Global Credit Data
by banks for banks

Observed Recovery Rates Dashboard Aircraft

May 2022

828	88%	1.5
Nr of Facilities	**Observed Recovery Rate**	**Time to Peak Recovery**

Lending Portfolio

Most loans are made through an SPV structure (Aircraft Finance - Specialised Lending) or direct to an airline (Large Corporates). Generally, aircraft-backed defaults have higher recoveries than normal corporate loans.

Region of Jurisdiction

The regional spread reflects the number of defaulted cases in the GCD database not worldwide aircraft usage. Aircraft used as a collateral are not limited by the country of the borrower but the legal system where the aircraft is home based may affect the workout and recovery.

Deal Structure

The most common deal structures include normal term loans and capital and operating leases. ECA export finance deals are backed by government-supported loan guarantees and the high recovery rate matches expectations.

Recoveries and Losses in Crisis Times

Higher numbers of defaults and lower recoveries are observed in the aftermath of 9/11 and during the financial crisis starting in 2008. The Covid-19 crisis has effectively shut down much of the airline industry and is likely to result in a large number of defaults with unknown impact on the recovery rates. Defaults included here for recent years have naturally short workout periods and high recovery rates (resolution bias). Cases which are still in default will be included when the ultimate recovery rates become available and will change the results in future reports materially. Therefore, the results for 2018-2020 are displayed in a dashed line.

Note on Terms Used (see Appendix for more details)

Observed Recovery Rate refers to the historically observed nominal average recovery cash flows divided by outstanding amount at default.

Time to Peak Recovery is calculated as the center point of recovered cash flow.

Lending Portfolio

	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Aircraft Finance SL	566	90%	1.7
Large Corporates	94	90%	0.9
Private Banking	76	85%	1.3
SME	66	79%	1.0
Other	26	87%	0.9

Region

Africa & Middle East	13	94%	1.5
Asia & Oceania	83	86%	1.6
Europe	279	91%	1.7
Latin America	75	97%	0.7
North America	378	85%	1.4

Deal Structure

Term Loan	494	89%	1.4
Capital & Operating Lease	114	83%	1.3
ECA Export Finance	28	97%	1.8
Revolver/Overdraft	71	83%	1.6
Other	121	93%	1.5

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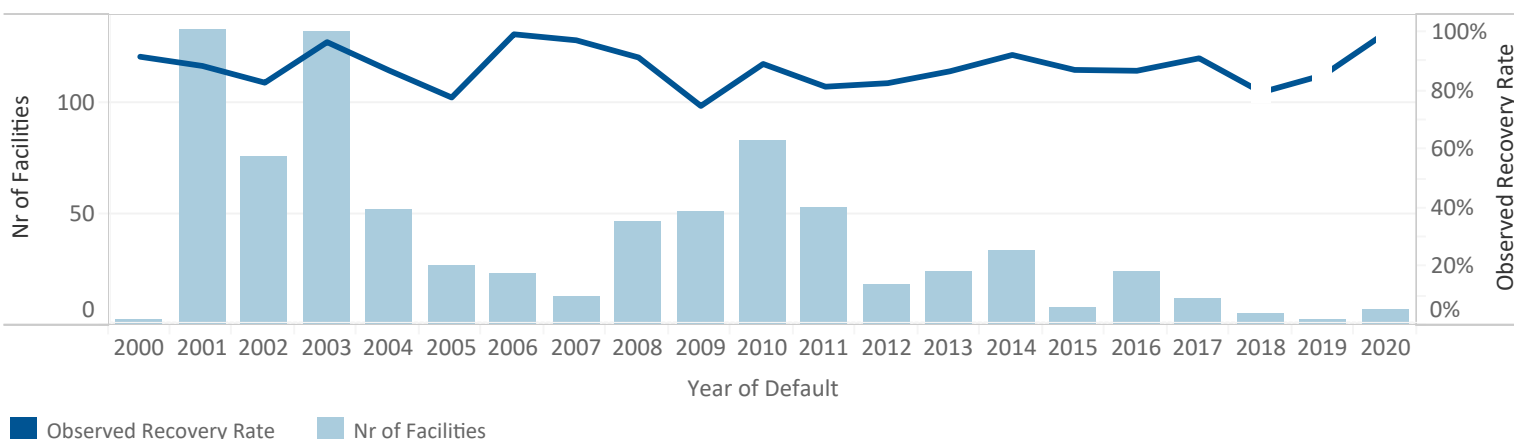
Observed Recovery Rates Dashboard Aircraft

May 2022

Aircraft

| 447	-18%	72%
Total Aircraft	**Observed Haircut**	**Loan-to-Value**

This section explores the collateral dimension on the defaulted facilities from the previous page. A single loan can be secured by multiple aircraft and a single aircraft can be used as collateral for multiple loans. Therefore, the number of aircraft collaterals and the number of loans will not be equal. At the same time, where there are aircraft industry facilities without an aircraft collateral then these cases are excluded.
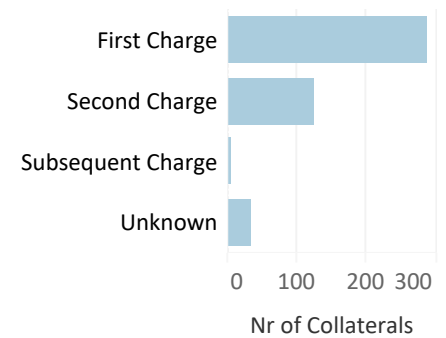
Aircraft Collateral Characteristics

Aircraft Types

Nr of Collaterals

Manufacturers

Nr of Collaterals
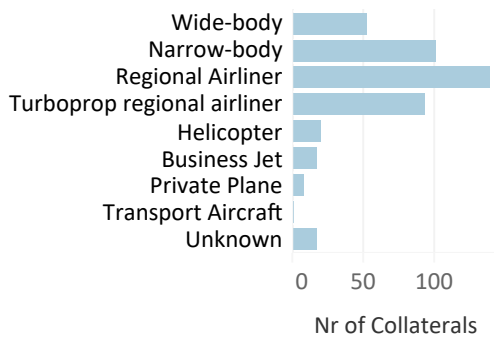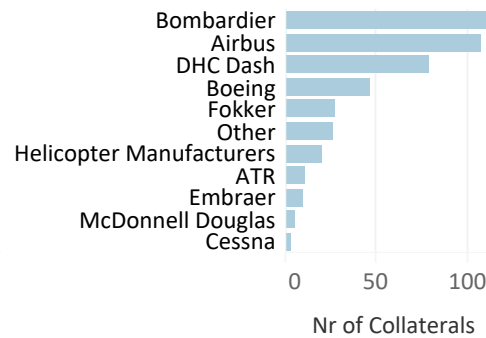
Rank of Security

Nr of Collaterals

Haircut and Loan-to-Value

Haircut

Typically the value of collateral declines during the default and workout process. On average, this decline (haircut) is observed as 18%. The level of haircut is seen to vary based on whether the collateral is sold or not. When the collateral is not sold, the decline can be interpreted as representing the general market decline for second-hand aircraft due to age depreciation and market circumstances. When the collateral is sold most likely there is an extra deduction for forced sale which could come from changed bargaining power and the state of the aircraft. The low number of sold collaterals indicates that a sale is not the most likely workout scenario.

Loan-to-Value

A typical aircraft financing case involves a long-term loan which amortizes as the value of the aircraft financed declines with depreciation. The data indicates that cases with high loan-to-value prior to default produce higher LGD. Aircrafts are recognized as high quality collateral with low volatility over time. For lenders this results in generally high recovery rates even when lending at approximately 70% loan-to-value.

GCD members receive detailed data enabling them to create loan-to-value and haircut-based aircraft financing models.

Collateral Haircut

Legend: Nr of Collaterals (light blue), Observed Haircut (dark blue)

Note on Terms Used

Observed Haircut is the collateral value after default (e.g. date of sale or resolution) minus the collateral value prior to default (max. 2 years prior) divided by the collateral value after default.

Loan-to-Value (LTV) refers to the ratio of the outstanding amount of a loan to the value of the collateral at the default date.

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Global Credit Data maintains the world's highest quality, most exhaustive member-bank contributed data source for credit risk.

More from Global Credit Data

This dashboard draws on verified information collected from 50+ global or regional banks over 20 years and covers over 300,000 defaulted facilities in total. Find more information on our website.

Explore our other dashboards. They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types: Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

GCD has continuously reinforced a framework that is used to measure and monitor data quality as required by global regulations (BCBS239).

About

Established in 2004 as a non-profit association, GCD's Mission is to help banks understand and model credit risks. Membership has grown to 50+ member banks across Europe, Africa, North America, Asia and Australia. Activities include pool credit loss data, directly from banks' books.

GCD operates pooled databases on a "give to get" basis, meaning that members who supply high quality data and receive detailed data in return. The robustness of GCD's data collection infrastructure helps place the GCD databases as the global standard for credit risk data pooling.

**Contact us about becoming a member:
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