Global Credit Data
by banks for banks

RECOVERY RATE REPORT 2026
AIRCRAFT FINANCE

953	89%	1.4
Facilities	Observed recovery rate	Time to peak recovery

Close to 1,000 defaults in our LGD database

2026 Outlook

The aircraft finance industry enters 2026 in strong condition, supported by robust travel demand, tight aircraft supply and firm lease rates. This strength is reflected in our database, with no recent defaults recorded.

The main near-term pressure comes from fuel. Middle East disruptions and high fuel prices are weighing on airline margins, although underlying demand remains robust.

The quieter concern is regulation. For European lenders, A-IRB models face pressure from higher input floors, while a move to the foundation approach may create a separate hurdle: satisfying CRR Art. 199 collateral-recognition rules (see GCD paper on aircraft haircut for more details).

Yet the sector's credit record remains reassuring: average recoveries stand at 89% exceeding those seen in corporate lending.

Close to 1,000 aircraft defaults in the GCD Loss Database

We have collected bank internal loss and recovery data from 50+ global banks since 2000. Typical aircraft finance deals are large in size and low in numbers and the 953 defaulted facilities represent a substantial database.

Drivers of loss

We show historical observed recovery rates by common risk drivers: lending portfolio and region. On the next page we investigate aircraft specifics, including types, manufacturers, and security ranking, showing LTV and haircut analysis.

Lending portfolio

	Facilities	Observed recovery rate
Aircraft Finance	650	90%
Large Corporates	130	92%
Other	27	88%
Private Banking	76	85%
SME	70	80%

Region

	Facilities	Observed recovery rate
Africa & Middle East	20	90%
Asia & Oceania	115	88%
Europe	324	91%
Latin America	102	98%
North America	392	86%

The regional spread reflects the number of defaults in the GCD database, not worldwide aircraft usage.

Observed recovery rate refers to the historical 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.

Recoveries and losses in crisis times

The chart shows that defaults tend to cluster around major crises. Three periods stand out: 9/11, the global financial crisis (GFC) and Covid, each marked by higher default volumes.

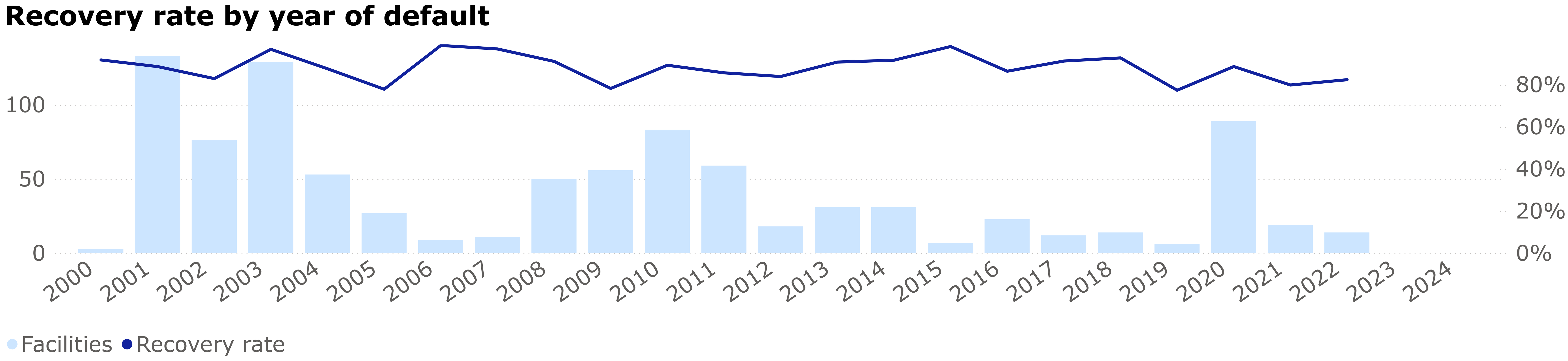
Recovery outcome, however, differs. The post-9/11 and Covid recorded a sizeable number of defaults, but recoveries were strong. Only during the GFC did recoveries fall below the broader average.

Recovery rate by crisis period

	Facilities	Observed recovery rate	Time to peak recovery
2001-2003 (9/11)	338	90%	2.1
2008-2011 (GFC)	248	86%	1.2
2020 (Covid)	89	95%	1.4
Other years	278	89%	0.9

No defaults are currently recorded after 2022 although the full credit impact of recent market conditions may only become visible as defaults resolve over time.

Recovery rate by year of default



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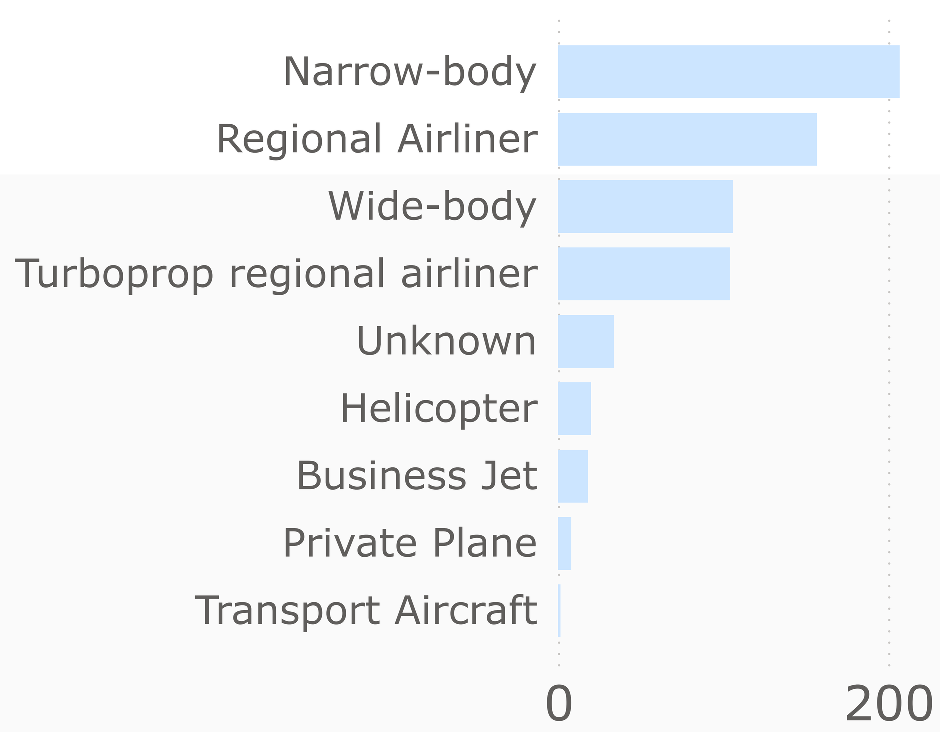
655	19%	78%
Total aircraft	Observed haircut	Loan to value

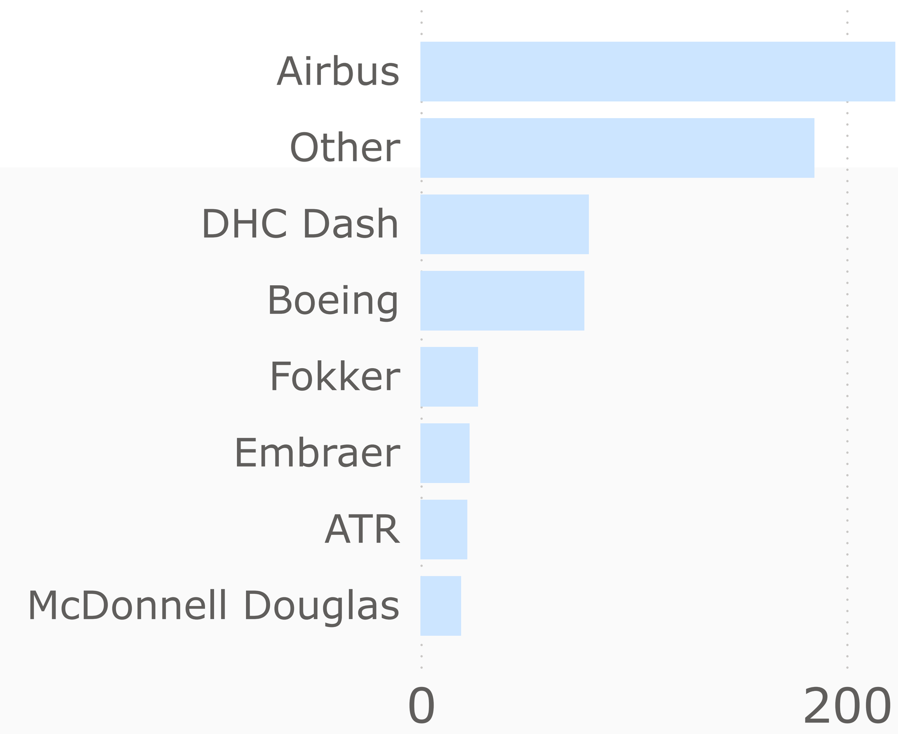
This section explores the collateral dimension on defaulted facilities from the previous page. A single loan can be secured by multiple aircraft and a single aircraft can be collateral for multiple loans. Therefore, the number of aircraft collaterals and the number of loans will not be equal. At the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

Aircraft characteristics

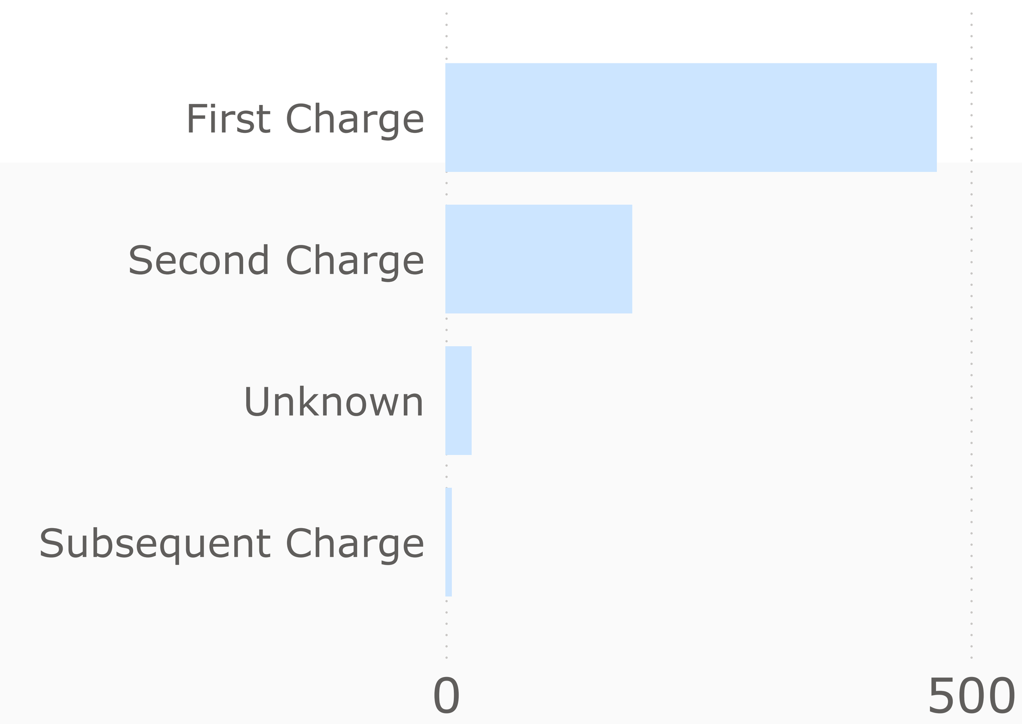
Aircraft type



Manufacturers



Rank of security



Haircut and loan to value

Haircut

Collateral value typically declines during the default and workout process. On average, this decline (haircut) is observed as 19% for aircraft defaults. When aircraft collateral is not sold, this decline appears as lower valuations after default reflecting the general market decline for second-hand aircraft due to age depreciation and market circumstances e.g. downturn.

The low number of sold collaterals suggests that a sale is not the most likely workout scenario. Rather than selling collateral immediately, lenders view aircraft sales as a last resort. Their primary approach is to keep the aircraft operational by restructuring repayment schemes, negotiating with borrowers, and exploring alternative workout strategies to maximize recovery.

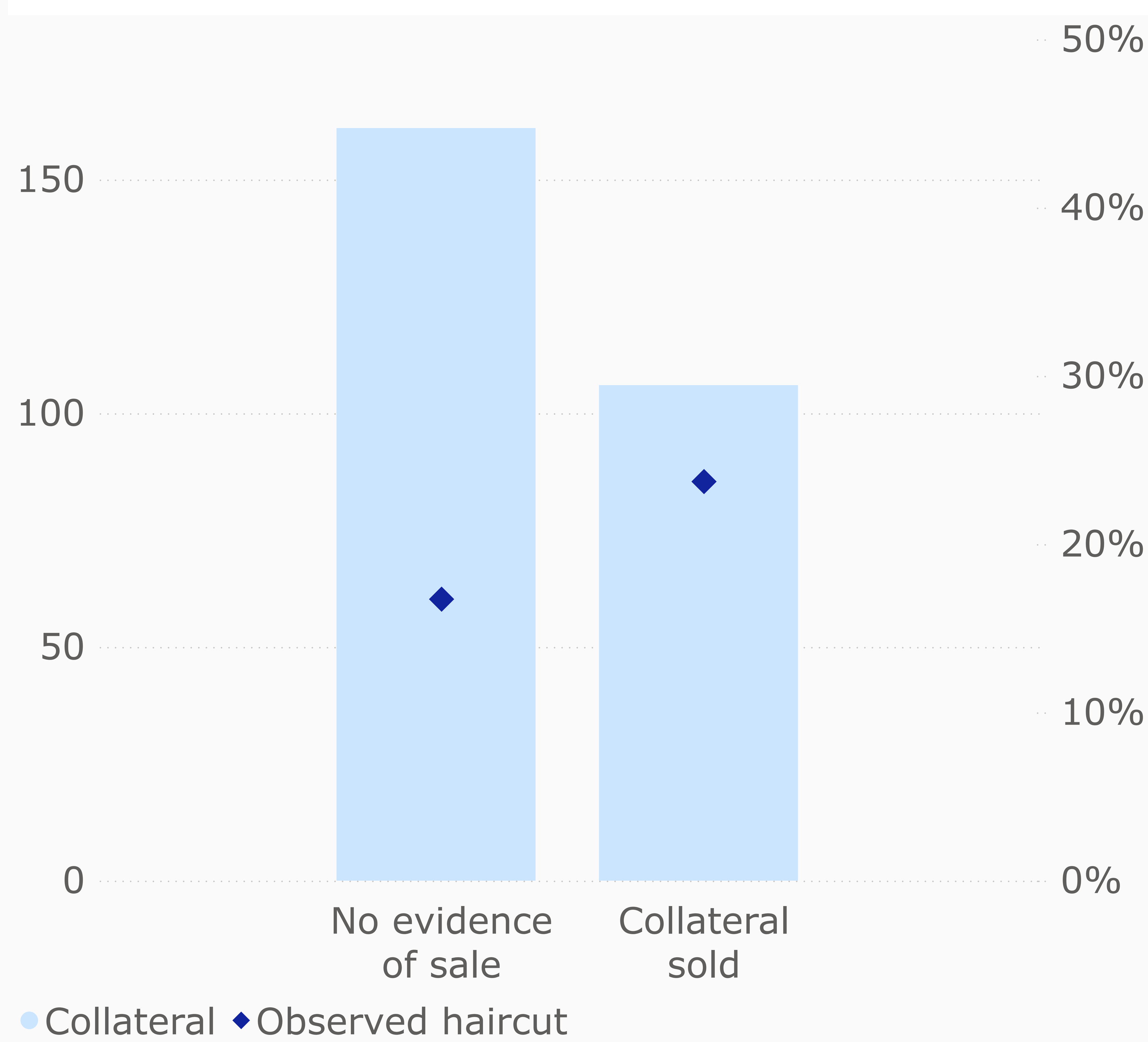
Loan-to-Value

A typical aircraft financing case involves a long-term loan that amortizes over time while the aircraft depreciates, with a final balloon payment. The data indicates that cases with high loan-to-value ratios before default result in higher LGD.

Despite some volatility, aircraft are widely recognized as high quality collateral due to the depth of the secondary market. While values can fluctuate depending on market conditions, aircraft maintain liquidity, allowing lenders to recover significant portions of outstanding debt even in default scenarios and with LTV at default on average at 78%.

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

Collateral haircut



Observed haircut is the collateral value prior to default (max. 2 years prior) minus the collateral value after default (e.g. data of sale or resolution) divided by the collateral value prior to 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. Where collateral supports multiple exposures, values are allocated to avoid double counting.

MORE FROM GLOBAL CREDIT DATA

Based on internal ratings from 50+ member banks, Global Credit Data monitors the rating migrations on the basis of more than 300,000 facilities over the last 20+ years.

This report is based on the LGD Platform, find more information on our website.

Explore our other reports. 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.

To meet the standards set by global regulations like BCBS239, GCD has established a robust framework to measure, monitor and improve data quality.

ABOUT GCD

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit risk through a unique data source. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks' books.

Our activities revolve around pooling credit data, particularly from low default portfolios. Beyond data pooling we foster knowledge exchange, facilitate research and information sharing services, creating a dynamic environment for insights and collaboration.

Join our community to access exclusive data insights, gain market understanding, and benchmark your performance against industry peers.

WWW.GLOBALCREDITDATA.ORG

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