholder.

As described in note 1(c) of the Group's Consolidated Financial Statements as at and for the year ended 31 March 2023, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonising the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

19. Related Parties

The Group's ultimate parent companies are Sumitomo Mitsui Financial Group (66%) and Sumitomo Corporation (34%). All transactions with related parties continue to be made on terms equivalent to those that prevail in arm's length transactions. There has been no significant change in related party relationships during the period under review.

20. Capital Commitments

The Group currently have a number of existing orders with Airbus and Boeing. The most significant of these orders were placed during the year ended 31 March 2015 when the Group placed an order for 110 A320neo aircraft and 5 A321ceo aircraft with Airbus and 90 Boeing 737 MAX 8 aircraft with Boeing respectively. The Group placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018.

Between May 2020 and March 2021, as the impact of the Covid-19 pandemic became clear, a number of agreements were concluded with both Airbus and Boeing to cancel a small number of existing orders, but also to defer the delivery of a large number of imminent deliveries by up to five years, with the latest deferred delivery now scheduled for 2027.

An additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft, while the Group's acquisition of Goshawk in December 2022 resulted in the addition of its existing order book with Boeing and Airbus of 20 aircraft each to the Group's total open order book.

More recently, the Group concluded an agreement with Boeing in September 2023 for the purchase of an additional 25 737 MAX aircraft with delivery dates in 2028 – 2029, while on 9 November 2023, the Group concluded an agreement with Airbus for the purchase of an additional 60 A320neo aircraft with delivery dates in 2029 – 2031.

The combined remaining purchase commitment for orders total $14.5 billion, including existing sale-leaseback and other capital commitments of $0.6 billion (31 March 2023: $Nil), and delivery dates are currently scheduled between 2024 and 2031 of which $1.6 billion relates to expected delivery dates within the next twelve months.

All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable. The Group also retains the ability to convert variants specified in existing orders up to the date of delivery and has done so on a number of occasions to facilitate market requirements.

21. Contingent Liabilities

The Group had no contingent liability at 31 December 2023 (31 March 2023: $nil).

22. Subsequent Events

No significant events affecting the Group have occurred since 31 December 2023, which require adjustment to or disclosure in the Unaudited Condensed Consolidated Interim Financial Statements.

23. Approval of Unaudited Condensed Consolidated Interim Financial Statements

The Directors approved these Unaudited Condensed Consolidated Interim Financial Statements on 20 February 2024.

SMBC Aviation Capital Limited

Audited consolidated financial statements
as of and for the year ended March 31, 2023

DIRECTORS AND OTHER INFORMATION

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C A Ennis (Irish)
B Flannery (Irish)
D Swan (Irish)
A Kenny (Irish)
T Tanaka (Japanese)
M Tachibana (Japanese)
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DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of SMBC Aviation Capital Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 March 2023. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

Principal Activities

The principal business activities of the Group and Company include acting in the capacity of principal, agent or broker, the financing of aircraft, plant, equipment, machinery, engines, vehicles or other modes of transport and their components and parts, by way of loan, hire purchase, lease rental, credit sale or other appropriate methods of finance, and the sale or purchase, ownership, leasing or management or in any other way dealing with aircraft, plant, equipment, machinery, engines, vehicles or other modes of transport and their components parts. The Group and Company also provides financial solutions and brokerage services to the airline and airline related industry in connection with financing and refinancing.

The Group and Company's activities and those of the aircraft industry are undertaken predominantly in US Dollars and this is the functional currency of the Company. The consolidated financial statements are presented in US Dollars. The Group and Company is a member of the Japanese consortium of Sumitomo Mitsui Financial Group ("SMFG") and Sumitomo Corporation ("SC") (the "Consortium"). The annual reports of these entities can be obtained at: Sumitomo Corporation – http://www. sumitomocorp.com/en/jp/ir Sumitomo Mitsui Financial Group - http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

Goshawk Acquisition

On 16 May 2022, the Group announced that it had reached agreement with NWS Holdings Limited and Chow Tai Fook Enterprises Limited to acquire Goshawk Aviation ("Goshawk"), the Dublin-based global aircraft lessor. This acquisition completed on 21 December 2022 for a consideration of $1.67 billion and included the acquisition of a portfolio of 154 owned and 19 managed aircraft, having received the necessary regulatory approvals and satisfaction of other customer closing conditions.

Following the acquisition, the Group is the second largest aircraft leasing business globally by owned and managed fleet valuation. Results derived from the Goshawk business effective from 21 December 2022 to 31 March 2023, as well as the assets and liabilities as at 31 March 2023, are included in these audited consolidated financial statements (see Business Combinations note 2).

Performance and Strategy

The Group and Company's strategy is to work closely and build strong relationships with its airline and investor customers to meet their specific requirements, while owning and leasing the most modern, fuel efficient and desirable aircraft. The Group and Company continues to actively manage the profile of its aircraft portfolio and, as a result, has maintained a young fleet with a weighted average age of 5.1 years as at 31 March 2023 (31 March 2022: 4.1 years).

At the end of the financial year, the financial position showed total assets of $23.92 billion (31 March 2022: $16.33 billion). The net book value of property, plant and equipment, including aircraft classified as finance lease and loan receivables of $593.2 million (31 March 2022: $633.0 million) and aircraft assets classified as held for sale of $229.2 million (31 March 2022: $34.8 million), was $22.49 billion at the year-end (31 March 2022: $14.40 billion).

The Group generated a profit before tax of $341.5 million during the year ended 31 March 2023 (year ended 31 March 2022: loss before tax of $1.12 billion). The prior year performance of the Group and Company was negatively impacted by the impact of Russian sanctions (refer to Russian Sanctions) and lingering effects of the Covid-19 pandemic. The Group generated profit before tax of $336.0 million before the impact of Russian sanctions is taken into account for the year ended 31 March 2022.

While most airline customers experienced an improved operating performance during the year, some continue to have reduced flight operations and, in some cases, the continued grounding of aircraft. In addition, one of our airline customers entered into bankruptcy proceedings during the year ended 31 March 2023, while the acquisition of Goshawk included trade receivables of $56.5 million. These factors combined resulted in trade debtors at 31 March 2023 of $159.7 million (31 March 2022: $115.6 million; note 17) and deferred lease receivables of $53.6 million (31 March 2022: $61.4 million). While most of our airline customers continue to have improved payment performance, with the conclusion of one specific airline restructuring during the period, higher receivables also resulted in a credit impairment provision charge of $31.7 million during the year ended 31 March 2023 (year ended 31 March 2022: reversal of $35.4 million).

Management continues to assess any potential additional impact from these crises on the future performance of the Group.

The Directors do not recommend the payment of a dividend (31 March 2022: $nil).

Russian Sanctions

In response to the invasion of Ukraine by the Russian Federation ("Russia") on 24 February 2022, the European Union ("the EU"), the United States of America, United Kingdom and other countries have imposed a wide range of sanctions against Russia and certain Russian persons and entities. Regulation 2022/328 which was adopted by the EU on 25 February 2022 in response to the Russian invasion of Ukraine included the prohibition on the supply of aircraft and aircraft components to Russia and Russian entities subject to a wind-down period until 28 March 2022.

The Group have complied with all applicable sanctions and terminated the leasing of all our aircraft with Russian airlines. Prior to the Russian invasion of Ukraine, the Group and Company had 35 owned aircraft with a total net book value of $1.67 billion (which included aircraft held for sale) and 1 managed aircraft on lease with Russian airlines. The Group and Company had no aircraft on lease with Ukrainian airlines.

The Group sought to repossess all of our aircraft from Russian airlines and successfully grounded and took redelivery of one of our aircraft in the days following the Russian invasion of Ukraine. We continue to be deprived of the use and possession of the Group's 34 aircraft which are lost in Russia and which are the subject of a claim for a total loss under applicable insurance (see below). These aircraft continue to be flown by Russian airlines despite the leasing being terminated.

As at the date of the termination of leasing, the Group and Company held maintenance reserves and security deposits, including letters of credit, relating to aircraft previously leased to Russian airlines of $188.9 million (of which $99.3 million related to letters of credit).

During the year ended 31 March 2023, the Group received payment of $5.6 million relating to remaining letters of credit not received in the preceding financial period.

The Group have offset some of these balances held against deferred lease receivables, with the remainder recognised as maintenance income (note 3) and other operating income (note 4) totalling $5.2 million during the year ended 31 March 2023.

The Company has entitlements under applicable insurance policies which provide coverage in respect of the aircraft which have been lost in Russia and in respect of which the Company is pursuing claims for recovery of losses.

In November 2022 the Company commenced litigation in the Irish courts against insurers of the aircraft lost in Russia. The Group have not recognised any insurance claim receivables as at 31 March 2023 as the timing and amount of recoveries under applicable insurance policies is yet to be determined.

Principal Risks and Uncertainties

The airline industry is cyclical and highly competitive. The Group's aircraft are under operating leases where the cost of the aircraft is expected to be substantially recovered over the term of the leases. The oversupply of a specific type of aircraft in the market could depress aircraft lease rates and values, which would affect re-lease rates.

The supply and demand of aircraft is affected by various cyclical factors including:

- passenger air travel and air cargo demand
- fuel prices
- maintenance costs
- technological innovation and the introduction of a new generation of aircraft types
- government and environmental regulations
- geopolitical issues

The Covid-19 pandemic has had a significant impact on the aircraft leasing industry due to the widespread grounding of our airline customers' fleets. The Group is also directly exposed to the ongoing impact of the sanctions imposed against Russia.

While global air passenger traffic continued to improve to near pre-pandemic levels during the current financial year, pressures remain on airline liquidity with additional risks highlighted by the outbreak as follows:

- reduced demand for aircraft and negative impact on lease rates
- increased lease rent deferrals
- increased lessee defaults / bankruptcy
- further delay in aircraft deliveries

For further detail on the principal financial risks and the Group and Company's policy for minimising these financial risks, refer to note 23.

Financing

The Group continues to benefit from its ownership structure noted above, which combines one of the world's largest financial institutions with one of the world's largest trading companies. This brings substantial financial strength and scale to the Group's offering, which we were able to leverage during the current year. The Group's financial strength is also reflected in the Group's credit rating of A- and BBB+ from Standard & Poor's and Fitch Ratings respectively (31 March 2022: Fitch Ratings: A-; Standard & Poor's: A-), positioning the business well to execute on its growth plans in the coming years.

The downgrade by Fitch Ratings during the period followed the downgrade of the Group's 66% beneficial owner SMFG, which was driven mainly by a shift in a specific balance sheet metric of the SMFG group which fell below a certain threshold. Their A- rating remains very strong, while Fitch Ratings noted that SMFG's ratings remain supported by a high likelihood of support from the Japanese government, a stable operating environment outlook, a sound business profile and funding position and stabilizing asset quality.

Furthermore, the Group is focused on ensuring that it has sufficient available liquidity to meet its obligations as they fall due. In line with this strategy, the Group successfully closed a number of third-party funding facilities during the year ended 31 March 2023, including a $1.725 billion 5-year revolving credit and unsecured term loan facility. This facility was drawn down in full during October 2022. As at 31 March 2023, the Group had $9.1 billion of available capacity in place through a combination of undrawn shareholder funding ($6.5 billion), third party availability ($1.8 billion) and unrestricted cash balances.

The Group has short-term debt repayment obligations (due within 12 months) totalling $784.4 million and other current liabilities of $738.0 million. The short-term debt obligations include shareholder funding repayments of $84.6 million, which will become available as additional undrawn credit capacity on repayment. Other current liabilities include prepaid lease rentals and fee income of $148.1 million and amounts payable to direct affiliates and other parent group undertakings of $145.0 million. Maintenance reserves and lessor contributions totalling $128.8 million are also included and fall due during the remaining term of each respective lease based on the timing of expected maintenance events. These events may occur later than expected due to the high level of grounding of lessee aircraft following the Covid-19 pandemic.

Operational

The Group has 114 airline customers in 47 countries. The Group's fleet consists of 894 owned, managed and committed aircraft, including aircraft classified as finance lease and loan receivables.

In addition to the aircraft purchased as part of the Goshawk acquisition, the Group delivered an additional 21 aircraft from its order book across a diversified mix of customers in Europe, Asia and the Americas during the year.

Furthermore, we entered into additional contracts or letters of intent to acquire 29 aircraft through sale and lease back transactions or portfolio purchases, while 46 had delivered during the period under review from new and existing contracts.

The Group continues to transition the portfolio into new technology aircraft with the delivery of $3.32 billion of new technology aircraft, including aircraft classified as finance lease and loan receivables, in the period, which resulted in 62% of our portfolio now consisting of the newest technology aircraft, compared to 67% as at March 2022. The portfolio of aircraft acquired in the Goshawk acquisition included a higher proportion of older technology aircraft than the Group's pre-acquisition portfolio.

Going Concern

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Group and Company. In addition, also as noted above, note 23 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments and hedging activities; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2023 and the preceding year.

Risks are managed in line with guidance given by the Group's parent companies. Exposure to both interest rate risk and currency risk is minimised by the use of derivatives and fixed rate loans.

Risks are managed in line with guidance given by the Group's parent companies. Exposure to both interest rate risk and currency risk is minimised by the use of derivatives and fixed rate loans.

The Group has eight aircraft off-lease at year-end and 21 aircraft on lease which are scheduled to complete their lease term within the next twelve months.

The Directors consider the cash position and resources available to the Group from its shareholders and third parties as highlighted in the Financing section as key, which, along with related forecasts, provide comfort over the sustainability of the Group and Company given the strong financial position.

Based on these factors, the Directors have a reasonable expectation that the Group has adequate liquidity and financial resources to continue in operation for at least the next twelve months and that the going concern basis of preparation remains appropriate.

People

The Group continues to develop our team to service the increased activity within our expanding aircraft operating lease base, resulting in an average number of people in the organisation during the year of 230 (2022: average of 203), consisting of both direct employees and representatives. The quality and commitment of staff in the Group, at all levels of the organisation, has been a key driving factor behind its ongoing growth and success.

Directors' Compliance Statement

The Directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014 (the "2014 Act")) and, as required by section 225 of the 2014 Act, the Directors confirm that:

- a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and
- a review of the arrangements and structures has been conducted during the financial year to which this Directors' report relates.

Directors and Secretary

The present Directors and Secretary are listed on page 2. The following changes took place during the year and up to the date of approval:

Directors	Appointed
N Hirose	Appointed 6 May 2022
T Kusaka	Appointed 6 May 2022
N Nonaka	Appointed 6 May 2022
A Kenny	Appointed 6 May 2022
N Hiruta	Appointed 23 May 2023
T Imaeda	Appointed 23 May 2023

Directors	Resigned
T Yagi	Resigned 6 May 2022
S Oka	Resigned 6 May 2022

E Ishida	Resigned 6 May 2022
B Harvey	Resigned 15 December 2022
T Tanaka	Resigned 23 May 2023
A Fukutome	Resigned 23 May 2023

None of the Directors held an interest in the share capital or the loan capital of the Company, or in the shares or loan capital of any of the subsidiary undertakings of the Company.

None of the Directors held an interest of more than 1%, or had options to acquire an interest of more than 1%, in the shares of the parent undertakings of the Company.

Accounting Records

The Directors believe that they have complied with the requirements of Section 281 of the Companies Act, 2014 with regard to keeping adequate accounting records by employing accounting personnel with the appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at the Company's registered offices at IFSC House, IFSC, Dublin 1, Ireland.

Political Donations

The Company did not make any political donations in the year ended 31 March 2023 (2022: $nil).

Audit Committee

The Board of Directors has considered the establishment of an audit committee and decided that it is not warranted as the Board fulfils the function by performing the duties as required by Section 167 of the Companies Act 2014. The duties performed by the Board include the oversight of:

- the integrity of the financial statements of the Group,
- compliance by the Group with legal and regulatory requirements,
- the independent auditor's qualification and independence, and
- the performance of the Group's independent auditor

Independent Auditor

KPMG, Chartered Accountants, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Relevant Audit Information

The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post Balance Sheet Events

On 3 May 2023, the Group closed the issue of $650 million of its 5.45% senior unsecured notes due 2028 (the "Notes") through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC. The Notes are fully and unconditionally guaranteed by SMBC Aviation Capital Limited and proceeds from the offering will be used for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.

On 23 May 2023, Mr T. Tanaka and Mr. A. Fukutome resigned as Directors. On the same day, Mr N. Hiruta and Mr T. Imaeda were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2023, which require adjustment to or disclosure in the Consolidated Financial Statements.

Approved by the Board of Directors and signed on behalf of the Board by:

P Barrett	A Kenny
Director	Director
Date: 23 May 2023	Date: 23 May 2023

Company Registration No: 270775

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE GROUP AND COMPANY FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group and Company are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

On behalf of the Board:

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMBC AVIATION CAPITAL LIMITED

Report on the audit of the financial statements

(1) Opinion

We have audited the financial statements of SMBC Aviation Capital Limited ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 March 2023 set out on pages 10 to 61, which comprise the Consolidated statement of profit or loss and comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 1.

The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

(2) Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. 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 independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(3) Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

(4) Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

(5) Opinions on other matters prescribed by the Companies Act 2014

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

(6) Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

(7) Respective responsibilities and restrictions on use

(8) Responsibilities of Directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

(9) 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 a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013%2D1cf6%2D458b%2D9b8f%2Da98202dc9c3a/Descriptionofauditorsresponsiblitiesfora udit.pdf

(10) The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Killian Croke
for and on behalf of KPMG
Chartered Accountants, Statutory
Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

23 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
CONTINUING OPERATIONS			
Income			
Lease revenue	3	1,347,962	1,371,721
Other revenue	3	9,072	10,833
Total revenues	3	1,357,034	1,382,554
Other operating income	4	51,617	124,276
		1,408,651	**1,506,830**
Operating expenses			
Depreciation	10	(413,633)	(484,213)
Operating lease asset impairment and write-off charge	10	(70,260)	(1,686,034)
Credit impairment (charge) / credit	17	(31,693)	35,364
Financial asset impairment	8	-	(16,592)
Operating expenses	5	(182,333)	(104,167)
PROFIT / (LOSS) FROM OPERATING ACTIVITIES		**710,732**	**(748,812)**
Finance income	8	265,864	108,155
Finance expense	8	(635,114)	(475,236)
Net trading gain	8	-	576
NET FINANCE COSTS		**(369,250)**	**(366,505)**
PROFIT / (LOSS) BEFORE TAXATION		**341,482**	**(1,115,317)**
Tax (expense) / credit	9	(45,371)	140,418
PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**296,111**	**(974,899)**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	14	113,317	231,245
Cash flow hedges - reclassified to profit or loss		737	781
Movement in fair value of equity investments at FVTOCI		(1,356)	-
Tax on other comprehensive income		(14,257)	(29,003)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**98,441**	**203,023**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**394,552**	**(771,876)**

All income relates to continuing operations. All profits and total comprehensive income for the current and preceding financial year are attributable to the owners of the company. The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	31 March 2023 US $'000	31 March 2022 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,747,591	13,729,560
Intangible assets		3,921	3,601
Advances to OEMs	15	25,087	44,771
Finance lease and loan receivables	16	560,907	586,982
Lease incentive assets	19	140,880	68,383
Derivative financial instruments	13	80,492	24,851
		22,558,878	14,458,148
CURRENT ASSETS			
Advances to OEMs	15	19,743	563,585
Assets held for sale	20	245,280	34,787
Finance lease and loan receivables	16	32,262	46,021
Trade and other receivables	17	281,450	212,299
Cash and cash equivalents	18	738,220	994,274
Lease incentive assets	19	43,775	19,769
Derivative financial instruments	13	806	-
		1,361,536	1,870,735
TOTAL ASSETS		23,920,414	16,328,883
EQUITY			
Share capital	26	2,249,513	887,513
Other components of equity	27	495,178	396,737
Retained earnings		1,346,883	1,050,772
TOTAL EQUITY		4,091,574	2,335,022
NON-CURRENT LIABILITIES			
Trade and other payables	21	1,112,607	464,223
Borrowings	22	16,501,753	11,301,193
Deferred tax liabilities	24	341,933	242,473
Derivative financial instruments	13	50,074	106,737
Subordinated liabilities	25	300,000	300,000
		18,306,367	12,414,626
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	26,824	2,773
Trade and other payables	21	711,208	421,778
Borrowings	22	784,441	1,154,478
Derivative financial instruments	13	-	206
		1,522,473	1,579,235
TOTAL LIABILITIES		19,828,840	13,993,861
TOTAL EQUITY AND LIABILITIES		23,920,414	16,328,883

The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	31 March 2023 US $'000	31 March 2022 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	15,480,972	13,680,611
Intangible assets		3,921	3,601
Advances to OEMs	15	25,087	44,771
Loan receivables	16	4,370,113	636,720
Investment in subsidiaries	11	728,700	56,697
Lease incentive assets	19	140,880	68,383
Derivative financial instruments	13	80,492	24,851
		20,830,165	14,515,634
CURRENT ASSETS			
Advances to OEMs	15	19,743	563,585
Assets held for sale	20	245,280	34,787
Loan receivables	16	1,249,755	47,311
Trade and other receivables	17	295,883	214,698
Cash and cash equivalents	18	658,353	980,451
Lease incentive assets	19	43,775	19,769
Derivative financial instruments	13	806	-
		2,513,595	1,860,601
TOTAL ASSETS		23,343,760	16,376,235
EQUITY			
Share capital	26	2,249,513	887,513
Other components of equity	27	493,589	394,770
Profit or loss account		1,263,769	985,855
TOTAL EQUITY		4,006,871	2,268,138
NON-CURRENT LIABILITIES			
Trade and other payables	21	583,671	450,972
Borrowings	22	16,660,653	11,395,489
Deferred tax liabilities	24	299,715	242,473
Derivative financial instruments	13	50,074	106,737
Subordinated liabilities	25	300,000	300,000
		17,894,113	12,495,671
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	26,824	2,773
Trade and other payables	21	631,511	454,969
Borrowings	22	784,441	1,154,478
Derivative financial instruments	13	-	206
		1,442,776	1,612,426
TOTAL LIABILITIES		19,336,889	14,108,097
TOTAL EQUITY AND LIABILITIES		23,343,760	16,376,235

The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March 2023

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained Earnings US $'000	Total Equity US $'000
BALANCE AT 31 MARCH 2021		887,513	470,555	(276,841)	2,025,671	3,106,898
Total comprehensive income						
Loss for the year		-	-	-	(974,899)	(974,899)
Other comprehensive income for the year	27	-	-	203,023	-	203,023
		-	-	203,023	(974,899)	(771,876)
BALANCE AT 31 MARCH 2022		887,513	470,555	(73,818)	1,050,772	2,335,022
Issue of preference shares		1,362,000	-	-	-	1,362,000
Total comprehensive income						
Profit for the year		-	-	-	296,111	296,111
Other comprehensive income for the year	27	-	(1,356)	99,797	-	98,441
		-	(1,356)	99,797	296,111	394,552
BALANCE AT 31 MARCH 2023		2,249,513	469,199	25,979	1,346,883	4,091,574

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

as at 31 March 2023

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained Earnings US $'000	Total Equity US $'000
BALANCE AT 31 MARCH 2021		887,513	468,588	(276,841)	1,982,363	3,061,623
Total comprehensive income						
Loss for the year		-	-	-	(996,508)	(996,508)
Other comprehensive income for the year	27	-	-	203,023	-	203,023
		-	-	203,023	(996,508)	(793,485)
BALANCE AT 31 MARCH 2022		887,513	468,588	(73,818)	985,855	2,268,138
Issue of preference shares		1,362,000	-	-	-	1,362,000
Total comprehensive income						
Profit for the year		-	-	-	277,914	277,914
Other comprehensive income for the year	27	-	(978)	99,797	-	98,819
		-	(978)	99,797	277,914	376,733
BALANCE AT 31 MARCH 2023		2,249,513	467,610	25,979	1,263,769	4,006,871

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
PROFIT / (LOSS) BEFORE TAX		341,482	(1,115,317)
Adjustments for:			
Depreciation of property, plant and equipment	10	413,633	484,213
Impairment and write-off of property, plant and equipment	10	70,260	1,686,034
Amortisation of computer software intangible assets		1,158	857
Lease incentive asset amortisation	19	40,574	18,760
Credit impairment charge / (credit) on trade debtors	17	31,693	(35,364)
Financial asset impairment		-	16,592
Net interest expense		367,506	366,489
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		-	(576)
Profit on disposal of assets held under operating leases	4	(29,736)	(69,327)
		1,236,570	1,352,361
Decrease in receivables		18,502	28,750
Increase / (decrease) in payables		238,553	(187,884)
CASH GENERATED BY OPERATIONS		1,493,625	1,193,227
Income taxes paid		(1,532)	(586)
Interest paid		(279,130)	(380,128)
NET CASH FROM OPERATING ACTIVITIES		1,212,963	812,513
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		1,230,805	965,918
Purchases of property, plant and equipment		(2,941,763)	(3,140,904)
Purchases of intangible assets		(1,479)	(1,376)
Net investment in business combination	2	(1,310,327)	-
NET CASH USED IN INVESTING ACTIVITIES:		(3,022,764)	(2,176,362)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,362,000	-
Receipts from restricted cash accounts		-	361,700
Repayment of obligations under finance leases		-	(5,752)
Proceeds from indebtedness		4,355,582	2,947,802
Repayments of indebtedness		(4,162,957)	(1,399,635)
NET CASH FROM FINANCING ACTIVITIES		1,554,625	1,904,115
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(878)	(1,347)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(256,054)	538,919
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		994,274	455,355
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	738,220	994,274
Unrestricted cash and cash equivalents as above	18	738,220	994,274
Restricted cash as reported	18	-	-
Total cash and cash equivalents	18	738,220	994,274

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
PROFIT / (LOSS) BEFORE TAX		320,900	(1,138,884)
Adjustments for:			
Depreciation of property, plant and equipment	10	350,078	481,705
Impairment and write-off of property, plant and equipment	10	70,260	1,686,034
Amortisation of computer software intangible assets		1,158	857
Lease incentive asset amortisation	19	40,574	18,760
Credit impairment charge / (credit) on trade debtors	17	23,586	(35,364)
Financial asset impairment		-	16,592
Net interest expense		291,655	366,772
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		-	(576)
Profit on disposal of assets held under operating leases		(30,005)	(70,910)
		1,068,206	1,324,986
(Increase) / decrease in receivables		(1,218,772)	188,666
Decrease in payables		(548,117)	(250,783)
CASH GENERATED BY OPERATIONS		(698,683)	1,262,869
Income taxes paid		(1)	-
Interest paid		(274,417)	(382,361)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		(973,101)	880,508
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		1,231,074	857,623
Purchases of property, plant and equipment		3,557,888	(3,042,161)
Purchases of intangible assets		(1,479)	(1,376)
Investment in subsidiary		(672,003)	-
Net investment in business combination		(1,310,327)	-
Loans provided to subsidiaries		(4,935,836)	(173,401)
NET CASH USED IN INVESTING ACTIVITIES:		(2,130,683)	(2,359,315)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,362,000	-
Receipts from restricted cash accounts		-	361,700
Repayment of obligations under finance leases		-	(5,752)
Proceeds from indebtedness		4,713,955	2,992,097
Repayments of indebtedness		(3,293,926)	(1,338,294)
NET CASH FROM FINANCING ACTIVITIES		2,782,029	2,009,751
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(343)	(686)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(322,098)	530,258
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		980,451	450,193
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	658,353	980,451
Unrestricted cash and cash equivalents as above	18	658,353	980,451
Restricted cash as reported	18	-	-
Total cash and cash equivalents	18	658,353	980,451

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

SMBC Aviation Capital Limited is a company incorporated and domiciled in Ireland. The address of its registered office is IFSC House, IFSC, Dublin 1, Ireland.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

a. Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments. The principal accounting policies are set out below.

The Consolidated Financial Statements of the Company have been prepared in accordance with IFRSs as adopted by the EU. The financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014 which permits a company that publishes its Company and Group financial statements together to take advantage of the exemption in Section 304(2) of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company Financial Statements.

The Company's functional currency is the US Dollar, being the currency of the primary economic environment in which the Company operates. The presentation currency for the Group and Company is US Dollar. All financial information presented in US Dollar has been rounded to the nearest thousand US Dollars unless otherwise stated.

The accounts, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and in accordance with IFRS as adopted by the European Union.

The Group's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders and third party debt financing. The ability of the Group to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 22 'Borrowings' and (ii) its future aircraft purchases as set out in note 30 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 23 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 28 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of sanctions on Russia (see note 10 'Property, plant and equipment') and ongoing developments in the Covid-19 situation on the Group and its customers. The Directors have considered the cash position, existing equity and resources available to the Group, which, along with related forecasts, provide comfort over the sustainability of the Group and Company. If the effects of either the Russian situation or the Covid-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

b. Estimates and judgements

The preparation of Financial Statements in conformity with IFRS as adopted by the EU requires management to make use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the reported amount of income and expenses during the reported period.

In particular, the judgements and assumptions involved in the Group and Company's accounting policies which have the most significant effect on the amounts recognised in the Financial Statements are as follows:

Note 2 – Business Combinations:

In order to account for the acquisition of Goshawk on 21 December 2022, the Group measured the assets acquired and liabilities assumed at fair value in accordance with the guidance issued under IFRS 3, 'Business Combinations'. The most significant assets acquired relate to aircraft held for lease which are recognised at fair value based on the maintenance adjusted current market values obtained from independent appraisers.

Note 10 - Property, Plant and Equipment:

The material judgements in respect of property, plant and equipment include the identification and subsequent measurement of impairment such as triggers and estimates of cash flow including residual values and discount rates. The discount rate used in the measurement of impairment was 6% in the current period. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

Note 17 – Credit impairment provisions

The Group recognises an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may differ from those estimates.

c. **Basis of consolidation**

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2023. The Group does not have investments in associates or joint ventures as defined in IFRS.

In applying IFRS 10, the standard introduced a single consolidation model for all entities based on control which requires consolidation where the Company has power over the entity, exposure or rights to returns from involvement with the entity and the ability to use power to affect returns. The financial statements of an entity are included in the Consolidated Financial Statements from the date that this control commences until the date that this control ceases.

The Consolidated Financial Statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances.

(a) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are substantive are taken into account. All subsidiaries have coterminous financial year ends. The accounting policies of all subsidiaries are consistent with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. All of the Company's subsidiaries are wholly owned by the Company and, as such, there are no non-controlling interests to present separately in the Consolidated Financial Statements.

(b) Common control transactions

Business combinations under common control are accounted for in the consolidated financial statements prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the financial statements of the transferor. Assets and liabilities are adjusted, if necessary, to reflect Group accounting policies and any difference between the net assets acquired, based on book values adjusted for accounting policy differences, is reflected in other reserves.

d. Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured at fair value, as are the identifiable net assets acquired. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually.

e. Investment in subsidiaries

Investments in subsidiary undertakings are stated in the Company Statement of Financial Position at cost, less any provision for impairment.

f. Income under finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

At each reporting date, the Group assesses whether lease receivables are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for lease receivables are deducted from the gross carrying amount of the lease receivable.

Rentals received, but unearned under lease agreements are recorded as ‘Prepaid lease rentals’ in trade and other payables.

g. Lease component assets and liabilities

Aircraft acquired on lease are assessed for the existence of lease component assets and liabilities which are considered to be separate components of aircraft assets. To the extent that lease payments are off-market, they are recognised as either lease component assets or liabilities which are amortised over the remaining lease term.

h. Fee income

Arranger fee income earned on the sale and purchase of managed aircraft is recognised on completion of the sale when the aircraft has been accepted by the customer and no further services remain to be completed. Ongoing aircraft management fees are recognised in the accounting period in which the services are rendered.

i. **Borrowing costs**

Borrowing costs attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. All other borrowing costs are recognised as an expense in the period in which they are incurred.

j. **Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside the income statement which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the reporting date.

k. **Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

i. As a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group and Company's net investment outstanding in respect of the leases.

ii. As a lessee

The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group and Company's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group and Company present lease liabilities in 'trade and other payables' in the statement of financial position.

l. **Foreign currency**

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the profit or loss for the period.

m. **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets are depreciated to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over their estimated useful economic lives, as follows:

Aircraft for hire under operating leases

– to the next useful economic life ("UEL") point, maximum of 5 years

Office equipment and fixtures & fittings

– 3 to 10 years from date when brought into use

It is the Group and Company's practice to hold aircraft for an average period of 5 years. Because of this, the Group and Company estimates the future market value (residual value) at 5 year intervals which correspond to UEL points.

Aircraft are depreciated to their residual values. Residual values are determined based on estimated values at the end of the useful lives of the aircraft assets.

Estimated residual values based on contractual return conditions of the aircraft are reviewed at each reporting date. This review includes the expected maintenance condition of the asset and any excess maintenance reserves expected to be available on maturity of the lease. Where estimated residual values are found to have changed significantly, this is recorded prospectively and depreciation charges over the remaining useful life are adjusted to take account of the revised estimate.

The carrying amounts of the Group and Company's aircraft are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the profit or loss.

Under IAS 39, the Group and Company avail of the own-use exemption in relation to certain capital commitments.

n. **Maintenance component assets**

Maintenance component asset represents the value in the difference between the contractual right under the acquired leases (excluding short term) to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition. The maintenance component asset is not depreciated, but capitalised to the operating lease asset at the end of the lease.

o. **Inventory**

Inventory consists primarily of engines and airframes which are valued at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and airframes. Costs are allocated using the relationship of the cost of the engine or airframe to estimated retail sales value at the time of purchase.

p. **Intangible assets**

Intangible assets are initially recognised at cost which is their fair value at the date of acquisition or capitalisation of related staff costs. Subsequently intangible assets are carried at cost less any accumulated amortisation and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from two years to ten years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

q. **Impairment of non-financial assets**

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

r. **Pre-delivery payments**

Pre-delivery payments ("PDPs") are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

s. **Non-current assets and liabilities held for sale**

Non-current assets (or disposals groups comprising assets and liabilities) that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale. Assets classified as held for sale must be available for immediate sale in its present condition and the sale must be highly probable. An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

t. **Financial instruments**

The Group and Company's financial assets are categorised as either 'financial assets measured at amortised cost' or 'financial assets at fair value through the profit or loss'. The appropriate classification is determined based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the

financial asset is held. Financial assets measured at amortised cost include 'loan receivables', 'advances to OEMs', 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position.

Financial assets at fair value through other comprehensive income include investments in equity instruments which are not held for trading. All other financial assets are classified as measured at fair value through profit or loss ("FVTPL").

The Group and Company's financial liabilities are categorised as either 'financial liabilities measured at amortised cost' or 'financial liabilities at fair value through the profit or loss'. Financial liabilities measured at amortised cost includes 'borrowings', 'obligations under finance leases' and 'trade and other payables' in the Consolidated Statement of Financial Position.

A financial asset is recognised in the Consolidated Statement of Financial Position only when the Group becomes party to its contractual provisions. The purchase of financial assets is recognised using trade date accounting. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership. Financial liabilities are initially recognised at fair value, less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group has recognised the hedging instruments set out note 14 at fair value, which are exposed to the impact of LIBOR. The Group also has certain floating rate liabilities where the reference rate is linked to LIBOR. The Group has established a transition plan to ensure a smooth transition to alternative reference rates and has engaged with counterparties to include appropriate fallback provisions in its floating rate liabilities and hedging derivatives. New standard guidance (namely "Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16") became effective for annual periods on or after 1 January 2021 and the Group believes that the impact for future accounting periods will not be material.

u. **Derivatives and hedge accounting**

The Group and Company has entered into various financial instruments (derivatives) to manage foreign exchange and interest rate risk. Derivatives include swaps, forwards and options.

All derivatives are recognised on the Consolidated Statement of Financial Position at their fair value (market value). Market value is 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.

The method of recognising the resulting gain or loss on derivatives depends on whether the derivative is designated as a hedging instrument.

Non-hedging derivatives are classified at fair value through the profit or loss. Gains and losses arising from changes in fair value of a non-hedging derivative are recognised as they arise in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under trading income/expense.

The Group and Company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group and Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationships. The Group and Company makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in cash flows or fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group and Company makes an assessment for a cash flow hedge of a forecast transaction, as

to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to the profit or loss in the same period as the hedged cash flows affect the profit or loss, and in the same line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.

When a derivative is designated as the hedging instrument in a fair value hedge, changes in fair value are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discounted hedge of a forecast transaction the cumulative amount recognised in Other Comprehensive Income from the period when the hedge was effective is reclassified from other comprehensive income to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the profit or loss as a reclassification adjustment. If the criteria for hedge accounting cease to be met in relation to a fair value hedge, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

Determination of fair values of derivative financial instruments and financial liabilities in fair value hedge relationships

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Group and Company's pricing and valuation methods are managed in conjunction with Sumitomo Mitsui Banking Corporation Capital Markets Inc.

The current pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk and liquidity risk.

v. Provisions

A provision is recognised if, as a result of a past event, the Group and Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

w. Amounts receivable under finance leases

A finance lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

x. **Loans receivable and advances to OEMs**

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

y. **Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

z. **Restricted cash**

Restricted cash includes cash held by the Group and Company which is ring-fenced or used as security for specific financing arrangements and to which the Group and Company does not have unfettered access.

aa. **Lease incentive accounting**

A lessor contribution liability is established at the commencement of the lease representing the best estimate of the contractually obligated contribution. In addition, a lease incentive asset is recognised for this amount, and it is amortised over the life of the associated lease as a charge against maintenance income.

Lessor contributions represent contractual obligations on the part of the Group and Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

bb. **Obligations under finance leases**

Assets held under finance leases are recognised as assets of the Group and Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease payable obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

cc. **Maintenance reserves**

All cash maintenance reserves collected under the lease agreements are recognised on the Consolidated Statement of Financial Position. At the end of the lease any excess is taken to revenue. Excess supplemental income from maintenance reserve is only recognised as revenue in the income statement when the Group and Company settles the full obligation in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

dd. **Lease component assets and liabilities**

Aircraft acquired on lease are assessed for the existence of lease component assets and liabilities which are considered to be separate components of aircraft assets. To the extent that lease payments are off-market, they are recognised as either lease component assets or liabilities which are amortised over the remaining lease term.

ee. **Pensions**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as the related service is received from the employee.

ff. **Short term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

gg. **Profit from operating activities**

Operating profit is stated before charging or crediting investment income and finance costs.

hh. **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

ii. **New standards adoption and amendments to IFRS**

There were no new accounting standards / amendments to standards effective for annual periods beginning 1 January 2022 apart from minor amendments to IFRSs through both standalone amendments and through the *Annual Improvements to IFRS Standards 2018 – 2020* cycle. None of these had a significant impact on reported results or disclosures.

The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

(c) Other standards, amendments to standards and interpretations not yet effective

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2023, and have not been applied in preparing these financial statements:

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current and Disclosure of Accounting policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)

These are all effective for annual periods beginning on or after 1 January 2023 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

2. BUSINESS COMBINATIONS

On 21 December 2022, the Company acquired 100% of Goshawk Management Limited and associated corporate assets (together "Goshawk"), the Dublin-based global aircraft lessor. Goshawk Management Limited has subsequently been renamed SMBC Aviation Capital Management Limited.

The acquisition has allowed the Group to accelerate its growth through acquiring a high quality, narrowbody focused portfolio and generate strong profitability for its shareholders in the coming cycle while providing scale and an industry leading position.

The total consideration paid in cash was $1.67 billion, funded from the issuance of additional preference shares (note 26) and shareholder funding (note 22). The Company has assessed the fair value of the assets acquired and liabilities assumed in the acquisition which resulted in no material goodwill.

The following table summarises management's assessment of the fair value of the material assets acquired and liabilities assumed at the acquisition date:

	21 December 2022 US $'000
Property, plant and equipment of which:	
Aircraft for hire under operating leases	6,246,208
Other property, plant and equipment	251,241
Trade and other receivables	56,516
Cash and cash equivalents	356,159
Other assets	12,031
Total assets	6,922,155
Loan amounts due to third party undertakings	(1,798,082)
Maintenance reserve	(358,770)
Lessor contributions	(82,926)
Security deposits	(51,989)
Deferred tax	(42,574)
Other creditors and deferred income	(84,992)
Total liabilities	(2,419,333)
Fair value of net assets	4,502,822
Funding provided to settle existing debt	(2,836,336)
Consideration paid	(1,666,486)
Goodwill	-

(d) Revenue and profit contribution

Revenue from leases included in the statement of comprehensive income contributed by the acquired business since 21 December 2022 was $179.5 million. The acquired business also contributed net income of $21.8 million for the period.

Had the acquisition occurred on 1 April 2022, management estimates the Group's consolidated revenue from leases would have been $1.84 billion and the Group's consolidated profit before tax for the year would have been $418.1 million.

(e) Acquisition related costs

Costs related to the acquisition and integration of Goshawk of $26.7 million are included in general and administrative expenses (note 6) in the consolidated statement of comprehensive income and in operating cash flows in the statement of cash flows.

(11) Application of acquisition method of accounting

The Group applied the acquisition method of accounting and measured the identifiable assets acquired and the liabilities assumed at fair value at the closing date. The fair value measurement of each major asset acquired and liability assumed is as set out below.

(a) Aircraft for hire under operating leases

The Group determined the fair value of acquired aircraft held for lease as of the closing date using the maintenance adjusted current market values obtained from independent appraisers and in certain cases management made specific judgements for aircraft.

(b) Other property, plant and equipment

PDP balances were recognised at carrying value as there was deemed to be no variance between carrying value and fair value.

Cash and cash equivalents

Both the cash and cash equivalents were recognised at their carrying value as there was no variance between carrying value and fair value.

(c) Loan amounts due to third party undertakings

The fair value of loans and borrowings was estimated using quoted market prices where available. The fair value of certain debt without quoted market prices is estimated using discounted cash flow analysis based on current market prices for similar type debt instruments.

(d) Maintenance reserves

The fair value of maintenance reserves relating to pre-acquisition usage is determined by calculating the present value of expected cash outflows during the lease term consisting of expected reimbursements of maintenance reserves at the time of the forecasted maintenance event. Present value is calculated using relevant US treasury rates plus the risk inherit in the liability (based on forecasted dated of maintenance event).

3. Revenue

	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Operating lease revenue		
Rentals receivable	1,390,481	1,157,170
Lease incentive amortisation (note 19)	(40,574)	(18,760)
Maintenance (expense) / income	(1,945)	233,311
Lease revenue	1,347,962	1,371,721
Fee income		
Aircraft management fees	9,072	10,833
Other revenue	9,072	10,833
	1,357,034	1,382,554

Maintenance income in the prior year above include $149.3 million recognised following the termination of leasing with Russian airlines in relation to the release of maintenance reserves held at the time, including $76.3 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination. Maintenance income in the current year include $1.9 million of a similar nature. Separately, the release of other related balances resulted in additional operating lease revenue in the prior year of $12.3 million, consisting of prepaid rentals receivable of $9.0 million and maintenance income from the release of lessor contributions of $6.3 million, offset by accelerated lease incentive amortisation of $3.0 million.

Included in operating lease revenue above are the following amounts:		
Contingent rentals	76,354	48,545

The contingent element relates to lease rentals that are variable based on market interest rates and certain lease amendment agreements. The rates can be in the favour of the lessee or the Group depending on the contract and prevailing market rates.

Year ended 31 March 2023 US $'000	Year ended 31 March 2023 %	Year ended 31 March 2022 US $'000	Year ended 31 March 2022 %

Total rentals receivable distribution by geographical region:				
Emerging Asia	376,820	27.1	306,650	26.5
South America	250,287	18.0	208,291	18.0
Developed Europe	282,268	20.3	218,705	18.9
Emerging Europe	34,762	2.5	153,904	13.3
Asia	143,220	10.3	97,202	8.4
Middle East & Africa	122,362	8.8	70,587	6.1
North America	180,762	13.0	101,831	8.8
	1,390,481	100.0	1,157,170	100.0

The basis for disclosing revenue distribution by geographical region is that the portfolio is managed by region rather than by country.

4. Other Operating Income

	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Profit on disposal of property, plant and equipment	29,736	69,327
Other operating income	21,881	54,949
	51,617	124,276

Profit on disposal of property, plant and equipment decreased in the current year despite higher trading volumes, reflecting a continuation of increasing aircraft trading activity but with lower average profit per disposal. Other operating income in the prior year include partial recovery amounts related to the sale of the Group's interest in the pre-petition claims against some its lessees by way of sub-participation.

Other operating income for the prior period include $20.3 million recognised following the termination of leasing with Russian airlines in relation to the release of security deposits and other related balances. This amount in the prior period also includes $17.4 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination, with amount of $3.3 million also in respect of letters of credit received during the current period. Other operating income in the current year include $3.3 million of a similar nature.

5. Other Operating Expenses

	Year ended 31 March 2023 US $' 000	Year ended 31 March 2022 US $ 000
Administration expenses	(181,175)	(103,310)
Amortisation of computer software intangible assets	(1,158)	(857)
	(182,333)	(104,167)

Operating expenses increased during the year due to higher staff costs (note 7) as well as higher legal and other professional fees, including acquisition costs (note 2), and insurance costs incurred.

6. Profit / Loss from Operating Activities

	Year ended 31 March 2023 US $' 000	Year ended 31 March 2022 US $' 000
Operating loss / profit has been arrived at after charging:		
Depreciation	413,633	484,213
Asset impairment charge	70,260	1,686,034
Credit impairment charge / (credit)	31,693	(35,364)
Financial asset impairment (i)	-	16,592

Group service fee	11,742	13,042
Auditors remuneration	1,983	1,216
Staff costs (note 7)	90,544	65,710
Other operating expenses (ii)	84,538	33,725
Foreign exchange loss	2,046	591

(i) Financial asset impairment in the prior year represents amounts written off, which were previously recognised to reflect the fair value of certain sale and leaseback transactions with Russian airlines.

(ii) Operating expenses includes $26.7 million of acquisition costs related to the acquisition and integration of Goshawk (note 2).

Auditors remuneration:		
Audit of the Group financial statements	616	570
Audit of the Subsidiary financial statements	297	71
Other assurance services	382	142
Other non-audit services	-	-
Tax advisory services	688	433
	1,983	1,216
Of which related to the Company	1,407	989

7. Staff Costs

	Year ended 31 March 2023	Year ended 31 March 2022
	US $'000	US $'000
Staff costs	79,446	55,315
Social security costs	6,741	6,195
Other pension costs	4,357	4,200
	90,544	65,710

Staff costs increased due to higher staff numbers as well as discretionary costs and completion payments as part of the Goshawk acquisition, while no staff costs were capitalised during the year (year ended 31 March 2022: $nil). The average number of people in the organisation during the financial year was 230 (2022: 203), consisting of both direct employees and representatives, of which 80 staff members were dedicated to commercial & strategy functions (2022: 45), 88 to operational (2022: 84) and the remainder to finance, compliance and other support functions.

8. Net Finance Costs

	Year ended 31 March 2023	Year ended 31 March 2022
Finance income:	**US $'000**	**US $'000**
Interest income on swaps	196,937	77,780
Interest income on finance lease and loan receivables	47,811	29,871
Interest income on deposits	21,116	504
Total interest income	265,864	108,155

	Year ended 31 March 2023	Year ended 31 March 2022
Finance expense:	**US $'000**	**US $'000**
Interest payable on swaps	(195,807)	(169,629)
Interest payable on borrowings	(430,267)	(305,919)
Less: Interest capitalised to the cost of aircraft (see note 22)	23,036	23,688

Bank charges, guarantee & other fees on borrowings	(32,076)	(23,376)
Total interest payable and related charges	(635,114)	(475,236)
Net interest payable	(369,250)	(367,081)

Interest payable on borrowings is disclosed net of break gains related to derivatives and liability management of $170.3 million (year ended 31 March 2022: losses of $0.8 million). Interest payable on borrowings is also shown net of interest income on advances to OEMs, in excess of associated funding costs, of $6.9 million (year ended 31 March 2022: $8.9 million), which resulted from the restructuring of PDPs during the previous year (note 15).

Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	-	(1,373)
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	-	1,949
Net gain from financial instruments at fair value (note 22)	-	576

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 March 2023 is $nil (year ended 31 March 2022: $0.58 million).

Financial asset impairment	-	(16,592)

Financial assets were recognised previously to reflect the fair value of certain sale and leaseback transactions with Russian airlines, which were then impaired in the prior year following the termination of leasing with Russian airlines.

9. Taxation

	Year ended 31 March 2023	Year ended 31 March 2022
a ANALYSIS OF TAX CHARGE FOR THE YEAR	**US $'000**	**US $'000**
Current tax charge:		
- Current year	2,742	1,952
Deferred tax - origination and reversal of temporary differences:		
- Current year	42,629	(142,370)
Tax charge / (credit)	45,371	(140,418)
b FACTORS AFFECTING THE TAX CHARGE/(CREDIT) FOR THE YEAR		
Profit / (loss) before tax subject to tax at 12.5% (2022: 12.5%)	333,440	(1,126,941)
Profit before tax subject to tax at 28% (2022: 28%)	84	80
Profit before tax subject to tax at 25% (2022: 25%)	2,740	1,353
Profit before tax subject to tax at 16.5% (2022: 16.5%)	434	439
Profit before tax subject to tax at 8.25% (2022: 8.25%)	4,784	9,752
	341,482	(1,115,317)
Tax on profit / (loss) at the rate of 12.5% (2022: 12.5%)	41,680	(140,868)
Tax on profit at the rate of 28% (2022: 28%)	24	22
Tax on profit at the rate of 25% (2022: 25%)	685	338
Tax on profit at the rate of 16.5% (2022: 16.5%)	72	72
Tax on profit at the rate of 8.25% (2022: 8.25%)	395	805
Other differences	(119)	(25)
Adjustment to assessed loss brought forward	-	(16)
Permanent difference - non-taxable income	(302)	(748)
Permanent difference - disallowed expenses	2,936	2
Tax charge / (credit)	45,371	(140,418)

10. Property, Plant And Equipment

	Group Aircraft for hire under operating leases	Group Pre-Delivery Payments	Group Office equipment and fixtures & fittings	Group Right-of-use assets	Group Total
	US $'000	US $'000	US $'000	US $'000	US $'000
COST					
At 1 April 2021	14,613,989	974,258	12,669	12,055	15,612,971
Additions	2,798,632	403,879	369	685	3,203,565
Transfers	543,214	(543,214)	-	-	-
Disposals	(1,054,428)	-	-	-	(1,054,428)
Transfer from assets held for sale (see note 20)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,860,129	834,923	13,038	12,740	17,720,830
Additions	3,122,367	214,138	538	76,796	3,413,839
Transfers	312,551	(312,551)	-	-	-
Acquired as part of business combination (see note 2)	6,246,208	245,552	-	5,689	6,497,449
Disposals	(1,471,968)	-	-	(2,606)	(1,474,574)
Transfer to assets held for sale (see note 20)	(318,673)	-	-	-	(318,673)
At 31 March 2023	24,750,614	982,062	13,576	92,619	25,838,871
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2021	1,958,100	-	11,340	5,509	1,974,949
Charge for the year	480,980	-	460	2,773	484,213
Impairment charge for the year	1,686,034	-	-	-	1,686,034
Disposals	(147,435)	-	-	-	(147,435)
Transfer from assets held for sale (see note 20)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,971,188	-	11,800	8,282	3,991,270
Charge for the year	408,960	-	505	4,168	413,633
Impairment and write-off charges for the year	70,260	-	-	-	70,260
Disposals	(291,836)	-	-	(2,606)	(294,442)
Transfer to assets held for sale (see note 20)	(89,441)	-	-	-	(89,441)
At 31 March 2023	4,069,131	-	12,305	9,844	4,091,280
CARRYING AMOUNT					
Net Book Value at 31 March 2023	20,681,483	982,062	1,271	82,775	21,747,591
Net Book Value at 31 March 2022	12,888,941	834,923	1,238	4,458	13,729,560

During the period, the Group acquired 154 aircraft and other right of use assets as part of its acquisition of Goshawk.

During the year, assets in the Group with a carrying value of $1.48 billion (year ended 31 March 2022: $1.45 billion) and average age of 8.4 years (year ended 31 March 2022: 6.8 years) were assessed for impairment as evidence existed that suggested the economic performance of the aircraft is or will be worse than expected. Impairment was measured by determining the recoverable amount for each aircraft, being the higher of its (i) fair value less costs to sell and (ii) value in use, being the present values of cashflows from the leases attached to the aircraft (including as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes) and the expected residual values from the realisation of the aircraft at lease-end when discounted at a rate of 6% (year ended 31 March 2022: 5%).

The carrying amount before impairment of these aircraft of $1.55 billion (year ended 31 March 2022: $1.52 billion) was determined to be higher than the value in use, maintenance adjusted current market value or fair value less costs to sell of $1.48 billion (year ended 31 March 2022: $1.45 billion) and an impairment loss of $70.3 million (year ended 31 March 2022: $69.5 million) was recognised during the year. The prior year charge related to lessees who were in default or undergoing restructuring processes due to the Covid pandemic and aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations, including reduced lease rentals for airlines that have entered restructuring processes. In certain instances these cash flow projections may also include potential cash outflows in respect of near-term scheduled maintenance events. Cash flow assumptions applied for these lease restructurings and for customers with ongoing restructuring negotiations, have been assessed and the highly probable outcomes have been included in line with the customer specific circumstances. If future cash flows were to deviate from current negotiations to worst-case cash flows at market rates, the impact on impairment would be deemed not material. Residual values are projected based on management's view of expected return conditions of the aircraft which is based on current or expected lease redelivery conditions, or in the case of potential repossessions on an 'as is' physical condition. The impairment loss recognised takes account of both the value in use and the maintenance adjusted current market value of the relevant aircraft.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 6% (year ended 31 March 2022: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables:

- 0.5% increase in the discount rate used
- 5% decrease in the future lease rental cashflows of each aircraft
- 5% decrease in the residual value of aircraft at end of its useful economic life
- 3 month increase in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

The value of lease and maintenance component assets included in above is $558.66 million (31 March 2022: $109.19 million). These lease and maintenance component assets arose from the purchase of second hand aircraft and the Goshawk acquisition and are accounted for in accordance with our policy as set out in note 1(n). There were no assets subject to obligations under finance leases at 31 March 2023 or 31 March 2022.

At 31 March 2023 the Group owned 497 aircraft, including aircraft classified as finance lease and loan receivables. The Group has eight aircraft off-lease at year-end and 21 aircraft on lease which are scheduled to complete their lease term within the next twelve months. As noted above, the Group also has 34 aircraft lost in Russia, which have not been redelivered despite the termination of leasing during February 2022. There were seven aircraft held for sale at 31 March 2023 (31 March 2022: one).

The Group's 34 aircraft which are lost in Russia, continue to be flown by Russian airlines despite the leasing being terminated and the requested return of such aircraft by the Group. The Group continue to be deprived of the use, possession and control of these aircraft. While the Group retain legal title to the aircraft, it was determined that the Group no longer had control of the aircraft which remain in Russia and are lost to the Group. Those aircraft are the

subject of a claim for a total loss under applicable insurance and are now also the subject of litigation commenced in the Irish Courts against Insurers. Consequently, the Group recognised a write off of $1.62 billion in the prior period ended 31 March 2022, representing 100% of the carrying value of the 34 aircraft lost in Russia.

	Company Aircraft for hire under operating leases	Company Pre-Delivery Payments	Company Office equipment and fixtures & fittings	Company Right-of-use assets	Company Total
	US $'000	US $'000	US $'000	US $'000	US $'000
COST					
At 1 April 2021	14,451,732	974,258	12,652	9,093	15,447,735
Additions	2,798,632	403,879	368	685	3,203,564
Transfers	543,214	(543,214)	-	-	-
Disposals	(941,254)	-	-	-	(941,254)
Transfer from assets held for sale (see note 20)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,811,046	834,923	13,020	9,778	17,668,767
Additions	3,093,039	214,138	538	76,796	3,384,511
Transfers	312,551	(312,551)	-	-	-
Acquired as part of business combination (see note 2)	-	245,552	-	-	245,552
Disposals	(1,471,968)	-	-	-	(1,471,968)
Transfer to assets held for sale (see note 20)	(318,673)	-	-	-	(318,673)
At 31 March 2023	18,425,995	982,062	13,558	86,574	19,508,189
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2021	1,957,069	-	11,328	3,321	1,971,718
Charge for the year	479,153	-	457	2,095	481,705
Impairment charge for the year	1,686,034	-	-	-	1,686,034
Disposals	(144,810)	-	-	-	(144,810)
Transfer from assets held for sale (see note 20)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,970,955	-	11,785	5,416	3,988,156
Charge for the year	345,707	-	504	3,867	350,078
Impairment charge for the year	70,260	-	-	-	70,260
Disposals	(291,836)	-	-	-	(291,836)
Transfer to assets held for sale (see note 20)	(89,441)	-	-	-	(89,441)
At 31 March 2023	4,005,645	-	12,289	9,283	4,027,217
CARRYING AMOUNT					
Net Book Value at 31 March 2023	14,420,350	982,062	1,269	77,291	15,480,972
Net Book Value at 31 March 2022	12,840,091	834,923	1,235	4,362	13,680,611

11. Investment in Subsidiaries – Company

	31 March 2023	31 March 2022
	US $'000	US $'000
At cost	728,700	56,697

The Company's significant subsidiary undertakings, the capital of which consists of ordinary shares, are shown below. All share capital is wholly owned.

Owned by the Company:	Nature of business:	Country of incorporation:

SMBC Aviation Capital Ireland Leasing 3 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Finance Designated Activity Company (1)	Debt issuance	Ireland
SMBC Aviation Capital Management Limited (2)	Leasing	Ireland
SMBC Aviation Capital Netherlands B.V. (3)	Leasing	Netherlands
SMBC Aviation Capital Hong Kong Limited (4)	Leasing	China
SMBC Aviation Capital Hong Kong 3 Limited (4)	Leasing	China

On 21 December 2022, the Company acquired 100% of Goshawk Management Limited and associated corporate assets (together "Goshawk"), the Dublin-based global aircraft lessor. Goshawk Management Limited has subsequently been renamed SMBC Aviation Capital Management Limited (note 2).

Registered addresses of entities above, denoted by reference attached to each entity name:

1) IFSC House, IFSC, Dublin 1, Ireland

2) 32 Molesworth Street, Dublin 2, Ireland

3) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands

4) 31 & 32/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong

Movements during the year:	**US $'000**
At 1 April 2021	56,697
Addition during the year	0
At 31 March 2022	56,697
Addition during the year	672,003
At 31 March 2023	728,700

12. Financial Instruments

The carrying value and fair value of the Group's financial assets and liabilities by class and category are summarised below:

At 31 March 2023	**Group Carrying Value** **US $'000**	**Group Fair Value** **US $'000**	**Company Carrying Value** **US $'000**	**Company Fair Value** **US $'000**
Financial assets at fair value through profit or loss Derivative financial instruments	81,298	81,298	81,298	81,298
Financial assets measured at amortised cost				
Advances to OEMs	44,830	42,224	44,830	42,224
Finance lease and loan receivables	593,169	593,170	5,619,868	5,928,270
Trade and other receivables	281,450	281,450	295,883	295,883
Cash and cash equivalents	738,220	738,220	658,353	658,353
Financial assets	1,738,967	1,736,362	6,700,232	7,006,028
Financial liabilities at fair value through profit or loss Derivative financial instruments	50,074	50,074	50,074	50,074
Financial liabilities measured at amortised cost:				
Trade and other payables	1,850,639	1,850,639	1,242,006	1,242,006
Borrowings	17,286,194	18,494,649	17,445,094	18,934,427

Subordinated liabilities	300,000	280,382	300,000	280,382
Financial liabilities	19,486,907	20,675,744	19,037,174	20,506,889

At 31 March 2022	Group Carrying Value US $'000	Group Fair Value US $'000	Company Carrying Value US $'000	Company Fair Value US $'000
Financial assets at fair value through profit or loss Derivative financial instruments	24,851	24,851	24,851	24,851
Financial assets measured at amortised cost				
Advances to OEMs	608,356	604,046	608,356	604,046
Finance lease and loan receivables	633,003	634,982	684,031	784,808
Trade and other receivables	212,299	212,299	214,698	214,698
Cash and cash equivalents	994,274	994,274	980,451	980,451
Financial assets	2,472,783	2,470,452	2,512,387	2,608,854
Financial liabilities at fair value through profit or loss Derivative financial instruments	106,943	106,943	106,943	106,943
Financial liabilities measured at amortised cost:				
Trade and other payables	888,775	888,775	908,714	908,714
Borrowings	12,455,671	13,376,441	12,549,967	13,805,906
Subordinated liabilities	300,000	332,138	300,000	332,138
Financial liabilities	13,751,389	14,704,297	13,865,624	15,153,701

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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

The valuation techniques and significant inputs used in determining the fair values for financial assets and liabilities classified as Level 2 are as follows:

The financial instruments at fair value through profit or loss, being the assets and liabilities shown as above, all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Cash and cash equivalents - the fair value of cash and cash equivalents is considered to be approximately equal to their carrying amount as the components are highly liquid.

Finance lease and loan receivables measured at amortised cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Advances to OEMs measured at amortised cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Obligations under finance leases, Borrowings and Subordinated liabilities fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

The remaining financial assets and liabilities measured at amortised cost all fall within Level 2. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

13. Derivatives at Fair Value

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is $31.22 million (2022: $82.09 million). The value of derivative assets designated as fair value hedge relationships is $nil (2022: $nil). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2022: $nil) in respect of certain ineffective cashflow hedges and a $nil (2022: $0.58 million gain) in respect of certain ineffective fair values hedges.

	Group Notional	Group Fair values		Company Notional	Company Fair values	
At 31 March 2023	**Contract US $'000**	**Assets US $'000**	**Liabilities US $'000**	**Contract US $'000**	**Assets US $'000**	**Liabilities US $'000**
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	4,435,907	81,298	(50,074)	4,435,907	81,298	(50,074)
	4,435,907	81,298	(50,074)	4,435,907	81,298	(50,074)
Total	4,435,907	81,298	(50,074)	4,435,907	81,298	(50,074)
At 31 March 2022						
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
Total	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
Summary	**US $'000**	**US $'000**	**US $'000**	**US $'000**
Assets due within one year	806	-	806	-
Assets due after one year	80,492	24,851	80,492	24,851
Liabilities due within one year	-	(206)	-	(206)
Liabilities due after one year	(50,074)	(106,737)	(50,074)	(106,737)
Total	31,224	(82,092)	31,224	(82,092)

14. Hedge Accounting

The Group and Company uses interest rate swaps to hedge the interest rate risks arising from receipt of variable interest receivables on leases.

The fair values of derivatives designated as cash flow hedges are as follows:

(a) Group

	Notional contract amount	Fair values	
		Assets	Liabilities
At 31 March 2023	**US $'000**	**US $'000**	**US $'000**

Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,435,907	81,298	(50,074)
	4,435,907	81,298	(50,074)

At 31 March 2022

Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

	Less than 1 year	In the 2nd year	3 to 5 years	Over 5 years
At 31 March 2023	**US $'000**	**US $'000**	**US $'000**	**US $'000**
Cash inflows	230,246	172,423	320,977	34,980
Cash outflows	(172,537)	(158,016)	(379,748)	(36,589)

During the financial year ended 31 March 2023, $113.3 million (2022: $231.2 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2022: $nil).

(b) Company

	Notional contract amount	Fair values	
		Assets	Liabilities
At 31 March 2023	**US $'000**	**US $'000**	**US $'000**
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,435,907	81,298	(50,074)
	4,435,907	81,298	(50,074)

At 31 March 2022

Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

	Less than 1 year	In the 2nd year	3 to 5 years	Over 5 years
At 31 March 2022	**US $'000**	**US $'000**	**US $'000**	**US $'000**
Cash inflows	230,246	172,423	320,977	34,980
Cash outflows	(172,537)	(158,016)	(379,748)	(36,589)

During the financial year ended 31 March 2023, $113.3 million (2022: $231.2 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Profit or Loss and Other Comprehensive Income (2022: $nil).

	Group Year ended 31 March	Group Year ended 31 March	Company Year ended 31 March	Company Year ended 31 March

Analysis of effective portion of changes in fair value of cash flow hedges	2023 US $'000	2022 US $'000	2023 US $'000	2022 US $'000
Derivatives in place for the full year	102,330	228,934	102,330	228,934
Derivatives matured during the year	58,506	943	58,506	943
Derivatives entered into during the year	(47,519)	1,368	(47,519)	1,368
Effective portion of changes in fair value of cash flow hedges	113,317	231,245	113,317	231,245
Tax effect	(14,165)	(28,906)	(14,165)	(28,906)
	99,152	202,339	99,152	202,339

15. Advances to OEMS

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Advances to Boeing				
Current	19,743	563,585	19,743	563,585
Non-current	25,087	44,771	25,087	44,771
	44,830	608,356	44,830	608,356

During the year ended 31 March 2021, various amounts of previously paid PDPs were reclassified as an advance to Boeing (note 10) due to the deferral and cancellation of a number of existing orders (note 30). These amounts are available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, earn interest and any unused balances relating to these agreements become repayable between 2023 - 2024. Credits totalling $563.4 million were applied against direct order and sale and leaseback deliveries during the current period and prior years.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1(x), the Group performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of $0.41 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the amount outstanding at period-end is $44.4 million.

16. Finance Leases and Loan Receivables

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Current				
Fixed rate receivables				
Finance leases	3,218	18,889	-	-
Loan receivables	-	-	2,523	19,790
Floating rate receivables				
Loan receivables	29,044	27,132	1,247,232	27,521
	32,262	46,021	1,249,755	47,311
Non-current				
Fixed rate receivables				
Finance leases	37,652	34,781	-	-
Loan receivables	-	-	69,518	72,041
Floating rate receivables				
Loan receivables	523,255	552,201	4,300,595	564,679
	560,907	586,982	4,370,113	636,720
Total finance lease and loan receivables	593,169	633,003	5,619,868	684,031

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

Less than 1 year	6,329	22,665	-	-
1-2 years	6,225	4,667	-	-
2-3 years	6,225	4,667	-	-
3-4 years	32,170	4,667	-	-
4-5 years	-	30,611	-	-
Total undiscounted lease payments receivable	50,949	67,277		
Unearned finance income	(10,079)	(13,607)	-	-
Net investment in finance leases	40,870	53,670	-	-

Finance lease receivables

The Group has entered into lease arrangements as a lessor that are considered to be finance leases. The Group leases two aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of these arrangements as finance leases. Finance income in the period on the net investment in leases totalled $47.81 million (31 March 2022: $29.87 million; see note 8). Collateral for these finance leases are the relevant leased aircraft.

Loan receivables - Group:

The Group acquired ten aircraft in recent years, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as loan receivables.

Loan receivables - Company:

Loans receivable by the Company consist of funding provided to its subsidiary undertakings in the normal course of their leasing activities.

The expected credit loss of the Group's finance lease and loan receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognised on the Group's finance lease and loan receivables.

17. Trade and Other Receivables

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Trade debtors	159,677	115,582	98,295	116,393
Deferred lease receivables	53,587	61,352	53,587	61,352
Credit impairment provisions	(66,945)	(35,253)	(58,839)	(35,253)
Net lease receivables	146,319	141,681	93,043	142,492
Amounts due from parent group undertakings	6,999	13,028	89,297	20,234
Prepayments	99,824	37,037	89,276	34,632
Other debtors	28,308	20,553	24,267	17,340
	281,450	212,299	295,883	214,698
Age analysis of net trade debtors				
Less than one month	19,175	14,255	12,758	15,066
One to two months	9,833	12,014	5,686	12,014
More than two months	130,669	89,313	79,851	89,313
	159,677	115,582	98,295	116,393

Despite most airline customers continuing to have improved payment performance, net lease receivables have increased mainly due to the acquisition of Goshawk, which included trade receivables of $56.5 million. In addition, some airlines continue to have reduced operations and, in some cases, continue to have grounded aircraft. Separately, one of our airline customers also entered into bankruptcy proceedings during the year. The credit impairment charge in the current period of $31.7 million (year ended 31 March 2022: reversal of $35.4 million) was impacted by the increase and other factors noted above. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance (note 23(d)).

Other debtors include inventory of engines and airframes totalling $5.2 million (31 March 2022: $4.5 million).

18. Cash and Cash Equivalents

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Bank account	83,693	19,654	3,826	5,831
Bank account with parent group undertakings	16,711	76,859	16,711	76,859
Short-term deposits with parent group undertakings	637,816	897,761	637,816	897,761
	738,220	994,274	658,353	980,451
Restricted cash	-	-	-	-
Cash and cash equivalents net of restricted cash	738,220	994,274	658,353	980,451

19. Lease Incentive Assets

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Lease incentive assets	88,152	21,952	88,152	21,952
Amortised during the year (note 3)	(40,574)	(18,760)	(40,574)	(18,760)
Additions of lease incentive assets	167,719	84,960	167,719	84,960
Release of lease incentive assets on disposal of aircraft	(14,594)	-	(14,594)	-
Transfer to assets held for sale (note 20)	(16,048)	-	(16,048)	-
	184,655	88,152	184,655	88,152
Current lease incentive assets (amortising within 12 months)	43,775	19,769	43,775	19,769
Non-current lease incentive assets (amortising after 12 months)	140,880	68,383	140,880	68,383
	184,655	88,152	184,655	88,152

The lease incentive assets are amortised over the respective lease terms and recorded as a reduction of lease income (note 3).

20. Assets and Liabilities Held For Sale

The aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Assets held for sale				
Property, plant and equipment – aircraft	229,232	34,787	229,232	34,787

Lease incentive assets	16,048	-	16,048	-
	245,280	34,787	245,280	34,787
Liabilities associated with assets held for sale				
Security deposits	3,420	-	3,420	-
Maintenance reserve	4,033	2,773	4,033	2,773
Lessor contributions	19,371	-	19,371	-
	26,824	2,773	26,824	2,773
	218,456	32,014	218,456	32,014

At 31 March 2023, the Group classified seven aircraft (31 March 2022: one) as held-for-sale as the Group had agreements for the sale of these aircraft which met the requirement to be classified as held-for-sale. The Group generally continues to recognise lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

21. Trade and Other Payables

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Security deposits	154,848	104,831	102,683	102,772
Maintenance reserves	692,056	283,052	296,936	271,155
Lessor contributions	294,597	108,486	217,089	108,486
Prepaid lease rentals and fee income received	148,552	106,895	99,916	104,671
Trade creditors	33,651	16,876	17,954	16,505
Accrued interest - third party undertakings	109,573	39,831	80,307	15,565
Amounts due to parent group undertakings	144,961	128,121	165,241	202,380
Collateral cash received	41,800	-	41,800	-
Other creditors	203,777	97,910	193,256	84,407
	1,823,815	886,002	1,215,182	905,941
Analysed as:				
Non-current trade and other payables (payable after 12 months)	1,112,607	464,224	583,671	450,972
Current trade and other payables (payable within 12 months)	711,208	421,778	631,511	454,969
	1,823,815	886,002	1,215,182	905,941

Analysis of Group trade and other payables:

At 31 March 2023	Due < 12 months	Due > 12 months	Total
	US $'000	US $'000	US $'000
Security deposits	11,858	142,990	154,848
Maintenance reserve	75,531	616,525	692,056
Lessor contributions	29,828	264,769	294,597
Prepaid lease rentals and fee income received	148,087	465	148,552
Trade creditors	33,651	-	33,651
Accrued interest - third party undertakings	109,573	-	109,573
Amounts due to parent group undertakings	144,961	-	144,961
Collateral cash received	41,800	-	41,800
Other creditors	115,919	87,858	203,777
	711,208	1,112,607	1,823,815

	Due < 12 months	Due > 12 months	Total

At 31 March 2022	US $'000	US $'000	US $'000
Security deposits	420	104,411	104,831
Maintenance reserve	42,366	240,686	283,052
Lessor contributions	24,213	84,273	108,486
Prepaid lease rentals and fee income received	103,892	3,003	106,895
Trade creditors	16,876	-	16,876
Accrued interest - third party undertakings	39,831	-	39,831
Amounts due to parent group undertakings	124,370	3,750	128,120
Other creditors	69,810	28,100	97,910
	421,778	464,223	886,001

Security deposits fall due at the end of each respective lease, while maintenance reserves, lessor contributions and amounts due to parent group undertakings which relate to operating leases fall due during the remaining term of each respective lease based on the timing of expected maintenance events.

Amounts due to parent group undertakings include cash balances held at period-end on behalf of affiliate group companies in accordance with existing cash pooling agreements.

22. Borrowings

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Loan amounts due to third party undertakings	5,502,868	3,453,766	4,584,743	3,113,766
Loan amounts due to parent group undertakings	9,789,094	6,510,365	9,789,093	6,510,364
Loan amounts due to subsidiaries	-	-	3,071,258	2,925,837
Other debt securities issued	1,994,232	2,491,540	-	-
	17,286,194	12,455,671	17,445,094	12,549,967
The borrowings are repayable as follows:				
On demand or within one year	784,441	1,154,478	784,441	1,154,478
In the second year	1,243,166	1,043,481	1,243,166	1,043,481
In the third to fifth year inclusive	5,735,348	4,283,386	5,735,348	4,283,386
After five years	9,523,239	5,974,326	9,682,139	6,068,622
	17,286,194	12,455,671	17,445,094	12,549,967
Less: Amounts due for settlement within 12 months	(784,441)	(1,154,478)	(784,441)	(1,154,478)
Amounts due for settlement after 12 months	16,501,753	11,301,193	16,660,653	11,395,489

As at 31 March 2023, the Group had $9.1 billion of available capacity in place through a combination of undrawn shareholder funding ($6.5 billion), third party availability ($1.8 billion) and unrestricted cash balances. The Group has short-term debt repayment obligations (due within 12 months) totalling $784.4 million and other current liabilities of $738.0 million. The short-term debt obligations include shareholder funding repayments of $84.6 million, which will become available as additional capacity on repayment.

The Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018, the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

All borrowings are unsecured, interest-bearing at market related interest rates determined by each facility's respective term, collateral and counterparty.

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was $23.0 million (year ended 31 March 2022: $23.7 million; note 10). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

Reconciliation of cash and non-cash movements of Group borrowings:

	As at 1 April 2022	Cash flows in the period	Non-cash changes Fair value changes	Non-cash changes Amortisation of issuing costs	As at 31 March 2023
	US $'000	US $'000	US $'000	US $'000	US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2,890,000	1,950,000	-	-	4,840,000
Loan amount due to parent group undertakings	2,527,759	(1,791,277)	-	-	736,482
	5,417,759	158,723	-	-	5,576,482
Fixed rate borrowings					
Loan amount due to parent group undertakings	3,982,606	5,070,006	-	-	9,052,612
Loan amounts due to third party undertakings	563,766	99,102	-	-	662,868
Other debt securities issued	2,491,540	(500,000)	-	2,692	1,994,232
	12,455,671	4,827,831	-	2,692	17,286,194

Terms, conditions and analysis of Group borrowings before impact of derivatives:

At 31 March 2023	Average interest rate %	Year of maturity	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	5.97	2024-2029	200,000	4,640,000	4,840,000
Loan amount due to parent group undertakings	7.62	2029-2033	28,678	707,804	736,482
			228,678	5,347,804	5,576,482
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.94	2023-2035	55,929	8,996,683	9,052,612
Loan amounts due to third party undertakings	2.92	2025-2031	-	662,868	662,868
Other debt securities issued	2.97	2023-2028	499,834	1,494,398	1,994,232
			784,441	16,501,753	17,286,194
Floating rate borrowings					
Loan amounts due to third party undertakings	1.20	2022-2029	460,000	2,430,000	2,890,000
Loan amount due to parent group undertakings	2.86	2023-2033	59,730	2,468,029	2,527,759
			519,730	4,898,029	5,417,759
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2022-2034	134,911	3,847,695	3,982,606
Loan amounts due to third party undertakings	2.61	2025-2031	-	563,766	563,766
Other debt securities issued	2.98	2022-2028	499,837	1,991,703	2,491,540
			1,154,478	11,301,193	12,455,671

23. Financial Risk Management

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board of Directors, in conjunction with the Transportation Business Planning Department ("TBPD") on behalf of the Consortium, develops and monitors the Group and Company's risk management policies which are established to identify and analyse the risks faced by the Group and Company, which include:

a. Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and Company seek to minimise cash flow currency risk by ensuring its leases and associated financing are in the same currency, or entering into currency swaps or forwards over the life of the lease. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. The Group and Company have no currency swaps in place at year-end.

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. There was no material change in the currency risk of the Group and Company during the period.

The carrying amounts of other currency denominated monetary assets and liabilities are as follows:

	Group 31 March 2023	Group 31 March 2022	Company 31 March 2023	Company 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Euro assets	45,603	10,172	29,422	8,914
Sterling assets	389	11	219	11
Japanese yen assets	5,767	10,937	4,789	397
Euro liabilities	(115,798)	(12,907)	(98,893)	(10,812)
Sterling liabilities	(1,167)	(1,386)	(1,166)	(1,386)
Japanese yen liabilities	(5,002)	(11,297)	(4,892)	(853)
Chinese yuan liabilities	(459)	(471)	(459)	(471)

At 31 March 2023, if the foreign currency, on the balances disclosed above, weakened/strengthened against the US dollar by 5% with all other variables held constant, the underlying post-tax profit for the Group for the year would have been $3.5 million lower / higher, and for the Company would have been $3.4 million lower / higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

b. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimise cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. There was no material change in the interest rate risk of the Group and Company during the period.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

Interest rate risk:	Group	Group	Company	Company

	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	US $'000	US $'000	US $'000	US $'000
Financial assets				
- variable rate	552,299	579,333	5,547,827	592,200
- fixed rate	723,516	1,559,787	754,687	1,597,948
- non-interest bearing	463,152	333,663	397,718	322,239
Total Financial Assets	1,738,967	2,472,783	6,700,232	2,512,387
Financial liabilities				
- variable rate	5,876,482	5,717,759	6,035,382	5,812,055
- fixed rate	11,709,712	7,037,912	11,709,712	7,037,912
- non-interest bearing	1,900,713	995,718	1,292,080	1,015,657
Total Financial Liabilities	19,486,907	13,751,389	19,037,174	13,865,624

The Group and Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. At 31 March 2023, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would have been $0.1 million lower / higher; other components of equity would have been $4.7 million lower / higher as a result of a decrease/increase in the fair value of cash flow hedge reserves. The weighted average fixed rate for the interest rate swap portfolio was 3.37%.

c. Liquidity Risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at 31 March 2023, the Group had put in place $9.1 billion of available capacity through a combination of undrawn shareholder funding ($6.5 billion), third party availability ($1.8 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to continued aircraft acquisitions, available liquidity capacity has ensured that there was no material change in the liquidity risk of the Group and Company during the period.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Group Carrying value 31 March 2023	Group Contracted cashflows 31 March 2023	Group Carrying value 31 March 2022	Group Contracted cashflows 31 March 2022
	US $'000	US $'000	US $'000	US $'000
Liabilities associated with assets held for sale	26,824	26,824	2,773	2,773
Trade and other payables	1,675,263	1,675,263	779,107	779,107
Obligations under finance leases	-	-	-	-
Borrowings	17,286,194	21,887,820	12,455,671	14,752,823
Subordinated liabilities	300,000	678,375	300,000	596,987
Interest rate swaps	50,074	746,891	106,943	1,118,441
	19,338,355	25,015,173	13,644,494	17,250,131

	Group Less than 1 year US $'000	Group 1 to 2 years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
At 31 March 2023				
Non-derivative financial instruments				

Liabilities associated with assets held for sale ..	(26,824)	-	-	-
Trade and other payables	(563,123)	(148,646)	(355,344)	(608,154)
Borrowings.....	(2,450,177)	(1,926,950)	(7,335,200)	(10,175,493)
Subordinated liabilities.....	(28,027)	(25,204)	(66,797)	(558,347)
Total non-derivative financial instruments outflows.....	(3,068,151)	(2,100,800)	(7,757,341)	(11,341,994)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	57,709	14,406	-	-
Net Settled – outflow	-	-	(58,771)	(1,609)
Total Outflows.....	(3,010,442)	(2,086,394)	(7,816,112)	(11,343,603)

	Group Less than 1 year US $'000	**Group 1 to 2 years years US $'000**	**Group 3 to 5 years US $'000**	**Group Over 5 years US $'000**
At 31 March 2022				
Non-derivative financial instruments				
Trade and other payables	(2,773)	-	-	-
Obligations under finance leases.....	(317,886)	(72,115)	(164,893)	(224,215)
Borrowings.....	(1,542,195)	(1,483,877)	(5,301,941)	(6,424,810)
Subordinated liabilities.....	(15,078)	(21,238)	(60,652)	(500,019)
Total non-derivative financial instruments outflows.....	(1,877,932)	(1,577,230)	(5,527,486)	(7,149,044)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	10,903	-	-
Net Settled – outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows.....	(1,926,962)	(1,566,327)	(5,550,964)	(7,195,383)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

	Company Carrying value 31 March 2023 US $'000	**Company Contracted cashflows 31 March 2023 US $'000**	**Company Carrying value 31 March 2022 US $'000**	**Company Contracted cashflows 31 March 2022 US $'000**
Liabilities associated with assets held for sale ..	26,824	26,824	2,773	2,773
Trade and other payables	1,115,266	1,115,266	801,270	801,270
Obligations under finance leases.....	-	-	-	-
Borrowings.....	17,445,094	21,954,870	12,549,967	14,822,161
Subordinated liabilities.....	300,000	678,375	300,000	596,987
Interest rate swaps.....	50,074	746,891	106,943	1,118,441
	18,937,258	24,522,226	13,760,953	17,341,632

	Company Less than 1 year US $'000	**Company 1 to 2 years years US $'000**	**Company 3 to 5 years US $'000**	**Company Over 5 years US $'000**
At 31 March 2023				
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale ..	(26,824)	-	-	-
Trade and other payables	(531,596)	(148,646)	(355,344)	(79,682)
Borrowings.....	(2,593,566)	(1,927,448)	(7,335,200)	(10,098,656)
Subordinated liabilities.....	(28,027)	(25,204)	(66,797)	(558,347)

Total Non-derivative Financial Instruments Outflows	(3,180,013)	(2,101,298)	(7,757,341)	(10,736,685)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	57,709	14,406	-	-
Net Settled – outflow	-	-	(58,771)	(1,609)
Total Outflows	(3,122,304)	(2,086,892)	(7,816,112)	(10,738,294)

	Company Less than 1 year US $'000	**Company 1 to 2 years US $'000**	**Company 3 to 5 years US $'000**	**Company Over 5 years US $'000**
At 31 March 2022				
Non-derivative Financial Instruments				
Trade and other payables	(2,773)	-	-	-
Obligations under finance leases	(353,300)	(72,115)	(164,893)	(210,960)
Borrowings	(1,632,671)	(1,483,877)	(5,302,438)	(6,403,175)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total Non-derivative Financial Instruments Outflows	(2,003,822)	(1,577,230)	(5,527,983)	(7,114,154)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	10,903	-	-
Net Settled – outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(2,052,852)	(1,566,327)	(5,551,461)	(7,160,493)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

d. Credit Risk

Credit risk is the risk arising from the possibility that the Group and Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed with oversight from the Aircraft Credit Department ("ACCD") to enable the Group and Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a portfolio basis. The key principles of credit risk management set out in the Framework include:

- Approval of credit exposure must be granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of credit exposure. This must include an assessment of, amongst others, the purpose of the credit and sources of repayment, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority must be specifically granted in writing to all individuals involved in the granting of credit approval, whether this is exercised personally or collectively as part of a credit committee. These individuals must act independently and with balanced commercial judgement in exercising credit authority.
- Where credit authority is exercised personally, the individual must not have any responsibility or accountability for business revenue origination.
- All credit exposures, once approved, must be effectively monitored and managed and reviewed periodically against approved guidelines. Review occurs at least annually, with lower quality exposures being subject to a greater frequency of analysis and assessment.

- Customers with emerging credit problems must be identified early and classified accordingly. Remedial actions must be implemented promptly to minimise the potential loss to the Company and consideration given whether to transfer customers with credit problems to a specialised problem management or recovery unit.

- Portfolio analysis and reporting must be used to identify and manage credit risk concentrations and credit risk quality.

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables ($281.5 million of which $146.3 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($44.8 million; note 15) and cash and cash equivalents (bank accounts totalling $738.2 million; including $654.5 million with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but the credit risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group did not recognise an impairment allowance as the potential allowance was deemed to be immaterial.

At 31 March 2023, the Group's significant cash and deposit counterparties were:

	US $'000
SMBC (credit rating A (S&P))	654,527
Citibank (Credit rating A+ (S&P))	83,693
	738,220

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2023, the Group was exposed to trade debtors of $159.7 million (2022: $115.6 million) and held a provision for expected credit losses against these for $66.9 million (2022: $35.3 million). As at 31 March 2023, the Group held letters of credit in relation to lease rentals and maintenance exposures of $488.3 million (31 March 2022: $283.9 million) in addition to $854.4 million of cash security deposits and maintenance reserves (31 March 2022: $390.6 million; see note 21).

The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables and gross of collateral held.

The table below provides an analysis of exposure to credit risk and ECLs for trade receivables as at:

	Expected credit loss Provision %		Group 31 March 2023		Group 31 March 2022	
	31 March 2023 %	31 March 2022 %	Gross carrying amount US $'000	Impairment loss US $'000	Gross carrying amount US $'000	Impairment loss US $'000
Category 1	0.2%	0.2%	8,600	-	440	-
Category 2	1.1%	1.2%	3,024	-	351	-
Category 3	7.2%	8.4%	8,328	-	70,373	4,298
Category 4	33% - 100%	33% - 100%	139,725	66,945	44,418	30,955
			159,677	66,945	115,582	35,253

	Expected credit loss Provision %		Company 31 March 2023		Company 31 March 2022	
	31 March 2023 %	31 March 2022 %	carrying amount US $'000	Impairment loss US $'000	Gross carrying amount US $'000	Impairment loss US $'000
Category 1	0.2%	0.2%	8,600	-	440	-
Category 2	1.1%	1.2%	2,387	-	351	-
Category 3	7.2%	8.4%	926	-	70,373	4,298
Category 4	33% - 100%	33% - 100%	86,382	58,839	44,418	30,955
			98,295	58,839	115,582	35,253

The Group and Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee. Category 4 for the Group includes gross trade receivables of $20.0 million, $63.1 million and $56.7 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

The Group and Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) during the Covid pandemic, those who have subsequently exited such lease restructurings, as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances.

A number of airline customers agreed restructured leases and / or exited lease restructurings during the year, which resulted in the write-off of certain balances that originated in the pre-restructuring period. However, the Group partially recovered amounts related to the sale of the Group's interest in the pre-petition claims against some of its lessees by way of sub-participation (note 4). The table above reflects the lower overall receivable and provisioning balances at year-end, while the Group and Company continues to monitor its credit exposure and manage any lessee concentrations.

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality.

Impairment Losses	Group US $'000	Company US $'000
The movement in the provision for expected credit losses in respect of financial assets is as follows:		
Balance at 1 April 2021	152,937	152,937
Credit impairment credit on financial assets	(35,364)	(35,364)
Trade debtors written off	(82,320)	(82,320)
Balance at 31 March 2022	35,253	35,253
Credit impairment charge on financial assets	31,693	23,586
Trade debtors written off	(1)	-
Balance at 31 March 2023	66,945	58,839

The Group provision for expected credit losses include a provision of $66.8 million in relation to lease receivables (31 March 2022: $33.5 million).

e. Concentration Risk

Concentration risk is the risk that a high percentage of aircraft are on lease to a single lessee or region resulting in the returns on aircraft being less diverse and more correlated. The largest exposure to a single lessee based on net book value of delivered aircraft is 4.9%.

f. Technical, Maintenance and Environmental Risk

Technical, maintenance and environmental risk is the risk that a lessee undertakes responsibility for ensuring that the aircraft complies with current environmental, technical and maintenance regulations and statutory obligations as applicable. The Directors monitor these risks on an ongoing basis.

g. Asset Value Risk

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. Material judgements also apply in respect of property, plant and equipment and include the identification and subsequent measurement of impairment, which relies on a measurement of estimated of cash flows and residual values. A decrease in estimated future cash flows or residual values may result in additional impairment of related assets.

h. Capital Management

The Group and Company is a member of a group with regulatory disciplines over the use of its capital. Although the Group and Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the Statement of Financial Position.

24. Deferred Tax

Movements during the year:	Group US $'000	Company US $'000
At 1 April 2021	355,840	355,848
Charge to income from continuing operations (note 9)	(142,370)	(142,378)
Charge to other comprehensive income	29,003	29,003
At 31 March 2022	242,473	242,473
Charge to income from continuing operations (note 9)	42,629	42,985
Charge to other comprehensive income	14,257	14,257
Acquired as part of business combination (see note 2)	42,574	-
At 31 March 2023	341,933	299,715

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Deferred tax assets	6,451	13,652	6,451	13,652
Deferred tax liabilities	(348,384)	(256,125)	(306,166)	(256,125)
	(341,933)	(242,473)	(299,715)	(242,473)

Full provision has been made for the potential amount of deferred taxation shown below:

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(338,222)	(253,018)	(296,004)	(253,018)
Fair value adjustments on financial instruments - deferred tax asset	6,451	13,652	6,451	13,652
Fair value adjustments on financial instruments - deferred tax liability	(10,162)	(3,107)	(10,162)	(3,107)
	(341,933)	(242,473)	(299,715)	(242,473)

The Group has estimated tax losses of $7.77 billion (31 March 2022: $3.22 billion) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses.

This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

25. Subordinated Liabilities

	Average interest rate %	Year of maturity	Group & Company 31 March 2023 US $'000	Group & Company 31 March 2022 US $'000
$300 million floating rate loan due to parent group undertakings	9.18	2039	300,000	300,000
			300,000	300,000

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2039 and can be extended further with the agreement of both parties.

26. Share capital

	31 March 2023 US $	31 March 2022 US $
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
A Preference shares of $1 each	1,362,000,000	-
B Preference shares of $1 each	700,000,000	700,000,000
	2,362,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
A Preference shares of $1 each	1,362,000,000	-
B Preference shares of $1 each	700,000,000	700,000,000
	2,249,512,800	887,512,800

The Company's ordinary shares have voting rights attached but carry no right to fixed income, while its preference shares have no voting rights attached and may be paid a fixed non-cumulative preferential dividend of 7.5% of nominal value at the Company's discretion in any financial year.

In December 2022, the Company converted existing preference shares to B preference shares and increased its authorised share capital by 1.362 billion non-voting 7.5% non-cumulative A preference shares.

At the same time, and as part of the purchase of Goshawk Leasing, the Company issued 1.362 billion new A preference shares at par to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") in such proportions that the shareholding of SMFL and SMBC would remain the same.

	31 March 2023	31 March 2022
	Number of shares	
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
A Preference shares of $1 each	1,362,000,000	-
B Preference shares of $1 each	700,000,000	700,000,000
	2,362,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
A Preference shares of $1 each	1,362,000,000	-

B Preference shares of $1 each	700,000,000	700,000,000
	2,249,512,800	887,512,800

27. Other Components of Equity

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Share premium	261,102	261,102	261,102	261,102
	261,102	261,102	261,102	261,102
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	-	-
Fair value through other comprehensive income	(1,356)	-	(978)	-
Cash flow hedge reserve	25,979	(73,818)	25,979	(73,818)
Total other reserves	495,178	396,737	493,589	394,770

The Company issued 18,751,307 new ordinary shares of $1 each at a premium of $12.9245 per share to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") as part of the shareholder restructuring in November 2018.

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207.5 million in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

As described in note 1 c, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonising the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

The cash flow hedge reserve reflects changes in the mark-to-market value of cash flow hedge accounted derivatives, driven by market rates, and the amortisation of de-designated cash flow hedges.

28. Operating Lease Arrangements as Lessor

The future minimum lease payments receivable under non-cancellable operating leases, which include variable lease payments based on rent as at the reporting date, are as follows:

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Within one year	1,913,409	1,122,826	1,280,351	1,118,242
In the second year	1,849,845	1,144,279	1,265,923	1,136,924
In the third year	1,702,427	1,091,783	1,205,618	1,082,271
In the fourth year	1,548,146	1,042,513	1,134,565	1,028,529
In the fifth year	1,429,807	965,881	1,090,810	951,310
After five years	4,632,392	3,967,962	3,997,688	3,899,849
	13,076,026	9,335,244	9,974,955	9,217,125

29. Related Parties

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries as documented in the accounting policy note 1c. A listing of the Company's significant subsidiaries is included in note 11. Transactions to and from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IAS 27, Consolidated and Separate Financial Statements.

The Group and Company's ultimate parent companies are Sumitomo Mitsui Financial Group (66%) and Sumitomo Corporation (34%). The table below provides a list of any outstanding balances at year end and any transactions entered into during the financial year with the parent companies and its subsidiaries. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Transactions with parent companies:				
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	4,055	132	4,055	132
Interest expense	25,455	-	25,455	-
Operating expenses	4,928	4,537	4,928	4,537
Balances at period end:				
Borrowings	2,487,109	-	2,487,109	-
Sundry creditors	(11,018)	(4,107)	(11,018)	(4,107)
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,392	2,351	2,385	2,197
Balances at period end:				
Sundry debtors	-	-	-	-
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	14,269	14,343	14,269	14,343
Fee income	1,189	1,362	1,189	1,362
Balances at period end:				
Amounts due to group undertakings	102,719	64,007	102,719	64,007
SMBC Capital Markets Inc.				
Transactions during the period:				
Gain on derivative fair value	-	1,373	-	1,373
Interest expense	2,928	92,433	2,928	92,433
Balances at period end:				
Cash held on behalf of	(41,800)	-	(41,800)	-
Derivative Financial Instruments	(45,045)	98,864	(45,045)	98,864

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
SMBC Trust Bank				
Transactions during the period:				
Interest expense	147,335	97,745	147,335	97,745
Balances at period end:				
Borrowings	2,873,660	3,293,670	2,873,660	3,293,670
Amounts due to group undertakings	18,916	13,227	18,916	13,227
SMBC Bank International plc				

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Transactions during the period:				
Fee income	-	1,500	-	1,500
Interest income	12,053	-	12,053	-
Operating expense	(40)	(52)	(40)	(52)
Balances at period end:				
Cash	6,039	12,190	6,038	12,189
Sundry debtors	-	1,500	-	1,500
SMBC (Japan)				
Transactions during the period:				
Operating expenses	10,504	12,281	10,504	12,281
Balances at period end:				
Amounts due to group undertakings	5,500	5,497	5,500	5,497
SMBC (New York)				
Transactions during the period:				
Interest expense	46,423	133,768	46,423	133,768
Balances at period end:				
Borrowings	4,715,433	3,516,694	4,715,433	3,516,694
Cash	648,487	962,429	648,487	962,429
Amounts due to group undertakings	25,043	15,961	25,043	15,961
SMBC (Paris)				
Transactions during the period:				
Interest expense	-	273	-	273
Balances at period end:				
Obligations under Finance Leases	-	-	-	-
Non-current liabilities	-	-	-	-
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	583	613	583	613
Balances at period end:				
Other Creditors	133	117	133	117

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	513	942	513	942
Balances at period end:				
Other Creditors	126	104	126	104
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses	656	795	656	795
Balances at period end:				
Other Creditors	162	173	162	173
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	3,950	4,350	3,950	4,350
Balances at period end:				
Other Creditors	1,265	1,171	1,265	1,171
SMBC Bank EU AG				
Transactions during the period:				

Operating income	95	60	95	60

	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Transactions with subsidiaries		
SMBC Aviation Capital Management Limited		
Transactions during the period:		
Fee income	8,991	-
Interest income	88,990	-
Balances at period end:		
Amounts due from group undertakings	5,033,410	-
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	2,004	1,435
Interest income	31,888	16,569
Balances at period end:		
Amounts due from group undertakings	557,090	617,076
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee expense	4,482	3,658
Interest expense	3,641	2,840
Balances at period end:		
Amounts due to group undertakings	62,432	200,060

	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	1,150	1,184
Balances at period end:		
Amounts due to group undertakings	(197)	(338)
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	3,518	891
Balances at period end:		
Amounts due from group undertakings	3,727	3,903
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	23,674	2,573
Fee expense	2,766	2,050
Balances at period end:		
Amounts due to group undertakings	917,202	198,780
SMBC Aviation Capital Hong Kong 3 Limited		
Transactions during the period:		
Interest income	1,253	3,440
Balances at period end:		
Amounts due from group undertakings	25,436	29,088
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	16	13
Interest expense	66,908	73,670

Balances at period end:		
Amounts due to group undertakings	2,014,793	2,515,244

The Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 22, with the notes due in 2021 and 2022 settled on maturity.

The amounts outstanding are unsecured and will be settled in cash. No other guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

In addition, the Group has also engaged with The Community Foundation for Ireland, a registered charity, to assist with specific corporate social responsibility projects. While The Community Foundation for Ireland is disclosed as a related party due to an existing relationship between its Board of Trustees and the Company's Board of Directors, all services will be provided to the Group on terms equivalent to those that prevail in arm's length transactions for the duration of the projects.

Key management personnel include directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management is shown below and includes retirement compensation paid during the year ended 31 March 2023 of $1.6 million (year ended 31 March 2022: $nil):

	31 March 2023 US $'000	31 March 2022 US $'000
Salaries and other short-term employee benefits	14,134	6,955
Post-employment benefits	486	468
Other long-term benefits	825	1,277
Total	15,445	8,700

30. Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. The Group also placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018 and have existing sale-leaseback capital commitments totalling $nil (31 March 2022: $0.8 billion).

In addition, during the year the Group also acquired existing direct orders with both Airbus and Boeing as part of the Goshawk acquisition, adding a mix of 20 Airbus A320neos and A321neos and 20 Boeing 737 MAX 8 to the Group's existing direct order book, with delivery dates between 2024 and 2027.

The combined remaining purchase commitment for orders total $9.8 billion and delivery dates are currently scheduled between 2023 and 2027 of which $2.0 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by delays that built up during the Covid-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 15). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 -

2025 to 2022 - 2026. Lastly, an additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

31. Contingent Liabilities

The Group and Company had no contingent liability at 31 March 2023 (31 March 2022: $nil).

32. Subsequent Events

On 3 May 2023, the Group closed the issue of $650 million of its 5.45% senior unsecured notes due 2028 (the "Notes") through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC. The Notes are fully and unconditionally guaranteed by SMBC Aviation Capital Limited and proceeds from the offering will be used for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.

On 23 May 2023, Mr T. Tanaka and Mr. A. Fukutome resigned as Directors. On the same day, Mr N. Hiruta and Mr T. Imaeda were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2023, which require adjustment to or disclosure in the Consolidated Financial Statements.

33. APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 23 May 2023.

SMBC Aviation Capital Limited

Audited consolidated financial statements
as of and for the year ended March 31, 2022

ACRONYMS AND ABBREVIATIONS

ACCD	Aircraft Credit Department
ceo	Current engine option
CGU	Cash generating unit
Companies Act/ The Act	Companies Act 2014
Company	SMBC Aviation Capital Limited
Consortium	SMFG and SC
CSR	Corporate Social Responsibility
ECL	Expected credit loss
EU	European Union
Financial Statements	The Group and Company financial statements
Goshawk	Goshawk Aviation
Group	SMBC Aviation Capital Limited and its subsidiaries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
ISA	International Standard on Auditing
IT	Information technology
JOLCO	Japanese operating lease with call option
Managed entity	SMBC Aviation Capital (UK) Limited
MSN	Manufacturers Serial Number
neo	New engine option
OCI	Other comprehensive income
OEM	Original equipment manufacturer
PDP	Pre-delivery payment
ROU	Right of use
Russia	Russian Federation
S&P	Standard & Poor’s
SC	Sumitomo Corporation
SMBC	Sumitomo Mitsui Banking Corporation
SMFG	Sumitomo Mitsui Financial Group
SMFL	Sumitomo Mitsui Finance and Leasing Company, Ltd.
Structured entity	PDP financing company
TBPD	Transportation Business Planning Department
UEL	Useful economic life
UK	United Kingdom
USA	United States of America

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2022

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SMBC Aviation Capital Limited ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 March 2022 set out on pages 10 to 59, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. 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 independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities and restrictions on use

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 a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013%2D1cf6%2D458b%2D9b8f%2Da98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted

by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Killian Croke
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

30 June 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Note	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
CONTINUING OPERATIONS			
Income			
Lease revenue	2	1,371,721	1,130,832
Other revenue	2	10,833	13,721
Total revenues	2	1,382,554	1,144,553
Other operating income	3	124,276	22,697
		1,506,830	**1,167,250**
Operating expenses			
Depreciation	9	(484,213)	(442,094)
Operating lease asset impairment and write-off charge	9	(1,686,034)	(176,439)
Credit impairment credit / (charge)	16	35,364	(153,872)
Financial asset impairment	7	(16,592)	-
Operating expenses	4	(104,167)	(85,941)
		(748,812)	**308,904**
PROFIT FROM OPERATING ACTIVITIES			
Finance income	7	108,155	95,208
Finance expense	7	(474,419)	(388,489)
Break losses	7	(817)	(836)
Net trading gain	7	576	442
NET FINANCE COSTS		**(366,505)**	**(293,675)**
(LOSS) / PROFIT BEFORE TAXATION		**(1,115,317)**	**15,229**
Tax credit / (charge)	8	140,418	(1,674)
(LOSS) / PROFIT FROM CONTINUING OPERATIONS		**(974,899)**	**13,555**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	13	231,245	275,269
Cash flow hedges - reclassified to profit or loss		781	820
Movement in fair value of available for sale assets		-	(1,260)
Tax on other comprehensive income		(29,003)	(34,512)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**203,023**	**240,317**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(771,876)**	**253,872**

All income relates to continuing operations. All profits and total comprehensive income for the current and preceding financial year are attributable to the owners of the company. The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 30 June 2022

A Kenny
Director
Date: 30 June 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	31 March 2022 US $'000	31 March 2021 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,729,560	13,638,022
Intangible assets		3,601	3,081
Advances to OEMs	14	44,771	364,577
Finance lease and loan receivables	15	586,982	475,532
Lease incentive assets	18	68,383	13,604
Derivative financial instruments	12	24,851	-
		14,458,148	14,494,816
CURRENT ASSETS			
Advances to OEMs	14	563,585	376,602
Assets held for sale	19	34,787	-
Finance lease and loan receivables	15	46,021	26,040
Trade and other receivables	16	212,299	242,029
Cash and cash equivalents	17	994,274	817,055
Lease incentive assets	18	19,769	8,348
Derivative financial instruments	12	-	1,373
		1,870,735	1,471,447
TOTAL ASSETS		16,328,883	15,966,263
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	396,737	193,714
Retained earnings		1,050,772	2,025,671
TOTAL EQUITY		2,335,022	3,106,898
NON-CURRENT LIABILITIES			
Trade and other payables	20	464,224	597,805
Obligations under finance leases		-	2,389
Borrowings	21	11,301,193	9,602,958
Deferred tax liabilities	23	242,472	355,840
Derivative financial instruments	12	106,737	312,393
Subordinated liabilities	24	300,000	300,000
		12,414,626	11,171,385
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	19	2,773	-
Trade and other payables	20	421,778	380,297
Obligations under finance leases		-	3,171
Borrowings	21	1,154,478	1,303,567
Derivative financial instruments	12	206	945
		1,579,235	1,687,980
TOTAL LIABILITIES		13,993,861	12,859,365
TOTAL EQUITY AND LIABILITIES		16,328,883	15,966,263

The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 30 June 2022

A Kenny
Director
Date: 30 June 2022

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	31 March 2022 US $'000	31 March 2021 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,680,611	13,476,017
Intangible assets		3,601	3,081
Advances to OEMs	14	44,771	364,577
Loan receivables	15	636,720	603,005
Investment in subsidiaries	10	56,697	56,697
Lease incentive assets	18	68,383	13,604
Derivative financial instruments	12	24,851	-
		14,515,634	14,516,981
CURRENT ASSETS			
Advances to OEMs	14	563,585	376,602
Assets held for sale	19	34,787	-
Loan receivables	15	47,311	32,626
Trade and other receivables	16	214,698	238,811
Cash and cash equivalents	17	980,451	811,893
Lease incentive assets	18	19,769	8,348
Derivative financial instruments	12	-	1,373
		1,860,601	1,469,653
TOTAL ASSETS		16,376,235	15,986,634
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	394,770	191,747
Profit or loss account		985,855	1,982,363
TOTAL EQUITY		2,268,138	3,061,623
NON-CURRENT LIABILITIES			
Trade and other payables	20	450,972	588,620
Obligations under finance leases		-	2,389
Borrowings	21	11,395,489	9,652,957
Deferred tax liabilities	23	242,473	355,848
Derivative financial instruments	12	106,737	312,393
Subordinated liabilities	24	300,000	300,000
		12,495,671	11,212,207
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	19	2,773	-
Trade and other payables	20	454,969	410,433
Obligations under finance leases		-	3,171
Borrowings	21	1,154,478	1,298,255
Derivative financial instruments	12	206	945
		1,612,426	1,712,804
TOTAL LIABILITIES		14,108,097	12,925,011
TOTAL EQUITY AND LIABILITIES		16,376,235	15,986,634

The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 30 June 2022

A Kenny
Director
Date: 30 June 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March 2022

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained Earnings US $'000	Total Equity US $'000
BALANCE AT 31 MARCH 2020		887,513	470,555	(518,418)	2,013,376	2,853,026
Total comprehensive income						
Profit for the year		-	-	-	13,555	13,555
Other comprehensive income for the year	26	-	-	241,577	(1,260)	240,317
		-	-	241,577	12,295	253,872
BALANCE AT 31 MARCH 2021		887,513	470,555	(276,841)	2,025,671	3,106,898
Total comprehensive income						
Loss for the year		-	-	-	(974,899)	(974,899)
Other comprehensive income for the year	26	-	-	203,023	-	203,023
		-	-	203,023	(974,899)	(771,876)
BALANCE AT 31 MARCH 2022		887,513	470,555	(73,818)	1,050,772	2,335,022

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

as at 31 March 2022

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained Earnings US $'000	Total Equity US $'000
BALANCE AT 31 MARCH 2020		887,513	468,588	(518,418)	1,973,306	2,810,989
Total comprehensive income						
Profit for the year		-	-	-	10,317	10,317
Other comprehensive income for the year	26	-	-	241,577	(1,260)	240,317
		-	-	241,577	9,057	250,634
BALANCE AT 31 MARCH 2021		887,513	468,588	(276,841)	1,982,363	3,061,623
Total comprehensive income						
Loss for the year		-	-	-	(996,508)	(996,508)
Other comprehensive income for the year	26	-	-	203,023	-	203,023
		-	-	203,023	(996,508)	(793,485)
BALANCE AT 31 MARCH 2022		887,513	468,588	(73,818)	985,855	2,268,138

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
(LOSS) / PROFIT BEFORE TAX		(1,115,317)	15,229
Adjustments for:			
Depreciation of property, plant and equipment	9	484,212	442,094
Impairment and write-off of property, plant and equipment	9	1,686,034	176,439
Amortisation of computer software intangible assets	10	857	755
Lease incentive asset amortisation	18	18,761	15,924
Credit impairment (credit) / charge	16	(35,364)	153,872
Financial asset impairment		16,592	-
Net interest expense		366,489	293,656
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(576)	(442)
Profit on disposal of assets held under operating leases	3	(69,327)	(1,857)
		1,352,361	1,095,670
Decrease / (increase) in receivables		28,750	(247,632)
Decrease in payables		(187,884)	(40,145)
CASH GENERATED BY OPERATIONS		1,193,227	807,893
Income taxes paid		(586)	(400)
Interest paid		(380,128)	(357,148)
NET CASH FROM OPERATING ACTIVITIES		812,513	450,345
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		965,918	90,802
Purchases of property, plant and equipment		(3,140,904)	(2,851,456)
Purchases of intangible assets		(1,376)	(2,543)
NET CASH USED IN INVESTING ACTIVITIES:		(2,176,362)	(2,763,197)
FINANCING ACTIVITIES			
Receipts from restricted cash accounts		361,700	240,100
Repayment of obligations under finance leases		(5,752)	(7,703)
Proceeds from indebtedness		2,947,802	2,595,900
Repayments of indebtedness		(1,399,635)	(701,568)
NET CASH FROM FINANCING ACTIVITIES		1,904,115	2,126,729
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(1,347)	922
NET INCREASE / (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS		538,919	(185,201)
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		455,355	640,556
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17	994,274	455,355
Unrestricted cash and cash equivalents as above	17	994,274	455,355
Restricted cash as reported	17	-	361,700
Total cash and cash equivalents	17	994,274	817,055

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
(LOSS) / PROFIT BEFORE TAX		(1,138,884)	11,618
Adjustments for:			
Depreciation of property, plant and equipment		481,699	439,962
Impairment of property, plant and equipment		1,686,034	176,439
Amortisation of computer software intangible assets		857	755
Impairment of investment in subsidiary		-	12
Lease incentive asset amortization		18,761	15,924
Credit impairment charge		(35,364)	153,872
Financial asset impairment		16,592	-
Net interest expense		366,777	292,851
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(576)	(442)
Profit on disposal of assets held under operating leases		(70,910)	(1,748)
		1,324,986	1,089,243
Decrease / (increase) in receivables		188,666	(360,610)
Decrease in payables		(250,783)	(17,032)
CASH GENERATED BY OPERATIONS		1,262,869	711,601
Income taxes paid		-	57
Interest paid		(382,361)	(350,768)
NET CASH FROM OPERATING ACTIVITIES		880,508	360,890
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		857,623	90,693
Purchases of property, plant and equipment		(3,042,161)	(2,202,113)
Purchases of intangible assets		(1,376)	(2,543)
Investment in subsidiary		-	(41,200)
Loans provided to subsidiaries		(173,401)	(510,632)
NET CASH USED IN INVESTING ACTIVITIES:		(2,359,315)	(2,665,795)
FINANCING ACTIVITIES			
Receipts from restricted cash accounts		361,700	240,100
Repayment of obligations under finance leases		(5,752)	(7,703)
Proceeds from indebtedness		2,992,097	2,640,588
Repayments of indebtedness		(1,338,294)	(759,020)
NET CASH FROM FINANCING ACTIVITIES		2,009,751	2,113,965
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(686)	932
NET INCREASE / (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS		530,258	(190,008)
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		450,193	640,201
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17	980,451	450,193
Unrestricted cash and cash equivalents as above	17	980,451	450,193
Restricted cash as reported	17	-	361,700
Total cash and cash equivalents	17	980,451	811,893

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

SMBC Aviation Capital is a company incorporated and domiciled in Ireland. The address of its registered office is IFSC House, IFSC, Dublin 1, Ireland.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments. The principal accounting policies are set out below.

The Consolidated Financial Statements of the Company have been prepared in accordance with IFRSs as adopted by the EU. The entity financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014 which permits a company that publishes its Company and Group financial statements together to take advantage of the exemption in Section 304(2) of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company Financial Statements.

The Company's functional currency is the US Dollar, being the currency of the primary economic environment in which the Company operates. The presentation currency for the Group and Company is US Dollar. All financial information presented in US Dollar has been rounded to the nearest thousand US Dollars unless otherwise stated.

The accounts, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and in accordance with IFRS as adopted by the European Union.

The Group's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders and third party debt financing. The ability of the Group to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 23 'Borrowings' and (ii) its future aircraft purchases as set out in note 31 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 24 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 29 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of sanctions on Russia (see note 9 "Property, plant and equipment's") and ongoing developments in the Covid-19 situation on the Group and its customers. The Directors have considered the cash position, existing equity and resources available to the Group, which, along with related forecasts, provide comfort over the sustainability of the Group and Company. If the effects of either the Russian situation or the Covid-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

Estimates and judgements

The preparation of Financial Statements in conformity with IFRS as adopted by the EU requires management to make use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the reported amount of income and expenses during the reported period.

In particular, the judgements and assumptions involved in the Group and Company's accounting policies which have the most significant effect on the amounts recognised in the Financial Statements are as follows:

Note 9 - Property, Plant and Equipment:

The material judgements in respect of property, plant and equipment include the identification and subsequent measurement of impairment such as triggers and estimates of cash flow including residual values and discounts rates. The discount rate used in the measurement of impairment was 5% in the current period. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

Note 17 – Credit impairment provisions

The Group recognises an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may differ from those estimates.

Basis of consolidation

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2022. The Group does not have investments in associates or joint ventures as defined in IFRS.

In applying IFRS 10, the standard introduced a single consolidation model for all entities based on control which requires consolidation where the Company has power over the entity, exposure or rights to returns from involvement with the entity and the ability to use power to affect returns. The financial statements of an entity are included in the Consolidated Financial Statements from the date that this control commences until the date that this control ceases.

The Consolidated Financial Statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances.

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are substantive are taken into account. All subsidiaries have coterminous financial year ends.

The accounting policies of all subsidiaries are consistent with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. All of the Company's subsidiaries are wholly owned by the Company and, as such, there are no non- controlling interests to present separately in the Consolidated Financial Statements.

Common control transactions

Business combinations under common control are accounted for in the consolidated financial statements prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the financial statements of the transferor. Assets and liabilities are adjusted, if necessary, to reflect Group accounting policies and any difference between the net assets acquired, based on book values.

Investment in subsidiaries

Investments in subsidiary undertakings are stated in the Company Statement of Financial Position at cost, less any provision for impairment.

Income under finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

At each reporting date, the Group assesses whether lease receivables are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for lease receivables are deducted from the gross carrying amount of the lease receivable.

Rentals received, but unearned under lease agreements are recorded as 'Prepaid lease rentals' in trade and other payables.

Fee income

Arranger fee income earned on the sale and purchase of managed aircraft is recognised on completion of the sale when the aircraft has been accepted by the customer and no further services remain to be completed. Ongoing aircraft management fees are recognised in the accounting period in which the services are rendered.

Borrowing costs

Borrowing costs attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside the income statement which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the reporting date.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group and Company's net investment outstanding in respect of the leases.

As a lessee

The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group and Company's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group and Company present lease liabilities in 'trade and other payables' in the statement of financial position.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated

in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the profit or loss for the period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets are depreciated to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over their estimated useful economic lives, as follows:

Aircraft for hire under operating leases

– to the next useful economic life ("UEL") point, maximum of 5 years

Office equipment and fixtures & fittings

– 3 to 10 years from date when brought into use

It is the Group and Company's practice to hold aircraft for an average period of 5 years. Because of this, the Group and Company estimates the future market value (residual value) at 5 year intervals which correspond to UEL points.

Aircraft are depreciated to their residual values. Residual values are determined based on estimated values at the end of the useful lives of the aircraft assets.

Estimated residual values based on contractual return conditions of the aircraft are reviewed at each reporting date. This review includes the expected maintenance condition of the asset and any excess maintenance reserves expected to be available on maturity of the lease. Where estimated residual values are found to have changed significantly, this is recorded prospectively and depreciation charges over the remaining useful life are adjusted to take account of the revised estimate.

The carrying amounts of the Group and Company's aircraft are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the profit or loss.

Under IAS 39, the Group and Company avail of the own- use exemption in relation to certain capital commitments.

Maintenance component assets

Maintenance component asset represents the value in the difference between the contractual right under the acquired leases (excluding short term) to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition. The maintenance component asset is not depreciated, but capitalised to the operating lease asset at the end of the lease.

Inventory

Inventory consists primarily of engines and airframes which are valued at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and airframes. Costs are allocated using the relationship of the cost of the engine or airframe to estimated retail sales value at the time of purchase.

Intangible assets

Intangible assets are initially recognised at cost which is their fair value at the date of acquisition or capitalisation of related staff costs. Subsequently intangible assets are carried at cost less any accumulated amortisation and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from two years to ten years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

Impairment of non-financial assets

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary.

When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

Pre-delivery payments

Pre-delivery payments ("PDPs") are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

Non-current assets and liabilities held for sale

Non-current assets (or disposals groups comprising assets and liabilities) that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale. Assets classified as held for sale must be available for immediate sale in its present condition and the sale must be highly probable. An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Financial instruments

The Group and Company's financial assets are categorised as either 'financial assets measured at amortised cost' or 'financial assets at fair value through the profit or loss'. The appropriate classification is determined based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held. Financial assets measured at amortised cost include 'loan receivables', 'advances to OEMs', 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position.

Financial assets at fair value through other comprehensive income include investments in equity instruments which are not held for trading. All other financial assets are classified as measured at fair value through profit or loss ("FVTPL").

The Group and Company's financial liabilities are categorised as either 'financial liabilities measured at amortised cost' or 'financial liabilities at fair value through the profit or loss'. Financial liabilities measured at amortised cost includes 'borrowings', 'obligations under finance leases' and 'trade and other payables' in the Consolidated Statement of Financial Position.

A financial asset is recognised in the Consolidated Statement of Financial Position only when the Group becomes party to its contractual provisions. The purchase of financial assets is recognised using trade date accounting. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership. Financial liabilities are initially recognised at fair value, less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group has recognised the hedging instruments set out note 13 at fair value, which are exposed to the impact of LIBOR. The Group also has certain floating rate liabilities where the reference rate is linked to LIBOR. The Group has established a transition plan to ensure a smooth transition to alternative reference rates and has engaged with counterparties to include appropriate fall- back provisions in its floating rate liabilities and hedging derivatives. New standard guidance (namely "Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16") became effective for annual periods on or after 1 January 2021 and the Group believes that the impact for future accounting periods will not be material.

Derivatives and hedge accounting

The Group and Company has entered into various financial instruments (derivatives) to manage foreign exchange and interest rate risk. Derivatives include swaps, forwards and options.

All derivatives are recognised on the Consolidated Statement of Financial Position at their fair value (market value). Market value is 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.

The method of recognising the resulting gain or loss on derivatives depends on whether the derivative is designated as a hedging instrument.

Non-hedging derivatives are classified at fair value through the profit or loss. Gains and losses arising from changes in fair value of a non-hedging derivative are recognised as they arise in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under trading income/expense.

The Group and Company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group and Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationships. The Group and Company makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in cash flows or fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group and Company makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to the profit or loss in the same period as the hedged cash flows affect the profit or loss, and in the same line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.

When a derivative is designated as the hedging instrument in a fair value hedge, changes in fair value are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discounted hedge of a forecast transaction the cumulative amount recognised in Other Comprehensive Income from the period when the hedge was effective is reclassified from other comprehensive income to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the profit or loss as a reclassification adjustment. If the criteria for hedge accounting cease to be met in relation to a fair value hedge, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

Determination of fair values of derivative financial instruments and financial liabilities in fair value hedge relationships

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Group and Company's pricing and valuation methods are managed in conjunction with Sumitomo Mitsui Banking Corporation Capital Markets Inc.

The current pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk and liquidity risk.

Provisions

A provision is recognised if, as a result of a past event, the Group and Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Amounts receivable under finance leases

A finance lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

Loans receivable and advances to OEMs

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Restricted cash

Restricted cash includes cash held by the Group and Company which is ring-fenced or used as security for specific financing arrangements and to which the Group and Company does not have unfettered access.

Lease incentive accounting

A lessor contribution liability is established at the commencement of the lease representing the best estimate of the contractually obligated contribution. In addition, a lease incentive asset is recognised for this amount, and it is amortised over the life of the associated lease as a charge against maintenance income.

Lessor contributions represent contractual obligations on the part of the Group and Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

Obligations under finance leases

Assets held under finance leases are recognised as assets of the Group and Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Subject to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease payable obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Maintenance reserves

All cash maintenance reserves collected under the lease agreements are recognised on the Consolidated Statement of Financial Position. At the end of the lease any excess is taken to revenue. Excess supplemental income from maintenance reserve is only recognised as revenue in the income statement when the Group and Company settles the full obligation in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Lease component assets and liabilities

Aircraft acquired on lease are assessed for the existence of lease component assets and liabilities which are considered to be separate components of aircraft assets. To the extent that lease payments are off-market, they are recognised as either lease component assets or liabilities which are amortised over the remaining lease term.

Pensions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as the related service is received from the employee.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Profit from operating activities

Operating profit is stated before charging or crediting investment income and finance costs.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

New standards adoption and amendments to IFRS

The following new standards approved by the IASB have been applied in preparing these financial statements:

IFRS 3 Business Combinations: Reference to the Conceptual Framework (amendment) (IFRS 3)

This amendment updates the reference to the revised Conceptual Framework for Financial Reporting and for specific requirements for transactions and other events within the scope of IAS 37 and IFRIC 21.

IAS 16 Property, plant and equipment: Proceeds before Intended Use (amendment) (IAS 16)

This amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

IAS 37 Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract (amendment) (IAS 37)

This amendment specifies which costs a company includes when assessing whether a contract will be loss-making.

Annual Improvements 2018 – 2020

These amendments update IFRS 1 First-time adoption of IFRS for voluntary exemption for subsidiaries regarding cumulative translation differences, IFRS 9 Financial Instruments for clarification of fees to include in the ten percent test for derecognition of financial liabilities, IAS 41 Agriculture to exclude cash flows for taxation when measuring fair value and Illustrative Examples to IFRS 16 Leases.

Other standards, amendments to standards and interpretations not yet effective

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2022, and have not been applied in preparing these financial statements:

IFRS 17 *Insurance* Contracts

- Classification of Liabilities as Current and Disclosure of Accounting policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)

These are all effective for annual periods beginning on or after 1 January 2023 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

Revenue

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Operating lease revenue		
Rentals receivable	1,157,170	1,084,454
Lease incentive amortisation (note 18)	(18,760)	(15,924)
Maintenance income	233,311	62,302
Lease revenue	1,371,721	1,130,832
Fee income		
Aircraft management fees	10,833	13,721
Other revenue	10,833	13,721
	1,382,554	1,144,553

Maintenance income above include $149.3 million recognised following the termination of leasing with Russian airlines in relation to the release of maintenance reserves held at the time, including $76.3 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination. Separately, the release of other related balances resulted in additional operating lease revenue of $12.3 million, consisting of prepaid rentals receivable of $9.0 million and maintenance income from the release of lessor contributions of $6.3 million, offset by accelerated lease incentive amortisation of $3.0 million.

Included in operating lease revenue above are the following amounts:		
Contingent rentals	48,545	12,431

The contingent element relates to lease rentals that are variable based on market interest rates and certain lease amendment agreements. The rates can be in the favour of the lessee or the Group depending on the contract and prevailing market rates.

	Year ended 31 March 2022 US $'000	Year ended 31 March 2022 %	Year ended 31 March 2021 US $'000	Year ended 31 March 2021 %
Total rentals receivable distribution by geographical region:				
Emerging Asia	306,650	26.5	357,871	33.0
South America	208,291	18.0	213,637	19.7
Developed Europe	218,705	18.9	195,202	18.0
Emerging Europe	153,904	13.3	108,445	10.0
Asia	97,202	8.4	86,756	8.0
Middle East & Africa	70,587	6.1	62,898	5.8
North America	101,831	8.8	59,645	5.5
	1,157,170	100.0	1,084,454	100.0

The basis for disclosing revenue distribution by geographical region is that the portfolio is managed by region rather than by country.

Other Operating Income

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Profit on disposal of property, plant and equipment	69,327	1,857
Other operating income	54,949	20,840
	124,276	22,697

Profit on disposal of property, plant and equipment increased in the current year due to increased aircraft trading activity. Other operating income in the current and prior year include partial recovery amounts related to the sale of the Group's interest in the pre-petition claims against some its lessees by way of sub-participation.

Other operating income for the period include $20.3 million recognised following the termination of leasing with Russian airlines in relation to the release of security deposits and other related balances. This amount also includes

$17.4 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination.

Other Operating Expenses

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Administration expenses	(103,310)	(85,186)
Amortisation of computer software intangible assets	(857)	(755)
	(104,167)	(85,941)

Operating expenses increased during the year due to higher staff (note 6) costs as well as legal and other professional fees incurred.

Loss / Profit from Operating Activities

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Operating loss / profit has been arrived at after charging:		
Depreciation	484,213	442,094
Asset impairment charge	1,686,034	176,439
Credit impairment (credit) / charge	(35,364)	153,872
Financial asset impairment	16,592	-
Group service fee	13,042	15,690
Auditors remuneration	1,216	1,148
Staff costs (note 6)	65,710	57,742
Other operating expenses	33,725	23,332
Foreign exchange loss	591	460

Financial asset impairment represents amounts written off, which were previously recognised to reflect the fair value of certain sale and leaseback transactions with Russian airlines.

Auditors remuneration:		
Audit of the Group financial statements	570	577
Audit of the Subsidiary financial statements	71	98
Other assurance services	142	136
Other non-audit services	-	-
Tax advisory services	433	337
	1,216	1,148
Of which related to the Company	989	885

Staff Costs

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Staff costs	55,315	48,156
Social security costs	6,195	5,442
Other pension costs	4,200	4,144
	65,710	57,742

Staff costs increased due to higher staff numbers as well as discretionary costs, while no staff costs were capitalised during the year (year ended 31 March 2021: $0.34 million). The average number of people in the organisation during the financial year was 203 (2021: 201), consisting of both direct employees and representatives, of which 45 staff members were dedicated to commercial & strategy functions (2021: 44), 84 to operational (2021: 79) and the remainder to finance, compliance and other support functions.

Net Finance Costs

Finance income:	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Interest income on swaps	77,780	92,857
Interest income on finance lease and loan receivables	29,871	1,642
Interest income on deposits	504	709
Total interest income	108,155	95,208

Finance expense:	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Interest payable on swaps	(169,629)	(160,302)
Interest payable on borrowings	(305,102)	(253,886)
Less: Interest capitalised to the cost of aircraft (see note 21)	23,688	49,576
Bank charges, guarantee & other fees on borrowings	(23,376)	(23,877)
Total interest payable and related charges	(474,419)	(388,489)
Net interest payable	(366,264)	(293,281)

Interest payable on borrowings is shown net of interest income on advances to OEMs, in excess of associated funding costs, of $8.9 million (year ended 31 March 2021: $25.3 million), which resulted from the restructuring of PDPs during the previous year (note 14).

Break losses related to derivatives and liability management	(817)	(836)

Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	(1,373)	(1,441)
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	1,949	1,883
Net gain from financial instruments at fair value (note 23)	576	442

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 March 2022 is a gain of $0.58 million (year ended 31 March 2021: $0.44 million).

Financial asset impairment	(16,592)	

Financial assets were recognised to reflect the fair value of certain sale and leaseback transactions with Russian airlines, which have now been impaired following the termination of leasing with Russian airlines.

Taxation

		Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
a	ANALYSIS OF TAX CHARGE FOR THE YEAR		
	Current tax charge:		
	- Current year	1,952	315
	Deferred tax - origination and reversal of temporary differences:		
	- Current year	(142,370)	1,359
	Tax (credit) / charge	(140,418)	1,674
b	FACTORS AFFECTING THE TAX (CREDIT)/CHARGE FOR THE YEAR		
	(Loss) / profit before tax subject to tax at 12.5% (2021: 12.5%)	(1,126,941)	11,886
	Profit before tax subject to tax at 28% (2021: 28%)	80	76
	Profit before tax subject to tax at 25% (2021: 25%)	1,353	1,117
	Profit before tax subject to tax at 16.5% (2021: 16.5%)	439	1,042
	Profit before tax subject to tax at 8.25% (2021: 8.25%)	9,752	1,108

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
	(1,115,317)	15,229
Tax on (loss) / profit at the rate of 12.5% (2021: 12.5%)	(140,868)	1,486
Tax on profit at the rate of 28% (2021: 28%)	22	21
Tax on profit at the rate of 25% (2021: 25%)	338	279
Tax on profit at the rate of 16.5% (2021: 16.5%)	72	172
Tax on profit at the rate of 8.25% (2021: 8.25%)	805	91
Other differences	(25)	(21)
Adjustment to assessed loss brought forward	(16)	(177)
Permanent difference - non-taxable income	(748)	(212)
Permanent difference - disallowed expenses	2	35
Tax (credit) / charge	(140,417)	1,674

Property, Plant and Equipment

	Group Aircraft for hire under operating leases US $'000	Group Pre-Delivery Payments US $'000	Group Office equipment and fixtures & fittings US $'000	Group Right-of-use assets US $'000	Group Total US $'000
COST					
At 1 April 2020	11,738,358	2,073,330	12,146	9,677	13,833,511
Additions	2,475,880	363,186	523	2,378	2,841,967
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 14)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 19)	131,974	-	-	-	131,974
At 31 March 2021	14,613,989	974,258	12,669	12,055	15,612,971
Additions	2,798,632	403,879	369	685	3,203,565
Transfers	543,214	(543,214)	-	-	-
Disposals	(1,054,428)	-	-	-	(1,054,428)
Transfer to assets held for sale (see note 19)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,860,129	834,923	13,038	12,740	17,720,830
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2020	1,333,596	-	10,516	2,489	1,346,601
Charge for the year	438,250	-	824	3,020	442,094
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,464)	-	-	-	(5,464)
Transfer from assets held for sale (see note 19)	15,279	-	-	-	15,279
At 31 March 2021	1,958,100	-	11,340	5,509	1,974,949
Charge for the year	480,980	-	460	2,773	484,213
Impairment and write-off charges for the year	1,686,034	-	-	-	1,686,034
Disposals	(147,435)	-	-	-	(147,435)
Transfer to assets held for sale (see note 19)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,971,188	-	11,800	8,282	3,991,270
CARRYING AMOUNT					
Net Book Value at 31 March 2022	12,888,941	834,923	1,238	4,458	13,729,560
Net Book Value at 31 March 2021	12,655,889	974,258	1,329	6,546	13,638,022

As noted, the Group's 34 aircraft which remain in Russia, continue to be flown by Russian airlines despite the leasing being terminated and the requested return of such aircraft by the Group. The Group has determined that it is likely that these aircraft will continue to suffer deterioration in maintenance condition due to inadequate maintenance and lack of components, with a significant risk that the aircraft may never be retrieved. While the Group and Company retain title to the aircraft, it has been determined that the Group and Company no longer have control of the aircraft which remain Russia. Consequently, the Group have recognised a write off of $1.62 billion, representing 100% of the carrying value of the 34 aircraft in Russia which have not been redelivered by 31 March 2022.

Separately, during the year, assets in the Group with a carrying value of $1.45 billion (year ended 31 March 2021: $1.58 billion) and average age of 6.8 years (year ended 31 March 2021: 7.4 years) were assessed for impairment as evidence existed that suggested the economic performance of the aircraft is or will be worse than expected. Impairment was measured by determining the recoverable amount for each aircraft, being the higher of its (i) fair

value less costs to sell and (ii) value in use, being the present values of cashflows from the leases attached to the aircraft (including as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes) and the expected residual values from the realisation of the aircraft at lease-end when discounted at a rate of 5% (year ended 31 March 2021: 5%).

The carrying amount before impairment of these aircraft of $1.52 billion (year ended 31 March 2021: $1.76 billion) was determined to be higher than the combination of the value in use or maintenance adjusted current market value of $1.45 billion (year ended 31 March 2021: $1.58 billion) and an impairment loss of $69.5 million (year ended 31 March 2021: $176.4 million) was recognised during the year. The prior year charge included a charge of $157.1 million related to lessees who were in default or undergoing restructuring processes due to the Covid pandemic. The balance of the charge relates to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations, including reduced lease rentals for airlines that have entered restructuring processes. In certain instances these cash flow projections may also include potential cash outflows in respect of near-term scheduled maintenance events. Cash flow assumptions applied for these lease restructurings and for customers with ongoing restructuring negotiations, have been assessed and the highly probable outcomes have been included in line with the customer specific circumstances. If future cash flows were to deviate from current negotiations to worst-case cash flows at market rates, the impact on impairment would be deemed not material. Residual values are projected based on management's view of expected return conditions of the aircraft which is based on current or expected lease redelivery conditions, or in the case of potential repossessions on an 'as is' physical condition. The impairment loss recognised takes account of both the value in use and the maintenance adjusted current market value of the relevant aircraft.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 5% (year ended 31 March 2021: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables:

- 0.5% increase in the discount rate used
- 5% decrease in the future lease rental cashflows of each aircraft
- 5% decrease in the residual value of aircraft at end of its useful economic life
- 3 month increase in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

The value of lease and maintenance component assets included in above is $109.19 million (31 March 2021: $3.86 million). These lease and maintenance component assets arose from the purchase of second hand aircraft and are accounted for in accordance with our policy as set out in note 1(l). There were no assets subject to obligations under finance leases at 31 March 2022 (31 March 2021: assets with carrying value of $24.12 million).

At 31 March 2022 the Group owned 343 aircraft, including aircraft classified as finance lease and loan receivables. The Group has 22 aircraft off-lease at year-end and 11 aircraft on lease which are scheduled to complete

their lease term within the next twelve months. As noted above, the Group also has 34 aircraft in Russia, which have not been redelivered yet despite the termination of leasing during February 2022. There was one aircraft held for sale at 31 March 2022 (31 March 2021: none).

	Company Aircraft for hire under operating leases US $'000	Company Pre-Delivery Payments US $'000	Company Office equipment and fixtures & fittings US $'000	Company Right-of-use assets US $'000	Company Total US $'000
COST					
At 1 April 2020	11,738,358	2,073,330	12,129	6,983	13,830,800
Additions	2,313,623	363,186	523	2,110	2,679,442
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 14)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 19)	131,974	-	-	-	131,974
At 31 March 2021	14,451,732	974,258	12,652	9,093	15,447,735
Additions	2,798,632	403,879	368	685	3,203,564
Transfers	543,214	(543,214)	-	-	-
Disposals	(941,254)	-	-	-	(941,254)
Transfer to assets held for sale (see note 19)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,811,046	834,923	13,020	9,778	17,668,767
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2020	1,333,596	-	10,505	1,397	1,345,498
Charge for the year	437,217	-	823	1,924	439,964
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,462)	-	-	-	(5,462)
Transfer from assets held for sale (see note 19)	15,279	-	-	-	15,279
At 31 March 2021	1,957,069	-	11,328	3,321	1,971,718
Charge for the year	479,153	-	457	2,095	481,705
Impairment charge for the year	1,686,034	-	-	-	1,686,034
Disposals	(144,810)	-	-	-	(144,810)
Transfer to assets held for sale (see note 19)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,970,955	-	11,785	5,416	3,988,156
CARRYING AMOUNT					
Net Book Value at 31 March 2022	12,840,091	834,923	1,235	4,362	13,680,611
Net Book Value at 31 March 2021	12,494,663	974,258	1,324	5,772	13,476,017

Investment in Subsidiaries - Company

	31 March 2022 US $'000	31 March 2021 US $'000
At cost	56,697	56,697

The Company's subsidiary undertakings, the capital of which consists of ordinary shares, are shown below. All share capital is wholly owned.

Owned by the Company:	Nature of business:	Country of incorporation:
SMBC Aviation Capital Ireland Leasing 3 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Ireland Leasing 5 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Finance Designated Activity Company (1)	Debt issuance	Ireland
SMBC Aviation Capital Netherlands B.V. (2)	Leasing	Netherlands
SMBC Aviation Capital Paris Leasing 2 SARL (3)	Leasing	France
SMBC Aviation Capital Hong Kong Limited (4)	Leasing	China
SMBC Aviation Capital Hong Kong 2 Limited (4)	Debt issuance	China
SMBC Aviation Capital Hong Kong 3 Limited (4)	Leasing	China

A new subsidiary, SMBC Aviation Capital Ireland Leasing 5 Limited, was incorporated on 2 February 2022.

Registered addresses of entities above, denoted by reference attached to each entity name:

1) IFSC House, IFSC, Dublin 1, Ireland

2) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands

3) 3-5, rue Saint-Georges, 75009 Paris, France

4) 31 & 32/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong

Movements during the year:	US $'000
At 1 April 2020	15,509
Addition during the year	41,200
Subsidiaries liquidated during the year	(12)
At 31 March 2021	56,697
Addition during the year	0
At 31 March 2022	56,697

Financial Instruments

The carrying value and fair value of the Group's financial assets and liabilities by class and category are summarised below:

At 31 march 2022	Group Carrying Value US $'000	Group Fair Value US $'000	Company Carrying Value US $'000	Company Fair Value US $'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	24,851	24,851	24,851	24,851
Financial assets measured at amortised cost				
Advances to OEMs	608,356	604,046	608,356	604,046
Finance lease and loan receivables	633,003	634,982	684,031	784,808
Trade and other receivables	212,299	212,299	214,698	214,698
Cash and cash equivalents	994,274	994,274	980,451	980,451
Financial assets	2,472,783	2,470,452	2,512,387	2,608,854
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	106,943	106,943	106,943	106,943
Financial liabilities measured at amortised cost:				
Trade and other payables	888,775	888,775	908,714	908,714
Borrowings	12,455,671	13,376,441	12,549,967	13,805,906
Subordinated liabilities	300,000	332,138	300,000	332,138
Financial liabilities	13,751,389	14,704,297	13,865,624	15,153,701

At 31 March 2021	Group Carrying Value US $'000	Group Fair Value US $'000	Company Carrying Value US $'000	Company Fair Value US $'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	1,373	1,373	1,373	1,373
Financial assets measured at amortised cost				
Advances to OEMs	741,179	742,114	741,179	742,114
Finance lease and loan receivables	501,572	501,661	635,631	702,651
Trade and other receivables	242,029	242,029	238,811	238,811
Cash and cash equivalents	817,055	817,055	811,893	811,893
Financial assets	2,303,208	2,304,232	2,428,887	2,496,842
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	313,338	313,338	313,338	313,338
Borrowings (held for qualifying hedging relationships)	501,738	501,738	501,738	501,738
Financial liabilities measured at amortised cost:				
Obligations under finance leases	5,560	5,889	5,560	5,889
Trade and other payables	978,102	978,102	999,053	999,053
Borrowings	10,404,787	11,488,817	10,449,474	10,087,272
Subordinated liabilities	300,000	371,917	300,000	371,917
Financial liabilities	12,503,525	13,659,801	12,569,163	12,279,207

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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

The valuation techniques and significant inputs used in determining the fair values for financial assets and liabilities classified as Level 2 are as follows:

The financial instruments at fair value through profit or loss, being the assets and liabilities shown as above, all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Cash and cash equivalents - The fair value of cash and cash equivalents is considered to be approximately equal to their carrying amount as the components are highly liquid.

Finance lease and loan receivables measured at amortised cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Advances to OEMs measured at amortised cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Obligations under finance leases, Borrowings and Subordinated liabilities fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

The remaining financial assets and liabilities measured at amortised cost all fall within Level 2. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

Derivatives at Fair Value

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is $82.09 million (2021: $313.34 million). The value of derivative assets designated as fair value hedge relationships is $nil million (2021: $1.37 million). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2021: $nil) in respect of certain ineffective cashflow hedges and a $0.58 million gain (2021: $0.44 million) in respect of certain ineffective fair values hedges.

	Group Notional Contract	Group Fair Values		Company Notional Contract	Company Fair Values	
		Assets	Liabilities		Assets	Liabilities
At 31 March 2022	**US $'000**	**US $'000**	**US $'000**	**US $'000**	**US $'000**	**US $'000**
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
Total	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
At 31 March 2021						
Derivatives designated as hedging instruments in fair value hedges Interest rate swaps	500,000	1,373	-	500,000	1,373	-
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)	4,137,309	-	(313,338)

	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)
Total	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)

Summary	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Assets due within one year	-	1,373	-	1,373
Assets due after one year	24,851	-	24,851	-
Liabilities due within one year	(206)	(945)	(206)	(945)
Liabilities due after one year	(106,737)	(312,393)	(106,737)	(312,393)
Total	(82,092)	(311,965)	(82,092)	(311,965)

Hedge Accounting

The Group and Company uses interest rate swaps to hedge the interest rate risks arising from receipt of variable interest receivables on leases.

The fair values of derivatives designated as cash flow hedges are as follows:

Group

At 31 March 2022	Notional contract amount US $'000	Fair values Assets US $'000	Fair values Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)
At 31 March 2021			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

At 31 March 2022	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	122,828	174,796	404,366	308,506
Cash outflows	(171,859)	(163,893)	(427,843)	(354,846)

During the financial year ended 31 March 2022, $231.2 million (2021: $275.3 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2021: $nil).

Company

At 31 March 2022	Notional contract amount US $'000	Fair values Assets US $'000	Fair values Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)
At 31 March 2021			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

At 31 March 2022	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	122,828	174,796	404,366	308,506
Cash outflows	(171,859)	(163,893)	(427,843)	(354,846)

During the financial year ended 31 March 2022, $231.2 million (2021: $275.3 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Profit or Loss and Other Comprehensive Income (2021: $nil).

Analysis of effective portion of changes in fair value of cash flow hedges	Group Year ended 31 March 2022 US $'000	Group Year ended 31 March 2021 US $'000	Company Year ended 31 March 2022 US $'000	Company Year ended 31 March 2021 US $'000
Derivatives in place for the full year	228,934	275,279	228,934	275,279
Derivatives matured during the year	943	(10)	943	(10)
Derivatives entered into during the year	1,368	-	1,368	-
Effective portion of changes in fair value of cash flow hedges	231,245	275,269	231,245	275,269
Tax effect	(28,906)	(34,409)	(28,906)	(34,409)
	202,339	240,860	202,339	240,860

Advances to OEMS

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Advances to Boeing				
Current	563,585	376,602	563,585	376,602
Non-current	44,771	364,577	44,771	364,577
	608,356	741,179	608,356	741,179

During the prior year, various amounts of previously paid PDPs were reclassified as an advance to Boeing (note 9) due to the deferral and cancellation of a number of existing orders (note 29). These amounts are available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, earns interest and any unused balances relating to these agreements become repayable between 2022 - 2024. Credits totalling $547.4 million were applied against direct order and sale and leaseback deliveries during the current period and prior year.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1(v) of the Group's Consolidated Financial Statements for the year ended 31 March 2021, the Group performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of $0.83 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the **amount** outstanding at period-end is $607.5 million.

Finance Leases and Loan Receivables

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Current				
Fixed rate receivables				
Finance leases	18,889	2,359	-	-
Loan receivables	-	-	19,790	3,103
Floating rate receivables				
Loan receivables	27,132	23,681	27,521	29,523
	46,021	26,040	47,311	32,626
Non-current				
Fixed rate receivables				

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Finance leases	34,781	17,267	-	-
Loan receivables	-	-	72,041	139,528
Floating rate receivables				
Loan receivables	552,201	458,265	564,679	463,477
	586,982	475,532	636,720	603,005
Total finance lease and loan receivables	633,003	501,572	684,031	635,631

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

Less than 1 year	22,665	3,271	-	-
1-2 years	4,667	17,998	-	-
2-3 years	4,667	-	-	-
3-4 years	4,667	-	-	-
4-5 years	30,611	-	-	-
Total undiscounted lease payments receivable	67,277	21,269		
Unearned finance income	(13,607)	(1,643)	-	-
Net investment in finance leases	53,670	19,626	-	-

Finance lease receivables

The Group has entered into lease arrangements as a lessor that is considered to be finance leases. The Group leases two aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of this arrangement as finance leases. Finance income in the period on the net investment in leases totalled $29.87 million (31 March 2021: $1.64 million; see note 7). Collateral for these finance leases are the relevant leased aircraft.

Loan receivables - Group:

The Group acquired one aircraft (year ended 31 March 2021: nine) during the year, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as a loan receivables.

Loan receivables - Company:

Loans receivable by the Company consist of funding provided to its subsidiary undertakings in the normal course of their leasing activities.

The expected credit loss of the Group's finance lease and loan receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognised on the Group's finance lease and loan receivables.

Trade and Other Receivables

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Trade debtors	115,582	260,771	116,393	260,771
Deferred lease receivables	61,352	68,652	61,352	68,652
Credit impairment provisions	(35,253)	(152,937)	(35,253)	(152,937)
Net lease receivables	141,681	176,486	142,492	176,486
Amounts due from parent group undertakings	13,028	17,436	20,234	26,653
Prepayments	37,037	23,887	34,632	20,193
Other debtors	20,553	24,220	17,340	15,479
	212,299	242,029	214,698	238,811
Age analysis of net trade debtors				
Less than one month	14,255	28,943	15,066	28,943

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
One to two months	12,014	23,664	12,014	23,664
More than two months	89,313	208,164	89,313	208,164
	115,582	260,771	116,393	260,771

Net lease receivables have decreased due to an improved operating performance by most airline customers, but also agreed restructured leases with a number of airline customers, which resulted in the write-off of certain balances that originated in the pre-restructuring period. The credit impairment credit in the current year of $35.4 million (year ended 31 March 2021: charge of $153.9 million) reflects the credit upgrades of a number of airlines that have exited their restructuring processes during the year. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance (note 22(d)).

Other debtors include inventory of engines and airframes totalling $4.5 million (31 March 2021: $4.5 million).

Cash and Cash Equivalents

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Bank account	19,654	11,308	5,831	6,146
Bank account with parent group undertakings	76,859	5,753	76,859	5,753
Short-term deposits with parent group undertakings	897,761	799,994	897,761	799,994
	994,274	817,055	980,451	811,893
Restricted cash	-	(361,700)	-	(361,700)
Cash and cash equivalents net of restricted cash	994,274	455,355	980,451	450,193

Included in the table above is restricted cash relating to a collateral call account for derivatives.

Lease Incentive Assets

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Lease incentive assets	21,952	33,276	21,952	33,276
Amortised during the year (note 2)	(18,760)	(15,924)	(18,760)	(15,924)
Additions of lease incentive assets	84,960	4,600	84,960	4,600
	88,152	21,952	88,152	21,952
Current lease incentive assets (amortising within 12 months)	19,769	8,348	19,769	8,348
Non-current lease incentive assets (amortising after 12 months)	68,383	13,604	68,383	13,604
	88,152	21,952	88,152	21,952

The lease incentive assets are amortised over the respective lease terms and recorded as a reduction of lease income (note 2).

Assets and Liabilities Held for Sale

The aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Assets held for sale				
Property, plant and equipment – aircraft	34,787	-	34,787	-
	34,787	-	34,787	-
Liabilities associated with assets held for sale				
Obligations under finance leases	-	-	-	-
Security deposits	-	-	-	-

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Maintenance reserve	2,773	-	2,773	-
Lessor contributions	-	-	-	-
	2,773	-	2,773	-
	32,014	-	32,014	-

At 31 March 2022, the Group classified one aircraft (31 March 2021: none) as held-for-sale as the Group had an agreement for the sale in place which met the requirement to be classified as held-for-sale. The Group generally continues to recognise lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

Trade and Other Payables

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Security deposits	104,831	132,810	102,772	131,408
Maintenance reserves	283,052	466,588	271,155	466,974
Lessor contributions	108,486	41,259	108,486	41,259
Prepaid lease rentals and fee income received	106,895	120,502	104,671	117,636
Trade creditors	16,876	5,162	16,505	4,770
Accrued interest - third party undertakings	39,831	32,356	15,565	13,076
Amounts due to parent group undertakings	128,121	94,042	202,380	140,076
Other creditors	97,910	85,383	84,407	83,854
	886,002	978,102	905,941	999,053
Analysed as:				
Non-current trade and other payables (payable after 12 months)	464,224	597,805	450,972	588,620
Current trade and other payables (payable within 12 months)	421,778	380,297	454,969	410,433
	886,002	978,102	905,941	999,053

Analysis of Group trade and other payables:

At 31 March 2022	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	420	104,411	104,831
Maintenance reserve	42,366	240,686	283,052
Lessor contributions	24,213	84,273	108,486
Prepaid lease rentals and fee income received	103,892	3,003	106,895
Trade creditors	16,876	-	16,876
Accrued interest - third party undertakings	39,831	-	39,831
Amounts due to parent group undertakings	124,371	3,750	128,121
Other creditors	69,810	28,100	97,910
	421,779	464,223	886,002

At 31 March 2021	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	1,389	131,421	132,810
Maintenance reserve	65,214	401,374	466,588
Lessor contributions	10,362	30,897	41,259
Prepaid lease rentals and fee income received	117,499	3,003	120,502
Trade creditors	5,162	-	5,162
Accrued interest - third party undertakings	32,356	-	32,356
Amounts due to parent group undertakings	90,877	3,165	94,042
Other creditors	57,438	27,945	85,383
	380,297	597,805	978,102

Security deposits fall due at the end of each respective lease, while maintenance reserves, lessor contributions and amounts due to parent group undertakings which relate to operating leases fall due during the remaining term of each respective lease based on the timing of expected maintenance events.

Amounts due to parent group undertakings include cash balances held at period-end on behalf of affiliate group companies in accordance with existing cash pooling agreements.

Borrowings

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Loan amounts due to third party undertakings	3,453,766	3,328,522	3,113,766	2,948,522
Loan amounts due to parent group undertakings	6,510,365	5,580,561	6,510,364	5,575,249
Loan amounts due to subsidiaries	-	-	2,925,837	2,427,441
Debt securities issued in qualifying hedging relationships	-	501,738	-	-
Other debt securities issued	2,491,540	1,495,704	-	-
	12,455,671	10,906,525	12,549,967	10,951,212
The borrowings are repayable as follows:				
On demand or within one year	1,154,478	1,303,567	1,154,478	1,298,255
In the second year	1,043,481	1,151,273	1,043,481	1,151,273
In the third to fifth year inclusive	4,283,386	3,641,147	4,283,386	3,641,147
After five years	5,974,326	4,810,538	6,068,622	4,860,537
	12,455,671	10,906,525	12,549,967	10,951,212
Less: Amounts due for settlement within 12 months	(1,154,478)	(1,303,567)	(1,154,478)	(1,298,255)
Amounts due for settlement after 12 months	11,301,193	9,602,958	11,395,489	9,652,957

As at 31 March 2022, the Group had $4.4 billion of available capacity in place through a combination of undrawn shareholder funding ($1.9 billion), third party availability ($1.5 billion) and unrestricted cash balances. The Group has short-term debt repayment obligations (due within 12 months) totalling $1.15 billion and other current liabilities of $424.8 million. The short-term debt obligations include shareholder funding repayments of $194.6 million, which will become available as additional capacity on repayment.

On 19 July 2016, the Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited, and the hedged interest rate risk measured at fair value through profit or loss. These notes were repaid in July 2021. These debt securities were designated into a qualifying hedge relationship at inception and the Group had determined that it expected the hedge to be highly effective over the life of the hedging instrument. The debt securities were fair valued through profit or loss with respect to the hedged interest rate. The net fair value hedge ineffectiveness gain of $0.58 million (note 7; year ended 31 March 2021: $0.44 million) recognised in the Statement of comprehensive income reflects an expense from hedging instruments related to debt securities of $1.37 million (year ended 31 March 2021: $1.44 million) and a gain from these hedged debt securities of $1.95 million (year ended 31 March 2021: $1.88 million). At Company level, these notes were included in loan amounts due to subsidiaries.

The Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018, the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

All borrowings are unsecured, interest-bearing at market related interest rates determined by each facility's respective term, collateral and counterparty.

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was $23.7 million (year ended 31 March 2021: $49.6 million; note 9). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

Reconciliation of cash and non-cash movements of Group borrowings:

	As at 1 April 2021 US $'000	Cash flows in the period US $'000	Non-cash changes: Fair value changes US $'000	Non-cash changes: Amortisation of issuing costs US $'000	As at 31 March 2022 US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	3,030,000	(140,000)	-	-	2,890,000
Loan amount due to parent group undertakings	2,226,379	301,380	-	-	2,527,759
	5,256,379	161,380	-	-	5,417,759
Fixed rate borrowings					
Loan amount due to parent group undertakings	3,354,182	628,424	-	-	3,982,606
Loan amounts due to third party undertakings	298,522	265,244	-	-	563,766
Debt securities issued in qualifying hedging relationships	501,738	(500,740)	(1,949)	951	-
Other debt securities issued	1,495,704	993,858	-	1,978	2,491,540
	10,906,525	1,548,166	(1,949)	2,929	12,455,671

Terms, conditions and analysis of Group borrowings before impact of derivatives:

At 31 March 2022	Average interest rate %	Year of maturity	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	1.20	2022-2029	460,000	2,430,000	2,890,000
Loan amount due to parent group undertakings	2.86	2023-2033	59,730	2,468,029	2,527,759
			519,730	4,898,029	5,417,759
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2022-2034	134,911	3,847,695	3,982,606
Loan amounts due to third party undertakings	2.61	2025-2031	-	563,766	563,766
Other debt securities issued	2.98	2022-2028	499,837	1,991,703	2,491,540
			1,154,478	11,301,193	12,455,671
At 31 March 2021					
Floating rate borrowings					
Loan amounts due to third party undertakings	1.27	2021-2029	440,000	2,590,000	3,030,000
Loan amount due to parent group undertakings	2.85	2021-2033	57,680	2,168,699	2,226,379
			497,680	4,758,699	5,256,379
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2021-2034	304,149	3,050,033	3,354,182
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,522	298,522
Debt securities issued in qualifying hedging relationships	2.65	2021	501,738	0	501,738
Other debt securities issued	3.56	2022-2024	-	1,495,704	1,495,704
			1,303,567	9,602,958	10,906,525

Financial Risk Management

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board of Directors, in conjunction with the Transportation Business

Planning Department ("TBPD") on behalf of the Consortium, develops and monitors the Group and Company's risk management policies which are established to identify and analyse the risks faced by the Group and Company, which include:

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and Company seek to minimise cash flow currency risk by ensuring its leases and associated financing are in the same currency, or entering into currency swaps or forwards over the life of the lease. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. The Group and Company have no currency swaps in place at year-end.

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 13. There was no material change in the currency risk of the Group and Company during the period.

The carrying amounts of other currency denominated monetary assets and liabilities are as follows:

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Euro assets	10,172	13,968	8,914	12,556
Sterling assets	11	162	11	162
Japanese yen assets	10,937	5,965	397	413
Euro liabilities	(12,907)	(14,745)	(10,812)	(13,329)
Sterling liabilities	(1,386)	(1,353)	(1,386)	(1,351)
Japanese yen liabilities	(11,297)	(5,700)	(853)	(250)
Chinese yuan liabilities	(471)	(229)	(471)	(229)

At 31 March 2022, if the foreign currency, on the balances disclosed above, weakened/strengthened against the US dollar by 5% with all other variables held constant, the underlying post-tax profit for the Group for the year would have been $229,961 lower / higher, and for the Company would have been $131,117 lower / higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimise cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. There was no material change in the interest rate risk of the Group and Company during the period.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Financial assets				
- variable rate	579,333	843,646	592,200	729,700
- fixed rate	1,559,787	1,199,099	1,597,948	1,322,104
- non-interest bearing	333,663	260,463	322,239	377,083
Total Financial Assets	2,472,783	2,303,208	2,512,387	2,428,887
Financial liabilities				

- variable rate	5,717,759	5,556,379	5,812,055	5,601,066
- fixed rate	7,037,912	5,655,706	7,037,912	5,655,706
- non-interest bearing	995,718	1,291,440	1,015,657	1,312,391
Total Financial Liabilities	13,751,389	12,503,525	13,865,624	12,569,163

The Group and Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. At 31 March 2022, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would have been $1.4 million lower / higher; other components of equity would have been $5.1 million lower / higher as a result of a decrease/increase in the fair value of cash flow hedge reserves. The weighted average fixed rate for the interest rate swap portfolio was 4.45%.

Liquidity Risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at 31 March 2022, the Group had put in place $4.4 billion of available capacity through a combination of undrawn shareholder funding ($1.9 billion), third party availability ($1.5 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to impact of Covid-19 on various lessees and the impact of sanctions on Russia on various Russian airlines, available liquidity capacity has ensured that there was no material change in the liquidity risk of the Group and Company during the period.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

	Group Carrying value 31 March 2022 US $'000	**Group Contracted cashflows 31 March 2022 US $'000**	**Group Carrying value 31 March 2021 US $'000**	**Group Contracted cashflows 31 March 2021 US $'000**
Liabilities associated with assets held for sale	2,773	2,773	-	-
Trade and other payables	779,107	779,107	857,600	857,600
Obligations under finance leases	-	-	5,560	6,213
Borrowings	12,455,671	14,752,823	10,906,525	12,856,040
Subordinated liabilities	300,000	596,987	300,000	588,503
Interest rate swaps	106,943	1,118,441	313,338	1,050,651
	13,644,494	17,250,131	12,383,023	15,359,007

	Group Less than 1 year US $'000	**Group 1 to 2 years US $'000**	**Group 3 to 5 years US $'000**	**Group Over 5 years US $'000**
At 31 March 2022				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(2,773)	-	-	-
Trade and other payables	(317,886)	(72,115)	(164,893)	(224,215)
Borrowings	(1,542,195)	(1,483,877)	(5,301,941)	(6,424,810)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total non-derivative financial instruments outflows	(1,877,932)	(1,577,230)	(5,527,486)	(7,149,044)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	10,903	-	-
Net Settled - outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(1,926,962)	(1,566,327)	(5,550,964)	(7,195,383)

	Group Less than 1 year US $'000	**Group 1 to 2 years US $'000**	**Group 3 to 5 years US $'000**	**Group Over 5 years US $'000**

At 31 March 2021				
Non-derivative financial instruments				
Trade and other payables	(262,798)	(75,117)	(261,556)	(258,129)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,588,716)	(1,413,074)	(4,374,283)	(5,479,967)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total non-derivative financial instruments outflows	(1,867,822)	(1,504,061)	(4,685,974)	(6,250,499)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(1,949,947)	(1,579,606)	(4,789,217)	(6,271,527)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

	Company Carrying value 31 March 2022 US $'000	**Company Contracted cashflows 31 March 2022 US $'000**	**Company Carrying value 31 March 2021 US $'000**	**Company Contracted cashflows 31 March 2021 US $'000**
Trade and other payables	(262,798)	(75,117)	(261,556)	(258,129)
Liabilities associated with assets held for sale	2,773	2,773	-	-
Trade and other payables	801,270	801,270	881,417	881,417
Obligations under finance leases	-	-	5,560	6,213
Borrowings	12,549,967	14,822,161	10,951,212	12,871,950
Subordinated liabilities	300,000	596,987	300,000	588,503
Interest rate swaps	106,943	1,118,441	313,338	1,050,651
	13,760,953	17,341,632	12,451,527	15,398,734

	Group Less than 1 year US $'000	**Group 1 to 2 years US $'000**	**Group 3 to 5 years US $'000**	**Group Over 5 years US $'000**
At 31 March 2022				
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	(2,773)	-	-	-
Trade and other payables	(353,300)	(72,115)	(164,893)	(210,960)
Borrowings	(1,632,671)	(1,483,877)	(5,302,438)	(6,403,175)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total Non-derivative Financial Instruments Outflows	(2,003,822)	(1,577,230)	(5,527,983)	(7,114,154)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	10,903	-	-
Net Settled – outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(2,052,852)	(1,566,327)	(5,551,461)	(7,160,493)

	Group Less than 1 year US $'000	**Group 1 to 2 years US $'000**	**Group 3 to 5 years US $'000**	**Group Over 5 years US $'000**
At 31 March 2021				
Non-derivative Financial Instruments				
Trade and other payables	(295,800)	(75,117)	(261,556)	(248,944)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,629,583)	(1,413,074)	(4,374,283)	(5,455,010)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total Non-derivative Financial Instruments Outflows	(1,941,691)	(1,504,061)	(4,685,974)	(6,216,357)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(2,023,816)	(1,579,606)	(4,789,217)	(6,237,385)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

Credit Risk

Credit risk is the risk arising from the possibility that the Group and Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed with oversight from the Aircraft Credit Department ("ACCD") to enable the Group and Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a portfolio basis. The key principles of credit risk management set out in the Framework include:

- Approval of credit exposure must be granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of credit exposure. This must include an assessment of, amongst others, the purpose of the credit and sources of repayment, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority must be specifically granted in writing to all individuals involved in the granting of credit approval, whether this is exercised personally or collectively as part of a credit committee. These individuals must act independently and with balanced commercial judgement in exercising credit authority.
- Where credit authority is exercised personally, the individual must not have any responsibility or accountability for business revenue origination.
- All credit exposures, once approved, must be effectively monitored and managed and reviewed periodically against approved guidelines. Review occurs at least annually, with lower quality exposures being subject to a greater frequency of analysis and assessment.
- Customers with emerging credit problems must be identified early and classified accordingly. Remedial actions must be implemented promptly to minimise the potential loss to the Company and consideration given whether to transfer customers with credit problems to a specialised problem management or recovery unit.
- Portfolio analysis and reporting must be used to identify and manage credit risk concentrations and credit risk quality.

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables ($212.3 million of which $141.7 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($608.4 million; note 14) and cash and cash equivalents (bank accounts totalling $994.3 million; including $974.6 million with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but the credit risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group did not recognise an impairment allowance as the potential allowance was deemed to be immaterial.

At 31 March 2022, the Group's significant cash and deposit counterparties were:

	US $'000

SMBC (credit rating A (S&P))	974,620
Citibank (Credit rating A+ (S&P))	19,654
	994,274

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2022, the Group was exposed to trade debtors of $115.6 million (2021: $260.8 million) and held a provision for expected credit losses against these for $35.3 million (2021: $152.9 million). As at 31 March 2022, the Group held letters of credit in relation to lease rentals and maintenance exposures of $283.9 million (31 March 2021: $383.4 million) in addition to $383.4 million of cash security deposits and maintenance reserves (31 March 2021: $599.4 million; see note 20).

The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables and gross of collateral held.

The table below provides an analysis of exposure to credit risk and ECLs for trade receivables as at:

	Expected credit loss provision %		Group & Company 31 March 2022		Group & Company 31 March 2021	
	31 March 2022	31 March 2021	Gross carrying amount	Impairment loss	Gross carrying amount	Impairment loss
	%	%	US $'000	US $'000	US $'000	US $'000
Category 1	0.2%	0.2%	440	-	1,210	-
Category 2	1.2%	1.5%	351	-	3,813	157
Category 3	8.4%	6.2%	70,373	4,298	11,907	744
Category 4	33% - 100%	33% - 100%	44,418	30,955	243,841	152,036
			115,582	35,253	260,771	152,937

The Group and Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee. Category 4 includes gross trade receivables of $15.9 million, $27.9 million and $0.6 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

The Group and Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) during the Covid pandemic, those who have subsequently exited such lease restructurings, as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances.

A number of airline customers agreed restructured leases and / or exited lease restructurings during the year, which resulted in the write-off of certain balances that originated in the pre-restructuring period. However, the Group partially recovered amounts related to the sale of the Group's interest in the pre-petition claims against some of its lessees by way of sub-participation (note 3). The table above reflects the lower overall receivable and provisioning balances at year-end, while the Group and Company continues to monitor its credit exposure and manage any lessee concentrations.

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality.

Impairment Losses	Group US $'000	Company US $'000
The movement in the provision for expected credit losses in respect of financial assets is as follows:		

Impairment Losses	Group US $'000	Company US $'000
Balance at 1 April 2020	12,187	12,187
Credit impairment charge on financial assets	153,872	153,872
Trade debtors written off	(13,122)	(13,122)
Balance at 31 March 2021	152,937	152,937
Credit impairment credit on financial assets	(35,364)	(35,364)
Trade debtors written off	(82,320)	(82,320)
Balance at 31 March 2022	35,253	35,253

The provision for expected credit losses include a provision of $33.5 million in relation to lease receivables (31 March 2021: $151.0 million).

Concentration Risk

Concentration risk is the risk that a high percentage of aircraft are on lease to a single lessee or region resulting in the returns on aircraft being less diverse and more correlated. The largest exposure to a single lessee based on net book value of delivered aircraft is 4.6%.

Technical, Maintenance and Environmental Risk

Technical, maintenance and environmental risk is the risk that a lessee undertakes responsibility for ensuring that the aircraft complies with current environmental, technical and maintenance regulations and statutory obligations as applicable. The Directors monitor these risks on an ongoing basis.

Asset Value Risk

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. There is a material risk to the value of the Groups operating lease assets that remain in Russia and which continue to be flown by Russian airlines. There is a significant level of uncertainty in terms of timing when, and if, these aircraft redeliver to the Group and as a result these aircraft may suffer deterioration in maintenance condition due to inadequate maintenance and lack of components.

In addition, as a result of the ongoing Covid-19 outbreak, there is a heightened risk that events may impact on the underlying value of property, plant and equipment, and specifically operating lease assets, held by the Group and Company.

Material judgements also apply in respect of property, plant and equipment and include the identification and subsequent measurement of impairment, which relies on a measurement of estimated of cash flows and residual values. A decrease in estimated future cash flows or residual values due to the on-going and evolving geopolitical situation in Ukraine / Russia and the Covid-19 outbreak may result in additional impairment of related assets.

Capital Management

The Group and Company is a member of a group with regulatory disciplines over the use of its capital. Although the Group and Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the Statement of Financial Position.

Deferred Tax

	Group US $'000	Company US $'000
Movements during the year:		
At 1 April 2020	319,969	319,977
Charge to income from continuing operations (note 8)	1,359	1,359

Charge to other comprehensive income	34,512	34,512
At 31 March 2021	355,840	355,848
Charge to income from continuing operations (note 8)	(142,370)	(44,669)
Charge to other comprehensive income	29,003	29,003
At 31 March 2022	242,473	340,182

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Deferred tax assets	13,652	39,549	13,652	39,549
Deferred tax liabilities	(256,125)	(395,389)	(353,834)	(395,397)
	(242,473)	(355,840)	(340,182)	(355,848)

Full provision has been made for the potential amount of deferred taxation shown below:

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(253,018)	(395,389)	(350,727)	(395,397)
Fair value adjustments on financial instruments - deferred tax asset	13,652	39,549	13,652	39,549
Fair value adjustments on financial instruments - deferred tax liability	(3,107)	-	(3,107)	-
	(242,473)	(355,840)	(340,182)	(355,848)

The Group has estimated tax losses of $3.22 billion (31 March 2021: $2.84 billion) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

Subordinated Liabilities

			Group & Company	
	Average interest rate %	Year of maturity	31 March 2022 US $'000	31 March 2021 US $'000
$300 million floating rate loan due to parent group undertakings	4.26	2038	300,000	300,000
			300,000	300,000

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2038 and can be extended further with the agreement of both parties.

Share Capital

	31 March 2022 US $	31 March 2021 US $
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
	1,000,000,000	1,000,000,000

Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
Preference shares of $1 each	700,000,000	700,000,000
	887,512,800	887,512,800

The Company's ordinary shares have voting rights attached but carry no right to fixed income, while its preference shares have no voting rights attached and may be paid a fixed non-cumulative preferential dividend of 7.5% of nominal value at the Company's discretion in any financial year.

	31 March 2022	31 March 2021
	Number of shares	
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
	1,000,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
Preference shares of $1 each	700,000,000	700,000,000
	887,512,800	887,512,800

Other Components of Equity

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Share premium	261,102	261,102	261,102	261,102
	261,102	261,102	261,102	261,102
Capital contribution	207,486	207,486	-	207,486
Other reserve	1,967	1,967	-	-
Cash flow hedge reserve	(73,818)	(276,841)	207,486	(276,841)
Total other reserves	396,737	193,714	468,588	191,747

The Company issued 18,751,307 new ordinary shares of $1 each at a premium of $12.9245 per share to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") as part of the shareholder restructuring in November 2018.

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207.5 million in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

As described in note 1 c, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonising the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

The cash flow hedge reserve reflects changes in the mark-to-market value of cash flow hedge accounted derivatives, driven by market rates, and the amortisation of de-designated cash flow hedges.

Operating Lease Arrangements as Lessor

The future minimum lease payments receivable under non-cancellable operating leases, which include variable lease payments based on rent as at the reporting date, are as follows:

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Within one year	1,122,826	1,164,067	1,118,242	1,152,384
In the second year	1,144,279	1,161,582	1,136,924	1,148,975
In the third year	1,091,783	1,093,864	1,082,271	1,078,486
In the fourth year	1,042,513	1,019,119	1,028,529	1,001,585
In the fifth year	965,881	969,683	951,310	947,675
After five years	3,967,962	3,978,558	3,899,849	3,875,143
	9,335,244	9,386,873	9,217,125	9,204,248

Related Parties

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries as documented in the accounting policy note 1c. A listing of the Company's subsidiaries is included in note 10. Transactions to and from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IAS 27, Consolidated and Separate Financial Statements.

The Group and Company's ultimate parent companies are Sumitomo Mitsui Financial Group (66%) and Sumitomo Corporation (34%). The table below provides a list of any outstanding balances at year end and any transactions entered into during the financial year with the parent companies and its subsidiaries. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000
Transactions with parent companies:				
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	132	3,375	132	3,375
Interest expense	-	638	-	638
Operating expenses	4,537	1,465	4,537	1,465
Balances at period end:				
Sundry (creditors) / debtors	(4,107)	2,067	(4,107)	2,067
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,351	2,464	2,197	2,210
Balances at period end:				
Sundry debtors	-	100	-	-
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	14,343	15,887	14,343	15,887
Fee income	1,362	1,558	1,362	1,558
Balances at period end:				
Amounts due to group undertakings	64,007	37,646	64,007	37,646
SMBC Capital Markets Inc.				
Transactions during the period:				
Gain on derivative fair value	1,373	1,441	1,373	1,441
Interest expense	92,433	67,473	92,433	67,473
Balances at period end:				
Cash	-	361,700	-	361,700
Derivative Financial Instruments	98,864	327,556	98,864	327,556

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000
SMBC Trust Bank				
Transactions during the period:				
Interest expense	97,745	84,704	97,745	84,704
Balances at period end:				
Borrowings	3,293,670	2,766,257	3,293,670	2,766,257
Amounts due to group undertakings	13,227	7,996	13,227	7,996
SMBC Bank International plc (formerly "Sumitomo Mitsui Banking Corporation Europe Limited")				
Transactions during the period:				
Fee income	1,500	1,500	1,500	1,500
Interest income	-	88	0	88
Operating expense	(52)	(1,205)	(52)	(1,205)
Balances at period end:				
Cash	12,190	2,317	12,189	2,316
Sundry debtors / (creditors)	1,500	(132)	1,500	(132)
SMBC (Japan)				
Transactions during the period:				
Operating expenses	12,281	14,547	12,281	14,547
Balances at period end:				
Amounts due to group undertakings	5,497	6,177	5,497	6,177
SMBC (New York)				
Transactions during the period:				
Interest expense	133,768	112,082	133,768	112,082
Balances at period end:				
Borrowings	3,516,694	3,108,992	3,516,694	3,108,992
Cash	962,429	441,730	962,429	441,730
Amounts due to group undertakings	15,961	14,905	15,961	14,905
SMBC (Paris)				
Transactions during the period:				
Interest expense	273	464	273	464
Balances at period end:				
Obligations under Finance Leases	-	3,171	-	3,171
Non-current liabilities	-	2,425	-	2,425
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	613	559	613	559
Balances at period end:				
Other Creditors	117	-	117	-
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	942	1,150	942	1,150
Balances at period end:				
Other Creditors	104	-	104	-
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses				
Balances at period end:	795	698	795	698
Other Creditors	173	120	173	120
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	4,350	4,200	4,3500	4,200
Balances at period end:				
Other Creditors	1,171	435	1,171	435
SMBC Bank EU AG				
Transactions during the period:				
Operating income	60	103	60	103

	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Transactions with subsidiaries		
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	1,435	48
Interest income	16,569	1,440
Balances at period end:		
Amounts due from group undertakings	617,076	499,222
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee expense	3,658	2,903
Interest expense	2,840	3,764
Balances at period end:		
Amounts due to group undertakings	200,060	238,914

	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	1,184	1,123
Balances at period end:		
Amounts due to group undertakings	(338)	(38)
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	891	2,393
Balances at period end:		
Amounts due from / (to) group undertakings	3,903	(1,043)
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	2,573	3,526
Fee expense	2,050	2,059
Balances at period end:		
Amounts due to group undertakings	198,780	197,622
SMBC Aviation Capital Hong Kong 3 Limited		
Transactions during the period:		
Interest income	3,440	1,747
Balances at period end:		
Amounts due from group undertakings	29,088	122,353
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	13	18
Interest expense	73,670	69,447
Balances at period end:		
Amounts due to group undertakings	2,515,244	2,014,201

The Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 21.

The amounts outstanding are unsecured and will be settled in cash. No other guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

In addition, the Group has also engaged with The Community Foundation for Ireland, a registered charity, to assist with specific corporate social responsibility projects. While The Community Foundation for Ireland is disclosed as a related party due to an existing relationship between its Board of Trustees and the Company's Board of Directors, all services will be provided to the Group on terms equivalent to those that prevail in arm's length transactions for the duration of the projects.

Key management personnel include directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management is shown below:

	31 March 2022 US $'000	31 March 2021 US $'000
Salaries and other short-term employee benefits	6,955	5,937
Post-employment benefits	468	441
Other long-term benefits	1,277	755
Total	8,700	7,133

Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. In addition to these direct orders, the Group also placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018 and have existing sale-leaseback capital commitments totalling $0.8 billion (31 March 2021: $0.6 billion).

The combined remaining purchase commitment for orders total $10.0 billion and delivery dates are currently scheduled between 2022 and 2027 of which $2.1 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by the ongoing Covid-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 14). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. Lastly, an additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

Contingent Liabilities

The Group and Company had no contingent liability at 31 March 2022 (31 March 2021: $nil).

Subsequent Events

On 6 May 2022, Mr. N. Hirose, Mr. T. Kusaka, Mr. N. Nonaka and Mrs. A. Kenny were appointed as Directors.

On 16 May 2022, the Company announced that it had reached agreement with NWS Holdings Limited and Chow Tai Fook Enterprises Limited to acquire Goshawk Aviation ("Goshawk"), the Dublin-based global aircraft lessor. The transaction includes the acquisition of a portfolio of 176 owned and managed aircraft, but specifically excludes aircraft owned by Goshawk that are located in Russia.

No other significant events affecting the Group and Company have occurred since 31 March 2022, which require adjustment to or disclosure in the Consolidated Financial Statements.

Approval of Financial Statements

The Directors approved these Financial Statements on 30 June 2022.

SMBC Aviation Capital Limited

Audited consolidated financial statements
as of and for the year ended March 31, 2021

ACRONYMS AND ABBREVIATIONS

ACCD	Aircraft Credit Department
ceo	Current engine option
CGU	Cash generating unit
Companies Act/ The Act	Companies Act 2014
Company	SMBC Aviation Capital Limited
Consortium	SMFG and SC
CSR	Corporate Social Responsibility
ECL	Expected credit loss
EU	European Union
Financial Statements	The Group and Company financial statements
Goshawk	Goshawk Aviation
Group	SMBC Aviation Capital Limited and its subsidiaries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
ISA	International Standard on Auditing
IT	Information technology
JOLCO	Japanese operating lease with call option
Managed entity	SMBC Aviation Capital (UK) Limited
MSN	Manufacturers Serial Number
neo	New engine option
OCI	Other comprehensive income
OEM	Original equipment manufacturer
PDP	Pre-delivery payment
ROU	Right of use
Russia	Russian Federation
S&P	Standard & Poor's
SC	Sumitomo Corporation
SMBC	Sumitomo Mitsui Banking Corporation
SMFG	Sumitomo Mitsui Financial Group
SMFL	Sumitomo Mitsui Finance and Leasing Company, Ltd.
Structured entity	PDP financing company
TBPD	Transportation Business Planning Department
UEL	Useful economic life
UK	United Kingdom
USA	United States of America

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2021

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SMBC Aviation Capital Limited ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 March 2021 set out on pages 9 to 58, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. 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 independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities and restrictions on use

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 a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013%2D1cf6%2D458b%2D9b8f%2Da98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted

by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Killian Croke 6 May 2021

for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	Year ended 31 March 2021	Year ended 31 March 2020
		US $'000	US $'000
CONTINUING OPERATIONS			
Income			
Lease revenue	2	1,130,832	1,154,215
Other revenue	2	13,721	15,334
Total revenues	2	1,144,553	1,169,549
Other operating income	3	22,697	46,591
		1,167,250	**1,216,140**
Operating expenses			
Depreciation	9	(442,094)	(413,162)
Asset impairment charge	9	(176,439)	(19,311)
Credit impairment charge	17	(153,872)	(8,230)
Operating expenses	4	(85,941)	(109,373)
PROFIT FROM OPERATING ACTIVITIES		**308,904**	**666,064**
Finance income	7	95,208	127,572
Finance expense	7	(388,489)	(432,537)
Break (losses) / gains	7	(836)	4,533
Net trading gain / (expense)	7	442	(1,114)
NET FINANCE COSTS		**(293,675)**	**(301,546)**
PROFIT BEFORE TAXATION		**15,229**	**364,518**
Tax expense	8	(1,674)	(45,384)
PROFIT FROM CONTINUING OPERATIONS		**13,555**	**319,134**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	14	275,269	(461,618)
Cash flow hedges - reclassified to profit or loss		820	(400)
Movement in fair value of available for sale assets		(1,260)	-
Tax on other comprehensive income		(34,512)	57,752
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR, NET OF TAX		**240,317**	**(404,266)**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**253,872**	**(85,132)**

All income relates to continuing operations. All profits and total comprehensive income for the current and preceding financial year are attributable to the owners of the company. The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 6 May 2021

B Flannery
Director
Date: 6 May 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Note	31 March 2021	31 March 2020
		US $'000	US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,638,022	12,486,910
Intangible assets	10	3,081	1,293
Advances to OEMs	15	364,577	-
Finance lease and loan receivables	16	475,532	-
Lease incentive assets	19	13,604	23,782
Derivative financial instruments	13	-	2,813
		14,494,816	12,514,798
CURRENT ASSETS			
Advances to OEMs	15	376,602	-
Assets held for sale	20	-	173,677
Finance lease and loan receivables	16	26,040	-
Trade and other receivables	17	242,029	160,286
Cash and cash equivalents	18	817,055	1,242,356
Lease incentive assets	19	8,348	9,494
Derivative financial instruments	13	1,373	11
		1,471,447	1,585,824
TOTAL ASSETS		15,966,263	14,100,622
EQUITY			
Share capital	27	887,513	887,513
Other components of equity	28	193,714	(47,863)
Retained earnings		2,025,671	2,013,376
TOTAL EQUITY		3,106,898	2,853,026
NON-CURRENT LIABILITIES			
Trade and other payables	21	597,805	613,518
Obligations under finance leases	22	2,389	5,561
Borrowings	23	9,602,958	8,521,237
Deferred tax liabilities	25	355,840	319,969
Derivative financial instruments	13	312,393	588,100
Subordinated liabilities	26	300,000	300,000
		11,171,385	10,348,385
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	-	17,187
Trade and other payables	21	380,297	388,439
Obligations under finance leases	22	3,171	3,052
Borrowings	23	1,303,567	490,017
Derivative financial instruments	13	945	516
		1,687,980	899,211
TOTAL LIABILITIES		12,859,365	11,247,596
TOTAL EQUITY AND LIABILITIES		15,966,263	14,100,622

The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 6 May 2021

B Flannery
Director
Date: 6 May 2021

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Note	31 March 2021	31 March 2020
		US $'000	US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,476,017	12,485,302
Intangible assets	10	3,081	1,293
Advances to OEMs	15	364,577	-
Loan receivables	16	603,005	-
Investment in subsidiaries	11	56,697	15,509
Lease incentive assets	19	13,604	23,782
Derivative financial instruments	13	-	2,813
		14,516,981	12,528,699
CURRENT ASSETS			
Advances to OEMs	15	376,602	-
Assets held for sale	20	-	173,677
Loan receivables	16	32,626	-
Trade and other receivables	17	238,811	162,951
Cash and cash equivalents	18	811,893	1,242,001
Lease incentive assets	19	8,348	9,494
Derivative financial instruments	13	1,373	11
		1,469,653	1,588,134
TOTAL ASSETS		15,986,634	14,116,833
EQUITY			
Share capital	27	887,513	887,513
Other components of equity	28	191,747	(49,830)
Profit or loss account		1,982,363	1,973,306
TOTAL EQUITY		3,061,623	2,810,989
NON-CURRENT LIABILITIES			
Trade and other payables	21	588,620	612,892
Obligations under finance leases	22	2,389	5,561
Borrowings	23	9,652,957	8,521,237
Deferred tax liabilities	25	355,848	319,977
Derivative financial instruments	13	312,393	588,100
Subordinated liabilities	26	300,000	300,000
		11,212,207	10,347,767
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	-	17,187
Trade and other payables	21	410,433	447,304
Obligations under finance leases	22	3,171	3,052
Borrowings	23	1,298,255	490,018
Derivative financial instruments	13	945	516
		1,712,804	958,077
TOTAL LIABILITIES		12,925,011	11,305,844
TOTAL EQUITY AND LIABILITIES		15,986,634	14,116,833

The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 6 May 2021

B Flannery
Director
Date: 6 May 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March 2021

	Note	Share Capital	Other Reserves (incl. Share Premium)	Cash Flow Hedge Reserve	Retained Earnings	Total Equity
		US $'000	US $'000	US $'000	US $'000	US $'000
BALANCE AT 31 MARCH 2019		887,513	470,555	(114,152)	1,694,310	2,938,226
Adjustment on initial application of IFRS16 (net of tax)		-	-	-	(68)	(68)
Adjusted balance at 1 April 2019		887,513	470,555	(114,152)	1,694,242	2,938,158
Total comprehensive income						
Profit for the year		-	-	-	319,134	319,134
Other comprehensive expenses for the year	28	-	-	(404,266)	-	(404,266)
		-	-	(404,266)	319,134	(85,132)
BALANCE AT 31 MARCH 2020		887,513	470,555	(518,418)	2,013,376	2,853,026
Total comprehensive income						
Profit for the year		-	-	-	13,555	13,555
Other comprehensive expenses for the year	28	-	-	241,577	(1,260)	240,317
		-	-	241,577	12,295	253,872
BALANCE AT 31 MARCH 2021		887,513	470,555	(276,841)	2,025,671	3,106,898

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

as at 31 March 2021

	Note	Share Capital	Other Reserves (incl. Share Premium)	Cash Flow Hedge Reserve	Retained Earnings	Total Equity
		US $'000	US $'000	US $'000	US $'000	US $'000
BALANCE AT 31 MARCH 2019		887,513	468,588	(114,152)	1,654,603	2,896,552
Adjustment on initial application of IFRS16 (net of tax)		-	-	-	(56)	(56)
Adjusted balance at 1 April 2019		887,513	468,588	(114,152)	1,654,547	2,896,496
Total comprehensive income						
Profit for the year		-	-	-	318,759	318,759
Other comprehensive expenses for the year	28	-	-	(404,266)	-	(404,266)
		-	-	(404,266)	318,759	(85,507)
BALANCE AT 31 MARCH 2020		887,513	468,588	(518,418)	1,973,306	2,810,989
Total comprehensive income						
Profit for the year		-	-	-	10,317	10,317
Other comprehensive expenses for the year	28	-	-	241,577	(1,260)	240,317
		-	-	241,577	9,057	250,634
BALANCE AT 31 MARCH 2021		887,513	468,588	(276,841)	1,982,363	3,061,623

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	Year ended 31 March 2021	Year ended 31 March 2020
		US $'000	US $'000
PROFIT BEFORE TAX		15,229	364,518
Adjustments for:			
Depreciation of property, plant and equipment	9	442,094	413,162
Impairment of property, plant and equipment	9	176,439	19,311
Amortization of computer software intangible assets	10	755	1,667
Lease incentive asset amortization	19	15,924	16,326
Credit impairment charge	17	153,872	8,230
Net interest expense		293,656	300,183
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(442)	1,114
Profit on disposal of assets held under operating leases	3	(1,857)	(33,604)
		1,095,670	1,090,907
Increase in receivables		(247,632)	(74,198)
(Decrease) / increase in payables		(40,145)	13,839
CASH GENERATED BY OPERATIONS		807,893	1,030,548
Income taxes paid		(400)	(852)
Interest paid		(357,148)	(352,966)
NET CASH FROM OPERATING ACTIVITIES		450,345	676,730
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		90,802	956,313
Purchases of property, plant and equipment		(2,851,456)	(2,051,184)
Purchases of intangible assets		(2,543)	(978)
NET CASH USED IN INVESTING ACTIVITIES:		(2,763,197)	(1,095,849)
FINANCING ACTIVITIES			
Receipts from / (payments to) restricted cash accounts		240,100	(444,800)
Repayment of obligations under finance leases		(7,703)	(23,274)
Proceeds from indebtedness		2,595,900	2,225,587
Repayments of indebtedness		(701,568)	(1,065,816)
NET CASH FROM FINANCING ACTIVITIES		2,126,729	691,697
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		922	(532)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(185,201)	272,046
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		640,556	368,510
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	455,355	640,556
Unrestricted cash and cash equivalents as above	18	455,355	640,556
Restricted cash as reported	18	361,700	601,800
Total cash and cash equivalents	18	817,055	1,242,356

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	Year ended 31 March 2021	Year ended 31 March 2020
		US $'000	US $'000
PROFIT BEFORE TAX		11,618	363,840
Adjustments for:			
Depreciation of property, plant and equipment		439,962	412,068
Impairment of property, plant and equipment		176,439	19,311
Amortization of computer software intangible assets		755	1,667
Impairment of investment in subsidiary		12	-
Lease incentive asset amortization		15,924	16,326
Credit impairment charge		153,872	8,230
Net interest expense		292,851	301,584
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(442)	1,114
Profit on disposal of assets held under operating leases		(1,748)	(34,852)
		1,089,243	1,089,288
Increase in receivables		(360,610)	(3,665)
(Decrease) / increase in payables		(17,032)	34,053
CASH GENERATED BY OPERATIONS		711,601	1,119,676
Income taxes paid		57	(19)
Interest paid		(350,768)	(357,633)
NET CASH FROM OPERATING ACTIVITIES		360,890	762,024
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		90,693	956,313
Purchases of property, plant and equipment		(2,202,113)	(2,124,142)
Purchases of intangible assets		(2,543)	(978)
Investment in subsidiary		(41,200)	-
Loans provided to subsidiaries		(510,632)	-
NET CASH USED IN INVESTING ACTIVITIES:		(2,665,795)	(1,168,807)
FINANCING ACTIVITIES			
Receipts from / (payments to) restricted cash accounts		240,100	(444,800)
Repayment of obligations under finance leases		(7,703)	(23,274)
Proceeds from indebtedness		2,640,588	1,728,240
Repayments of indebtedness		(759,020)	(581,102)
NET CASH FROM FINANCING ACTIVITIES		2,113,965	679,064
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		932	(368)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(190,008)	271,913
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		640,201	368,288
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	450,193	640,201
Unrestricted cash and cash equivalents as above	18	450,193	640,201
Restricted cash as reported	18	361,700	601,800
Total cash and cash equivalents	18	811,893	1,242,001

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

SMBC Aviation Capital is a company incorporated and domiciled in Ireland. The address of its registered office is IFSC House, IFSC, Dublin 1, Ireland.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

a. **Basis of preparation**

The Consolidated Financial Statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments. The principal accounting policies are set out below.

The Consolidated Financial Statements of the Company have been prepared in accordance with IFRSs as adopted by the EU. The entity financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014 which permits a company that publishes its Company and Group financial statements together to take advantage of the exemption in Section 304(2) of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company Financial Statements.

The Company's functional currency is the US Dollar, being the currency of the primary economic environment in which the Company operates. The presentation currency for the Group and Company is US Dollar. All financial information presented in US Dollar has been rounded to the nearest thousand US Dollars unless otherwise stated.

The accounts, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and in accordance with IFRS as adopted by the European Union.

The Group's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders and third-party debt financing. The ability of the Group to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 23 'Borrowings' and (ii) its future aircraft purchases as set out in note 31 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 24 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 29 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of current developments in the COVID-19 situation on the Group and its customers. In the run-up to year-end and post year-end there have been a number of requests for deferrals from certain customers. The Directors have considered the cash position, existing equity and resources available to the Group, which, along with related forecasts, provide comfort over the sustainability of the Group and Company. If the effects of the COVID-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

b. **Estimates and judgements**

The preparation of Financial Statements in conformity with IFRS as adopted by the EU requires management to make use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the reported amount of income and expenses during the reported period.

In particular, the judgements and assumptions involved in the Group and Company's accounting policies which have the most significant effect on the amounts recognised in the Financial Statements are as follows:

Note 9 - Property, Plant and Equipment:

The material judgements in respect of property, plant and equipment include the identification and subsequent measurement of impairment such as triggers and estimates of cash flow including residual values and discounts rates. The discount rate used in the measurement of impairment was 5% in the current period. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

Note 17 – Credit impairment provisions

The Group recognizes an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may differ from those estimates.

c. **Basis of consolidation**

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2021. The Group does not have investments in associates or joint ventures as defined in IFRS.

In applying IFRS 10, the standard introduced a single consolidation model for all entities based on control which requires consolidation where the Company has power over the entity, exposure or rights to returns from involvement with the entity and the ability to use power to affect returns. The financial statements of an entity are included in the Consolidated Financial Statements from the date that this control commences until the date that this control ceases.

The Consolidated Financial Statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances.

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are substantive are taken into account. All subsidiaries have coterminous financial year ends. The accounting policies of all subsidiaries are consistent with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. All of the Company's subsidiaries are wholly owned by the Company and, as such, there are no non-controlling interests to present separately in the Consolidated Financial Statements.

Common control transactions

Business combinations under common control are accounted for in the consolidated financial statements prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon

consolidation at their carrying amount in the financial statements of the transferor. Assets and liabilities are adjusted, if necessary, to reflect Group accounting policies and any difference between the net assets acquired, based on book values adjusted for accounting policy differences, is reflected in other reserves.

d. **Investment in subsidiaries**

Investments in subsidiary undertakings are stated in the Company Statement of Financial Position at cost, less any provision for impairment.

e. **Income under finance and operating leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortization of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

At each reporting date, the Group assesses whether lease receivables are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for lease receivables are deducted from the gross carrying amount of the lease receivable.

Rentals received, but unearned under lease agreements are recorded as 'Prepaid lease rentals' in trade and other payables.

f. **Fee income**

Arranger fee income earned on the sale and purchase of managed aircraft is recognised on completion of the sale when the aircraft has been accepted by the customer and no further services remain to be completed. Ongoing aircraft management fees are recognised in the accounting period in which the services are rendered.

g. **Borrowing costs**

Borrowing costs attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. All other borrowing costs are recognised as an expense in the period in which they are incurred.

h. **Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside the income statement which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the

periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the reporting date.

i. **Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

i. **As a lessor**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group and Company's net investment outstanding in respect of the leases.

ii. **As a lessee**

The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group and Company's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group and Company present lease liabilities in 'trade and other payables' in the statement of financial position.

j. **Foreign currency**

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the profit or loss for the period.

k. **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets are depreciated to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over their estimated useful economic lives, as follows:

Aircraft for hire under operating leases

– to the next useful economic life ("UEL") point, maximum of 5 years

Office equipment and fixtures & fittings

– 3 to 10 years from date when brought into use

It is the Group and Company's practice to hold aircraft for an average period of 5 years. Because of this, the Group and Company estimates the future market value (residual value) at 5 year intervals which correspond to UEL points.

Aircraft are depreciated to their residual values. Residual values are determined based on estimated values at the end of the useful lives of the aircraft assets.

Estimated residual values based on contractual return conditions of the aircraft are reviewed at each reporting date. This review includes the expected maintenance condition of the asset and any excess maintenance reserves expected to be available on maturity of the lease. Where estimated residual values are found to have changed significantly, this is recorded prospectively and depreciation charges over the remaining useful life are adjusted to take account of the revised estimate.

The carrying amounts of the Group and Company's aircraft are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the profit or loss.

Under IAS 39, the Group and Company avail of the own-use exemption in relation to certain capital commitments.

l. **Maintenance component assets**

Maintenance component asset represents the value in the difference between the contractual right under the acquired leases (excluding short term) to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition. The maintenance component asset is not depreciated, but capitalised to the operating lease asset at the end of the lease.

m. **Inventory**

Inventory consists primarily of engines and airframes which are valued at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and airframes. Costs are allocated using the relationship of the cost of the engine or airframe to estimated retail sales value at the time of purchase.

n. **Intangible assets**

Intangible assets are initially recognised at cost which is their fair value at the date of acquisition or capitalisation of related staff costs. Subsequently intangible assets are carried at cost less any accumulated amortization and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from two years to ten years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

o. **Impairment of non-financial assets**

Long-term tangible and intangible assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

p. **Pre-delivery payments**

Pre-delivery payments ("PDPs") are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

q. **Non-current assets and liabilities held for sale**

Non-current assets (or disposals groups comprising assets and liabilities) that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale. Assets classified as held for sale must be available for immediate sale in its present condition and the sale must be highly probable. An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

r. **Financial instruments**

The Group and Company's financial assets are categorised as either 'financial assets measured at amortised cost' or 'financial assets at fair value through the profit or loss'. The appropriate classification is determined based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held. Financial assets measured at amortised cost include 'loan receivables', 'advances to OEMs', 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position.

Financial assets at fair value through other comprehensive income include investments in equity instruments which are not held for trading. All other financial assets are classified as measured at fair value through profit or loss ("FVTPL").

The Group and Company's financial liabilities are categorised as either 'financial liabilities measured at amortised cost' or 'financial liabilities at fair value through the profit or loss'. Financial liabilities measured at amortised cost includes 'borrowings', 'obligations under finance leases' and 'trade and other payables' in the Consolidated Statement of Financial Position.

A financial asset is recognised in the Consolidated Statement of Financial Position only when the Group becomes party to its contractual provisions. The purchase of financial assets is recognised using trade date accounting. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership. Financial liabilities are initially recognised at fair value, less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

s. **Derivatives and hedge accounting**

The Group and Company has entered into various financial instruments (derivatives) to manage foreign exchange and interest rate risk. Derivatives include swaps, forwards and options.

All derivatives are recognised on the Consolidated Statement of Financial Position at their fair value (market value). Market value is 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.

The method of recognising the resulting gain or loss on derivatives depends on whether the derivative is designated as a hedging instrument.

Non-hedging derivatives are classified at fair value through the profit or loss. Gains and losses arising from changes in fair value of a non-hedging derivative are recognised as they arise in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under trading income/expense.

The Group and Company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group and Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationships. The Group and Company makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in cash flows or fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group and Company makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to the profit or loss in the same period as the hedged cash flows affect the profit or loss, and in the same line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.

When a derivative is designated as the hedging instrument in a fair value hedge, changes in fair value are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discounted hedge of a forecast transaction the cumulative amount recognised in Other Comprehensive Income from the period when the hedge was effective is reclassified from other comprehensive income to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the profit or loss as a reclassification adjustment. If the criteria for hedge accounting cease to be met in relation to a fair value hedge, no further adjustments are made to the hedged item for fair value changes

attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

Determination of fair values of derivative financial instruments and financial liabilities in fair value hedge relationships

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Group and Company's pricing and valuation methods are managed in conjunction with Sumitomo Mitsui Banking Corporation Capital Markets Inc.

The current pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk and liquidity risk.

t. **Provisions**

A provision is recognised if, as a result of a past event, the Group and Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

u. **Amounts receivable under finance leases**

A finance lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

v. **Loans receivable and advances to OEMs**

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

w. **Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

x. **Restricted cash**

Restricted cash includes cash held by the Group and Company which is ring-fenced or used as security for specific financing arrangements and to which the Group and Company does not have unfettered access.

y. **Lease incentive accounting**

A lessor contribution liability is established at the commencement of the lease representing the best estimate of the contractually obligated contribution. In addition, a lease incentive asset is recognised for this amount, and it is amortised over the life of the associated lease as a charge against maintenance income.

Lessor contributions represent contractual obligations on the part of the Group and Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

z. **Obligations under finance leases**

Assets held under finance leases are recognised as assets of the Group and Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease payable obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

aa. **Maintenance reserves**

All cash maintenance reserves collected under the lease agreements are recognised on the Consolidated Statement of Financial Position. At the end of the lease any excess is taken to revenue. Excess supplemental income from maintenance reserve is only recognised as revenue in the income statement when the Group and Company settles the full obligation in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

bb. **Pensions**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as the related service is received from the employee.

cc. **Short term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

dd. **Profit from operating activities**

Operating profit is stated before charging or crediting investment income and finance costs.

ee. **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

ff. **New standards adoption and amendments to IFRS**

The following new standards approved by the IASB have been applied in preparing these financial statements:

Definition of Material – Amendments to IAS 1 and IAS 8

These amendments make it easier for companies to define materiality judgements.

IFRS 3 Business Combinations (amendment) (IFRS 3)

This amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (amendments) (IFRS 9) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs") on hedge accounting.

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.

In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Conceptual Framework for Financial Reporting (revised) (Conceptual Framework)

The revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards. The revision did not result in any changes to IFRS standards.

Other standards, amendments to standards and interpretations not yet effective

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2021, and have not been applied in preparing these financial statements:

IFRS 17 Insurance Contracts

These are all effective for annual periods beginning on or after 1 January 2021 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

2. Revenue

	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	US $'000
Operating lease revenue		
Rentals receivable	1,084,454	1,092,548
Lease incentive amortization (note 19)	(15,924)	(16,326)
Maintenance income	62,302	77,993
Lease revenue	1,130,832	1,154,215
Fee income		
Aircraft management fees	13,721	15,334
Other revenue	13,721	15,334
	1,144,553	1,169,549

Rentals receivable for the period include the net release of a provision for deferred rentals totalling $3.71 million in relation to a number of leases that were restructured during the year ended 31 March 2017 (year ended 31 March 2020: net release of $4.01 million).

Included in operating lease revenue above are the following amounts:		
Contingent rentals	12,431	41,276

The contingent element relates to lease rentals that are variable based on market interest rates and certain lease amendment agreements. The rates can be in the favour of the lessee or the Group depending on the contract and prevailing market rates.

	Year ended 31 March 2021	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2020
Total revenue distribution by geographical region:	**US $'000**	**%**	**US $'000**	**%**
Emerging Asia	357,871	33.0	369,281	33.8
South America	213,637	19.7	249,101	22.8
Developed Europe	195,202	18.0	168,252	15.4
Emerging Europe	108,445	10.0	89,589	8.2
Asia	86,756	8.0	91,774	8.4
Middle East & Africa	62,898	5.8	58,998	5.4
North America	59,645	5.5	65,553	6.0
	1,084,454	100.0	1,092,548	100.0

The basis for disclosing revenue distribution by geographical region is that the portfolio is managed by region rather than by country.

3. Other Operating Income

	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	US $'000
Profit on disposal of property, plant and equipment	1,857	33,604
Other operating income	20,840	12,987
	22,697	46,591

Profit on disposal of property, plant and equipment decreased in the current year due to lower aircraft trading activity.

4. Other Operating Expenses

	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	US $'000
Administration expenses	(85,186)	(107,706)
Amortization of computer software intangible assets	(755)	(1,667)
	(85,941)	(109,373)

Operating expenses decreased during the year due to lower discretionary staff costs (note 6). Separately, the classification of the credit impairment charge in the consolidated statement of comprehensive income was changed during this period, having previously been included in Operating expenses, but now disclosed separately.

5. Profit from Operating Activities

	Year ended 31 March 2021	Year ended 31 March 2020
Operating profit has been arrived at after charging:	**US $'000**	**US $'000**
Depreciation	442,094	413,162
Asset impairment charge	176,439	19,311
Credit impairment charge	153,872	8,230
Fees and commissions	-	6
Group service fee	15,690	19,138
Auditors remuneration	1,148	942
Staff costs (note 6)	57,742	80,373
Other operating expenses	23,332	33,121
Foreign exchange loss / (gain)	460	248
Auditors remuneration:		
Audit of the Group financial statements	577	420
Audit of the Subsidiary financial statements	98	58
Other assurance services	136	137

	Year ended 31 March 2021	Year ended 31 March 2020
Operating profit has been arrived at after charging:	**US $'000**	**US $'000**
Other non-audit services	-	-
Tax advisory services	337	327
	1,148	942
Of which related to the Company	885	884

6. Staff Costs

	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	US $'000
Staff costs	48,156	71,052
Social security costs	5,442	5,573
Other pension costs	4,144	3,748
	57,742	80,373

Staff costs decreased due to lower discretionary costs, while staff costs totalling $0.34 million were capitalised during the year (year ended 31 March 2020: $nil). The average number of people in the organisation during the financial year was 201 (2020: 192), consisting of both direct employees and representatives, of which 44 staff members were dedicated to commercial & strategy functions (2020: 42), 79 to operational (2020: 77) and the remainder to finance, compliance and other support functions.

7. Net Finance Costs

	Year ended 31 March 2021	Year ended 31 March 2020
Finance income:	**US $'000**	**US $'000**
Interest income on swaps	92,857	117,798
Interest income on finance lease and loan receivables	1,642	-
Interest income on deposits	709	9,774
Total interest income	95,208	127,572
Finance expense:		
Interest payable on swaps	(160,302)	(136,215)
Interest payable on borrowings	(253,886)	(339,120)
Less: Interest capitalised to the cost of aircraft (see note 23)	49,576	67,464
Bank charges, guarantee & other fees on borrowings	(23,877)	(24,666)
Total interest payable and related charges	(388,489)	(432,537)
Net interest payable	(293,281)	(304,965)

Interest payable on borrowings is shown net of interest income on advances to OEMs, in excess of associated funding costs, of $25.3 million, which resulted from the restructuring of PDPs during the year (note 15).

Break (losses) / gains related to derivatives and liability management	(836)	4,533
Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	(1,441)	16,483
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships.	1,883	(17,597)
Net gain / (expense) from financial instruments at fair value (note 23)	442	(1,114)

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 March 2021 is a gain of $0.44 million (year ended 31 March 2020: net expense of $1.11 million).

8. Taxation

a ANALYSIS OF TAX CHARGE FOR THE YEAR	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	US $'000
Current tax charge:		
- Current year	315	322
Deferred tax - origination and reversal of temporary differences:		
- Current year	1,359	45,061
Tax charge	1,674	45,383
b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR		
Profit before tax subject to tax at 12.5% (2020: 12.5%)	11,886	362,490
Profit before tax subject to tax at 28% (2020: 28%)	76	50
Profit before tax subject to tax at 25% (2020: 25%)	1,117	1,884
Profit before tax subject to tax at 16.5% (2020: 16.5%)	1,042	94
Profit before tax subject to tax at 8.25% (2020: -)	1,108	-
	15,229	364,518
Tax on profit at the rate of 12.5% (2020: 12.5%)	1,486	45,311
Tax on profit at the rate of 28% (2020: 28%)	21	14
Tax on profit at the rate of 25% (2020: 25%)	279	471
Tax on profit at the rate of 16.5% (2020: 16.5%)	172	16
Tax on profit at the rate of 8.25% (2020: -)	91	-
Other differences	(21)	172
Adjustment to assessed loss brought forward	(177)	(590)
Permanent difference - non-taxable income	(212)	(184)
Permanent difference - disallowed expenses	35	173
Tax charge	1,674	45,383

9. Property, Plant and Equipment

	Group Aircraft for hire under operating leases	Group Pre-Delivery Payments	Group Office equipment and fixtures & fittings	Group Right-of-use assets	Group Total
	US $'000	US $'000	US $'000	US $'000	US $'000
COST					
At 31 March 2019	11,282,374	1,674,089	11,533	-	12,967,996
Adjustment on initial application of IFRS16	-	-	-	9,677	9,677
At 1 April 2019	11,282,374	1,674,089	11,533	9,677	12,977,673
Additions	1,566,794	572,090	613	-	2,139,497
Transfers	172,849	(172,849)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 20)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,146	9,677	13,833,511
Additions	2,475,880	363,186	523	2,378	2,841,967
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 15)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 20)	131,974	-	-	-	131,974
At 31 March 2021	14,613,989	974,258	12,669	12,055	15,612,971
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2019	1,211,991	-	8,623	-	1,220,614
Charge for the year	408,780	-	1,893	2,489	413,162
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,582)	-	-	-	(109,582)
Transfer to assets held for sale (see note 20)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,516	2,489	1,346,601
Charge for the year	438,250	-	824	3,020	442,094
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,464)	-	-	-	(5,464)
Transfer from assets held for sale (see note 20)	15,279	-	-	-	15,279
At 31 March 2021	1,958,100	-	11,340	5,509	1,974,949

	Group Aircraft for hire under operating leases	Group Pre-Delivery Payments	Group Office equipment and fixtures & fittings	Group Right-of-use assets	Group Total
CARRYING AMOUNT					
Net Book Value at 31 March 2021	12,655,889	974,258	1,329	6,546	13,638,022
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,630	7,188	12,486,910

During the year, assets in the Group with a carrying value of $1.58 billion (year ended 31 March 2020: $152.35 million) and average age of 7.4 years (year ended 31 March 2020: 7.4 years) were subject to impairment partly due to a deterioration in the inherent value of these aircraft and an assessment of the value of the leases attached to them, when assessed at a discount rate of 5% (year ended 31 March 2020: 5%) depending on the nature of the cash flows assessed, as well as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes.

The carrying amount before impairment of these aircraft of $1.76 billion (year ended 31 March 2020: $171.66 million) was determined to be higher than the value in use of $1.58 billion (year ended 31 March 2020: $152.35 million) and an impairment loss of $176.44 million (year ended 31 March 2020: $19.31 million) was recognised during the year. The amount of impairment loss related to aircraft where lessees were in default or restructuring processes was $157.14 million (year ended 31 March 2020: $17.36 million), with the balance relating to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations, including reduced lease rentals for airlines that have entered restructuring processes. In certain instances these cash flow projections may also include potential cash outflows in respect of near-term scheduled maintenance events. Cash flow assumptions applied for these lease restructurings and for customers with ongoing restructuring negotiations, have been assessed and the highly probable outcomes have been included in line with the customer specific circumstances. If future cash flows were to deviate from current negotiations to worst-case cash flows at market rates, the impact on impairment would be deemed not material. Residual values are projected based on management's view of expected return conditions of the aircraft which is based on current or expected lease redelivery conditions, or in the case of potential repossessions on an 'as is' physical condition. The impairment loss recognised takes account of both the value in use and the maintenance adjusted current market value of the relevant aircraft.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 5% (year ended 31 March 2020: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables:

- 0.5% increase / decrease in the discount rate used
- 5% increase / decrease in the future lease rental cashflows of each aircraft
- 5% increase / decrease in the residual value of aircraft at end of its useful economic life
- 3 month increase / decrease in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

The value of maintenance component assets included in above is $3.86 million (31 March 2020: $3.86 million). The maintenance component assets arose from the purchase of second hand aircraft during a prior year and are accounted for in accordance with our policy as set out in note 1(l). The carrying amount of assets included above subject to obligations under finance leases is $24.12 million (31 March 2020: $29.48 million).

During the year, the Group and Company deferred the delivery of 23 aircraft on direct order with Airbus from their previously scheduled delivery dates in the 2021 - 2022 period to revised dates during the 2021 – 2026 period, as well as a further 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. The PDPs already paid in respect of these deferred aircraft will be applied against future PDP obligations on aircraft as they arise. The Group and Company has temporarily paused the capitalisation of interest to the cost of these aircraft.

Separately, the Group and Company also (i) cancelled the scheduled delivery of 21 aircraft on direct order with Boeing, with deliveries originally due in 2020, and (ii) deferred the delivery of 68 aircraft from their previously scheduled dates in the 2020 – 2022 period to the 2025 – 2027 period. The associated PDPs for these cancellations and deferrals have been reclassified under Advances to OEMs (note 15).

At 31 March 2021 the Group owned 302 aircraft, including aircraft classified as finance lease and loan receivables. The Group has ten aircraft off-lease at year-end and twelve aircraft on lease which are scheduled to complete their lease term within the next twelve months. There were no aircraft held for sale at 31 March 2021 (31 March 2020: 5 aircraft and 1 engine).

	Company Aircraft for hire under operating leases	Company Pre-Delivery Payments	Company Office equipment and fixtures & fittings	Company Right-of-use assets	Company Total
	US $'000	US $'000	US $'000	US $'000	US $'000
COST					
At 31 March 2019	11,282,374	1,601,132	11,516	-	12,895,022
Adjustment on initial application of IFRS 16	-	-	-	6,983	6,983
At 1 April 2019	11,282,374	1,601,132	11,516	6,983	12,902,005
Additions	1,632,156	579,685	613	-	2,212,454
Transfers	107,487	(107,487)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 20)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,129	6,983	13,830,800
Additions	2,313,623	363,186	523	2,110	2,679,442
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 15)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 20)	131,974	-	-	-	131,974
At 31 March 2021	14,451,732	974,258	12,652	9,093	15,447,735
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2019	1,211,993	-	8,614	-	1,220,607
Charge for the year	408,780	-	1,891	1,397	412,068
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,584)	-	-	-	(109,584)
Transfer to assets held for sale (see note 20)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,505	1,397	1,345,498
Charge for the year	437,217	-	823	1,924	439,964
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,462)	-	-	-	(5,462)
Transfer from assets held for sale (see note 20)	15,279	-	-	-	15,279
At 31 March 2021	1,957,069	-	11,328	3,321	1,971,718
CARRYING AMOUNT					
Net Book Value at 31 March 2021	12,494,663	974,258	1,324	5,772	13,476,017

	Company Aircraft for hire under operating leases	Company Pre-Delivery Payments	Company Office equipment and fixtures & fittings	Company Right-of-use assets	Company Total
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,624	5,586	12,485,302

10. Intangible Assets

	Group Intangible assets	Company Intangible assets
	US $'000	US $'000
COST		
At 1 April 2019	16,443	13,610
Additions	978	978
Disposals	(3,528)	(695)
At 31 March 2020	13,893	13,893
Additions	2,543	2,543
At 31 March 2021	16,436	16,436
AMORTIZATION AND OTHER ADJUSTMENTS		
At 1 April 2019	14,461	11,628
Amortization for the year	1,667	1,667
Disposals	(3,528)	(695)
At 31 March 2020	12,600	12,600
Amortization for the year	755	755
At 31 March 2021	13,355	13,355
TOTAL INTANGIBLE ASSETS		
At 31 March 2021	3,081	3,081
At 31 March 2020	1,293	1,293

Amortization of intangible assets is included in Other operating expenses in the statement of comprehensive income. As at 31 March 2021, intangible assets consist of computer software intangible assets with a remaining amortizable life of less than three years.

11. Investment in Subsidiaries - Company

	31 March 2021	31 March 2020
	US $'000	US $'000
At cost	56,697	15,509

The Company's subsidiary undertakings, the capital of which consists of ordinary shares, are shown below. All share capital is wholly owned.

Owned by the Company:	Nature of business:	Country of incorporation:
SMBC Aviation Capital Ireland Leasing 3 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Finance Designated Activity Company (1)	Debt issuance	Ireland
SMBC Aviation Capital Netherlands B.V. (2)	Leasing	Netherlands
SMBC Aviation Capital Paris Leasing 2 SARL (3)	Leasing	France
SMBC Aviation Capital Hong Kong Limited (4)	Leasing	China
SMBC Aviation Capital Hong Kong 2 Limited (4)	Debt issuance	China
SMBC Aviation Capital Hong Kong 3 Limited (4)	Leasing	China

A new subsidiary, SMBC Aviation Capital Hong Kong 3 Limited, was incorporated on 3 August 2020 as a subsidiary of the existing subsidiary, SMBC Aviation Capital Hong Kong Limited, while an existing subsidiary, SMBC Aviation Capital GAL Holdings Limited, was dissolved on 10 June 2020. During September 2020, the Company also increased its investment in SMBC Aviation Capital Hong Kong Limited by $41.20 million.

Registered addresses of entities above, denoted by reference attached to each entity name:

1) IFSC House, IFSC, Dublin 1, Ireland

2) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands

3) 3-5, rue Saint-Georges, 75009 Paris, France

4) Unit 4307-09, Level 43, Champion Tower, 3 Garden Road, Central, Hong Kong

Movements during the year:	US $'000
At 1 April 2019	15,509
Addition during the year	0
At 31 March 2020	15,509
Addition during the year	41,200
Subsidiaries liquidated during the year	(12)
At 31 March 2021	56,697

12. Financial Instruments

The carrying value and fair value of the Group's financial assets and liabilities by class and category are summarized below:

31 March 2021	Group Carrying Value	Group Fair Value	Company Carrying Value	Company Fair Value
	US $'000	US $'000	US $'000	US $'000
Financial assets at fair value through profit or loss Derivative financial instruments	1,373	1,373	1,373	1,373
Financial assets measured at amortized cost				
Advances to OEMs	741,179	742,114	741,179	742,114
Finance lease and loan receivables	501,572	501,661	635,631	702,651
Trade and other receivables	242,029	242,029	238,811	238,811
Cash and cash equivalents	817,055	817,055	811,893	811,893
Financial assets	2,303,208	2,304,232	2,428,887	2,496,842
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	313,338	313,338	313,338	313,338
Borrowings (held for qualifying hedging relationships)	501,738	501,738	501,738	501,738
Financial liabilities measured at amortized cost:				
Obligations under finance leases	5,560	5,889	5,560	5,889
Trade and other payables	978,102	978,102	999,053	999,053
Borrowings	10,404,787	11,488,817	10,449,474	10,087,272
Subordinated liabilities	300,000	371,917	300,000	371,917
Financial liabilities	12,503,525	13,659,801	12,569,163	12,279,207
Financial assets at fair value through profit or loss Derivative financial instruments	2,824	2,824	2,824	2,824
Financial assets measured at amortized cost				
Trade and other receivables	160,286	160,286	162,951	162,951
Cash and cash equivalents	1,242,356	1,242,356	1,242,001	1,242,001
Financial assets	1,405,466	1,405,466	1,407,776	1,407,776
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	588,616	588,616	588,616	588,616
Borrowings (held for qualifying hedging relationships)	502,777	502,777	502,777	502,777
Financial liabilities measured at amortized cost:				
Obligations under finance leases	13,054	13,868	13,054	13,868
Trade and other payables	1,014,703	1,014,703	1,072,942	1,072,942
Borrowings	8,508,477	9,603,549	8,508,478	9,605,344
Subordinated liabilities	300,000	300,868	300,000	300,868
Financial liabilities	10,927,627	12,024,381	10,985,867	12,084,415

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorized by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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

The valuation techniques and significant inputs used in determining the fair values for financial assets and liabilities classified as Level 2 are as follows:

The financial instruments at fair value through profit or loss, being the assets and liabilities shown as above, all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Cash and cash equivalents - The fair value of cash and cash equivalents is considered to be approximately equal to their carrying amount as the components are highly liquid.

Finance lease and loan receivables measured at amortized cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Advances to OEMs measured at amortized cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Obligations under finance leases, Borrowings and Subordinated liabilities fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

The remaining financial assets and liabilities measured at amortized cost all fall within Level 2. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

13. Derivatives at Fair Value

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is $313.34 million (2020: $588.61 million). The value of derivative assets designated as fair value hedge relationships is $1.37 million (2020: $2.81 million). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2020: $nil) in respect of certain ineffective cashflow hedges and a $0.44 million gain (2020: expense of $1.11 million) in respect of certain ineffective fair values hedges.

	Group Notional	Group Fair values		Company Notional	Company Fair values	
	Contract	Assets	Liabilities	Contract	Assets	Liabilities
As at 31 March 2021	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000
Derivatives designated as hedging instruments in fair value hedges Interest rate swaps	500,000	1,373	-	500,000	1,373	-
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)	4,137,309	-	(313,338)
	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)
Total	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)
As at 31 March 2020						
Derivatives designated as hedging instruments in fair value hedges Interest rate swaps	500,000	2,814	-	500,000	2,814	-
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,346,564	10	(588,616)	4,346,564	10	(588,616)
	4,846,564	2,824	(588,616)	4,846,564	2,824	(588,616)

Total	4,846,564	2,824	(588,616)	4,846,564	2,824	(588,616)

Summary	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Assets due within one year	1,373	10	1,373	10
Assets due after one year	-	2,814	-	2,814
Liabilities due within one year	(945)	(516)	(945)	(516)
Liabilities due after one year	(312,393)	(588,100)	(312,393)	(588,100)
Total	(311,965)	(585,792)	(311,965)	(585,792)

14. Hedge Accounting

The Group and Company uses interest rate swaps to hedge the interest rate risks arising from receipt of variable interest receivables on leases.

Interest rate benchmarks and reference interest rate reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group continues to monitor the developments in this area in order to fully estimate the impact on the Group. New standard guidance (namely "Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16") becomes effective for annual periods on or after 1 January 2021. The Group has not early adopted the new guidance and the extent of the impact for future accounting periods is not expected to be material.

IBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and possibly accounting for certain financial instruments used for hedging. The Group has recognised the hedging instruments set out in this note at fair value, which are exposed to the impact of LIBOR. The Group also has certain floating rate liabilities where the reference rate is linked to LIBOR. The Group is establishing a transition plan that follows a risk management approach to ensure a smooth transition to alternative reference rates and is engaging with counterparties to include appropriate fall-back provisions in its floating rate liabilities and hedging derivatives.

The fair values of derivatives designated as cash flow hedges are as follows:

Group

	Notional contract amount	Fair values	
As at 31 March 2021		Assets	Liabilities
	US $'000	US $'000	US $'000
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)
As at 31 March 2020			
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

31 March 2021	Less than 1 year	In the 2nd year	3 to 5 years	Over 5 years
	US $'000	US $'000	US $'000	US $'000
Cash inflows	73,955	68,961	279,705	346,089
Cash outflows	(156,080)	(144,505)	(382,948)	(367,117)

During the financial year ended 31 March 2021, $276.9 million (2020: $461.6 million) was recognised in the Statement of Other Comprehensive

Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2020: $nil).

Company

As at 31 March 2021	Notional contract amount	Fair values	
		Assets	Liabilities
	US $'000	US $'000	US $'000
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)
As at 31 March 2020			
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)

The time periods in which the hedge cash flows are expected to occur and affect the financial statement of comprehensive income are as follows:

31 March 2021	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	73,955	68,961	279,705	346,089
Cash outflows	(156,080)	(144,505)	(382,948)	(367,117)

During the financial year ended 31 March 2021, $276.9 million (2020: net charge of $461.6 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Profit or Loss and Other Comprehensive Income (2020: $nil).

Analysis of effective portion of changes in fair value of cash flow hedges	Group Year ended 31 March 2021	Group Year ended 31 March 2020	Company Year ended 31 March 2021	Company Year ended 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Derivatives in place for the full year	275,279	(429,152)	275,279	(429,152)
Derivatives matured during the year	(10)	409	(10)	409
Derivatives entered into during the year	-	(32,875)	-	(32,875)
Effective portion of changes in fair value of cash flow hedges	275,269	(461,618)	275,269	(461,618)
Tax effect	(34,409)	57,702	(34,409)	57,702
	240,860	(403,916)	240,860	(403,916)

15. Advances to OEMS

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Advances to Boeing				
Current	376,602	-	376,602	-
Non-current	364,577	-	364,577	-
	741,179	-	741,179	-

During May 2020, $776.5 million of previously paid PDPs was reclassified as an advance to Boeing (note 9) due to the deferral of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 (note 31). During December 2020, a further $376.1 million of previously paid PDPs was also reclassified as an advance to Boeing (note 9) due to the cancellation of 21 aircraft from their original delivery dates in 2020 - 2021 (note 31). These amounts are available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, earns interest and any unused balances relating to these agreements become repayable between

2021 - 2024. Credits totalling $412.8 million were applied against direct order and sale and leaseback deliveries during the period.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1 (v), the Group and Company performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of $1.4 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the amount outstanding at year-end is $739.8 million.

16. Finance Leases and Loan Receivables

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Current				
Fixed rate receivables				
Finance leases	2,359	-	-	-
Loan receivables	-	-	3,103	-
Floating rate receivables				
Loan receivables	23,681	-	29,523	-
	26,040	-	32,626	-
Non-current				
Fixed rate receivables				
Finance leases	17,267	-	-	-
Loan receivables	-	-	139,528	-
Floating rate receivables				
Loan receivables	458,265	-	463,477	-
	475,532	-	603,005	-
Total finance lease and loan receivables	501,572	-	635,631	-
The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:				
Less than 1 year	3,271	-	-	-
1-2 years	17,998	-	-	-
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
Total undiscounted lease payments receivable	21,269			
Unearned finance income	(1,643)	-	-	-
Net investment in finance leases	19,626	-	-	-

Finance lease receivables

The Group has entered into a lease arrangement as a lessor that is considered to be a finance lease. The Group leases an aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of this arrangement as a finance lease. Finance income in the period on the net investment in leases totaled $1.64 million (see note 7). Collateral for this finance lease is the relevant leased aircraft.

Loan receivables - Group:

The Group acquired nine aircraft during the year, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as a loan receivables.

Loan receivables - Company:

Loans receivable by the Company consist of funding provided to its subsidiary undertakings in the normal course of their leasing activities.

The expected credit loss of the Group's finance lease and loan receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognised on the Group's finance lease and loan receivables.

17. Trade and Other Receivables

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Trade debtors	260,771	85,543	260,771	85,525
Deferred lease receivables	68,652	18,387	68,652	18,387
Credit impairment provisions	(152,937)	(12,187)	(152,937)	(12,187)
Net lease receivables	176,486	91,743	176,486	91,725
Amounts due from parent group undertakings	17,436	26,255	26,653	33,560
Prepayments	23,887	13,442	20,193	8,564
Other debtors	24,220	28,846	15,479	29,102
	242,029	160,286	238,811	162,951
Age analysis of net trade debtors				
Less than one month	28,943	45,145	28,943	57,315
One to two months	23,664	10,599	23,664	10,599
More than two months	208,164	29,799	208,164	17,611
	260,771	85,543	260,771	85,525

Net lease receivables have increased due to agreed lease rent deferrals, agreed deferrals that were in process of being documented and overdue lease rentals from a number of airlines in restructuring situations. Of the total deferred lease receivables noted above, $31.75 million is due within one year. The credit impairment charge in the current year of $153.87 million (year ended 31 March 2020: $8.23 million) was impacted by the credit downgrades of a number of airlines that entered formal bankruptcy protection during the year. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance (note 24(d)). The classification of this charge in the consolidated statement of comprehensive income was also changed during this period, having previously been included in Operating expenses, but now disclosed separately.

Other debtors include inventory of engines and airframes totalling $4.5 million (31 March 2020: $nil).

18. Cash and Cash Equivalents

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Bank account	11,308	5,363	6,146	5,009
Bank account with parent group undertakings	5,753	5,235	5,753	5,235
Short-term deposits with parent group undertakings	799,994	1,231,758	799,994	1,231,757
	817,055	1,242,356	811,893	1,242,001
Restricted cash	(361,700)	(601,800)	(361,700)	(601,800)
Cash and cash equivalents net of restricted cash	455,355	640,556	450,193	640,201

Included in the table above is restricted cash relating to a collateral call account for derivatives.

19. Lease Incentive Assets

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Lease incentive assets	33,276	50,965	33,276	50,965
Amortised during the year	(15,924)	(16,326)	(15,924)	(16,326)
Additions of lease incentive assets	4,600	11,413	4,600	11,413
Release of lease incentive assets on disposal of aircraft	-	(12,776)	-	(12,776)
	21,952	33,276	21,952	33,276

Current lease incentive assets (amortising within 12 months)	8,348	9,494	8,348	9,494
Non-current lease incentive assets (amortising after 12 months)	13,604	23,782	13,604	23,782
	21,952	33,276	21,952	33,276

The lease incentive assets are amortized over the respective lease terms and recorded as a reduction of lease income (note 2).

20. Assets and Liabilities Held for Sale

The aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Assets held for sale				
Property, plant and equipment – aircraft	-	173,677	-	173,677
	-	173,677	-	173,677
Liabilities associated with assets held for sale Obligations under finance leases	-	4,441	-	4,441
Security deposits	-	1,328	-	1,328
Maintenance reserve	-	8,751	-	8,751
Lessor contributions	-	2,667	-	2,667
	-	17,187	-	17,187
	-	156,490	-	156,490

At 31 March 2021, the Group classified no aircraft (31 March 2020: 5 aircraft and 1 engine) as held-for-sale as the Group did not have any agreements for the sale in place which met the requirement to be classified as held-for-sale. Three of the aircraft and an engine in this classification at 31 March 2020 have since been reclassified as aircraft for hire under operating leases as they no longer met the requirement to be classified as held-for-sale, while one aircraft was reclassified as a finance lease (see note 16) and another sold during the period. The Group generally continues to recognised lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

21. Trade and Other Payables

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Security deposits	132,810	133,355	131,408	133,355
Maintenance reserves	466,588	454,621	466,974	454,621
Lessor contributions	41,259	56,706	41,259	56,706
Prepaid lease rentals and fee income received	120,502	83,606	117,636	83,414
Trade creditors	5,162	8,317	4,770	7,980
Accrued interest - third party undertakings	32,356	47,198	13,076	26,996
Amounts due to parent group undertakings	94,042	114,114	140,076	195,550
Other creditors	85,383	104,040	83,854	101,574
	978,102	1,001,957	999,053	1,060,196
Analysed as:				
Non-current trade and other payables (payable after 12 months)	597,805	613,518	588,620	612,892
Current trade and other payables (payable within 12 months)	380,297	388,439	410,433	447,304
Analysis of Group trade and other payables:	978,102	1,001,957	999,053	1,060,196

As at 31 March 2021	Due < 12 months	Due > 12 months	Total
	US $'000	US $'000	US $'000
Security deposits	1,389	131,421	132,810
Maintenance reserve	65,214	401,374	466,588
Lessor contributions	10,362	30,897	41,259

Prepaid lease rentals and fee income received	117,499	3,003	120,502
Trade creditors	5,162	-	5,162
Accrued interest - third party undertakings	32,356	-	32,356
Amounts due to parent group undertakings	90,877	3,165	94,042
Other creditors	57,438	27,945	85,383
	380,297	597,805	978,102

As at 31 March 2020	Due < 12 months	Due > 12 months	Total
	US $'000	US $'000	US $'000
Security deposits	1,227	132,128	133,355
Maintenance reserve	53,464	401,157	454,621
Lessor contributions	12,346	44,360	56,706
Prepaid lease rentals and fee income received	83,606	-	83,606
Trade creditors	8,317	-	8,317
Accrued interest - third party undertakings	47,198	-	47,198
Amounts due to parent group undertakings	112,118	1,996	114,114
Other creditors	70,163	33,877	104,040
	388,439	613,518	1,001,957

Security deposits fall due at the end of each respective lease, while maintenance reserves, lessor contributions and amounts due to parent group undertakings which relate to operating leases fall due during the remaining term of each respective lease based on the timing of expected maintenance events.

Other creditors include deferred income of $3.7 million pending finalization of the sale of Group and Company's interest in the pre-petition claims against a lessee by way of sub-participation. During the period the Group and Company recognised $18.0 million, representing the partial recovery of these claims, in Other operating income (note 3).

Amounts due to parent group undertakings include cash balances held at period-end on behalf of affiliate group companies in accordance with existing cash pooling agreements.

22. Obligations Under Finance Leases

Amounts payable under finance leases	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Minimum lease payments:				
Within one year	3,465	3,540	3,465	3,540
In the second to fifth years inclusive	2,473	5,938	2,473	5,938
After five years	-	-	-	-
	5,938	9,478	5,938	9,478
Less: future finance charges	(378)	(865)	(378)	(865)
Present value of lease obligations	5,560	8,613	5,560	8,613
Present value of minimum lease payments:				
Within one year	3,171	3,052	3,171	3,052
In the second to fifth years inclusive	2,389	5,561	2,389	5,561
After five years	-	-	-	-
	5,560	8,613	5,560	8,613

Terms, conditions and analysis of Group obligations under finance leases:

As at 31 March 2021	Average interest rate	Year of maturity	Due < 12 months	Due > 12 months	Total
	%		US $'000	US $'000	US $'000
Unsecured - due to parent group undertakings Fixed rate obligations	6.09	2022	3,171	2,389	5,560
			3,171	2,389	5,560

	Average interest rate	Year of maturity	Due < 12 months	Due > 12 months	Total

As at 31 March 2020	%		US $'000	US $'000	US $'000
Unsecured - due to parent group undertakings Fixed rate obligations	6.09	2022	3,052	5,561	8,613
			3,052	5,561	8,613

23. Borrowings

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Loan amounts due to third party undertakings	3,328,522	2,798,278	2,948,522	2,398,278
Loan amounts due to parent group undertakings	5,580,561	4,216,473	5,575,249	4,216,474
Loan amounts due to subsidiaries	-	-	2,427,441	2,396,503
Debt securities issued in qualifying hedging relationships	501,738	502,777	-	-
Other debt securities issued	1,495,704	1,493,726	-	-
	10,906,525	9,011,254	10,951,212	9,011,255
The borrowings are repayable as follows:				
On demand or within one year	1,303,567	490,017	1,298,255	490,018
In the second year	1,151,273	1,297,790	1,151,273	1,297,790
In the third to fifth year inclusive	3,641,147	3,258,929	3,641,147	3,258,929
After five years	4,810,538	3,964,518	4,860,537	3,964,518
	10,906,525	9,011,254	10,951,212	9,011,255
Less: Amounts due for settlement within 12 months	(1,303,567)	(490,017)	(1,298,255)	(490,018)
Amounts due for settlement after 12 months	9,602,958	8,521,237	9,652,957	8,521,237

On 19 July 2016, the Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited, and the hedged interest rate risk measured at fair value through profit or loss. These debt securities were designated into a qualifying hedge relationship at inception and the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument. The debt securities are fair valued through profit or loss with respect to the hedged interest rate. The net fair value hedge ineffectiveness gain of $0.44 million (note 7; year ended 31 March 2020: expense of loss of $1.11 million) recognised in the Statement of comprehensive income reflects an expense from hedging instruments related to debt securities of $1.44 million (year ended 31 March 2020: gain of $16.48 million) and a gain from these hedged debt securities of $1.88 million (year ended 31 March 2020: $17.60 million). At Company level, these notes are included in loan amounts due to subsidiaries.

The Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

All borrowings are unsecured, interest-bearing at market related interest rates determined by each facility's respective term, collateral and counterparty.

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was $49.58 million (year ended 31 March 2020: $67.46 million; note 9). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

Reconciliation of cash and non-cash movements of Group borrowings:

			Non-cash changes		
	As at 1 April 2020	Cash flows in the period	Fair value changes	Amortization of issuing costs	As at 31 March 2021
Floating rate borrowings					
Loan amounts due to third party undertakings	2,500,000	530,000	-	-	3,030,000

Loan amount due to parent group undertakings	2,220,662	5,717	-	-	2,226,379
	4,720,662	535,717	-	-	5,256,379
Fixed rate borrowings					
Loan amount due to parent group undertakings	1,995,811	1,358,371	-	-	3,354,182
Loan amounts due to third party undertakings	298,278	244	-	-	298,522
Debt securities issued in qualifying hedging relationships	502,777	-	(1,883)	844	501,738
Other debt securities issued	1,493,726	-	-	1,978	1,495,704
	9,011,254	1,894,332	(1,883)	2,822	10,906,525

Terms, conditions and analysis of Group borrowings before impact of derivatives:

	Average interest rate	Year of maturity	Due < 12 months	Due > 12 months	Total
As at 31 March 2021	%		US $'000	US $'000	US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	1.27	2021-2029	440,000	2,590,000	3,030,000
Loan amount due to parent group undertakings	2.85	2021-2033	57,680	2,168,699	2,226,379
			497,680	4,758,699	5,256,379
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2021-2034	304,149	3,050,033	3,354,182
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,522	298,522
Debt securities issued in qualifying hedging relationships	2.65	2021	501,738	-	501,738
Other debt securities issued	3.56	2022-2024	-	1,495,704	1,495,704
			1,303,567	9,602,958	10,906,525

	Average interest rate	Year of maturity	Due < 12 months	Due > 12 months	Total
As at 31 March 2020	%		US $'000	US $'000	US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2.89	2020-2029	320,000	2,180,000	2,500,000
Loan amount due to parent group undertakings	4.16	2023-2033	53,712	2,166,950	2,220,662
			373,712	4,346,950	4,720,662
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.65	2021-2034	116,305	1,879,506	1,995,811
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,278	298,278
Debt securities issued in qualifying hedging relationships	2.65	2021	-	502,777	502,777
Other debt securities issued	3.56	2022-2024	-	1,493,726	1,493,726
			490,017	8,521,237	9,011,254

24. Financial Risk Management

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board of Directors, in conjunction with the Transportation Business Planning Department ("TBPD") on behalf of the Consortium, develops and monitors the Group and Company's risk management policies which are established to identify and analyze the risks faced by the Group and Company, which include:

a. **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and Company seek to minimize cash flow currency risk by ensuring

its leases and associated financing are in the same currency, or entering into currency swaps or forwards over the life of the lease. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. The Group and Company have no currency swaps in place at year-end.

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 13. There was no material change in the currency risk of the Group and Company during the period.

The carrying amounts of other currency denominated monetary assets and liabilities are as follows:

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Euro assets	13,968	9,907	12,556	9,422
Sterling assets	162	33	162	33
Japanese yen assets	5,965	299	413	299
Euro liabilities	(14,745)	(14,611)	(13,329)	(14,048)
Sterling liabilities	(1,353)	(647)	(1,351)	(647)
Japanese yen liabilities	(5,700)	(271)	(250)	(271)
Chinese yuan liabilities	(229)	-	(229)	-

At 31 March 2021, if the foreign currency, on the balances disclosed above, weakened/strengthened against the US dollar by 5% with all other variables held constant, the underlying post-tax profit for the Group for the year would have been $128,197 lower/higher, and for the Company would have been $55,375 lower/higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

b. **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimize cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. There was no material change in the interest rate risk of the Group and Company during the period.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

	Group 31 March 2021 US	Group 31 March 2020 US	Company 31 March 2021 US	Company 31 March 2020 US
Interest rate risk:	$'000	$'000	$'000	$'000
Financial assets				
- variable rate	843,646	601,800	729,700	601,800
- fixed rate	1,199,099	629,957	1,322,104	629,957
- non-interest bearing	260,463	173,709	377,083	176,019
Total Financial Assets	2,303,208	1,405,466	2,428,887	1,407,776
Financial liabilities				
- variable rate	5,556,379	5,020,662	5,601,066	5,020,662
- fixed rate	5,655,706	4,303,646	5,655,706	4,303,647
- non-interest bearing	1,291,440	1,603,319	1,312,391	1,661,558
Total Financial Liabilities	12,503,525	10,927,627	12,569,163	10,985,867

The Group and Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. At 31 March 2021, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would have been $0.42 million lower/higher; other components of equity would

have been $25.1 million lower/ higher as a result of a decrease/increase in the fair value of cash flow hedge reserves. The weighted average fixed rate for the interest rate swap portfolio was 4.10%.

c. **Liquidity Risk**

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at 31 March 2021, the Group had put in place $5.0 billion of available capacity through a combination of undrawn shareholder funding ($2.8 billion), third party availability ($1.7 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to impact of COVID-19 on various lessees, available liquidity capacity has ensured that there was no material change in the liquidity risk of the Group and Company during the period.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Group Carrying value 31 March 2021	**Group Contracted cashflows 31 March 2021**	**Group Carrying value 31 March 2020**	**Group Contracted cashflows 31 March 2020**
	US $'000	**US $'000**	**US $'000**	**US $'000**
Liabilities associated with assets held for sale	-	-	17,187	17,187
Trade and other payables	857,600	857,600	918,351	918,351
Obligations under finance leases	5,560	6,213	8,613	9,472
Borrowings	10,906,525	12,856,040	9,011,254	10,533,157
Subordinated liabilities	300,000	588,503	300,000	544,851
Interest rate swaps	313,338	1,050,651	588,616	1,450,213
	12,383,023	15,359,007	10,844,021	13,473,231

31 March 2021	**Group Less than 1 year US $'000**	**Group 1 to 2 years US $'000**	**Group 3 to 5 years US $'000**	**Group Over 5 years US $'000**
Non-derivative financial instruments				
Liabilities associated with assets held for sale	-	-	-	-
Trade and other payables	(262,798)	(75,117)	(261,556)	(258,129)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,588,716)	(1,413,074)	(4,374,283)	(5,479,967)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total non-derivative financial instruments outflows	(1,867,822)	(1,504,061)	(4,685,974)	(6,250,499)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(1,949,947)	(1,579,606)	(4,789,217)	(6,271,527)

31 March 2020	**Group Less than 1 year US $'000**	**Group 1 to 2 years US $'000**	**Group 3 to 5 years US $'000**	**Group Over 5 years US $'000**
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(304,836)	(91,517)	(285,040)	(236,958)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(777,490)	(1,527,423)	(3,786,528)	(4,441,716)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
Total non-derivative financial instruments outflows	(1,119,172)	(1,635,645)	(4,115,598)	(5,152,603)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(56,317)	(85,712)	(232,245)	(233,613)

Total Outflows	(1,175,489)	(1,721,357)	(4,347,843)	(5,386,216)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

	Company Carrying value 31 March 2021 US $'000	Company Contracted cashflows 31 March 2021 US $'000	Company Carrying value 31 March 2020 US $'000	Company Contracted cashflows 31 March 2020 US $'000
Liabilities associated with assets held for sale	-	-	17,187	17,187
Trade and other payables	881,417	881,417	976,782	976,782
Obligations under finance leases	5,560	6,213	8,613	9,472
Borrowings	10,951,212	12,871,950	9,011,255	10,300,561
Subordinated liabilities	300,000	588,503	300,000	544,851
Interest rate swaps	313,338	1,050,651	588,616	1,450,213
	12,451,527	15,398,734	10,902,453	13,299,066

31 March 2021	Company Less than 1 year	Company 1 to 2 years	Company 3 to 5 years	Company Over 5 years
	US $'100	US $'000	US $'000	US $'000
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	-	-	-	-
Trade and other payables	(295,800)	(75,117)	(261,556)	(248,944)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,629,583)	(1,413,074)	(4,374,283)	(5,455,010)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total Non-derivative Financial Instruments Outflows	(1,941,691)	(1,504,061)	(4,685,974)	(6,216,357)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(2,023,816)	(1,579,606)	(4,789,217)	(6,237,385)

31 March 2020	Company Less than 1 year	Company 1 to 2 years	Company 3 to 5 years	Company Over 5 years
	US $'000	US $'000	US $'000	US $'000
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(363,890)	(91,517)	(285,040)	(236,335)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(773,671)	(1,527,423)	(3,786,528)	(4,212,939)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
Total Non-derivative Financial Instruments Outflows	(1,174,407)	(1,635,645)	(4,115,598)	(4,923,203)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(56,317)	(85,712)	(232,245)	(233,613)
Total Outflows	(1,230,724)	(1,721,357)	(4,347,843)	(5,156,816)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier than shown above.

d. **Credit Risk**

Credit risk is the risk arising from the possibility that the Group and Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed with oversight from the Aircraft Credit Department ("ACCD") to enable the Group and Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a portfolio basis. The key principles of credit risk management set out in the Framework include:

– Approval of credit exposure must be granted prior to any advance or extension of credit.

- An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of credit exposure. This must include an assessment of, amongst others, the purpose of the credit and sources of repayment, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.

- Credit risk authority must be specifically granted in writing to all individuals involved in the granting of credit approval, whether this is exercised personally or collectively as part of a credit committee. These individuals must act independently and with balanced commercial judgement in exercising credit authority.

- Where credit authority is exercised personally, the individual must not have any responsibility or accountability for business revenue origination.

- All credit exposures, once approved, must be effectively monitored and managed and reviewed periodically against approved guidelines. Review occurs at least annually, with lower quality exposures being subject to a greater frequency of analysis and assessment.

- Customers with emerging credit problems must be identified early and classified accordingly. Remedial actions must be implemented promptly to minimize the potential loss to the Company and consideration given whether to transfer customers with credit problems to a specialized problem management or recovery unit.

- Portfolio analysis and reporting must be used to identify and manage credit risk concentrations and credit risk quality.

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables ($242.0 million of which $176.5 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($741.2 million; note 15) and cash and cash equivalents (bank accounts totalling $817.1 million; including $805.7 million with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but the credit risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group did not recognised an impairment allowance as the potential allowance was deemed to be immaterial.

At 31 March 2021, the Group's significant cash and deposit counterparties were:

	US $'000
SMBC (credit rating A (S&P))	805,747
Citibank (Credit rating A+ (S&P))	11,308
	817,055

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2021, the Group was exposed to trade debtors of $260.8 million (2020: $85.5 million) and held a provision for expected credit losses against these for $152.9 million (2020: $12.2 million). As at 31 March 2021, the Group held letters of credit in relation to lease rentals and maintenance exposures of $383.4 million (31 March 2020: $423.9 million) in addition to $599.4 million of cash security deposits and maintenance reserves (31 March 2020: $598.1 million; see note 21).

The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables and gross of collateral held.

The table below provides an analysis of exposure to credit risk and ECLs for trade receivables as at:

	Expected credit loss provision %		Group & Company 31 March 2020			
	31 March 2021	31 March 2020	Gross carrying amount US	Impairment loss	Gross carrying amount	Impairment loss
	%	%	$'000	US $'000	US $'000	US $'000
Category 1	0.2%	0.0%	1,210	-	6,039	-
Category 2	1.5%	0.1%	3,813	157	24,417	-
Category 3	6.2%	2.0%	11,907	744	11,673	-
Category 4	33% -100%	33% -100%	243,841	152,036	43,414	12,187
			260,771	152,937	85,543	12,187

The Group and Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee. Category 4 includes gross trade receivables of $21.7 million, $117.7 million and $104.4 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

The Group and Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances, while a number of lessees were also reprofiled into Category 4 during the reporting period based on their changing risk factors. All lessees who entered bankruptcy protection, administration (or similar arrangements) during the year are included in Category 4.

The table above reflects the significant impact that the COVID-19 pandemic has had on our airline customers, which has resulted in (i) requests for lease rent deferrals, (ii) rental restructuring requests and (iii) in some cases, lease terminations. Approved requests for lease deferrals and other delays in payments by airlines have resulted in an increase in trade receivables and deferred lease receivables during the period to $260.8 million (31 March 2020: $85.5 million; note 17) and $68.7 million (31 March 2020: $18.4 million) respectively. The Group and Company also entered arrangements with financial institutions to mitigate collectability exposures as outlined in note 21. The Group and Company continues to monitor its credit exposure and manage any lessee concentrations.

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality.

Impairment Losses	Group	Company
	US $'000	US $'000
The movement in the provision for expected credit losses in respect of financial assets is as follows:		
Balance at 1 April 2019	3,957	3,957
Credit impairment charge on financial assets	8,230	8,230
Balance at 31 March 2020	12,187	12,187
Credit impairment charge on financial assets	153,872	153,872
Trade debtors written off	(13,122)	(13,122)
Balance at 31 March 2021	152,937	152,937

The provision for expected credit losses include a provision of $151.0 million in relation to lease receivables (31 March 2020: $12.2 million).

e. **Concentration Risk**

Concentration risk is the risk that a high percentage of aircraft are on lease to a single lessee or region resulting in the returns on aircraft being less diverse and more correlated. The largest exposure to a single lessee based on net book value of delivered aircraft is 5.2%.

f. **Technical, Maintenance and Environmental Risk**

Technical, maintenance and environmental risk is the risk that a lessee undertakes responsibility for ensuring that the aircraft complies with current environmental, technical and maintenance regulations and statutory obligations as applicable. The Directors monitor these risks on an ongoing basis.

g. **Asset Value Risk**

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. As a result of the ongoing COVID-19 outbreak, there is a heightened risk that events may impact on the underlying value of property, plant and equipment, and specifically operating lease assets, held by the Group and Company.

Material judgements also apply in respect of property, plant and equipment and include the identification and subsequent measurement of impairment, which relies on a measurement of estimated of cash flows and residual values. A decrease in estimated future cash flows or residual values due to the COVID-19 outbreak may result in additional impairment of related assets.

h. **Capital Management**

The Group and Company is a member of a group with regulatory disciplines over the use of its capital. Although the Group and Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the Statement of Financial Position.

25. Deferred Tax

Movements during the year:	Group	Company
	US $'000	**US $'000**
At 31 March 2019	332,670	332,670
Adjustment on initial application of IFRS16	(10)	(7)
Adjusted balance at 1 April 2019	332,660	332,663
Charge to income from continuing operations (note 8)	45,061	45,066
Charge to other comprehensive income	(57,752)	(57,752)
At 31 March 2020	319,969	319,977
Charge to income from continuing operations (note 8)	1,359	1,359
Charge to other comprehensive income	34,512	34,512
At 31 March 2021	355,840	355,848

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	**US $'000**	**US $'000**	**US $'000**
Deferred tax assets	39,549	74,061	39,549	74,061
Deferred tax liabilities	(395,389)	(394,030)	(395,397)	(394,038)
	(355,840)	(319,969)	(355,848)	(319,977)

Full provision has been made for the potential amount of deferred taxation shown below:

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(395,38)	(394,029)	(395,39)	(394,037)
Fair value adjustments on financial instruments - deferred tax asset	39,549	74,061	39,549	74,061
Fair value adjustments on financial instruments - deferred tax liability	-	(1)	-	(1)
	(355,840)	(319,969)	(355,84)	(319,977)

The Group has estimated tax losses of $2.84 billion (31 March 2020: $1.91 billion) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

26. Subordinated Liabilities

			Group & Company	
	Average interest rate	Year of maturity	31 March 2021	31 March 2020
	%		US $'000	US $'000
$300 million floating rate loan due to parent group undertakings	4.26	2037	300,000	300,000
			300,000	300,000

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2037 and can be extended further with the agreement of both parties.

27. Share Capital

	31 March 2021	31 March 2020
Authorised:	US $	US $
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
	1,000,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
Preference shares of $1 each	700,000,000	700,000,000
	887,512,800	887,512,800

The Company's ordinary shares have voting rights attached but carry no right to fixed income, while its preference shares have no voting rights attached and may be paid a fixed non-cumulative preferential dividend of 7.5% of nominal value at the Company's discretion in any financial year.

	31 March 2021	31 March 2020
	Number of shares	
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
	1,000,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
Preference shares of $1 each	700,000,000	700,000,000
	887,512,800	887,512,800

28. Other Components of Equity

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Share premium	261,102	261,102	261,102	261,102
	261,102	261,102	261,102	261,102
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	-	-
Cash flow hedge reserve	(276,841)	(518,418)	(276,841)	(518,418)
Total other reserves	193,714	(47,863)	191,747	(49,830)

The Company issued 18,751,307 new ordinary shares of $1 each at a premium of $12.9245 per share to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") as part of the shareholder restructuring in November 2018.

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207.5 million in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

As described in note 1 c, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonizing the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

The cash flow hedge reserve reflects changes in the mark-to-market value of cash flow hedge accounted derivatives, driven by market rates, and the amortization of de-designated cash flow hedges.

29. Operating Lease Arrangements as Lessor

The future minimum lease payments receivable under non-cancellable operating leases, which include variable lease payments based on rent as at the reporting date, are as follows:

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Within one year	1,164,067	1,118,485	1,152,384	1,118,485
In the second year	1,161,582	1,259,476	1,148,975	1,259,476
In the third year	1,093,864	1,260,275	1,078,486	1,260,275
In the fourth year	1,019,119	1,161,782	1,001,585	1,161,782
In the fifth year	969,683	1,068,974	947,675	1,068,974
After five years	3,978,558	4,844,995	3,875,143	4,844,995
	9,386,873	10,713,987	9,204,248	10,713,987

30. Related Parties

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries as documented in the accounting policy note 1c. A listing of the Company's subsidiaries is included in note 11. Transactions to and from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IAS 27, Consolidated and Separate Financial Statements.

The Group and Company's ultimate parent companies are Sumitomo Mitsui Financial Group (66%) and Sumitomo Corporation (34%). The table below provides a list of any outstanding balances at year end and any transactions entered into during the financial year with the parent companies and its subsidiaries. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Transactions with parent companies:	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	3,375	1,971	3,375	1,971
Interest expense	638	782	638	782
Operating expenses	1,465	3,604	1,465	3,604
Balances at period end:				
Borrowings	-	15,172	-	15,172
Sundry debtors	2,067	-	2,067	-
Other creditors	-	143	-	143
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,464	2,489	2,210	2,184
Balances at period end:				
Sundry debtors	100	127	-	-
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	15,887	17,916	15,887	17,916
Fee income	1,558	4,426	1,558	4,426
Balances at period end:				
Amounts due to group undertakings	37,646	39,769	37,646	39,769
SMBC Capital Markets Inc.				
Transactions during the period:				
Fee expense	-	5	-	5
Gain on derivative fair value	1,441	16,483	1,441	16,483
Interest expense	67,473	13,187	67,473	13,187
Balances at period end:				
Cash	361,700	601,800	361,700	601,800
Derivative Financial Instruments	327,556	591,949	327,556	591,949
SMBC Trust Bank				
Transactions during the period:				
Interest expense	84,704	96,542	84,704	96,542
Balances at period end:				
Borrowings	2,766,257	2,296,019	2,766,257	2,296,019
Amounts due to group undertakings	7,996	10,300	7,996	10,300
SMBC Bank International plc (formerly "Sumitomo Mitsui Banking Corporation Europe Limited")				
Transactions during the period:				
Fee income	1,500	1,895	1,500	1,895
Interest income	88	727	88	727
Operating expense	(1,205)	(654)	(1,205)	(654)
Balances at period end:				
Cash	2,317	1,181	2,316	1,180
Sundry (Creditors) / Debtors	(132)	(546)	(132)	(546)
SMBC (Japan)				
Transactions during the period:				
Operating expenses	14,547	16,512	14,547	16,512
Balances at period end:				
Amounts due to group undertakings	6,177	7,246	6,177	7,246
SMBC (New York)				
Transactions during the period:				
Interest expense	112,082	111,992	112,082	111,992
Balances at period end:				
Borrowings	3,108,992	2,205,283	3,108,992	2,205,283
Cash	441,730	634,011	441,730	634,011
Amounts due to group undertakings	14,905	6,135	14,905	6,135

Transactions with parent companies:	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
SMBC (Paris)				
Transactions during the period:				
Interest expense	464	649	464	649
Balances at period end:				
Obligations under Finance Leases	3,171	3,052	3,171	3,052
Non-current liabilities	2,425	5,620	2,425	5,620
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	559	530	559	530
Balances at period end:				
Other Creditors	-	122	-	122
SMFL (Hong Kong) Limited.				
Transactions during the period:				
Operating expenses	-	57	-	57
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	1,150	1,111	1,150	1,111
Balances at period end:				
Other Creditors	-	310	-	310
SMBC Aviation Capital Japan Co., Ltd.				
Transactions during the period:				
Fee income	-	2,025	-	2,025
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses	698	539	698	539
Balances at period end:				
Other Creditors	120	143	120	143
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	4,200	3,722	4,200	3,722
Balances at period end:				
Other Creditors	435	310	435	310
SMBC Bank EU AG				
Transactions during the period:				
Operating income	103	134	103	134

Transactions with subsidiaries	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	48	-
Interest income	1,440	-
Balances at period end:		
Amounts due from group undertakings	499,222	0
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee expense	2,903	2,649
Interest expense	3,764	7,243
Balances at period end:		
Amounts due to group undertakings	238,914	259,043
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	1,123	794
Balances at period end:		
Amounts due to group undertakings	(38)	(30)
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	2,393	4,090
Balances at period end:		

	Company 31 March 2021	Company 31 March 2020
Amounts due (to) / from group undertakings	(1,043)	71
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	3,526	345
Fee expense	2,059	393
Balances at period end:		
Amounts due to group undertakings	197,622	196,426
SMBC Aviation Capital Hong Kong 3 Limited		
Transactions during the period:		
Interest income	1,747	-
Balances at period end:		
Amounts due from group undertakings	122,353	-
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	18	26
Interest expense	69,447	68,814
Balances at period end:		
Amounts due to group undertakings	2,014,201	2,011,374

The Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 23.

The amounts outstanding are unsecured and will be settled in cash. No other guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

In addition, the Group has also engaged with The Community Foundation for Ireland, a registered charity, to assist with specific corporate social responsibility projects. While The Community Foundation for Ireland is disclosed as a related party due to an existing relationship between its Board of Trustees and the Company's Board of Directors, all services will be provided to the Group on terms equivalent to those that prevail in arm's length transactions for the duration of the projects.

Key management personnel include directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management is shown below:

	31 March 2021 US$'000	31 March 2020 US$'000
Salaries and other short-term employee benefits	5,937	10,390
Post-employment benefits	441	417
Other long-term benefits	755	9,780
Total	7,133	20,587

31. Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. In addition to these direct orders, the Group also placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018 and have existing sale-leaseback capital commitments totalling $0.6 billion (31 March 2020: $1.2 billion).

The combined remaining purchase commitment for orders total $10.9 billion and delivery dates are currently scheduled between 2021 and 2027 of which $1.6 billion relates to expected delivery dates within the next twelve

months. These delivery dates continue to be impacted by the ongoing COVID-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 15). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

32. Contingent Liabilities

The Group and Company had no contingent liability at 31 March 2021 (31 March 2020: $nil).

33. Subsequent Events

On 6 May 2021, Mr. M. Oshima resigned as Director. On the same day, Mr. A. Fukutome was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2021, which require adjustment to or disclosure in the Consolidated Financial Statements.

34. Approval of Financial Statements

The Directors approved these Financial Statements on 6 May 2021.

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$

SMBC Aviation Capital Finance DAC

$ % Senior Notes due 2029
$ % Senior Notes due 2034

Guaranteed by SMBC Aviation Capital Limited

PRELIMINARY OFFERING MEMORANDUM

, 2024

Joint Book-Running Managers

Citigroup	**Credit Agricole CIB**	**Goldman Sachs International**	**J.P. Morgan**	**RBC Capital Markets**	**SMBC Nikko**