Aircraft Finance Market Update and Assessment of Aircraft Supply and Demand

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CIT Aerospace provides financing solutions to a broad spectrum of the global aerospace value chain ranging from operators of commercial and business aircraft to manufacturers and suppliers in the aerospace and defense industries as well as financial institutions.
CIT Aerospace - Commercial Airlines Overview

Over 40 Years’ Experience In Aviation Leasing And Finance
  - Focus on developing in-depth long term relationships

Broad Customer Base
  - Airlines
  - Manufacturers
  - Financial institutions

Products and Services
  - Operating leases
  - Direct loans
  - Third party remarketing and portfolio management services

Diversified, Experienced Team Includes:
  - Worldwide coverage by multilingual marketing professionals
  - Technical experts with airframe, engine qualifications
  - Legal and contracts professionals
  - Risk management analysts
  - Experience with airlines, aircraft and engine manufacturers, MROs.
**Air Traffic Growth and Aircraft Demand Dynamics**

- Traffic demand resuming long term 3-5% growth as global economy recovers.
- Requirement for over 37,000 aircraft worth over US$3 T over the next 20 years.
- Strongest growth in China, India, etc.
- High fuel prices accelerating replacement demand for advanced technology aircraft

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**The World Commercial Aircraft Fleet Will More Than Double Over the Next 20 Years**

- **2009**: 21,500 airplanes
- **2030**: 46,100 airplanes

**Regional**
- **2009**: 57%
- **2030**: 5%

**Interm. Body**
- **2009**: 18%
- **2030**: 25%

**Narrow Body**
- **2009**: 12%
- **2030**: 15%

**747 and Larger**
- **2009**: 6%
- **2030**: 3%

**Source**: ESG

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**Narrow-body aircraft around 150 seats in highest demand as low-cost carriers and route fragmentation proliferate.**

**Longer-range, intermediate body aircraft showing strong demand as intercontinental travel demand strengthens on growing global trade.**

**Regional jets and Very Large Aircraft (like A380), continue specialized roles.**
Sources of Air Transportation demand

Trips* per capita - 2008
*Note: Logarithmic scale

2008 Real GDP per Capita

Passenger originating from a particular country
Note: GDP in 2005 US$  
Source: IATA PaxS, Global Insight, Airbus
Aircraft Operating Lease Market

- Forbes/CIT survey confirms importance of Operating Leasing for airlines
- Benefits to airlines include capital flexibility, fleet flexibility, and risk mitigation
- Over the past 30 years the world’s airlines have leased, rather than purchased, a growing share of their fleets
- Leasing represents 38% of the world fleet vs. just 3% in 1980
- Leased aircraft fleet is expected to rise above 50% by 2015

World Fleet Ownership

<table>
<thead>
<tr>
<th>Year</th>
<th>Owned Share</th>
<th>Lessor Share of World Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>97%</td>
<td>3%</td>
</tr>
<tr>
<td>2015</td>
<td>50%*</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Ascend
* Estimated
Non-Lessor Aircraft Finance Markets 3Q 2011

Airline Cash
- Most balance sheets still leveraged

Traditional Bank Lending
- Large concentration of sources in Europe
- Selective on counterparty and asset type
- Watch the Sovereign debt problem in Europe

Export Credit Agencies
- New Aircraft Sector Understanding that governs export credit
- Guaranty fees increased substantially
- No longer the preferred method, back to being a backstop

Capital Markets (including EETC’s)
- Primarily a US source of lending
- Markets have recovered from the financial crisis, and funding at reasonable rates is available
- US airlines do not have large orders, so there are few new issuances

Manufacturer Finance
- Traditionally the lender of last resort
- Very Little Activity, so there is availability if needed
Many Existing lessors have limited growth potential or constraints
  - Size relative to parent (GECAS, ACG)
  - Market price below book value thus new growth equity raise highly dilutive (AER, AYR, FLY)
  - Non Core to parent (RBS, DAE, ILFC)
  - Large order book relative to capital base, valuation premium compressing fast (ALC)
- Some new entrants are in a growth mode (preparing for IPO?)
  - (Jackson Square, Avolon etc.)
- Some existing lessors appear to be in growth mode (BOC, AWAS and Macquarie)
- At current leasing share, funding the lessor portion of 600 aircraft per year net growth is estimated at $13.5B of new cash (debt and equity)
- Will new Chinese lessors emerge? (ICBC?)

New Entrants With Fresh Capital Have Emerged
Supply and Demand Analysis (Base Case)

Global Traffic Growth 2008 = 1.8% 2009 = -2.3% 2010 = 8.2% 2011 = 4.73% 2012 = 3.36%

Equilibrium level for values