

Cape Town Treaty



Boeing Capital Corporation
Dan Da Silva – Vice President, Strategic Regulatory Policy

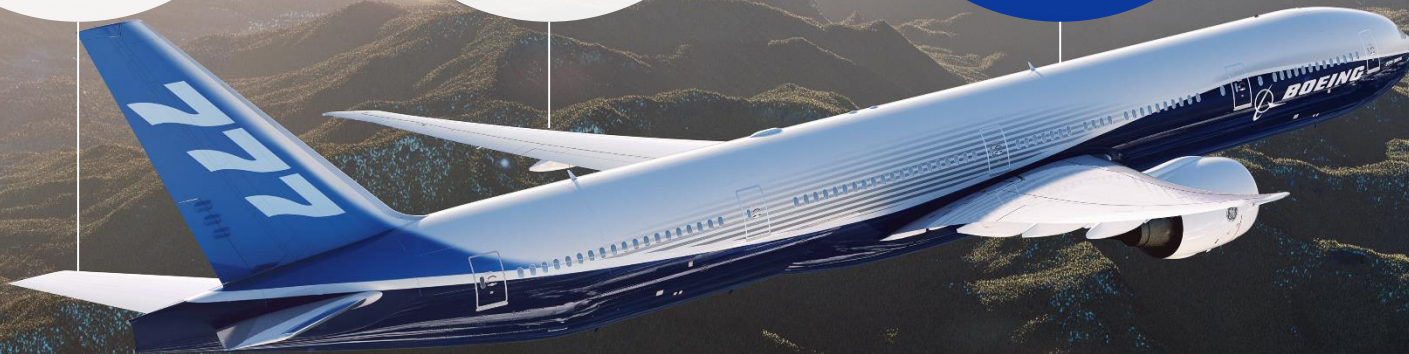


Aircraft finance drivers

AIRLINE
CREDIT
RATINGS

AIRCRAFT
COLLATERAL

JURISDICTION &
LEGAL
FRAMEWORK



WHAT DOES CTT OFFER?

Created in response to the international aviation industry

Unified set of rules to create 'international interest' in an aircraft

'First-to-file' rule for the perfection and priority of international interests through an international registry

A system of remedies for creditors in the event of default

Set of declarations for contracting states to implement



More secure protection for creditors
Good for lenders/lessors



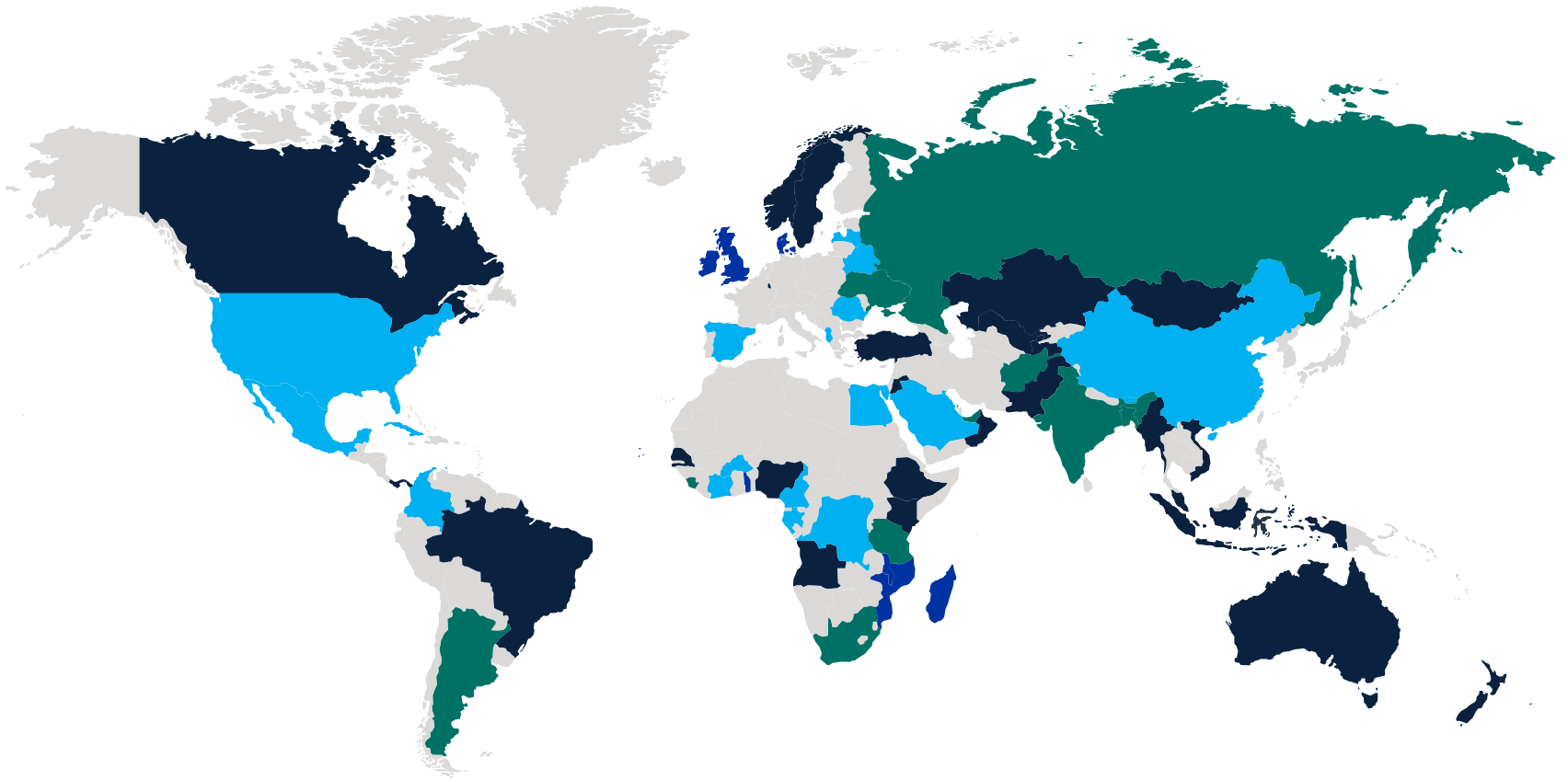
More financing available to acquire these assets, at lower rates
Good for airline/country



Increased sales by manufacturer
More jobs, exports

Cape Town Convention with Aircraft Protocol

71 NATIONS HAVE ACCEDED AS OF MAY 2018



Eligible for OECD Discount
28 countries

Awaiting OECD review
10 countries

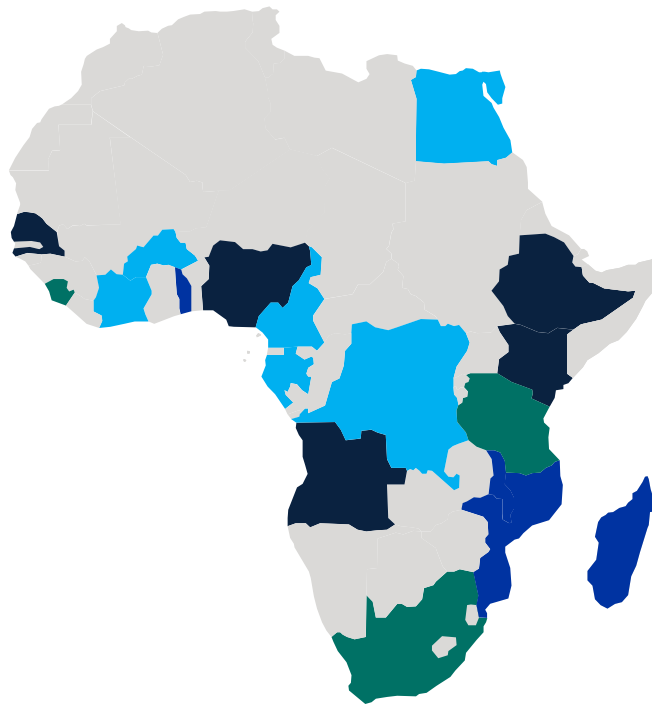
Qualifying declarations not
adopted
23 countries

Qualifying declarations, but
implementation issues
10 countries

CTC in Africa (as defined by ICAO)

21 NATIONS HAVE ACCEDED AS OF May 2018

- ▶ Angola
- ▶ Burkina Faso
- ▶ Cameroon
- ▶ Cape Verde
- ▶ Congo
- ▶ Côte d'Ivoire
- ▶ DR Congo
- ▶ Egypt
- ▶ Ethiopia
- ▶ Gabon
- ▶ Kenya
- ▶ Nigeria
- ▶ Madagascar
- ▶ Malawi
- ▶ Mozambique
- ▶ Rwanda
- ▶ Senegal
- ▶ Sierra Leone
- ▶ South Africa
- ▶ Swaziland
- ▶ Tanzania



Eligible for OECD
Discount
6 countries

Qualifying declarations
not adopted
4 countries

Qualifying declarations
not adopted
8 countries

Qualifying declarations,
but implementation
issues
3 countries

Cape Town Adoption and Benefits

CAPE TOWN ADOPTION



RATIFICATION

Cape Town and Protocol signed by Government and passed into law



IMPLEMENTATION

Implementation legislation passed, if needed, to ensure force of law and priority over conflicting laws



COMPLIANCE

Treaty is applied in accordance with its terms in practice

Ratification steps

6

Legislative action,
where needed

5

Inter-ministerial
process and final
executive action

4

Determine
perspective of
other ministries

3

Identify lead
government
ministry

2

Identify lead
industry advocate

1

Garner national
industry support

INDUSTRY AND
POLICY MAKER
COLLABORATION

IMPLEMENTATION CONSIDERATIONS



IS THE TREATY BINDING IN THE COUNTRY?

After ratification, ensuring Cape Town has priority over conflicting national law and has force of law

CAN OECD APPROVAL BE OBTAINED?

ASU “Qualifying Declarations” adopted and in force
Law firm questionnaire completed as per the ASU

IMPLEMENT AS YOU RATIFY

Wide-ranging stakeholder benefits

GOVERNMENTAL BENEFITS

Reduced risk to governments providing export credit
Enhanced privatization potential
Improved export and employment interests



Reduces Risk

FINANCIER, LESSOR, AND INVESTOR BENEFITS

Less risk
Enhanced security
Increased returns
Higher valuations



Improves Risk Returns

AIRLINE BENEFITS

Enhanced access to funds and funding sources
Reduced financing costs
Enhanced airline fleet planning
Increased operating efficiency
Improved profitability



Increases Access to Capital

AIRCRAFT/ENGINE MANUFACTURER AND SUPPLIER BENEFITS

Expanded markets
Improved sales
Higher employment levels
More advanced engine practices
(enhancing engine leasing)



Expands Aircraft Market

Eligible for OECD Discount



Inclusion on the OECD discount list proves optimal implementation and provides a 10% ASU fee discount

HYPOTHETICAL EXAMPLE OF CTC SAVINGS (EXPORT CREDIT)



One 787 Aircraft

- Estimated Cost
\$140 million
- Financing amount 85%
\$119 million
- Risk Category 6
11.14%

CTC Savings

- Cape Town Discount 10%
1.114%

- **Discount**
\$1.33 million

Savings under the ASU
“Cape Town Discount”
more than \$1 million
per aircraft

HYPOTHETICAL EXAMPLE OF CTC SAVINGS (CAPITAL MARKET)



One 787 Aircraft

- Estimated Cost
\$140 million
- Financing amount 85%
\$119 million
- B+ Credit Airline
Best offer - Bank Debt
Libor + 255bp

CTC Savings

- Cape Town enabled EETC
Resulting Financing Cost
Libor + 173bp
- Savings achieved by using
CTC enabled EETC
**More than \$6.5 million
per aircraft over life of
the loan***

* 12-year, paid quarterly in advance, 82bp differential

