

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 20-F**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2020**

Commission file number **001-33159**

**AerCap Holdings N.V.**

(Exact name of Registrant as specified in its charter)

**The Netherlands**

(Jurisdiction of incorporation or organization)

**AerCap House**

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**Dublin D02 YX20**

**Ireland**

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(Address of principal executive offices)

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares	AER	The New York Stock Exchange
5.875% Fixed-Rate Reset Junior Subordinated Notes due 2079	AER79	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or ordinary stock as of the close of the period covered by the annual report.

Ordinary Shares, Euro 0.01 par value 130,398,538

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non accelerated filer  Emerging growth company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

## TABLE OF CONTENTS

<a href="#"><u>Special Note About Forward Looking Statements</u></a>	<a href="#"><u>2</u></a>
<a href="#"><u>Item 1. Identity of Directors, Senior Management and Advisers</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>Item 2. Offer Statistics and Expected Timetable</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>Item 3. Key Information</u></a>	<a href="#"><u>4</u></a>
<a href="#"><u>Item 4. Information on the Company</u></a>	<a href="#"><u>22</u></a>
<a href="#"><u>Item 4A. Unresolved Staff Comments</u></a>	<a href="#"><u>33</u></a>
<a href="#"><u>Item 5. Operating and Financial Review and Prospects</u></a>	<a href="#"><u>33</u></a>
<a href="#"><u>Item 6. Directors, Senior Management and Employees</u></a>	<a href="#"><u>51</u></a>
<a href="#"><u>Item 7. Major Shareholders and Related Party Transactions</u></a>	<a href="#"><u>63</u></a>
<a href="#"><u>Item 8. Financial Information</u></a>	<a href="#"><u>63</u></a>
<a href="#"><u>Item 9. The Offer and Listing</u></a>	<a href="#"><u>63</u></a>
<a href="#"><u>Item 10. Additional Information</u></a>	<a href="#"><u>64</u></a>
<a href="#"><u>Item 11. Quantitative and Qualitative Disclosures About Market Risk</u></a>	<a href="#"><u>77</u></a>
<a href="#"><u>Item 12. Description of Securities Other than Equity Securities</u></a>	<a href="#"><u>78</u></a>
<a href="#"><u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u></a>	<a href="#"><u>79</u></a>
<a href="#"><u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u></a>	<a href="#"><u>79</u></a>
<a href="#"><u>Item 15. Controls and Procedures</u></a>	<a href="#"><u>79</u></a>
<a href="#"><u>Item 16A. Audit Committee Financial Expert</u></a>	<a href="#"><u>79</u></a>
<a href="#"><u>Item 16B. Code of Ethics</u></a>	<a href="#"><u>80</u></a>
<a href="#"><u>Item 16C. Principal Accountant Fees and Services</u></a>	<a href="#"><u>80</u></a>
<a href="#"><u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u></a>	<a href="#"><u>80</u></a>
<a href="#"><u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u></a>	<a href="#"><u>81</u></a>
<a href="#"><u>Item 16F. Change in Registrant’s Certifying Accountant</u></a>	<a href="#"><u>81</u></a>
<a href="#"><u>Item 16G. Corporate Governance</u></a>	<a href="#"><u>82</u></a>
<a href="#"><u>Item 16H. Mine Safety Disclosure</u></a>	<a href="#"><u>82</u></a>
<a href="#"><u>Item 17. Financial Statements</u></a>	<a href="#"><u>83</u></a>
<a href="#"><u>Item 18. Financial Statements</u></a>	<a href="#"><u>83</u></a>
<a href="#"><u>Item 19. Exhibits</u></a>	<a href="#"><u>83</u></a>
<a href="#"><u>Signatures</u></a>	<a href="#"><u>88</u></a>
<a href="#"><u>Index to Consolidated Financial Statements</u></a>	<a href="#"><u>F-1</u></a>

## SPECIAL NOTE ABOUT FORWARD LOOKING STATEMENTS

This annual report includes “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, principally under the captions “Item 3. Key Information—Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” We have based these forward looking statements largely on our current beliefs and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed in this annual report, could cause our actual results to differ substantially from those anticipated in our forward looking statements, including, among other things:

- the severity, extent and duration of the Covid-19 pandemic and the rate of recovery in air travel, the aviation industry and global economic conditions; the potential impacts of the pandemic and responsive government actions on our business and results of operations, financial condition and cash flows;
- the availability of capital to us and to our customers and changes in interest rates;
- the ability of our lessees and potential lessees to make lease payments to us;
- our ability to successfully negotiate aircraft purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;
- changes in the overall demand for commercial aircraft leasing and aircraft management services;
- the effects of terrorist attacks on the aviation industry and on our operations;
- the economic condition of the global airline and cargo industry and economic and political conditions;
- development of increased government regulation, including travel restrictions, regulation of trade and the imposition of import and export controls, tariffs and other trade barriers;
- competitive pressures within the industry;
- the negotiation of aircraft management services contracts;
- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes; and
- the risks set forth in “Item 3. Key Information—Risk Factors” included in this annual report.

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify forward looking statements. Forward looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward looking statements speak only as of the date they were made and we undertake no obligation to update publicly or to revise any forward looking statements because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward looking events and circumstances described in this annual report might not occur and are not guarantees of future performance.

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

### **Item 3. Key Information**

## **RISK FACTORS**

### **Summary Risk Factors**

#### **Risks related to disease, natural disasters, terrorist attacks and other world events**

- The Covid-19 pandemic may continue to have a material and adverse impact on the aviation industry.
- Global or regional public health developments, extreme weather or natural disasters or other force majeure events may adversely affect the demand for air travel, the financial condition of our lessees and the aviation industry more broadly, and ultimately our financial condition, results and cash flows.
- The effects of terrorist attacks and the threat of terrorist attacks, war or armed hostilities may adversely affect the financial condition of the airline industry.

#### **Risks relating to our funding and liquidity**

- We require significant capital to fund our business and service our debt, and changes in the availability of capital or in the interest rates we pay on our debt may affect our operations or financial results.
- We have a substantial level of indebtedness and we might incur significantly more debt, which could adversely impact our operating flexibility and subject us to covenants that impose restrictions that may affect our ability to operate our business.

#### **Risks relating to market demand for, and lease rates and value of, aircraft in our fleet**

- Our business depends heavily on the level of demand for the aircraft in our fleet, which may decline as a result of factors outside our control, thereby affecting the returns on our aircraft investments.
- Our operations depend on aircraft manufacturers, whose behavior may change in ways that adversely affect the lease rates and value of aircraft in our fleet or our results of operations more broadly.
- If a decline in demand for certain aircraft causes a decline in their projected lease rates, or if we dispose of aircraft for a price that is less than their depreciated book value on our balance sheet, then we will recognize impairments or make fair value adjustments.

#### **Risks related to the financial strength of our lessees**

- Our financial condition depends, in part, on the financial strength of our lessees, and factors outside of our control may adversely affect our lessees' operations, their ability to meet their payment obligations to us or their demand for our aircraft.
- Airline bankruptcy proceedings or reorganizations may limit our ability to collect lease rentals and other payments, depress aircraft market values and adversely affect our ability to re-lease or sell aircraft at favorable rates, if at all, particularly where such proceedings involve our lessees.

#### **Risks related to our relationship with our lessees**

- We have limited control over the operation of our aircraft and engine assets while they are under lease and we depend on our lessees to properly maintain and insure our aircraft, which may expose us to additional and unexpected costs.
- If our lessees encounter financial difficulties and we restructure or terminate our leases, our ability to re-lease aircraft on favorable lease terms, collect outstanding amounts due to us, and repossess aircraft under defaulted leases may be limited and require us to incur additional costs and expenses.

**Risks related to competition and the aviation industry**

- We face significant competition and our business may be adversely affected if market participants change as a result of restructuring or bankruptcies, mergers and acquisitions, or new entities entering or exiting the industry, or if existing competitors enter into new or different market segments.
- We rely on a small number of manufacturers for the supply of commercial aircraft, and any disruption in these manufacturers' operating abilities may cause us to experience delivery delays on our aircraft orders. We may experience additional delivery delays and associated costs if aircraft manufacturers deliver aircraft that fail to meet our lessees' expectations or the requirements of air travel regulators.

**Risks related to the geopolitical, regulatory and legal exposure of our business**

- We are exposed to geopolitical, economic and legal risks associated with the international operations of our business and those of our lessees, including many of the economic and political risks associated with emerging markets. We are exposed to concentrated political and economic risks in certain geographical regions in which our lessees are concentrated, particularly China.
- Our aircraft are subject to various environmental regulations and concerns that may be supplemented by additional regulations and requirements or become more stringent, which may negatively affect our operations.

**Risks related to our IT, structure and taxation**

- We depend on our information technology systems and those of third parties, and our business may suffer if they are damaged or interrupted, including by cyberattack.
- We are incorporated in the Netherlands and it may be difficult to obtain or enforce judgments against us or our executive officers, some of our directors and some of our named experts in the United States.
- We are subject to taxation regimes in various jurisdictions, and we may become subject to additional taxes in those jurisdictions, taxes in other jurisdictions, or experience changes in our tax status in certain jurisdictions, which may affect the effective tax rates that we are subject to and the results of our operations.

## **Risks related to disease, natural disasters, terrorist attacks and other world events**

### ***The Covid-19 pandemic may continue to have a material and adverse impact on our business.***

On March 11, 2020, the World Health Organization declared that the Covid-19 outbreak was a pandemic. The Covid-19 pandemic and responsive government actions have caused significant economic disruption and a dramatic reduction in commercial airline traffic, resulting in a broad adverse impact on air travel, the aviation industry and demand for commercial aircraft globally, all of which has impacted our results of operations. The continued impact of the Covid-19 pandemic on our business will depend, among other things, on the duration of the pandemic and the speed and effectiveness of vaccination efforts; the rate of recovery in air travel and the aviation industry, including the future demand for commercial aircraft; and global economic conditions.

We have agreed with many of our lessees to defer rent obligations. We expect that we may grant additional rent deferrals and extend the periods of repayment. If the financial condition of our customers continues to weaken, we may grant further accommodations.

If we determine that the collectability of lessee rental payments is no longer probable (including any deferral thereof), we are then required to recognize rental revenues using a cash accounting method rather than an accrual method. In the period we conclude that collection of lease payments is no longer probable, we recognize any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, as a current period adjustment to lease revenue. Subsequently, we recognize revenues based on the lesser of the straight-line rental income and the lease payments collected from the lessee until such time that collection is probable, which could materially reduce our reported revenue. During the year ended December 31, 2020, we recognized rent payments from a number of our lessees, using the cash method, which resulted in a decrease in basic lease rents of approximately \$310.6 million. If the financial condition of any additional lessees worsens, we may determine to recognize rent payments from these lessees using the cash method, which could, in future periods, further decrease basic lease rents.

Many national governments have provided, have introduced plans to provide, or have indicated that they may provide financial assistance to airlines. In some cases, governments have imposed conditions on airline recipients of assistance, and governments may also impose conditions on any future assistance, such as requiring airlines to remove less environmentally-friendly aircraft from their fleets or obtain concessions from their creditors, including aircraft lessors, which could adversely impact our business. See “Item 3. Key Information—Risk Factors—Risks related to the financial strength of our lessees—Our financial condition is dependent, in part, on the financial strength of our lessees”.

In addition to a reduction in basic lease rents, the significant decline in air travel has resulted, and may continue to result, in lower utilization of our aircraft, which is likely to reduce future supplemental maintenance rent and EOL compensation payable to us. We may also experience delayed or lost revenue if key aircraft manufacturers are unable to deliver aircraft on schedule due to Covid-19-related issues, such as supply chain disruptions, production cuts, facility shutdowns or liquidity constraints, although it is difficult for us to predict with certainty the impact that Covid-19 will have on manufacturers.

We are observing, as a result of the significant and sustained decline in international air passenger traffic and an expectation of a long recovery time for international air traffic, a shift by some airlines away from current technology widebody aircraft in favor of new technology widebody aircraft. This has led us to recognize an impairment charge of \$1.1 billion, primarily related to current technology aircraft, in particular Airbus A330 and Boeing 777 aircraft, during the year ended December 31, 2020. Further, a number of our lessees have initiated bankruptcy or comparable proceedings, and current market conditions have increased the likelihood that other lessees will default on their obligations to us or experience bankruptcy. If airlines continue to experience prolonged financial hardship or bankruptcies, or there are other adverse developments to the air travel industry arising from the pandemic, aircraft values may decline further, thereby increasing the likelihood that in future quarters we recognize additional impairment charges with respect to our aircraft. See “Item 5. Critical accounting policies and estimates—Event-driven impairment and impairment calculation charges.” Additionally, any such developments could increase the likelihood that our definite-lived customer relationships intangible assets could be impaired. In addition, any bankruptcy, insolvency, reorganization or other restructuring of our lessees may result in their grounding our aircraft, negotiating reductions in aircraft lease rentals or altogether rejecting their leases, all of which could depress aircraft market value and adversely affect our ability to timely re-lease or sell aircraft at favorable rates, if at all. See “Item 3. Key Information—Risk Factors—Risks related to the financial strength of our lessees—If our lessees encounter financial difficulties and we restructure or terminate our leases, including as a result of airline reorganizations or bankruptcies, we are likely to obtain less favorable lease terms.”

While we expect that, even with current market conditions, our liquidity is more than sufficient to satisfy our anticipated operational and other business needs over the next 12 months, we cannot assure you that operating cash flow will not be lower than we expect due to, for example, higher than expected deferral arrangements or payment defaults. Although we currently have a number of sources of liquidity, in some cases the availability of these sources is contingent upon our ability to satisfy certain financial covenants. See Note 13—*Debt* to our Consolidated Financial Statements included in this annual report. To the extent that the Covid-19 pandemic adversely affects our ability to comply with any of these covenants, it may also have the effect of exacerbating many of the other risks identified in “Item 3—Risk Factors—Risks related to our funding and liquidity—The agreements governing our debt contain various covenants that impose restrictions on us that may affect our ability to operate our business.” Even though we do not currently foresee any difficulty or inability to remain in compliance with these financial covenants, to the extent we do not do so, we may be in default under, and/or unable to draw upon, these sources of liquidity or may be required to negotiate amendments with our counterparties, the terms of which could be unfavorable to us.

Additionally, the Covid-19 pandemic has led us to adopt remote working arrangements (which remain in place in some of our locations), which could negatively affect our operations or internal controls over financial reporting and may require us to implement new processes, procedures and controls to respond to further changes in our business environment. We also depend on certain key officers and employees; should any of them become ill and unable to work, it could impact our productivity and business continuity.

***Global or regional public health developments, extreme weather or natural disasters or other force majeure events may adversely affect the demand for air travel, the financial condition of our lessees and the aviation industry more broadly, and ultimately our financial condition, results and cash flows.***

Our international operations expose us to risks associated with unforeseen global and regional events. Epidemic diseases such as Covid-19, Ebola, measles, Severe Acute Respiratory Syndrome (SARS), H1N1 (swine flu) and Zika virus could materially and adversely affect the overall amount of air travel. These epidemic diseases or the fear of these diseases could result in government-imposed travel restrictions and reduced passenger demand for travel. The occurrence of severe weather events or natural disasters, including floods, earthquakes and volcanic eruptions, may make airlines unable to operate to or from certain regions or impact demand for air travel. The occurrence or outbreak of any of the above events or other force majeure events could adversely affect commercial airline traffic, reduce demand for aircraft leases or impair the financial condition of the aviation industry, including our lessees. As a result, our lessees may not be able to satisfy their payment obligations to us. These events may also cause damage to our aircraft and engine assets, the extent of losses from which may not be fully covered by insurance. For these and other reasons, our financial results may be materially and adversely affected by the occurrence of such events.



***The effects of terrorist attacks, war or armed hostilities may adversely affect the financial condition of the airline industry and our lessees' ability to meet their lease payment obligations to us.***

Terrorist attacks and the threat of terrorist attacks, war or armed hostilities, or the fear of such events, have historically had a negative impact on the aviation industry and could result in:

- higher costs to the airlines due to the increased security measures;
- decreased passenger and air cargo demand and revenue;
- the imposition of “no-fly zone” or other restrictions on commercial airline traffic in certain regions;
- uncertainty of the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges;
- higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, if at all;
- significantly higher premiums or reduced coverage amounts for aviation insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, which may be insufficient to comply with the current requirements of aircraft lenders and lessors or applicable government regulations, or the unavailability of certain types of insurance;
- reliance by aircraft lenders or lessors on government programs for specified types of aviation insurance, which may not be available at the relevant time or under which governments may not pay in a timely fashion;
- inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of such events;
- special charges recognized by some operators, such as those related to the impairment of aircraft and engines and other long-lived assets stemming from the grounding of aircraft as a result of terrorist attacks, economic conditions and airline reorganizations; and
- an airline becoming insolvent and/or ceasing operations.

Such events are likely to cause our lessees to incur higher costs and to generate lower revenues, which could result in a material adverse effect on their financial condition and liquidity, including their ability to make rental and other lease payments to us or to obtain the types and amounts of insurance we require. This in turn could lead to aircraft groundings or additional lease restructurings and repossessions, increase our cost of re-leasing or selling aircraft, impair our ability to re-lease or otherwise dispose of aircraft on favorable terms or at all, or reduce the proceeds we receive for our aircraft in a disposition.

## **Risks relating to our funding and liquidity**

### ***We require significant capital to fund our business.***

As of December 31, 2020, we had 286 new aircraft on order, which will require substantial aircraft purchase contract payments. In order to meet these commitments and to maintain an adequate level of unrestricted cash, we will need to raise additional funds by accessing committed debt facilities, securing additional financing from banks or through capital markets transactions, or possibly by selling aircraft.

If we are unable to meet our aircraft purchase commitments as they come due, we will be subject to several risks, including:

- forfeiting deposits and progress payments to manufacturers and having to pay certain significant costs related to these commitments such as actual damages and legal, accounting and financial advisory expenses;
- defaulting on our lease commitments, which could result in monetary damages and strained relationships with lessees;
- failing to realize the benefits of purchasing and leasing such aircraft; and
- risking harm to our business reputation, which would make it more difficult to purchase and lease aircraft in the future on agreeable terms, if at all.

Any of these events could materially and adversely affect our financial results.

### ***To service our debt and meet our other cash needs, we will require a significant amount of cash, which may not be available.***

Our ability to make payments on, and to repay or refinance, our debt, depends largely upon our operating performance, which is in part subject to factors beyond our control. In addition, our ability to borrow funds to make payments on our debt depends on our maintaining specified financial ratios and satisfying financial condition tests and other covenants in certain of the agreements governing our debt. Our business may not generate sufficient cash flow from operations and future borrowings may not be available in amounts sufficient to pay our debt and to satisfy our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to seek alternatives, such as to reduce or delay investments and aircraft purchases, sell assets, restructure or refinance our indebtedness, or seek additional capital, including through new types of debt, equity or hybrid securities. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and might require us to comply with more onerous covenants, which could further restrict our business operations. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations or to meet our aircraft purchase commitments as they come due. Failure to make payments on our debt would result in a default under those agreements and could result in a default under other agreements containing cross default provisions. Moreover, the issuance of additional equity may be dilutive to existing shareholders or otherwise may be on terms not favorable to us or existing shareholders.

### ***Despite our substantial indebtedness, we might incur significantly more debt.***

Despite our current indebtedness levels, we may increase our levels of debt in the future to finance our operations, including to purchase aircraft or to meet our contractual obligations, or for any other purpose. The agreements relating to our debt, including our indentures, term loan facilities, Export Credit Agency (“ECA”)-guaranteed financings, revolving credit facilities, securitizations, other commercial bank financings, and other financings do not prohibit us from incurring additional debt. As of December 31, 2020, we had approximately \$5.6 billion of undrawn lines of credit available under our revolving credit and term loan facilities and other available secured debt, subject to certain conditions, including compliance with certain financial covenants. If we increase our total indebtedness, our debt service obligations will increase, and we will become more exposed to the risks arising from our substantial level of indebtedness.

***Our level of indebtedness, which requires significant debt service payments, could adversely impact our operating flexibility and financial results.***

The principal amount of our outstanding indebtedness, which excludes fair value adjustments of \$19.7 million and debt issuance costs, debt discounts and debt premium of \$192.8 million, was approximately \$28.9 billion as of December 31, 2020 (approximately 69% of our total assets as of December 31, 2020), and our interest payments, net of amounts capitalized, were \$1.2 billion for the year ended December 31, 2020. Due to the capital-intensive nature of our business, we expect that we will incur additional indebtedness in the future and continue to maintain significant levels of indebtedness.

Our level of indebtedness:

- requires a substantial portion of our cash flows from operations to be dedicated to interest and principal payments and therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- may impair our ability to obtain additional financing on favorable terms or at all in the future;
- may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- may make us more vulnerable to downturns in our business, our industry or the economy in general.

***The agreements governing our debt contain various covenants that impose restrictions on us that may affect our ability to operate our business.***

Certain of our indentures, term loan facilities, ECA-guaranteed financings, revolving credit facilities, securitizations, other commercial bank financings, and other agreements governing our debt impose operating and financial restrictions on our activities that limit our operational flexibility. Among other negative covenants customary for such financings, certain of these restrictions limit our ability to incur additional indebtedness, create liens on, sell or access certain assets, declare or pay certain dividends and distributions or enter into certain transactions, investments, acquisitions, loans, guarantees or advances. Additionally, a substantial portion of our owned aircraft are held through SPEs or finance structures that finance or refinance the aircraft through funding agreements that place restrictions on distributions of funds to us.

Agreements governing certain of our indebtedness also contain financial covenants, including requirements that we comply with certain loan-to-value, interest coverage and leverage ratios. These restrictions could impede our ability to operate our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities. Our ability to comply with these covenants may be affected by events beyond our control. Failure to comply with any of the covenants in our financing agreements would result in a default under those agreements and could result in a default under other agreements containing cross default provisions. Under these circumstances, we may have insufficient funds or other resources to satisfy all our obligations.

***Changes in interest rates may increase our cost of borrowing or otherwise adversely affect our net income.***

We use a mix of fixed rate and floating rate debt to finance our business. Any increase in our cost of borrowing directly impacts our net income. 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. If interest rates increase, we will be obligated to make higher interest payments to the lenders of our floating rate debt to the extent that it is not hedged. Please refer to "Item 11—Quantitative and Qualitative Disclosures About Market Risk—Interest rate risk" for further details on our interest rate risk. In addition, we are exposed to the credit risk that the counterparties to our derivative contracts will default on their obligations.

Decreases in interest rates may adversely affect our interest revenue on cash deposits and our lease revenue. During the year ended December 31, 2020, approximately 3% of our basic lease rents from aircraft under operating leases was attributable to leases with lease rates tied to floating interest rates and approximately 97% was derived from leases with fixed lease rates. A decrease in interest rates would 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.

Moreover, if interest rates were to rise sharply, we would not immediately be able to fully offset the negative impact on our net income by increasing lease rates, even if the market were able to bear the increased lease rates. Our leases are generally for multiple years with fixed lease rates over the life of the lease and, therefore, lags will exist because our lease rates with respect to a particular aircraft cannot generally be increased until the expiration of the lease.

***Negative changes in our credit ratings may limit our ability to obtain financing or increase our borrowing costs***

Our cost of borrowing and access to the capital markets are affected by our credit ratings.

We are currently subject to periodic review by independent credit rating agencies S&P, Moody's and Fitch, each of which currently maintains an investment grade rating with respect to us.

We cannot assure you that these credit ratings will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn. Any actual or anticipated changes in our credit ratings, could negatively impact our ability to obtain secured or unsecured financing, increase our borrowing costs or limit our access to the capital markets, which could adversely impact our financial results.

***The discontinuation, reform or replacement of benchmark indices may negatively affect our interest rate exposure.***

Interest rate benchmarks, including the London Interbank Offered Rates ("LIBOR") and the Euro Overnight Index Average ("EONIA"), are the subject of ongoing reform and, in some cases, discontinuation. The discontinuation or replacement of such benchmarks may disrupt the broader financial markets or could negatively impact our interest expense, and hedging transactions that we use in respect of floating rate instruments based on such benchmarks may not be effective to protect us against any such negative impact. On July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. In addition, the European Money Markets Institute, which regulates and administers EONIA, is set to discontinue administration of EONIA on January 3, 2022. We are party to certain debt instruments, derivative contracts and leases that use benchmark rates, such as LIBOR, which will require us to transition these instruments, contracts and leases to alternative reference rates in the event of their discontinuation. We cannot guarantee that we will be able to reach agreement with our lenders and other counterparties with respect to any such amendments and the replacement of an existing benchmark rate 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, such as different alternative reference rates applying to our assets compared to our liabilities.

***Risks relating to market demand for, and lease rates and value of, aircraft in our fleet***

***We may be unable to generate sufficient returns on our aircraft investments.***

Our results depend on our ability to consistently acquire strategically attractive aircraft, continually and profitably lease and re-lease them, and finally sell or otherwise dispose of them, in order to generate returns on the investments we have made, provide cash to finance our growth and operations, and service our existing debt. Upon acquiring new aircraft, we may not be able to enter into leases that generate sufficient cash flow to justify the cost of purchase. When our leases expire or our aircraft are returned prior to the date contemplated in the lease, we bear the risk of re-leasing, selling or parting-out the aircraft. Because our leases are predominantly operating leases, only a portion of an aircraft's value is recovered by the revenues generated from the lease and we may not be able to realize the aircraft's residual value after lease expiration.

Our ability to profitably purchase, lease, re-lease, sell or otherwise dispose of our aircraft will depend in part on conditions in the airline industry and general market and competitive conditions at the time of purchase, lease and disposition, which are outside of our control.

***Our business depends heavily on the level of demand for aircraft in our fleet, which may decline as a result of changes in market conditions and the overall health of air travel.***

Aircraft are long-lived assets and aircraft demand can change over time as a result of changes in market conditions outside of our control. Customer demand for our aircraft is primarily driven by long-term trends in passenger air travel and air cargo demand, and is limited by airport and air traffic control infrastructure constraints. Demand is also influenced by changes in economic growth, regulation, airline profitability, fuel prices, the availability of aircraft financing, pricing and other competitive factors. For example, the Covid-19 pandemic has significantly affected passenger air travel worldwide, and the extent, duration and severity of the pandemic and the rate of recovery in air travel, the aviation industry and global economic conditions will impact demand for our aircraft. In addition, the imposition of more stringent regulation on air travel, including travel restrictions imposed in reaction to the Covid-19 pandemic, may adversely impact the profitability of air travel and reduce demand for our aircraft and engines. Types of regulation that could impact aircraft demand include environmental rules, noise or emissions limitations, aircraft age constraints, trade and import and export controls, tariffs and other trade barriers. If aircraft demand declines, lease rates and residual values of aircraft could be negatively impacted and we may be unable to lease our aircraft on favorable terms, if at all. Aircraft values and lease rates have occasionally experienced sharp decreases in response to market conditions or otherwise.

Demand for an aircraft can also be affected by factors unique to that aircraft, including the maintenance and operating history of the airframe and engines, the compatibility of aircraft configurations and specifications with other aircraft owned by operators of that type, the number of operators using the particular type of aircraft, the availability of documentary records for the aircraft and aircraft age. The desirability of an aircraft may also be impacted by factors pertinent to the model of an aircraft, such as the performance and reliability of the specific engine type installed on a particular aircraft model, technical limitations and technical problems associated with an aircraft model or the operating histories of an aircraft model. For example, the 2019 grounding of the Boeing 737 MAX has affected demand and our ability to lease these aircraft, which, together with potential reputational damage pertaining to the aircraft model, may affect our future lease rates and residual values for these aircraft.

In addition, new aircraft types that are introduced to the market could be more attractive for the target lessees of our aircraft, increasing the supply of older aircraft in the marketplace. This may cause the retirement and obsolescence of aircraft models, decrease comparative values of aircraft based on newly competitive aircraft and reduce the availability of spare parts for older aircraft. For instance, Airbus S.A.S. (“Airbus”), The Boeing Company (“Boeing”) and Embraer S.A. (“Embraer”) have launched several new aircraft types in recent years, including the Boeing 787 Family, the Boeing 737 MAX Family, the Boeing 777X, the Airbus A320neo Family, the Airbus A330neo Family, the Airbus A350 Family, the Airbus A220 Family and the Embraer E-Jet E2 Family. These new aircraft types, and potential variants of these types, may reduce the desirability of, and have an adverse effect on residual value and future lease rates of, older aircraft types and variants. Additionally, new manufacturers may develop a narrowbody aircraft that competes with established aircraft types from Airbus, Boeing and Embraer, putting downward price pressure on, and decreasing the marketability of, aircraft from these manufacturers. The development of more fuel-efficient engines could make aircraft in our portfolio with engines that are not as fuel-efficient less attractive to potential lessees.

A decrease in demand for our aircraft as a result of any of these factors could materially and adversely affect lease rates and residual values for our aircraft, our ability to lease our aircraft on favorable terms, if at all, and our financial results.

***Manufacturer behavior may adversely affect the lease rates and value of aircraft in our fleet or our results of operations more broadly.***

The manufacture and supply of commercial aircraft is concentrated among a limited number of manufacturers. Aircraft also have long delivery cycles. We rely, as a result, on these manufacturers responding early and appropriately to changes in the market environment, delivering aircraft that meet our lessees’ expectations and fulfilling contractual obligations they have to us. Failure on the part of manufacturers in relation to any of these requirements may cause us to experience:

- missed or late delivery of aircraft and engines ordered by us and an inability to meet our contractual obligations to our customers, resulting in lost or delayed revenues, lower growth rates and strained customer relationships;
- an inability to acquire aircraft and engines and related components on terms that will allow us to lease those aircraft and engines to customers at a profit, resulting in lower growth rates or a contraction in our aircraft portfolio;
- a market environment with too many aircraft and engines available, creating downward pressure on demand for the aircraft and engines in our fleet and reduced market lease rates and sale prices;
- reduced demand for a manufacturer’s aircraft due to poor customer support or reputational damage to such manufacturer, thereby reducing the demand for those aircraft or engines in our fleet and reduced market lease rates and residual aircraft values for those aircraft and engines;
- a reduction in our competitiveness due to deep discounting by the aircraft or engine manufacturers, which may lead to reduced market lease rates and aircraft values and may affect our ability to remarket for lease or sell at a profit, some of the aircraft in our fleet; and
- technical or other difficulties with aircraft or engines after delivery that subject aircraft to operating restrictions or groundings, reducing value and lease rates of such aircraft and our ability to lease or dispose of such aircraft on favorable terms.

For example, the market is currently experiencing oversupply due to the impacts of the Covid-19 pandemic. In the years preceding the Covid-19 pandemic, the airline industry committed to a significant number of aircraft deliveries through order placements with manufacturers, and in response, aircraft manufacturers raised their production output. In response to the Covid-19 pandemic, manufacturers have significantly reduced their production output. Considering the significant decrease in demand for air travel, these production cuts may not be sufficient to prevent continuing overcapacity. Uncertainty regarding air travel demand may also lead to a reduction in the availability of debt financing for aircraft purchases, which could increase the gap between aircraft production and demand. Any such decrease in aircraft values and lease rates, or increase in the cost or availability of funding, could materially and adversely affect our financial results.

Additionally, the reintroduction into service of the grounded Boeing 737 MAX aircraft upon regulators recertifying the model for flight has the potential to cause or exacerbate conditions of oversupply, especially in light of the backlog of parked inventory. This may put downward pressure on our aircraft lease rates, values and results of operations.

### **Risks related to the financial strength of our lessees**

#### ***Our financial condition is dependent, in part, on the financial strength of our lessees.***

We generate our revenue primarily from leases to airlines, and as a result we are exposed to many of the risks that airlines face. The ability of our lessees to perform their obligations depends primarily on their financial condition and cash flows, which are affected by factors outside our control. In addition to general economic and market conditions, airlines are affected by overall changes in passenger and air cargo demand, the price and availability of jet fuel, labor difficulties and costs, the availability of financial or other governmental support and governmental regulation and associated fees, including travel restrictions, restrictions on carbon emissions, environmental regulations and fly-over restrictions.

Generally, airlines with high financial leverage are more likely than airlines with stronger balance sheets to be affected, and are affected more quickly, by these factors. Such airlines are also more likely to seek operating leases.

A deterioration in the financial condition and cash flows of our lessees, including from the ongoing impacts of the Covid-19 pandemic, would increase the risk that they will delay, reduce or fail to make rental payments when due. At any point in time, our lessees may be significantly in arrears. Some lessees encountering financial difficulties may seek a reduction in their lease rates or other concessions, such as a deferral of their obligations to make rent or supplemental maintenance rent payments or a decrease in their contribution toward maintenance obligations. Moreover, we may not correctly assess the credit risk of each lessee or charge lease rates that incorrectly reflect related risks. Many of our lessees are not rated investment grade by the principal U.S. rating agencies and may be more likely to suffer liquidity problems than those that are so rated.

Our financial condition, financial results and cash flows may be materially and adversely affected by any events adversely affecting the financial strength of our lessees.

#### ***Increases in fuel prices and fuel price volatility could affect our lessees' ability to meet their lease payment obligations to us.***

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. Historically, fuel prices have fluctuated widely depending primarily on international market conditions, geopolitical and environmental events and currency exchange rates, including events, such as natural disasters, that affect fuel supply. Due to the competitive nature of the aviation industry, operators may be unable to increase airfares in a manner that fully offsets increases in fuel costs. In addition, they may not be able to enter appropriate hedging positions to manage their exposure to fuel price fluctuations. Airlines that hedge their fuel costs may suffer adverse impacts to their profitability and liquidity from swift movements in fuel prices, if their hedge agreements require them to post cash collateral. Therefore, if for any reason fuel prices return to historically high levels or show significant volatility, our lessees are likely to incur higher costs or generate lower revenues, which may affect their ability to meet their obligations to us.

#### ***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 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.

***If our lessees encounter financial difficulties and we restructure or terminate our leases, including as a result of airline reorganizations or bankruptcies, we are likely to obtain less favorable lease terms.***

If a lessee delays, reduces, or fails to make rental payments when due, or has advised us that it will do so in the future, we may elect or be required to restructure or terminate the lease. In addition, in recent years, several airlines, including several of our lessees, have filed for protection under their local bankruptcy and insolvency laws, and certain airlines have gone into liquidation, and the impact of the Covid-19 pandemic on air travel has caused an increase in the number of airlines filing for such protection. For example, on May 26, 2020, LATAM Airlines Group S.A., one of our significant lessees, filed for Chapter 11 bankruptcy, and other lessees have also commenced Chapter 11 or similar proceedings as a result of the Covid-19 pandemic. A restructured lease will likely contain terms that are less favorable to us. If we are unable to agree on a restructuring 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. Moreover, airline bankruptcies historically have led to the grounding of significant numbers of aircraft, rejection of leases and negotiated reductions in aircraft lease rentals, with the effect of depressing aircraft market values. As such, further reorganizations would adversely affect our ability to re-lease or sell aircraft at favorable rates, if at all. We have conducted restructurings and terminations in the ordinary course of our business, and we expect more will occur in the future. If we are obligated to perform a significant number of restructurings and terminations, the associated reduction in lease revenue could materially and adversely affect our financial results and cash flows.

### **Risks related to our relationship with our lessees**

***We have limited control over the operation of our aircraft and engine assets while they are under lease and depend on our lessees to properly maintain and insure our aircraft.***

While our aircraft are on lease, we do not directly control their operation. Under our leases, our lessees are primarily responsible for maintaining our aircraft, obtaining adequate levels of insurance and complying with all governmental requirements applicable to the lessee and the aircraft, including operational, maintenance, government agency oversight, registration requirements and airworthiness directives. We also require many of our lessees to pay us supplemental maintenance rents. Nevertheless, because we still own and hold title to the aircraft we could be exposed to costs resulting from a lessee's failure to properly maintain an aircraft under lease or be held liable for losses resulting from its operation while under lease. If a lessee fails to perform required maintenance on our aircraft during the term of the lease, the aircraft's market value may decline or we might be required to incur maintenance and modification costs, which would result in lower revenues from its subsequent lease or sale, or the aircraft might be grounded. Additionally, if our lessees fail to maintain adequate insurance coverage, default in their indemnification or insurance obligations to us, or are exposed to losses for which they do not have coverage, we could face increased costs from pursuing corrective action or face reductions in insurance proceeds that would otherwise be payable to us in the case of loss. If our lessees fail to meet their obligations to pay supplemental maintenance rents or end of lease ("EOL") compensation, fail to perform required scheduled maintenance, fail to obtain and maintain insurance coverage for losses to which they are exposed, or if we are required to incur unexpected costs associated with any of the above, our financial results may be materially and adversely affected.

***If our lessees fail to cooperate in returning our aircraft following lease terminations, we may encounter obstacles and are likely to incur significant costs and expenses conducting repossessions.***

Our legal rights and the relative difficulty of repossession vary significantly depending on the jurisdiction in which an aircraft is located and the applicable law. We may need to obtain a court order or consents for deregistration or re-export, a process that can differ substantially in different countries. Where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft is registered, repossessing and exporting the aircraft may be challenging, especially if the jurisdiction permits the lessee or the other operator to resist deregistration. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. For example, certain jurisdictions entitle the lessee or another third party to retain possession of the aircraft without paying lease rent or performing all or some of the obligations under the relevant lease. Certain of our lessees are partially or wholly owned by government-related entities, which can complicate our efforts to repossess our aircraft in that government's jurisdiction. If we encounter any of these difficulties, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft.

When conducting a repossession, we are likely to incur significant costs and expenses that are unlikely to be recouped, including, for example, legal and regulatory expenses, taxes, lost revenue, aircraft maintenance and refurbishment and repair costs necessary to put the aircraft in suitable condition for re-lease or sale. We may also make payments to discharge liens placed on our aircraft by lessees and, until these liens are discharged, be restricted in our ability to repossess, release or sell our aircraft and engines. Although the financial obligations relating to these liens are the contractual responsibility of our lessees, if they fail to fulfill these obligations, such liens may ultimately become our responsibility and impose additional repossession costs on us. If we incur significant costs in repossessing our aircraft, our financial results may be materially and adversely affected.

***In certain countries, an engine affixed to an aircraft may become an accession to the aircraft and we may not be able to exercise our ownership rights over the engine.***

Under some legal principles, an engine affixed to an aircraft may become an accession to the aircraft, whereby the ownership rights of the owner of the airframe supersede those of the owner of the engine. In such cases, where an aircraft is security for the owner's obligations to a third party, the security interest in the aircraft may supersede our rights as owner of the engine. As a substantial part of the value of an aircraft derives from its engines, we would suffer a substantial loss if our ability to repossess a leased engine was limited in the event of a lease default, which could materially and adversely affect our financial results.

### **Risks related to competition and the aviation industry**

***Competition and changes in market participants, including lessors, manufacturers and aircraft lessees, may adversely affect our business operations.***

The aircraft leasing industry is highly competitive. Our competitors are primarily other major aircraft leasing companies, but we may also encounter competition from emerging aircraft leasing companies that we do not currently consider our main competitors. We may also face competition from other market participants, such as airlines, aircraft manufacturers, aircraft brokers, financial institutions, including those seeking to dispose of repossessed aircraft at distressed prices and other entities that invest in aircraft and engines. Some of these competitors may have greater operating and financial resources than we do and we may not always be able to compete successfully, which could materially and adversely affect our financial results.

Over the past several years, market participants in the aviation industry have changed as a result of restructuring or bankruptcies, mergers and acquisitions, entities entering or exiting the industry or entities entering into new or different market segments. We expect similar transitions to continue to take place into the future. Changes in market participants may affect our business by, for instance, reducing competition amongst manufacturers, changing the offering of aircraft types and models in the market, reducing demand for our aircraft from lessees or increasing the competition we face for new lessees or favorable terms on our transactions. New aircraft manufacturers, such as Mitsubishi Aircraft Corporation in Japan, JSC United Aircraft Corporation in Russia and Commercial Aircraft Corporation of China, Ltd. in China could produce aircraft that compete with current offerings from Airbus, Boeing and Embraer. These changes may materially affect our business.

***The financial instability of an aircraft or engine manufacturer could impact delivery of our aircraft on order and negatively affect our cash flow and results of operations.***

The supply of commercial aircraft is dominated by Airbus and Boeing and a limited number of engine manufacturers. As a result, we are dependent on these manufacturers remaining in existence and financially stable to fulfill contractual obligations they have to us. Any disruption to these manufacturers' operating abilities may cause us to experience delivery delays on our aircraft orders. Our leases contain lessee cancellation clauses related to aircraft delivery delays, typically for aircraft delays greater than one year, and our purchase agreements contain similar provisions. If there are manufacturing delays for aircraft for which we have made future lease commitments, some or all of our affected lessees could elect to terminate their lease arrangements with respect to such delayed aircraft. Any such termination could negatively affect our cash flow and results of operations.

Further, we may experience additional delivery delays and associated costs if aircraft manufacturers deliver aircraft that fail to meet our lessees' expectations or the requirements of air travel regulators. Following the fatal accidents of two Boeing 737 MAX aircraft, the worldwide fleet of these aircraft was grounded by aviation authorities in March 2019 and production was temporarily suspended by Boeing in January 2020, resulting in ongoing delays in the delivery of our aircraft on order from Boeing. During the year ended December 31, 2020 we cancelled our orders for 24 Boeing 737 MAX aircraft. In November 2020, the U.S. Federal Aviation Administration ("FAA") rescinded the order that halted commercial operations of Boeing 737 MAX aircraft, thus allowing airlines that are under the FAA's jurisdiction to take the steps necessary to resume service and Boeing to begin making deliveries. In January 2021, the European Union Aviation Safety Agency ("EASA") also approved the return to service. As of December 31, 2020, we had five Boeing 737 MAX aircraft delivered and on lease. It is uncertain when and under what conditions our Boeing 737 MAX aircraft will return to service and when Boeing will resume making deliveries of our Boeing 737 MAX aircraft on order. As a result, we may incur future delays on our scheduled Boeing 737 MAX deliveries, and any such future delays could have an impact on our financial results. The grounding and its effects continue to present a number of the risks to our business, including risks associated with the financial stability of aircraft and engine manufacturers. See "Item 3. Key Information—Risk Factors—Risks relating to market demand for, and lease rates and value of, aircraft in our fleet—Manufacturer behavior may adversely affect the lease rates and value of aircraft in our fleet or our results of operations more broadly."



## **Risks related to the geopolitical, regulatory and legal exposure of our business**

***The international operations of our business and those of our lessees expose us to geopolitical, economic and legal risks associated with a global business, including many of the economic and political risks associated with emerging markets.***

We and our lessees conduct business in many countries and, as a result, we are exposed to a large number of regulatory and legal regimes. We also face uncertainty from changes in political regimes globally, including from the current transition to a new presidential administration in the United States. Volatility in the political and economic environments associated with international markets could adversely affect our operations. Changes in international regulations, laws, taxes, export controls, tariffs, embargoes, sanctions or other restrictions on trade or travel could adversely affect the profitability of our lessees' businesses, the operations of aircraft manufacturers or the results of our operations. For example, tensions with Russia, the situation in Syria and Venezuela, the Israeli/Palestinian conflict, tension over the nuclear programs of North Korea and Iran, political instability in the Middle East and North Africa, the territorial disputes between Japan and China and the tensions in the South China Sea could lead to further instability in these regions and negative impacts on our lessees' businesses and our results of operations. Additionally, the international distribution of our assets exposes us to risks associated with limitations on the repatriation of our assets or the expropriation of our international assets. These factors may have a material and adverse effect on our financial results.

Furthermore, we derive substantial lease revenue (approximately 53% in 2020, 58% in 2019 and 58% in 2018) from airlines in emerging market countries. Emerging market countries have less developed economies and are more vulnerable to economic and political problems and 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 could result in economic instability that adversely affects the value of our ownership interest in aircraft subject to lease in such countries, or the ability of our lessees that serve such markets to meet their lease obligations. As a result, lessees that operate in emerging market countries may be more likely to default than lessees that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in such countries. For these and other reasons, our financial results may be materially and adversely affected by economic and political developments in emerging market countries.

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

We are, and from time to time in the future 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. For a description of certain pending litigation involving our business, please refer to Note 27—*Commitments and contingencies* to our Consolidated Financial Statements included in this annual report.

***Because our lessees are concentrated in certain geographical regions, we have concentrated exposure to the political and economic risks associated with those regions, particularly China.***

Through our lessees and the countries in which they operate, we are exposed to the specific economic and political conditions and associated risks of those jurisdictions, including the regional impacts of the Covid-19 pandemic. These risks can include economic recessions, burdensome local regulations or, in extreme cases, increased risks of requisition of our aircraft. An adverse political or economic event in any region or country in which our lessees or our aircraft are concentrated could affect the ability of our lessees to meet their obligations to us, or expose us to various legal or political risks associated with the affected jurisdictions, all of which could have a material and adverse effect on our financial results.

We have a large concentration of lessees in China and therefore have increased exposure to the economic and political conditions in that country and from the increasingly adversarial relationship between China and the West. Recent and future political developments, including the trade dispute between the U.S. and China and other evolving policies pursued in Europe, could result in increased and unexpected regulations on trade, which could adversely impact the results of our operations. Further deterioration in China's relationship with the West could result in the imposition of more stringent trade or travel restrictions, which would harm the operations of our lessees and could materially affect our financial results.

***We are subject to various risks and requirements associated with transacting business in many countries.***

Our international operations expose us to trade and economic sanctions, export controls and other restrictions imposed by the United States, the United Kingdom, or other governments or organizations. For example, the U.S. Departments of Justice, Commerce, State and Treasury and other U.S. 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, and other U.S. federal statutes and regulations, including those established by the Office of Foreign Asset Control. Under these laws and regulations, the U.S. government may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of any of these laws or regulations could materially and adversely impact our business, operating results, and financial condition.

We have implemented and maintain in effect policies and procedures designed to ensure compliance by us, our subsidiaries and our directors, officers, employees, consultants and agents with respect to various export control, anti-corruption, anti-terrorism and anti-money laundering laws and regulations. However, such personnel could engage in unauthorized conduct for which we may be held responsible. Violations of such laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could materially and adversely affect our financial results.

The General Data Protection Regulation (“GDPR”), which became law in the EU on May 25, 2018, regulates the ways in which businesses process personal data in Europe. There are extensive documentation obligations and transparency requirements, which may impose significant costs on us. Failure to comply with the GDPR may subject us to significant litigation or enforcement actions, fines, claims for compensation by customers and other affected individuals, damage to our reputation, orders to remedy breaches or criminal prosecutions, any of which could have a material adverse impact on our business, operating results, and financial condition. For example, under the GDPR, we could incur significant fines of up to 4% of our annual global revenue.

***Our aircraft are subject to various environmental regulations and concerns.***

Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant airframe is registered and where the aircraft is operated. For example, jurisdictions throughout the world have adopted noise regulations that require all aircraft to comply with noise level standards. In addition, the United States and the International Civil Aviation Organization (“ICAO”) have adopted a more stringent set of standards for noise levels that apply to engines manufactured or certified beginning in 2006, as well as a more stringent set of standards in respect of aircraft with a maximum certificated takeoff weight greater than or equal to 55,000 kg and aircraft with a maximum certificated takeoff weight less than 55,000 kg, effective December 31, 2017 and December 31, 2020, respectively. Currently, United States regulations do not require any phase-out of aircraft that qualify with the older standards, but the EU has established a framework for the imposition of operating limitations on aircraft that do not comply with the newer standards. These regulations could limit the economic life of certain of our aircraft and engines, reduce their value, limit our ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

In addition to more stringent noise restrictions, the United States, EU and other jurisdictions are moving towards imposing more stringent limits on greenhouse gas emissions from aircraft engines. Although current emissions control laws generally apply to newer engines, new laws could be passed in the future that also impose limits on older engines, thereby subjecting our older engines to existing or new emissions limitations or indirect taxation. For example, the EU issued a directive in January 2009 to include aviation within the scope of its greenhouse gas emissions trading scheme (“ETS”) beginning on January 1, 2012, regardless of the engine type or age. However, the EU subsequently suspended ETS application to flights from or to non-EU countries through 2023. In October 2016, ICAO adopted the Carbon Offset and Reduction Scheme for International Aviation (“CORSIA”), a global market-based scheme aimed at reducing carbon dioxide emission from international aviation that will become mandatory in 2027. At least 77 countries, including the United States, have indicated that they will participate in the voluntary phase-in of CORSIA which begins in 2021, although the United States subsequently indicated that it is reviewing its commitment to CORSIA. Limitations on emissions such as ETS and CORSIA 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. This is an area of law that is rapidly changing and as of yet remains specific to certain jurisdictions. While we do not know at this time whether new emissions restrictions will be passed, and if passed what impact such laws might have on our business, any future emissions limitations could adversely affect us.

The airline industry has come under increased scrutiny by the press, the public and investors regarding the impact of air travel on the environment, including emissions to the air, discharges to surface and subsurface waters, safe drinking water, aircraft noise, the management of hazardous substances, oils and waste materials and other environmental impacts related to aircraft operations. If such scrutiny results in reduced air travel, it may affect demand for our aircraft, lessees' ability to make rental and other lease payments and reduce the value we receive for our aircraft upon any disposition, which would negatively affect our financial condition, cash flow and results of operations.

### **Risks related to accounting and impairments**

*If a decline in demand for certain aircraft causes a decline in its projected lease rates, or if we dispose of an aircraft for a price that is less than its depreciated book value on our balance sheet, then we will recognize impairments or make fair value adjustments.*

We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable from their undiscounted cash flows. If the gross cash flow test fails, the difference between the fair value and the carrying amount of the aircraft is recognized as an impairment loss. Factors that may contribute to impairment charges include, but are not limited to, unfavorable airline industry trends affecting the residual values of certain aircraft types, high fuel prices and development of more fuel-efficient aircraft shortening the useful lives of certain aircraft, management's expectations that certain aircraft are more likely than not to be parted-out or otherwise disposed of sooner than their expected life, and new technological developments. Cash flows supporting carrying values of older aircraft are more dependent upon current lease contracts. In addition, we believe that residual values of older aircraft are more exposed to non-recoverable declines in value in the current economic environment.

If economic conditions deteriorate, we may be required to recognize impairment losses. In that event, our estimates and assumptions regarding forecasted cash flows from our long-lived assets would need to be reassessed, including the duration of the economic downturn and the timing and strength of the pending recovery, both of which are important variables for purposes of our long-lived asset impairment tests. Any of our assumptions may prove to be inaccurate, which could adversely impact forecasted cash flows of certain long-lived assets, especially for older aircraft. If so, it is possible that there may be an event-driven impairment for other long-lived assets in the future and that any such impairment amounts may be material.

During the year ended December 31, 2020, we recognized impairment charges of \$1.1 billion primarily related to current technology widebody aircraft, in particular Airbus A330 and Boeing 777 aircraft. These aircraft represented approximately 8.5% of our total flight equipment by net book value as of December 31, 2020.

As of December 31, 2020, 185 of our owned aircraft under operating leases were 15 years of age or older. These aircraft represented approximately 6% of our total flight equipment and lease-related assets and liabilities as of December 31, 2020. Please refer to "Item 5. Operating and Financial Review and Prospects—Critical accounting policies and estimates—Impairment charges" for a detailed description of our impairment policy.

## **Risks related to information technology**

*A cyberattack could lead to a material disruption of our IT systems or the IT systems of our third party providers 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.*

Parts of our business depend on the secure operation of our information technology, or IT, systems and the IT systems of our third party providers to manage, process, store and transmit information associated with aircraft leasing. Like other global companies, we have, from time to time, experienced threats to our data and systems, including malware and computer virus attacks, internet network scans, systems failures and disruptions. A cyberattack that bypasses our IT security systems or the IT security systems of our third party providers, causing an IT security breach, could lead to a material disruption of our IT systems or the IT systems of our third party providers, as applicable, and adversely impact our daily operations and cause 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. While we devote substantial resources to maintaining adequate levels of cybersecurity, our resources and technical sophistication may not be adequate to prevent all types of cyberattacks.

*We could suffer material damage to, or interruptions in, our IT systems or the IT systems of our third party providers as a result of external factors, staffing shortages or difficulties in updating our existing software or developing or implementing new software.*

We depend largely upon our IT systems and the IT systems of our third party providers in the conduct of all aspects of our operations. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, fire and natural disasters. Damage or interruption to these IT systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim. In addition, we are currently pursuing a number of IT-related projects that will require ongoing IT-related development and conversion of existing systems. Costs and potential problems or interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our IT systems may have a material adverse effect on our business or results of operations.

## **Risks related to our structure and taxation**

*We are a public limited liability company incorporated in the Netherlands (“naamloze vennootschap” or “N.V.”) and it may be difficult to obtain or enforce judgments against us or our executive officers, some of our directors and some of our named experts in the United States.*

We were incorporated under the laws of the Netherlands and, as such, the rights of holders of our ordinary shares and the civil liability of our directors will be governed by the laws of the Netherlands and our articles of association. The rights of shareholders under the laws of the Netherlands may differ from the rights of shareholders of companies incorporated in other jurisdictions. Many of our directors and executive officers and most of our assets and the assets of many of our directors are located outside the United States. In addition, our articles of association do not provide for U.S. courts as a venue for, or for the application of U.S. law to, lawsuits against us, our directors and executive officers. As a result, you may not be able to serve process on us or on such persons in the United States or obtain or enforce judgments from U.S. courts against us or them based on the civil liability provisions of the securities laws of the United States. There is doubt as to whether the Dutch courts would enforce certain civil liabilities under U.S. securities laws in original actions and enforce claims for punitive damages.

Under our articles of association, we indemnify and hold our directors, officers and employees harmless against all claims and suits brought against them, subject to limited exceptions. Under our articles of association, to the extent allowed by law, the rights and obligations among or between us, any of our current or former directors, officers and employees and any current or former shareholder shall be governed exclusively by the laws of the Netherlands and subject to the jurisdiction of the Dutch courts, unless such rights or obligations do not relate to or arise out of their capacities listed above. Although there is doubt as to whether U.S. courts would enforce such provision in an action brought in the United States under U.S. securities laws, such provision could make judgments obtained outside of the Netherlands more difficult to enforce against our assets in the Netherlands or jurisdictions that would apply Dutch law.

***We may become a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes.***

We do not believe we will be classified as a PFIC for 2020. We cannot yet make a determination as to whether we will be classified as a PFIC for 2021 or subsequent years. The determination as to whether a foreign corporation is a PFIC is a complex determination based on all of the relevant facts and circumstances and depends on the classification of various assets and income under PFIC rules. In our case, the determination is further complicated by the application of the PFIC rules to leasing companies and to joint ventures and financing structures common in the aircraft leasing industry. It is unclear how some of these rules apply to us. Further, this determination must be tested annually and our circumstances may change in any given year. We do not intend to make decisions regarding the purchase and sale of aircraft with the specific purpose of reducing the likelihood of our becoming a PFIC. Accordingly, our business plan may result in our engaging in activities that could cause us to become a PFIC. If we are or become a PFIC, U.S. shareholders may be subject to increased U.S. federal income taxes on a sale or other disposition of our ordinary shares and on the receipt of certain distributions and will be subject to increased U.S. federal income tax reporting requirements. See “Item 10. Additional Information—Taxation—U.S. tax considerations” for a more detailed discussion of the consequences to you if we are treated as a PFIC and a discussion of certain elections that may be available to mitigate the effects of that treatment. We urge you to consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

***We may become subject to income or other taxes in jurisdictions which would adversely affect our financial results.***

We and our subsidiaries are subject to the income tax laws of Ireland, the Netherlands, the United States and other jurisdictions in which our subsidiaries are incorporated or based. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions. Our ability to defer the payment of some level of income taxes to future periods is dependent upon the continued benefit of accelerated tax depreciation on our flight equipment in some jurisdictions, the continued deductibility of external and intercompany financing arrangements and the application of tax losses prior to their expiration in certain tax jurisdictions, among other factors. A change in the division of our earnings among our tax jurisdictions could have a material impact on our effective tax rate and our financial results. In addition, we or our subsidiaries may be subject to additional income or other taxes in these and other jurisdictions by reason of the management and control of our subsidiaries, our activities and operations, where our aircraft operate, where the lessees of our aircraft (or others in possession of our aircraft) are located or changes in tax laws or practices, regulations or accounting principles. Although we have adopted guidelines and operating procedures to ensure our subsidiaries are appropriately managed and controlled, we may be subject to such taxes in the future and such taxes may be substantial. The imposition of such taxes could have a material adverse effect on our financial results.

***We may become subject to additional taxes in Ireland based on the extent of our operations carried on in Ireland.***

Our Irish tax resident group companies are currently subject to Irish corporate income tax on trading income at a rate of 12.5%, on capital gains at 33% and on other income at 25%. We expect that substantially all of our Irish income will be treated as trading income for tax purposes in future periods. As of December 31, 2020, we had significant Irish tax losses available to carry forward against our trading income. The continued application of the 12.5% tax rate to trading income generated in our Irish tax resident group companies and the ability to carry forward Irish tax losses to offset future taxable trading income depends in part on the extent and nature of activities carried on in Ireland both in the past and in the future.

***We may fail to qualify for benefits under one or more tax treaties.***

We do not expect that our subsidiaries located outside of the United States will have any material U.S. federal income tax liability by reason of activities we carry out in the United States and the lease of assets to lessees that operate in the United States. This conclusion will depend, in part, on continued qualification for the benefits of income tax treaties between the United States and other countries in which we are subject to tax (particularly Ireland). That in turn may depend on, among others, the nature and level of activities carried on by us and our subsidiaries in each jurisdiction, the identity of the owners of equity interests in subsidiaries that are not wholly owned and the identities of the direct and indirect owners of our indebtedness.

The nature of our activities may be such that our subsidiaries may not continue to qualify for the benefits under income tax treaties with the United States and that may not otherwise qualify for treaty benefits. Failure to so qualify could result in the imposition of U.S. federal and state taxes, which could have a material adverse effect on our financial results.

***The introduction of Base Erosion and Profit Shifting (“BEPS”) by the Organization for Economic Cooperation and Development’s (“OECD”) may impact our effective rate of tax in future periods.***

In line with the OECD’s BEPS Action Plan, since June 7, 2017, representatives from 95 jurisdictions have signed up to the Multilateral Instrument (“MLI”). The MLI implements agreed tax treaty-related measures combating tax avoidance into bilateral existing tax treaties without the need to renegotiate a new treaty. The MLI took effect on May 1, 2019 in Ireland, with measures relating to withholding taxes taking effect from January 1, 2020.

One of the measures of the MLI is the concept of a “Principal Purpose Test” (“PPT”), which disallows treaty benefits where the main purpose or one of the main purposes of structuring the transaction is to obtain the benefits of the relevant treaty.

Given the nature and substance of our Irish operations, we are satisfied that the PPT should not have a material impact on any of our payments which are reliant on Irish tax treaty positions. However, given the subjective nature of the PPT, there is a risk that a tax authority may take an alternate view and seek to deny the benefits of a double tax treaty based on the interpretation to the PPT in that jurisdiction.

In addition, the OECD announced a further initiative on January 29, 2019, to create an international consensus on new rules for the framework governing international taxation, which was supported by the publication of the Pillar One and Pillar Two Blueprint Reports on October 12, 2020. It is difficult to predict what, if any, changes to international taxation may be introduced as a result of this initiative or to determine whether it may result in an increase in our effective tax rate and cash tax liabilities in future periods.

***The EU Anti-tax Avoidance proposals may impact our effective rate of tax in future periods.***

Irish tax law will be subject to changes as a result of the implementation of the EU Anti-Tax Avoidance Directive (“EU ATAD”) and the amending Directive (“EU ATAD 2”). One such change will be the implementation of a restriction on the tax deductibility of interest payments. As currently proposed, the EU ATAD would restrict the tax deductibility of net interest expense to 30% of earnings before interest, tax, depreciation and amortization (“EBITDA”) or possibly higher if the third party group interest expense ratio to group EBITDA is higher. This measure could impact our ability to claim a tax deduction for interest payments on debt instruments. The implementation date is expected to be January 1, 2022.

## Item 4. Information on the Company

### History and development of the Company

AerCap Holdings N.V. (together with its subsidiaries, “AerCap,” “we,” “us” or the “Company”) was incorporated in the Netherlands as a public limited liability company (“*naamloze vennootschap*” or “*N.V.*”) on July 10, 2006. AerCap is the global leader in aircraft leasing with 1,330 aircraft owned, managed or on order, and total assets of \$42.0 billion as of December 31, 2020. Our ordinary shares are listed on the New York Stock Exchange (the “NYSE”) under the ticker symbol AER. Our headquarters is located in Dublin, and we have offices in Shannon, Los Angeles, Singapore, Amsterdam, Shanghai and Abu Dhabi. We also have representative offices at the world’s largest aircraft manufacturers, Boeing in Seattle and Airbus in Toulouse.

As of December 31, 2020, we had 138,847,345 ordinary shares issued, including 130,398,538 ordinary shares issued and outstanding, and 8,448,807 ordinary shares held as treasury shares. Our issued and outstanding ordinary shares included 2,552,346 shares of unvested restricted stock.

The address of our headquarters in Dublin is AerCap House, 65 St. Stephen’s Green, Dublin D02 YX20, Ireland, and our general telephone number is +353 1 819 2010. Our website address is [www.aercap.com](http://www.aercap.com). Information contained on our website does not constitute a part of this annual report. Puglisi & Associates is our authorized representative in the United States. The address of Puglisi & Associates is 850 Liberty Avenue, Suite 204, Newark, DE 19711 and their general telephone number is +1 (302) 738-6680. The U.S. Securities and Exchange Commission (“SEC”) maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. You can review our SEC filings, including this annual report, by accessing the SEC’s Internet website at [www.sec.gov](http://www.sec.gov).

Our primary capital expenditure is the purchase of aircraft under aircraft purchase agreements with Airbus, Boeing and Embraer. Please refer to “Item 5. Operating and Financial Review and Prospects—Liquidity and capital resources” for a detailed discussion of our capital expenditures. The following table presents our capital expenditures for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
	(U.S. Dollars in thousands)		
Purchase of flight equipment	\$ 778,547	\$ 3,359,092	\$ 4,036,194
Prepayments on flight equipment	405,178	1,369,400	1,912,215

### Business overview

#### *Aircraft leasing*

We are the global leader in aircraft leasing. We focus on acquiring in-demand aircraft at attractive prices, funding them efficiently, hedging interest rate risk prudently and using our platform to deploy these assets with the objective of delivering superior risk-adjusted returns. We believe that by applying our expertise, we will be able to identify and execute on a broad range of market opportunities that we expect will generate attractive returns for our shareholders. We are an independent aircraft lessor, and, as such, we are not affiliated with any airframe or engine manufacturer. This independence provides us with purchasing flexibility to acquire aircraft or engine models regardless of the manufacturer.

We operate our business on a global basis, leasing aircraft to customers in every major geographical region. As of December 31, 2020, we owned 939 aircraft and we managed 105 aircraft. As of December 31, 2020, we also had 286 new aircraft on order, including 157 Airbus A320neo Family aircraft, 71 Boeing 737 MAX aircraft, 35 Embraer E-Jets E2 aircraft, and 23 Boeing 787 aircraft. As of December 31, 2020, the average age of our 939 owned aircraft fleet, weighted by net book value, was 6.4 years and as of December 31, 2019, the average age of our 939 owned aircraft fleet, weighted by net book value, was 6.1 years.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft transactions in a variety of market conditions. During the year ended December 31, 2020, we executed 179 aircraft transactions. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and managing our aircraft portfolio. During the year ended December 31, 2020, our weighted average owned aircraft utilization rate was 97.5%, calculated based on the number of days each aircraft was on lease during the year, weighted by the net book value of the aircraft.

## Aircraft leases and transactions

We lease most of our aircraft to airlines under operating leases. Under these leases, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and we receive the benefit, and assume the risks, of the residual value of the equipment at the end of the lease. Many airlines lease aircraft under operating leases as this reduces their capital requirements and costs and affords them flexibility to manage their fleet more efficiently as aircraft are returned over time. Since the 1970's and the creation of aircraft leasing pioneers Guinness Peat Aviation ("GPA") and International Lease Finance Corporation ("ILFC"), the world's airlines have increasingly turned to operating leases to meet their aircraft needs. We have active customer relationships with approximately 200 airlines in approximately 80 countries. These customer relationships are either with existing customers or airlines with which we maintain regular dialogue in relation to potential transaction opportunities. Our relationships with these airlines help us place new aircraft and remarket existing aircraft.

Over the life of our aircraft, we seek to increase the returns on our investments by managing the lease rates, time off-lease and financing and maintenance costs, and by carefully timing their sale. Our current operating aircraft leases have initial terms ranging in length up to approximately 16 years. By varying our lease terms, we mitigate the effects of changes in cyclical market conditions at the time aircraft become eligible for re-lease.

Well in advance of the expiration of an operating lease, we prioritize entering into a lease extension with the then-current operator. This reduces our risk of aircraft downtime as well as aircraft transition costs. The terms of our lease extensions reflect the market conditions at the time and typically contain different terms from the original lease. Should a lessee not be interested in extending a lease, or if we believe we can obtain a more favorable return on the aircraft, we will explore other options, including the sale of the aircraft. If we enter into a lease agreement for the same aircraft with a different lessee, we generally do so well in advance of the scheduled return date of the aircraft. When the aircraft is returned, maintenance work may be required before the aircraft transitions to the next lessee.

Our extensive experience, global reach and operating capabilities allow us to rapidly complete numerous aircraft transactions, which enables us to increase the returns on our aircraft investments by minimizing any time that our aircraft are not generating revenue for us.

The following table provides details regarding the aircraft transactions we executed during the years ended December 31, 2020, 2019 and 2018. The trends shown in the table reflect the execution of the various elements of our leasing strategy for our owned and managed portfolio, as described further below:

	Year Ended December 31,			Total
	2020	2019	2018	
<b>Owned portfolio</b>				
New leases on new aircraft	10	54	115	179
New leases on used aircraft	12	37	43	92
Extensions of lease contracts	67	92	85	244
New aircraft purchases	36	65	76	177
Aircraft sales and part-outs (a)	40	88	91	219
<b>Managed portfolio</b>				
New leases on used aircraft	6	5	5	16
Extensions of lease contracts	2	4	9	15
Aircraft sales and part-outs	6	8	12	26
<b>Total aircraft transactions</b>	<b>179</b>	<b>353</b>	<b>436</b>	<b>968</b>

(a) Disassembly of an aircraft for the sale of its parts ("part-out")



We perform a review of all of our prospective lessees, which generally includes reviewing financial statements, business plans, cash flow projections, maintenance capabilities, operational performance histories, hedging arrangements for fuel, foreign currency and interest rates and relevant regulatory approvals and documentation. We perform on-site credit reviews for new lessees, which typically include extensive discussions with the prospective lessee's management before we enter into a new lease. We also evaluate the jurisdiction in which the lessee operates to ensure we are in compliance with any regulations and evaluate our ability to repossess our assets in the event of a lessee default. Depending on the credit quality and financial condition of the lessee, we may require the lessee to obtain guarantees or other financial support from an acceptable financial institution or other third parties.

We typically require our lessees to provide a security deposit for their performance under a lease, including the return of the aircraft in the specified maintenance condition at the expiration of the lease.

All of our lessees are responsible for the maintenance and repair of the leased aircraft as well as other operating costs during the lease term. Based on the credit quality of the lessee, we require some of our lessees to pay supplemental maintenance rents to cover major scheduled maintenance costs. If a lessee pays supplemental maintenance rents, we reimburse them for their maintenance events (as defined in the lease) up to the amount of their supplemental maintenance rent payments. Under the terms of our leases, at lease expiration, we retain excess maintenance rents to the extent that a lessee has paid us more supplemental maintenance rents than we have reimbursed them for their maintenance events. In most lease contracts that do not require the payment of supplemental maintenance rents, the lessee is generally required to redeliver the aircraft in a similar maintenance condition (normal wear and tear excepted) as when accepted under the lease. To the extent that the redelivery condition is different from the acceptance condition, we generally receive cash compensation for the value difference at the time of redelivery. As of December 31, 2020 and 2019, approximately 35% and 39%, respectively, of our owned aircraft leases provided for supplemental maintenance rental payments.

We require the lessee to compensate us if the aircraft is not in the required condition upon redelivery. All of our leases contain provisions regarding our remedies and rights in the event of default by the lessee, and also include specific provisions regarding the required condition of the aircraft upon its redelivery.

Our lessees are also responsible for compliance with all applicable laws and regulations governing the leased aircraft and all related costs. We require our lessees to comply with either the FAA, EASA or their equivalent standards in other jurisdictions.

During the term of our leases, some of our lessees may experience financial difficulties resulting in the need to restructure their leases. Generally, our restructurings can involve a number of possible changes to the lease terms, including the voluntary termination of leases prior to their scheduled expiration, the arrangement of subleases from the primary lessee to a sublessee, the rescheduling of lease payments and the exchange of lease payments for other consideration. In some cases, we may repossess a leased aircraft and, in those cases, we usually export the aircraft from the lessee's jurisdiction to prepare it for remarketing. In the majority of repossessions, we obtain the lessee's cooperation and the return and export of the aircraft are completed without significant delay, generally within two months. In some repossessions, however, our lessees may not cooperate in returning aircraft and we may be required to take legal action. In connection with the repossession of an aircraft, we may be required to settle claims on the aircraft or to which the lessee is subject, including outstanding liens on the repossessed aircraft. See "Item 3. Key Information—Risk Factors—Risks related to our relationship with our lessees—If our lessees fail to cooperate in returning our aircraft following lease terminations, we may encounter obstacles and are likely to incur significant costs and expenses conducting repossessions" for a discussion of how repossessions may affect our financial results.

### Scheduled lease expirations

The following table presents the scheduled lease expirations (for the minimum non-cancelable period) for our owned aircraft under operating leases by aircraft type as of December 31, 2020. The table does not give effect to contracted unexercised lease extension options, lease extensions or re-leases that are subject to a letter of intent, aircraft sales that have been contracted or are subject to a letter of intent, or designations of a certain aircraft for sale or part-out.

Aircraft type	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Thereafter	Total
Airbus A320 Family	45	34	37	41	25	23	18	13	1	—	—	237
Airbus A320neo Family	—	—	—	—	1	1	2	7	27	34	87	159
Airbus A330	3	11	9	13	3	4	5	2	—	—	—	50
Airbus A350	—	—	—	—	—	—	2	6	4	7	8	27
Boeing 737NG	10	6	14	34	31	40	25	6	—	4	5	175
Boeing 737 MAX	—	—	—	—	—	—	—	—	—	5	—	5
Boeing 767	6	4	1	2	—	—	—	—	—	—	—	13
Boeing 777-200ER	1	3	1	—	—	2	1	—	—	—	—	8
Boeing 777-300/300ER	1	3	3	2	3	2	4	2	1	—	—	21
Boeing 787	2	—	3	6	5	9	9	6	13	13	22	88
Embraer E190/195-E2	—	—	—	1	4	—	—	—	—	—	10	15
Other	4	3	—	—	—	—	—	—	—	—	—	7
<b>Total (a) (b)</b>	<b>72</b>	<b>64</b>	<b>68</b>	<b>99</b>	<b>72</b>	<b>81</b>	<b>66</b>	<b>42</b>	<b>46</b>	<b>63</b>	<b>132</b>	<b>805</b>

(a) Includes aircraft that have been re-leased or for which the lease has been extended as of December 31, 2020. As of December 31, 2020, scheduled lease expirations through the end of 2022 represented less than 7% of the aggregate net book value of our fleet. As of February 25, 2021, 43 of the 72 aircraft with leases expiring in 2021 have been re-leased, have had leases extended, or have been designated for sale or part-out.

(b) Includes one aircraft that was off-lease and under commitment for re-lease as of December 31, 2020.

### Principal markets and customers

The following table presents the percentage of basic lease rents of our owned portfolio from our top five lessees for the year ended December 31, 2020:

Lessee	Percentage of 2020 basic lease rents
American Airlines	8.7%
China Southern Airlines	8.3%
Air France	5.2%
Azul Airlines	3.9%
Ethiopian Airlines	3.4%
<b>Total</b>	<b>29.5%</b>

We lease our aircraft to lessees located in every major geographical region. The following table presents the percentage of our total lease revenue by region based on our lessee's principal place of business for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
Asia/Pacific/Russia	38%	38%	36%
Europe	27%	28%	30%
United States/Canada/Caribbean	14%	13%	13%
Latin America	11%	11%	11%
Africa/Middle East	10%	10%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

For further geographic information on our total lease revenue and long-lived assets, refer to Note 18—*Geographic information* to our Consolidated Financial Statements included in this annual report.

### ***Aircraft services***

We provide aircraft asset management and corporate services to securitization vehicles, joint ventures and other third parties. As of December 31, 2020, we had aircraft management and corporate administration and/or cash management service contracts with eight parties that owned 105 aircraft. We categorize our aircraft services into aircraft asset management, corporate administrative services and cash management services. Since we have an established operating system to manage our own aircraft, the incremental cost of providing aircraft management services to securitization vehicles, joint ventures and third parties is limited. Our primary aircraft asset management activities include:

- remarketing aircraft for lease or sale;
- collecting rental and supplemental maintenance rent payments, monitoring aircraft maintenance, monitoring and enforcing contract compliance and accepting delivery and redelivery of aircraft;
- conducting ongoing lessee financial performance reviews;
- periodically inspecting the leased aircraft;
- coordinating technical modifications to aircraft to meet new lessee requirements;
- conducting restructuring negotiations in connection with lease defaults;
- repossessing aircraft;
- arranging and monitoring insurance coverage;
- registering and de-registering aircraft;
- arranging for aircraft and aircraft engine valuations; and
- providing market research.

We charge fees for our aircraft management services based on a mixture of fixed and rental-based amounts, and we also receive performance-based fees related to the managed aircraft lease revenues or sale proceeds.

We also provide cash management and administrative services to securitization vehicles and joint ventures. Cash management services consist primarily of treasury services such as the financing, refinancing, hedging and ongoing cash management of these vehicles. Our administrative services consist primarily of accounting and corporate secretarial services, including the preparation of budgets and financial statements.

## ***Our business strategy***

We develop and grow our aircraft leasing business by executing on our focused business strategy, the key components of which are as follows:

### ***Manage the profitability of our aircraft portfolio***

Our ability to profitably manage aircraft throughout their lifecycle depends, in part, on our ability to successfully source acquisition opportunities of new and used aircraft at favorable terms, as well as our ability to secure long-term funding for such acquisitions, lease aircraft at profitable rates, minimize downtime between leases and associated maintenance expenses and opportunistically sell aircraft. We manage the long-term profitability of our aircraft portfolio by:

- purchasing aircraft directly from manufacturers;
- entering into purchase and leaseback transactions with airlines;
- using our global customer relationships to obtain favorable lease terms for aircraft and maximizing aircraft utilization;
- maintaining diverse sources of global funding;
- optimizing our portfolio by selling aircraft; and
- providing management services to securitization vehicles, our joint ventures and other aircraft owners at limited incremental cost to us.

### ***Efficiently manage our liquidity***

We analyze sources of financing based on pricing and other terms and conditions in order to optimize the return on our investments. We have the ability to access a broad range of liquidity sources globally. In 2020, we raised \$8.3 billion of financing, including bank debt, revolving credit facilities and note issuances in the capital markets.

We have access to liquidity in the form of our revolving credit facilities and our term loan facilities, which provide us with flexibility in raising capital and enable us to deploy capital rapidly to accretive aircraft purchase opportunities that may arise. As of December 31, 2020, we had \$5.6 billion of undrawn lines of credit available under our revolving credit and term loan facilities and other available secured debt and \$1.2 billion of unrestricted cash. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, note issuance and export credit, including ECA-guaranteed loans, in order to maximize our financial flexibility. We also leverage our longstanding relationships with major aircraft financiers and lenders to secure access to capital. In addition, we attempt to maximize our operating cash flows and continue to pursue the sale of aircraft to generate additional cash flows. Please refer to Note 13—*Debt* to our Consolidated Financial Statements included in this annual report for a detailed description of our outstanding indebtedness.

### ***Manage our aircraft portfolio***

We intend to maintain an attractive portfolio of in-demand aircraft by acquiring new aircraft directly from aircraft manufacturers, executing purchase and leasebacks with airlines, assisting airlines with refleetings and pursuing other opportunistic transactions. We rely on our experienced team of portfolio management professionals to identify and purchase assets we believe are being offered at attractive prices or that we believe will experience an increase in demand over a prolonged period of time. In addition, we intend to continue to rebalance our aircraft portfolio through sales to maintain the appropriate mix of aviation assets by customer concentration, age and aircraft type.

### ***Maintain a diversified and satisfied customer base***

We operate our business on a global basis, leasing aircraft to customers in every major geographical region. We have active customer relationships with approximately 200 airlines in approximately 80 countries. These customer relationships are either with existing customers or airlines with which we maintain regular dialogue in relation to potential transaction opportunities. Our relationships with these airlines help us place new aircraft and remarket existing aircraft. We monitor our lessee exposure concentrations by both customer and country jurisdiction and intend to maintain a well-diversified customer base. We believe we offer a quality product, both in terms of assets and service, to all of our customers. We have successfully worked with many airline customers to find mutually beneficial solutions to operational and financial challenges. We believe we maintain excellent relations with our customers. We have been able to achieve a high utilization rate on our aircraft assets as a result of our customer reach, quality product offering and strong portfolio management capabilities.

### ***Joint ventures***

We conduct some of our business through joint ventures. The joint venture arrangements allow us to obtain stable servicing revenues and diversify our exposure to the economic risks related to aircraft.

Please refer to Note 25—*Variable interest entities* to our Consolidated Financial Statements included in this annual report for a detailed description of our joint ventures.

### ***Relationship with Airbus, Boeing and other manufacturers***

We are one of the largest customers of Airbus and Boeing measured by deliveries of aircraft through 2020 and our order backlog. We were also the launch customer of the Embraer E2 program. We are also among the largest purchasers of engines from each of CFM International, GE Aviation, International Aero Engines, Pratt & Whitney and Rolls-Royce. These extensive manufacturer relationships and the scale of our business enable us to place large orders with favorable pricing and delivery terms. In addition, these strategic relationships with manufacturers and market knowledge allow us to participate in new aircraft designs, which gives us increased confidence in our airframe and engine selections. AerCap cooperates broadly with manufacturers seeking mutually beneficial opportunities.

### ***Competition***

The aircraft leasing and sales business is highly competitive, and we face competition from other aircraft leasing companies, airlines, aircraft manufacturers, aircraft brokers and financial institutions. Competition for a leasing transaction is based on a number of factors, including delivery dates, lease rates, term of lease, other lease provisions, aircraft condition and the availability in the market place of the types of aircraft that can meet customer requirements. As a result of our geographical reach, diverse aircraft portfolio and success in remarketing our aircraft, we believe we are a strong competitor in all of these areas.

### ***Insurance***

Our lessees are required under our leases to bear responsibility, through an operational indemnity subject to customary exclusions, and to carry insurance for any liabilities arising out of the operation of our aircraft or engines, including any liabilities for death or injury to persons and damage to property that ordinarily would attach to the operator of the aircraft.

In addition, our lessees are required to carry other types of insurance that are customary in the air transportation industry, including hull all risks insurance for both the aircraft and each engine whether or not installed on our aircraft, hull war risks insurance covering risks such as hijacking and terrorism and, where permitted, including confiscation, expropriation, nationalization and seizure (in each case at a value stipulated in the relevant lease which typically exceeds the net book value by 10%, subject to adjustment or fleet aggregate limits in certain circumstances). Our lessees are also required to carry aircraft spares insurance and aircraft third party liability insurance, in each case subject to customary deductibles and exclusions. We are named as an additional insured on liability insurance policies carried by our lessees, and we or our lenders are designated as a loss payee in the event of a total loss of an aircraft. We monitor the compliance by our lessees with the insurance provisions of our leases by securing confirmation of coverage from the lessees' insurance brokers.

We also purchase insurance which provides us with coverage when our aircraft or engines are not subject to a lease or where a lessee's policy fails to indemnify us. In addition, we carry customary insurance for our property, which is subject to customary deductibles and exclusions. Insurance experts advise and make recommendations to us as to the appropriate amount of insurance coverage that we should obtain.

## ***Regulation***

While the air transportation industry is highly regulated we generally are not directly subject to most of these regulations, as we do not operate our aircraft. Our lessees are subject, however, to extensive regulation under the laws of the jurisdictions in which they are registered and in which they operate. These regulations, among other things, govern the registration, operation and maintenance of our aircraft and engines. Most of our aircraft are registered in the jurisdiction in which the lessee of the aircraft is certified as an air operator. Both our aircraft and engines are subject to the airworthiness and other standards imposed by our lessees' jurisdictions of operation. Laws affecting the airworthiness of aviation assets are generally designed to ensure that all aircraft, engines and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Most countries' aviation laws require aircraft and engines to be maintained under an approved maintenance program with defined procedures and intervals for inspection, maintenance and repair.

In addition, under our leases, we may be required in some instances to obtain specific licenses, consents or approvals for different aspects of the leases. These required items include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or deregistration of the aircraft and engines. Also, to perform some of our cash management services and insurance services from Ireland under our management arrangements with our joint ventures and securitization entities, we are required to have a license from the Irish regulatory authorities, which we have obtained.

Please refer to "Item 3. Key Information—Risk Factors—Risks related to the geopolitical, regulatory and legal exposure of our business—We are subject to various risks and requirements associated with transacting business in many countries" and "Item 3. Key Information—Risk Factors—Risks related to the geopolitical, regulatory and legal exposure of our business—Our aircraft are subject to various environmental regulations and concerns," for a detailed discussion of government sanctions, export controls and other regulations that could affect our business.

## ***Litigation***

Please refer to Note 27—*Commitments and contingencies* to our Consolidated Financial Statements included in this annual report for a detailed description of material litigation to which we are a party.

## ***Trademarks***

We have registered the "AerCap" name with the European Union Intellectual Property Office and the United States Patent and Trademark Office, as well as filed the "AerCap" trademark with the World Intellectual Property Organization International (Madrid) Registry and various local trademark authorities.

## ***Culture and values***

We strive to conduct our business with integrity and in an honest and responsible manner and to build and maintain long-term, mutually beneficial relationships with our customers, suppliers, shareholders, employees and other stakeholders. These values are further specified in our code of conduct and our ethics-related compliance policies, procedures, trainings and programs. Ethical behavior is strongly promoted by the management team. The Company has an excellent track record in relation to ethics and compliance. These ethical values are reflected in the Company's long-term strategy and our way of doing business.

## *Sustainability and community*

During 2020, the Board discussed and reviewed our approach to environmental, social and governance (“ESG”) related topics and other values that contribute to a culture focused on long-term value creation. In July 2020, we published a new ESG report, which is publicly available on our website. The report sets forth in detail our commitment to growing our business in a responsible and sustainable way.

Renewing our aircraft portfolio through the acquisition of new, modern technology aircraft while disposing of older aircraft has a positive impact on the environment, as these new technology aircraft produce significantly lower emissions than older aircraft and engines, thus helping our airline customers to reduce their environmental footprint. AerCap is committed to the efficient use of resources and the reduction of unnecessary waste. Our head office in Dublin has been certified for sustainability in the areas of building materials, energy and water use and accessibility. Our office buildings in Los Angeles and Singapore hold similar green building certifications. The Company has invested resources to improve greenhouse gas emissions and corresponding mitigating initiatives.

We participate in a number of charitable events and industry-related educational programs. Through our social responsibility program, we encourage employees to support local and national organizations that strengthen the communities in which they live and operate. Our ESG Steering Committee oversees the selection of charitable themes and charity partners and the implementation of charitable donations. A number of charitable donations involve the matching of funds raised through employee team efforts for the benefit of local community projects. We, along with other major aircraft leasing companies, are a founder and sponsor of a prestigious master’s degree in aviation finance program at a renowned university. In addition to the sponsorship, this program involves lectures by some of our key employees and internships provided by the Company to a number of international students from the program, in line with the global nature and identity of the Company and our business.

### **Flight equipment**

#### *Aircraft portfolio*

The following table presents our aircraft portfolio by type of aircraft as of December 31, 2020:

<b>Aircraft type</b>	<b>Number of owned aircraft</b>	<b>Percentage of total net book value</b>	<b>Number of managed aircraft</b>	<b>Number of on order aircraft</b>	<b>Total owned, managed and on order aircraft</b>
Airbus A320 Family	274	13%	44	—	318
Airbus A320neo Family	165	23%	5	157	327
Airbus A330	60	4%	9	—	69
Airbus A350	27	10%	—	—	27
Boeing 737NG	228	15%	43	—	271
Boeing 737 MAX	5	1%	—	71	76
Boeing 767	22	—	—	—	22
Boeing 777-200ER	16	1%	2	—	18
Boeing 777-300/300ER	21	3%	1	—	22
Boeing 787	91	29%	1	23	115
Embraer E190/195-E2	15	1%	—	35	50
Other	15	—	—	—	15
<b>Total</b>	<b>939</b>	<b>100%</b>	<b>105</b>	<b>286</b>	<b>1,330</b>

The following table presents our owned aircraft portfolio by type of aircraft as a percentage of total net book value as of each of the five years ended December 31, 2020:

Aircraft type	As of December 31,				
	2020	2019	2018	2017	2016
Airbus A320 Family	13%	14%	16%	21%	25%
Airbus A320neo Family	23%	18%	14%	7%	2%
Airbus A330	4%	7%	9%	11%	14%
Airbus A350	10%	10%	10%	7%	5%
Boeing 737NG	15%	16%	19%	22%	25%
Boeing 737 MAX	1%	1%	1%	—	—
Boeing 767	—	—	—	1%	1%
Boeing 777-200ER	1%	1%	1%	2%	3%
Boeing 777-300/300ER	3%	4%	5%	6%	8%
Boeing 787	29%	28%	25%	22%	16%
Embraer E190/195-E2	1%	1%	—	—	—
Other	—	—	—	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
New technology aircraft (a)	63%	58%	49%	37%	23%

(a) New technology aircraft include Airbus A320neo Family, Airbus A350, Boeing 737 MAX, Boeing 787 and Embraer E2 aircraft.

Following the fatal accidents of two Boeing 737 MAX aircraft, the worldwide fleet of these aircraft was grounded by aviation authorities in March 2019 and production was temporarily suspended by Boeing in January 2020, resulting in ongoing delays in the delivery of our aircraft on order from Boeing. As of December 31, 2020, we had five Boeing 737 MAX aircraft delivered and on lease. It is uncertain when and under what conditions our Boeing 737 MAX aircraft will return to service and when Boeing will resume making deliveries of our Boeing 737 MAX aircraft on order. During the year ended December 31, 2020, we cancelled our orders for 24 Boeing 737 MAX aircraft. See “Item 3. Key Information—Risk Factors—Risks related to competition and the aviation industry—The financial instability of an aircraft or engine manufacturer could impact delivery of our aircraft on order and negatively affect our cash flow and results of operations” for a discussion of the uncertainty surrounding the return to service and resumption of deliveries for Boeing 737 MAX aircraft.



During the year ended December 31, 2020, we had the following activity related to flight equipment:

	Held for operating leases	Investment in finance and sales-type leases, net	Held for sale	Total owned aircraft
Number of owned aircraft at beginning of period	848	77	14	939
Aircraft purchases (a)	40	—	—	40
Aircraft reclassified to held for sale	(4)	—	4	—
Aircraft sold or designated for part-out	(22)	—	(18)	(40)
Aircraft reclassified from investment in finance and sales-type leases, net	1	(1)	—	—
<b>Number of owned aircraft at end of period</b>	<b>863</b>	<b>76</b>	<b>—</b>	<b>939</b>

(a) During the year ended December 31, 2020, we purchased 36 new aircraft and four used aircraft.

### *Aircraft on order*

The following table details our 286 aircraft on order as of December 31, 2020:

Aircraft type	2021	2022	2023	2024	2025	Thereafter	Total
Airbus A320neo Family	23	30	37	29	25	13	157
Boeing 737 MAX (a)	—	2	17	18	19	15	71
Boeing 787	6	1	1	4	4	7	23
Embraer E190/195-E2	2	—	—	11	18	4	35
<b>Total</b>	<b>31</b>	<b>33</b>	<b>55</b>	<b>62</b>	<b>66</b>	<b>39</b>	<b>286</b>

(a) The delivery positions of our Boeing 737 MAX aircraft are based on our best estimates and incorporate the information currently available to us. Our estimates may be different from the actual delivery dates, and will depend on the speed at which Boeing is able to deliver our aircraft on order to us.

### *Aircraft acquisitions and dispositions*

We purchase new and used aircraft directly from aircraft manufacturers, airlines and financial investors. The aircraft we purchase are both on-lease and off-lease, depending on market conditions and the composition of our portfolio. The buyers of our aircraft include airlines, financial investors and other aircraft leasing companies. We acquire aircraft at attractive prices in three primary ways: by purchasing large quantities of aircraft directly from manufacturers to take advantage of volume discounts, by purchasing portfolios consisting of aircraft of varying types and ages and by entering into purchase and leaseback transactions with airlines. In addition, we also opportunistically purchase individual aircraft that we believe are being offered at attractive prices. Through our marketing team, which is in frequent contact with airlines worldwide, we are also able to identify attractive acquisition and disposition opportunities. We sell aircraft when we believe the market price for the type of aircraft has reached its peak or to rebalance the composition of our aircraft portfolio.

Prior to a purchase or disposition, our dedicated portfolio management group analyzes the aircraft's price, fit in our aircraft portfolio, specification and configuration, maintenance history and condition, the existing lease terms, financial condition and creditworthiness of the existing lessee, the jurisdiction of the lessee, industry trends, financing arrangements and the aircraft's redeployment potential and value, among other factors. During the year ended December 31, 2020, we purchased 36 new aircraft and four used aircraft and sold 40 aircraft from our owned portfolio.

### **Facilities**

We lease our Dublin, Ireland headquarters office facility under a 25-year lease (61,000 square feet) that began in December 2015, which has a termination right, at our option, in 2031. We lease our Shannon, Ireland office facility (21,000 square feet) under three separate leases that expire in 2029 with options to terminate in 2024. We occupy space in Los Angeles, California (21,000 square feet) under a lease that expires in August 2025. We lease our Singapore office facility under two leases that expire in February 2024 (33,000 square feet). In addition to the above facilities, we also lease small offices in New York, New York, Amsterdam, The Netherlands, Shanghai, China and Abu Dhabi, United Arab Emirates.

## Organizational structure

AerCap Holdings N.V. is a holding company that holds directly and indirectly consolidated subsidiaries, which in turn own our aircraft assets. As of December 31, 2020, AerCap Holdings N.V. did not own significant assets other than its direct and indirect investments in its subsidiaries. As of December 31, 2020, our major operating subsidiaries, each of which is ultimately 100%-owned by AerCap Holdings N.V., are AerCap Ireland Limited (Ireland) (“AerCap Ireland”) and AerCap Global Aviation Trust (United States) (“AerCap Trust”). See Exhibit 8.1—*List of Subsidiaries of AerCap Holdings N.V.* for a complete list of all our subsidiaries.

### Item 4A. Unresolved Staff Comments

Not applicable.

### Item 5. Operating and Financial Review and Prospects

*You should read this discussion in conjunction with our audited Consolidated Financial Statements and the related notes included in this annual report. Our financial statements are presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The discussion below contains forward looking statements that are based upon our current expectations and are subject to uncertainty and changes of circumstances. See “Item 3. Key Information—Risk Factors” and “Special Note About Forward Looking Statements.”*

#### Overview

Net loss attributable to AerCap Holdings N.V. for the year ended December 31, 2020 was \$298.6 million, as compared to net income of \$1,145.7 million for the year ended December 31, 2019. For the year ended December 31, 2020, diluted loss per share was \$2.34 and the weighted average number of diluted shares outstanding was 127,743,828. Net interest margin, the difference between basic lease rents and interest expense, excluding the mark-to-market of interest rate caps and swaps, was \$2,528 million for the year ended December 31, 2020. Annualized net spread less depreciation and amortization was 2.3% for the year ended December 31, 2020. Please refer to “Item 5. Operating and Financial Review and Prospects—Non-GAAP measures” for a reconciliation of net interest margin, annualized net spread and annualized net spread less depreciation and amortization to the most closely related U.S. GAAP measure for the years ended December 31, 2020 and 2019.

#### Major developments in 2020

The Covid-19 pandemic and responsive government actions have caused significant economic disruption and a dramatic reduction in commercial airline traffic, resulting in a broad adverse impact on air travel, the aviation industry and the demand for commercial aircraft globally. Despite the challenges of the Covid-19 pandemic, in 2020 AerCap:

- Completed purchases of 36 new technology aircraft for approximately \$2.1 billion;
- Completed sales of 40 owned aircraft, with an average age of 17 years, for aggregate proceeds of approximately \$0.6 billion;
- Executed a total of 179 aircraft transactions, including 40 widebody aircraft transactions; and
- Raised \$8.3 billion of financing, including bank debt, revolving credit facilities and note issuances in the capital markets.

#### Aviation assets

During the year ended December 31, 2020, we purchased 36 new aircraft for approximately \$2.1 billion. As of December 31, 2020, we owned 939 aircraft and we managed 105 aircraft. As of December 31, 2020, we also had 286 new aircraft on order. The average age of our fleet of 939 owned aircraft, weighted by net book value, was 6.4 years as of December 31, 2020.

#### Significant components of revenues and expenses

##### *Revenues and other income*

Our revenues and other income consist primarily of basic lease rents, maintenance rents and other receipts, net gain on sale of assets and other income.

### *Basic lease rents and maintenance rents and other receipts*

Nearly all of our aircraft lease agreements provide for the periodic payment of a fixed or a floating amount of rent. Floating rents are tied to interest rates during the terms of the respective leases. During the year ended December 31, 2020, approximately 3% of our basic lease rents from aircraft under operating leases was attributable to leases with lease rates tied to floating interest rates. In addition, our leases require the payment of supplemental maintenance rent based on aircraft utilization during the lease term, or EOL compensation calculated with reference to the condition of the aircraft at lease expiration. The amount of basic lease rents and maintenance rents and other receipts (together, “lease revenue”) we recognize is primarily influenced by the following five factors:

- the contracted lease rate, which is highly dependent on the age, condition and type of the leased aircraft;
- for leases with rates tied to floating interest rates, interest rates during the term of the lease;
- the number of aircraft currently subject to lease contracts;
- the lessee’s performance of its lease obligations; and
- the amount of EOL compensation payments we receive, maintenance revenue and other receipts recognized during the lease and accrued maintenance liabilities recognized as revenue at the end of a lease.

In addition to aircraft-specific factors such as the type, condition and age of the aircraft, the lease rates for our leases with fixed rental payments are initially determined in part by reference to the prevailing interest rate for a debt instrument with a term similar to the lease term and with a similar credit quality as the lessee at the time we enter into the lease. Many of the factors described above are influenced by global and regional economic trends, airline market conditions, the supply and demand balance for the type of aircraft we own and our ability to remarket our aircraft subject to expiring lease contracts under favorable economic terms.

As of December 31, 2020, 880 of our 939 owned aircraft were on lease to 131 customers in 60 countries, with no lessee accounting for more than 10% of total lease revenue for the year ended December 31, 2020. As of December 31, 2020, our owned aircraft portfolio included 59 aircraft that were off-lease. As of February 25, 2021, of the 59 aircraft, 28 aircraft were designated for sale or part-out (which represented less than 1% of the aggregate net book value of our fleet), 21 aircraft were being marketed for re-lease (which represented approximately 2% of the aggregate net book value of our fleet), five were re-leased or under commitments for re-lease, and five aircraft were sold or under commitments to be sold.

### *Net gain on sale of assets*

Our net gain on sale of assets is generated from the sale of our aircraft and is largely dependent on the condition of the asset being sold, prevailing interest rates, airline market conditions and the supply and demand balance for the type of asset we are selling. The timing of aircraft sale closings is often uncertain, as a sale may be concluded swiftly or negotiations may extend over several weeks or months. As a result, even if net gain on sale of assets is comparable over a long period of time, during any particular reporting period we may close significantly more or fewer sale transactions than in other reporting periods. Accordingly, net gain on sale of assets recorded in one reporting period may not be comparable to net gain on sale of assets in other reporting periods.

### *Other income*

Other income consists of interest revenue, management fee revenue, lease termination fees, insurance proceeds, and income related to other miscellaneous activities.

Our interest revenue is derived primarily from interest on unrestricted and restricted cash balances and on financial instruments we hold, such as notes receivable and subordinated debt investments in unconsolidated securitization vehicles or affiliates. The amount of interest revenue we recognize in any period is influenced by our unrestricted or restricted cash balances, the principal balance of financial instruments we hold, contracted or effective interest rates, and movements in provisions for financial instruments which can affect adjustments to valuations or provisions.

We generate management fee revenue by providing management services to non-consolidated aircraft securitization vehicles, joint ventures, and other third parties. Our management services include aircraft asset management services, such as leasing, remarketing and technical advisory services, cash management and treasury services, and accounting and administrative services.

## ***Operating expenses***

Our operating expenses consist primarily of depreciation and amortization, interest expense, leasing expenses and selling, general and administrative expenses.

### *Depreciation and amortization*

Our depreciation expense is influenced by the adjusted gross book values, depreciable lives and estimated residual values of our flight equipment. Adjusted gross book value is the original cost of our flight equipment, adjusted for subsequent capitalized improvements, impairments and accounting basis adjustments associated with a business combination or a purchase and leaseback transaction. In addition, we have definite-lived intangible assets which are amortized over the period which we expect to derive economic benefits from such assets.

### *Interest expense*

Our interest expense arises from a variety of debt funding structures and related derivative financial instruments as described in “Item 11—Quantitative and Qualitative Disclosures About Market Risk,” Note 10—*Derivative financial instruments* and Note 13—*Debt* to our Consolidated Financial Statements included in this annual report. Interest expense in any period is primarily affected by contracted interest rates, amortization of fair value adjustments, amortization of debt issuance costs and debt discounts and premiums, principal amounts of indebtedness and unrealized mark-to-market gains or losses on derivative financial instruments for which we do not achieve cash flow hedge accounting treatment.

### *Leasing expenses*

Our leasing expenses consist primarily of maintenance rights asset amortization expense, maintenance expenses on our flight equipment, which we incur during the lease through lessor maintenance contributions or when we perform maintenance on our off-lease aircraft, expenses we incur to monitor the maintenance condition of our flight equipment during a lease, expenses to transition flight equipment from an expired lease to a new lease contract, non-capitalizable flight equipment expenses, and provisions for credit losses on notes receivable, trade receivables and receivables from investment in finance and sales-type leases, net.

Maintenance rights assets are recognized when we acquire aircraft subject to existing leases. These assets represent the contractual right to receive the aircraft in a specified maintenance condition at the end of the lease under lease contracts with EOL payment provisions, or our right to receive the aircraft in better maintenance condition due to our obligation to contribute towards the cost of the maintenance events performed by the lessee either through reimbursement of maintenance deposit rents held under lease contracts with maintenance reserve (“MR”) provisions, or through a lessor contribution to the lessee.

For leases with EOL maintenance provisions, upon lease termination, we recognize receipt of EOL cash compensation as lease revenue to the extent those receipts exceed the EOL maintenance rights asset, and we recognize leasing expenses when the EOL maintenance rights asset exceeds the EOL cash received. For leases with maintenance reserve payment provisions, we recognize maintenance rights expense at the time the lessee submits a reimbursement claim and provides the required documentation related to the cost of a qualifying maintenance event that relates to pre-acquisition usage.

### *Selling, general and administrative expenses*

Our selling, general and administrative expenses consist primarily of personnel expenses, including salaries, benefits and severance compensation, share-based compensation expense, professional and advisory costs, office facility expenses and travel expenses, as summarized in Note 19—*Selling, general and administrative expenses* to our Consolidated Financial Statements included in this annual report. The level of our selling, general and administrative expenses is influenced primarily by the number of our employees and the extent of transactions or ventures we pursue that require the assistance of outside professionals or advisors.

### ***Income tax benefit (expense)***

Our operations are taxable primarily in the two main jurisdictions in which we manage our business: Ireland and the United States. Deferred income taxes are provided to reflect the impact of temporary differences between our income before income taxes and our taxable income. Our effective tax rate has varied from year to year. The primary source of temporary differences is the availability of tax depreciation in our primary operating jurisdictions. Our effective tax rate in any year depends on the tax rates in the jurisdictions from which our income is derived, along with the extent of permanent differences between income or loss before income taxes and taxable income.

We have tax losses in certain jurisdictions that can be carried forward, which we recognize as deferred income tax assets. We evaluate the recoverability of deferred income tax assets in each jurisdiction in each period based upon our estimates of future taxable income in these jurisdictions. If we determine that we are not likely to generate sufficient taxable income in a jurisdiction prior to expiration, if any, of the availability of tax losses, we establish a valuation allowance against the tax loss to reduce the deferred income tax asset to its recoverable value. We evaluate the appropriate level of valuation allowances annually and make adjustments as necessary. Increases or decreases to valuation allowances can affect our income tax benefit (expense) in our Consolidated Income Statements and consequently may affect our effective tax rate in a given year.

### **Factors affecting our results**

Our results of operations have also been affected by a variety of other factors, primarily:

- the severity, extent and duration of the Covid-19 pandemic and the rate of recovery in air travel, the aviation industry and global economic conditions, and the potential impacts of the pandemic and responsive government actions on our business and results of operations, financial condition and cash flows;
- the number, type, age and condition of the aircraft we own;
- aviation industry market conditions, including general economic and political conditions;
- the demand for our aircraft and the resulting lease rates we are able to obtain for our aircraft;
- the availability and cost of debt capital to finance purchases of aircraft;
- the purchase price we pay for our aircraft;
- the number, type and sale price of aircraft, or parts in the event of a part-out of an aircraft, we sell in a period;
- the ability of our lessees to meet their lease obligations, and the timing thereof, and maintain our aircraft in airworthy and marketable condition;
- the utilization rate of our aircraft;
- the recognition of non-cash share-based compensation expense related to the issuance of restricted stock units or restricted stock;
- our expectations of future maintenance reimbursements and lessee maintenance contributions;
- interest rates, which affect our aircraft lease revenues, our interest expense and the market value of our interest rate derivatives; and
- our ability to fund our business.

### **Factors affecting the comparability of our results**

#### ***Asset impairment charges***

During 2020, we recognized impairment charges of \$1.1 billion related primarily to current technology widebody aircraft, in particular Airbus A330 and Boeing 777 aircraft. In addition, we recognized impairment charges related to sales transactions and lease terminations. We also assessed our indefinite-lived goodwill assets for impairment and recognized impairment charges related to goodwill.

During 2019, we recognized impairment charges of \$70.1 million related to sales transactions and lease terminations.

### ***Cash accounting***

When we determine that the collection of rental payments is no longer probable, we cease accrual-based revenue recognition on an operating lease contract and we instead recognize lease revenues using a cash accounting method (“Cash Accounting”). During 2020, we recognized a reduction in basic lease rents of \$310.6 million due to the application of Cash Accounting.

During 2019, we did not recognize a reduction in basic lease rents due to Cash Accounting.

### ***Losses on debt extinguishment***

During 2020, we recognized losses on debt extinguishment of \$118.5 million, primarily related to the premium paid on the repurchase of debt pursuant to the July, October and December Tender Offers.

During 2019, we did not recognize losses on debt extinguishment.

### ***Loss on investment at fair value***

During 2020, we recognized a loss on investment at fair value of \$143.5 million. Please refer to Note 9 —*Investments* to our Consolidated Financial Statements included in this annual report for further details on our investment at fair value.

During 2019, we did not hold an investment at fair value.

### ***Sales transactions***

During 2020, we completed sales of 40 owned aircraft, with an average age of 17 years, for aggregate proceeds of approximately \$0.6 billion.

During 2019, we completed sales of 88 owned aircraft, with an average age of 15 years, for aggregate proceeds of approximately \$2.1 billion.

### ***Share repurchases***

During 2020, we repurchased an aggregate of 2.1 million of our ordinary shares under share repurchase programs authorized in 2020 and 2019, at an average price, including commissions, of \$55.06 per ordinary share, for approximately \$117.3 million.

During 2019, we repurchased an aggregate of 12.0 million of our ordinary shares under share repurchase programs authorized in 2019 and 2018, at an average price, including commissions, of \$50.82 per ordinary share, for approximately \$607.3 million.

### ***Trends in our business***

The impact of the Covid-19 pandemic has had a dramatic impact on aviation in 2020. Overall global passenger traffic, measured in revenue passenger kilometers, fell by 65.9% in 2020, according to IATA. In December 2020, IATA estimated that global air passenger traffic would recover significantly in 2021 and increase by 50.4%, but would nonetheless remain well below 2019 levels. This forecast is subject to downside risk if continued or more severe travel restrictions are imposed.

Passenger air traffic and airlines’ losses have reduced demand for commercial passenger aircraft, including demand for leased aircraft in 2020. We expect demand for leased aircraft will remain weak in the short term and over the medium term we expect improvements in leased aircraft demand as air traffic recovers from the lows observed in 2020.

## **Critical accounting policies and estimates**

Our Consolidated Financial Statements are prepared in accordance with U.S. GAAP, and require us to make estimates and assumptions that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. The use of estimates is or could be a significant factor affecting the reported amounts of assets, liabilities, revenues, expenses, and related disclosures of contingent assets and liabilities. We evaluate our estimates and assumptions, including those related to flight equipment, lease revenue, net gain on sales of assets, fair value estimates, and income taxes, on a recurring and non-recurring basis. Our estimates and assumptions are based on historical experiences and currently available information that management believes to be reasonable under the circumstances. Actual results may differ from our estimates under different conditions, sometimes materially. A summary of our significant accounting policies is presented in Note 3—*Summary of significant accounting policies* to our Consolidated Financial Statements included in this annual report. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results of operations and that require our judgments, estimates and assumptions. Our critical accounting policies and estimates are described below.

### ***Flight equipment held for operating leases, net***

Flight equipment held for operating leases is stated at cost less accumulated depreciation and impairment. Flight equipment is depreciated to its estimated residual value on a straight-line basis over the useful life of the aircraft, which is generally 25 years from the date of manufacture, or a different period depending on the disposition strategy. The costs of improvements to flight equipment are normally recorded as leasing expenses unless the improvement increases the long-term value of the flight equipment. In that case, the capitalized improvement cost is depreciated over the estimated remaining useful life of the aircraft. The residual value of our flight equipment is generally 15% of estimated industry price, except where more relevant information indicates that a different residual value is more appropriate.

We periodically review the estimated useful lives and residual values of our flight equipment based on our industry knowledge, external factors, such as current market conditions, and changes in our disposition strategies, to determine if they are appropriate, and record adjustments to depreciation rates prospectively on an individual aircraft basis, as necessary.

### ***Event-driven impairment and impairment calculation charges***

We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The quantitative impairment test is performed at the lowest level for which identifiable cash flows are largely independent of other groups of assets, which is the individual aircraft, including the lease-related assets and liabilities of that aircraft, such as the maintenance rights assets, lease incentives, and maintenance liabilities (the “Asset Group”). If the sum of the expected undiscounted future cash flows is less than the Asset Group, an impairment loss is recognized. The loss is measured as the excess of the carrying value of the Asset Group over its estimated fair value.

Fair value reflects the present value of future cash flows expected to be generated from the aircraft, including its expected residual value, discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under current market conditions and assume adequate time for a sale between a willing buyer and a willing seller. Expected future lease rates are based on all relevant information available, including current contracted rates for similar aircraft and industry trends.

We perform event-driven impairment assessments of our aircraft held for operating leases each quarter. These quarterly impairment assessments are primarily triggered by potential sale transactions, early terminated leases, credit events impacting lessees or forecasted significant and permanent declines in the demand for aircraft types. On an annual basis, we also perform an assessment of all aircraft held for operating leases to identify potential impairment by reference to estimated future cash flows at the Asset Group level, and perform a quantitative impairment test. We apply significant judgment in assessing whether an impairment is necessary and in estimating significant assumptions including the future lease rates, the residual value and the discount rate when performing quantitative impairment tests.

Due to the Covid-19 pandemic, many of our airline customers have significantly curtailed their commercial operations and are under significant financial stress, which could result in lease defaults, lease terminations and related aircraft repossessions. The future cash flows supporting the carrying value of our aircraft are based on current lease contracts and our estimates of future lease rates, useful lives and residual values for these aircraft. As a result of the Covid-19 pandemic and its impact on the aviation industry and the global economic environment, there is more uncertainty regarding the future cash flows relating to our aircraft. A reduction in the future expected cash flows relating to our aircraft could result in impairment losses that could be material to our financial results.

The Covid-19 pandemic and responsive government actions have had a significant impact on both domestic and international travel. While both domestic and international air travel have increased since the low points experienced in early 2020, in general domestic travel has been faster to recover, and the timeframe for the recovery of domestic travel is generally expected to be more rapid than for international travel. During the year ended December 31, 2020, the Covid-19 pandemic led governments in many countries to impose new restrictions on international travel or to delay the relaxation of existing restrictions. As a result, the expected recovery time for international air traffic has become longer. In addition, we have observed an increased number of airlines shifting away from current technology widebody aircraft in favor of new technology widebody aircraft such as the Boeing 787 and Airbus A350. We expect these factors to impact the future lease rates and long-term values of our Boeing 777 and Airbus A330 aircraft. During the year ended December 31, 2020 we recognized impairment charges of \$1.1 billion, primarily related to Boeing 777 and Airbus A330 aircraft.

Due to the significant uncertainties associated with potential sales transactions, we use our judgment to evaluate whether a sale or other disposal is more likely than not. The factors we consider in our assessment include (i) the progress of the potential sales transactions through a review and evaluation of the sales-related documents and other communications, including, but not limited to, letters of intent or sales agreements that have been negotiated or executed; (ii) our general or specific fleet strategies and other business needs and how those requirements bear on the likelihood of sale or other disposal; and (iii) the evaluation of potential execution risks, including the source of potential purchaser funding and other execution risks.

The future cash flows supporting the carrying value of aircraft that are 15 years of age or older are more dependent upon current lease contracts, and these leases are generally more sensitive to weaknesses in the global economic environment. Deterioration of the global economic environment and a decrease in aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might cause an impairment loss. As of December 31, 2020, 185 aircraft with an aggregate Asset Group value of approximately \$2.1 billion were 15 years of age or older, which represented approximately 6% of our total flight equipment and lease-related assets and liabilities. The estimated undiscounted future cash flows of these 185 aircraft were \$3.3 billion, which measured on a weighted average basis was 45% in excess of the aggregate carrying value. As of December 31, 2020, all of these aircraft passed the recoverability test. The following assumptions drive the undiscounted cash flows: contracted lease rents through current lease expiry; subsequent re-lease rates based on current marketing information; maintenance cash flow forecasts; and residual values. We review and stress-test our key assumptions to reflect any observed weakness in the global economic environment.

Aircraft that are between five and 15 years of age where future cash flows do not exceed the aircraft carrying value by at least 10% are more susceptible to impairment risk. As of December 31, 2020, 12 aircraft with an Asset Group carrying value of \$594.5 million did not exceed our 10% threshold, which represented less than 1.75% of our total flight equipment held for operating leases and lease-related assets and liabilities. The 12 aircraft that were below the 10% threshold did, however, pass the impairment test as of December 31, 2020, and as such no impairment was recognized.

### ***Revenues and other income***

We lease flight equipment principally under operating leases and recognize basic lease rents income on a straight-line basis over the life of the lease. At lease inception, we review all necessary criteria to determine proper lease classification. We account for lease agreements that include uneven rental payments on a straight-line basis. The amount of the difference between basic lease rents recognized and cash received is included in other assets, or in the event it is a liability, in accounts payable, accrued expenses and other liabilities.

We periodically evaluate the collectability of our operating lease contracts to determine the appropriate revenue recognition and measurement model to apply to each lessee. Accrual-based revenue recognition ceases on an operating lease contract when the collection of payments is no longer probable and thereafter rental revenues are recognized using a cash receipts basis "Cash Accounting." In the period where collection of lease payments is no longer probable, any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, is recognized as a current period adjustment to lease revenue. Subsequently, revenues are recognized based on the lesser of the straight-line rental income or the payments collected from the lessee until such time that collection is probable. We apply significant judgment in assessing at each reporting date whether operating rental payments are probable of collection by reference to the credit status of the each lessee, including lessees in bankruptcy-type arrangements, the extent of overdue balances and other relevant factors. During the year ended December 31, 2020, we concluded that collection of basic lease rents payments was not probable from a number of our lessees, resulting in a reduction of basic lease rents of approximately \$310.6 million.



Revenue from investment in finance and sales-type leases is recognized using the interest method to produce a constant yield over the life of the lease and is included in basic lease rents. Expected unguaranteed residual values are based on our assessment of the values of the flight equipment and, if applicable, the estimated end of lease payments expected at the expiration of the lease.

Under our aircraft leases, the lessee is responsible for maintenance, repairs and other operating expenses during the term of the lease. Under the provisions of many of our leases, the lessee is required to make payments of supplemental maintenance rents which are calculated with reference to the utilization of the airframe, engines and other major life-limited components during the lease. We record as lease revenue all supplemental maintenance rent receipts not expected to be reimbursed to the lessee. We estimate the total amount of maintenance reimbursements for the lease term and only record maintenance revenue after we have received sufficient maintenance rents to cover the total amount of estimated maintenance reimbursements during the remaining lease term.

In most lease contracts not requiring the payment of supplemental maintenance rents, and to the extent that the aircraft is redelivered in a different condition than at acceptance, we generally receive EOL cash compensation for the difference at redelivery. Upon lease termination, we recognize receipt of EOL cash compensation as lease revenue to the extent those receipts exceed the EOL maintenance rights asset, and we recognize leasing expenses when the EOL maintenance rights asset exceeds the EOL cash received.

When flight equipment is sold, the portion of the accrued maintenance liability not specifically assigned to the buyer is released net of any maintenance rights asset balance and is included in net gain on sale of assets.

#### **Recent accounting standards adopted during the year ended December 31, 2020**

Please refer to Note 3—*Summary of significant accounting policies* to our Consolidated Financial Statements included in this annual report.

#### **Future application of accounting standards**

Please refer to Note 3—*Summary of significant accounting policies* to our Consolidated Financial Statements included in this annual report.

## Comparative results of operations

Results of operations for the year ended December 31, 2020 as compared to the year ended December 31, 2019

	Year Ended December 31,		Increase/ (Decrease)
	2020	2019	
(U.S. Dollars in thousands)			
<b>Revenues and other income</b>			
Lease revenue:			
Basic lease rents	\$ 3,761,611	\$ 4,281,260	\$ (519,649)
Maintenance rents and other receipts	559,395	401,006	158,389
Lease revenue	4,321,006	4,682,266	(361,260)
Net gain on sale of assets	89,618	188,835	(99,217)
Other income	83,005	66,239	16,766
<b>Total Revenues and other income</b>	<b>4,493,629</b>	<b>4,937,340</b>	<b>(443,711)</b>
<b>Expenses</b>			
Depreciation and amortization	1,645,373	1,676,121	(30,748)
Asset impairment	1,086,983	70,149	1,016,834
Interest expense	1,248,225	1,295,020	(46,795)
Loss on debt extinguishment	118,460	—	118,460
Leasing expenses	323,535	287,950	35,585
Selling, general and administrative expenses	242,161	267,458	(25,297)
<b>Total Expenses</b>	<b>4,664,737</b>	<b>3,596,698</b>	<b>1,068,039</b>
Loss on investment at fair value	(143,510)	—	(143,510)
<b>(Loss) income before income taxes and income of investments accounted for under the equity method</b>	<b>(314,618)</b>	<b>1,340,642</b>	<b>(1,655,260)</b>
Income tax benefit (expense)	17,231	(167,714)	184,945
Equity in net earnings of investments accounted for under the equity method	2,464	(6,151)	8,615
<b>Net (loss) income</b>	<b>\$ (294,923)</b>	<b>\$ 1,166,777</b>	<b>\$ (1,461,700)</b>
Net income attributable to non-controlling interest	(3,643)	(21,083)	17,440
<b>Net (loss) income attributable to AerCap Holdings N.V.</b>	<b>\$ (298,566)</b>	<b>\$ 1,145,694</b>	<b>\$ (1,444,260)</b>

**Basic lease rents.** The decrease in basic lease rents of \$519.6 million, or 12%, was attributable to:

- a decrease in basic lease rents of \$310.6 million due to the application of Cash Accounting;
- a decrease in basic lease rents of \$282.7 million primarily due to re-leases and extensions at lower rates. The accounting for the extensions requires the remaining rental payments to be recorded on a straight-line basis over the remaining term of the original lease plus the extension period; and
- the sale of 128 aircraft between January 1, 2019 and December 31, 2020 with an aggregate net book value of \$2.4 billion on their respective sale dates, resulting in a decrease in basic lease rents of \$209.2 million;

*partially offset by*

- the acquisition of 105 aircraft between January 1, 2019 and December 31, 2020, with an aggregate net book value of \$6.7 billion on their respective acquisition dates, resulting in an increase in basic lease rents of \$282.9 million.

**Maintenance rents and other receipts.** The increase in maintenance rents and other receipts of \$158.4 million, or 39%, was attributable to:

- an increase of \$231.8 million in maintenance revenue and other receipts from early lease terminations;

*partially offset by*

- a decrease of \$73.4 million in regular maintenance rents.

**Net gain on sale of assets.** The decrease in net gain on sale of assets of \$99.2 million, or 53%, was primarily due to the lower volume and composition of asset sales. During the year ended December 31, 2020, we sold 40 aircraft for proceeds of \$613.4 million and during the year ended December 31, 2019, we sold 88 aircraft for proceeds of \$2,132.4 million.

**Other Income.** The increase in other income of \$16.8 million, or 25%, was primarily driven by higher interest income.

**Depreciation and amortization.** The decrease in depreciation and amortization of \$30.7 million, or 2%, was primarily due to aircraft sales, partially offset by aircraft purchases.

**Asset impairment.** During the year ended December 31, 2020, we recognized impairment charges of \$1.1 billion related primarily to current technology widebody aircraft, in particular Airbus A330 and Boeing 777 aircraft, as well as to the write-off of goodwill. Please refer to “Item 5. Operating and Financial Review and Prospects—Critical accounting policies and estimates” for further information on our event-driven impairment assessments. During the year ended December 31, 2019, we recognized impairment charges of \$70.1 million related to sales transactions and lease terminations.

**Interest expense.** The decrease in interest expense of \$46.8 million, or 4%, was primarily attributable to:

- a decrease in the average cost of debt to 4.1% for the year ended December 31, 2020 as compared to 4.2% for the year ended December 31, 2019. The average cost of debt excludes the effect of mark-to-market movements on interest rate caps and swaps. Please refer to “Item 5. Operating and Financial Review and Prospects—Non-GAAP measures” for further information on the average cost of debt. The decrease in the average cost of debt resulted in a \$45.2 million decrease in interest expense; and
- a \$15.3 million decrease in interest expense attributable to a decrease in mark-to-market losses on interest rate caps and swaps. For the year ended December 31, 2020, we recognized a loss of \$14.4 million related to mark-to-market movements on interest rate caps and swaps, compared to a corresponding loss of \$29.7 million recognized during the year ended December 31, 2019;

*partially offset by*

- a \$0.3 billion increase in the average outstanding debt balance to \$30.2 billion during the year ended December 31, 2020 from \$29.9 billion during the year ended December 31, 2019, resulting in a \$13.7 million increase in interest expense.

**Loss on debt extinguishment.** During the year ended December 31, 2020, we recognized loss on debt extinguishment of \$118.5 million, primarily related to the premium paid on the repurchase of debt pursuant to the July, October and December Tender Offers.

**Leasing expenses.** The increase in leasing expenses of \$35.6 million, or 12%, was primarily due to \$52.2 million of higher aircraft transition costs, lessor maintenance contributions and other leasing expenses and \$14.3 million related to airline defaults and restructuring, partially offset by \$30.9 million of lower maintenance rights asset amortization.

**Selling, general and administrative expenses.** The decrease in selling, general and administrative expenses of \$25.3 million, or 9%, was primarily due to lower compensation-related expenses.

**Loss on investment at fair value.** During the year ended December 31, 2020, we recognized a loss on investment at fair value of \$143.5 million. Please refer to Note 9 —*Investments* to our Consolidated Financial Statements included in this annual report for further details on our investment at fair value.

**Income tax benefit (expense).** The effective tax rate was 5.5% for the year ended December 31, 2020, compared to the effective tax rate of 12.5% for the year ended 2019. The effective tax rate is impacted by the source and amount of earnings among our various tax jurisdictions as well as permanent tax differences relative to pre-tax income or loss. Please refer to Note 14—*Income taxes* to our Consolidated Financial Statements included in this annual report for a detailed description of income taxes.

For Results of Operations for the year ended December 31, 2019, as compared to the year ended December 31, 2018, refer to “Item 5. Operating and Financial Review and Prospects—Comparative results of operations” in our annual report on Form 20-F for the year ended December 31, 2019, filed with the SEC on March 5, 2020.

## Liquidity and capital resources

The following table presents our consolidated cash flows for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	(U.S. Dollars in millions)	
Net cash provided by operating activities	\$ 2,130.4	\$ 3,105.7
Net cash used in investing activities	(712.3)	(2,954.7)
Net cash used in financing activities	(1,225.3)	(265.0)

**Cash flows provided by operating activities.** During the year ended December 31, 2020, our cash provided by operating activities of \$2,130.4 million was the result of a net loss of \$294.9 million, other adjustments to net loss of \$3,011.9 million and collections of finance and sales-type leases of \$68.1 million, partially offset by the net change in operating assets and liabilities of \$654.7 million. During the year ended December 31, 2019, our cash provided by operating activities of \$3,105.7 million was the result of net income of \$1,166.8 million, other adjustments to net income of \$1,922.9 million and collections of finance and sales-type leases of \$98.4 million, partially offset by the net change in operating assets and liabilities of \$82.4 million.

**Cash flows used in investing activities.** During the year ended December 31, 2020, our cash used in investing activities of \$712.3 million primarily consisted of cash used for the purchase of aircraft of \$1,183.7 million, partially offset by cash provided by asset sale proceeds of \$471.4 million. During the year ended December 31, 2019, our cash used in investing activities of \$2,954.7 million primarily consisted of cash used for the purchase of aircraft of \$4,728.5 million, partially offset by cash provided by asset sale proceeds of \$1,773.8 million.

**Cash flows used in financing activities.** During the year ended December 31, 2020, our cash used in financing activities of \$1,225.3 million primarily consisted of cash used for new financing proceeds, net of debt repayments and debt issuance costs, of \$867.5 million, net receipts of maintenance and security deposits of \$227.1 million, the repurchase of shares and payments of tax withholdings on share-based compensation of \$127.8 million and cash used for the payment of dividends to our non-controlling interest holders of \$2.9 million. During the year ended December 31, 2019, our cash used in financing activities of \$265.0 million primarily consisted of cash used for the repurchase of shares and payments of tax withholdings on share-based compensation of \$639.9 million, cash used for the payment of dividends to our non-controlling interest holders of \$6.3 million and new financing proceeds, net of debt repayments and debt issuance costs, of \$2.1 million partially offset by cash provided by net receipts of maintenance and security deposits of \$383.3 million.

We have significant capital requirements, including making pre-delivery payments and paying the balance of the purchase price for aircraft on delivery. As of December 31, 2020, we had commitments to purchase 286 new aircraft scheduled for delivery through 2027. As a result, we will need to raise additional funds to satisfy these requirements, which we expect to do through a combination of accessing committed debt facilities and securing additional financing, if needed, from capital markets transactions or other sources of capital. If other sources of capital are not available to us, we may need to raise additional funds through selling aircraft or other aircraft investments, including participations in our joint ventures.

As of December 31, 2020, our cash balance was \$1.5 billion, including unrestricted cash of \$1.2 billion, and we had \$5.6 billion of undrawn lines of credit available under our revolving credit and term loan facilities and other available secured debt. As of December 31, 2020, our total available liquidity, including undrawn lines of credit, unrestricted cash, cash flows from contracted asset sales and other sources of funding, was \$6.7 billion, and including estimated operating cash flows for the next 12 months, our total sources of liquidity were \$9.1 billion. As of December 31, 2020, our existing sources of liquidity were sufficient to operate our business and cover approximately 2.3x of our debt maturities and contracted capital requirements for the next 12 months. As of December 31, 2020, the principal amount of our outstanding indebtedness, which excludes fair value adjustments of \$19.7 million and debt issuance costs, debt discounts and debt premium of \$192.8 million, totaled \$28.9 billion and consisted of senior unsecured, subordinated and senior secured notes, export credit facilities, commercial bank debt, revolving credit debt, securitization debt and capital lease structures.

In order to satisfy our contractual purchase obligations, we expect to source new debt financing through access to the capital markets, including the unsecured and secured bond markets, the commercial bank market, export credit and the asset-backed securities market.

In the longer term, we expect to fund the growth of our business, including acquiring aircraft, through internally generated cash flows, the incurrence of new bank debt, the refinancing of existing bank debt and other capital-raising initiatives.

During the year ended December 31, 2020, our average cost of debt, excluding the effect of mark-to-market movements on our interest rate caps and swaps, was 4.1%. As of December 31, 2020, our adjusted debt to equity ratio was 2.6 to 1. Please refer to “Item 5. Operating and Financial Review and Prospects—Non-GAAP measures” for further information on our average cost of debt and reconciliations of adjusted debt and adjusted equity to the most closely related U.S. GAAP measures as of December 31, 2020 and 2019.

Please refer to Note 13—*Debt* to our Consolidated Financial Statements included in this annual report for a detailed description of our outstanding indebtedness.

AerCap Holdings N.V. is incorporated in the Netherlands and headquartered in Ireland, and is not directly engaged in business within, nor has a permanent establishment in, the United States. Only our U.S. subsidiaries are subject to U.S. net income tax or would potentially have to withhold U.S. taxes upon a distribution of our earnings.

While we were tax resident in the Netherlands, we did not accrue or pay taxes as a result of repatriation of earnings from any of our foreign subsidiaries to the Netherlands. Effective February 1, 2016, we became tax resident in Ireland and we would typically expect that the repatriation of earnings from our foreign subsidiaries should not, except where recognized in our financial statements, give rise to material additional Irish taxation due to the availability of foreign tax credits. As of December 31, 2020, \$108.1 million out of \$1,248.8 million of cash and short-term investments was held by our foreign subsidiaries outside of Ireland. Additionally, legal restrictions in relation to dividend payments from our subsidiaries to us are described in “Item 10. Additional Information—Taxation—Withholding tax.”

## Contractual obligations

Our contractual obligations consist of principal and interest payments on debt (excluding fair value adjustments, debt issuance costs, debt discounts and debt premium), executed purchase agreements to purchase aircraft and rent payments pursuant to our office and facility leases. We intend to fund our contractual obligations through unrestricted cash, lines-of-credit and other borrowings, operating cash flows and cash flows from asset sales. We believe that our sources of liquidity will be sufficient to meet our contractual obligations.

The following table provides details regarding our contractual obligations and their payment dates as of December 31, 2020, as adjusted to reflect the developments described in footnotes (b) and (c) below:

	2021	2022	2023	2024	2025	Thereafter	Total
(U.S. Dollars in millions)							
Unsecured debt facilities	\$ 1,379.8	\$ 3,405.1	\$ 3,120.1	\$ 2,550.0	\$ 2,650.0	\$ 2,650.0	\$ 15,755.0
Secured debt facilities	993.6	1,397.0	2,023.3	1,715.3	3,207.3	1,530.2	10,866.7
Subordinated debt facilities	—	—	—	—	—	2,293.5	2,293.5
Estimated interest payments (a)	1,123.2	995.5	795.6	604.7	419.5	4,111.0	8,049.5
Purchase obligations (b) (c)	1,511.4	2,519.3	3,099.7	2,962.1	2,525.2	1,508.0	14,125.7
Operating leases (d)	9.7	9.1	9.1	6.8	5.7	24.3	64.7
<b>Total</b>	<b>\$ 5,017.7</b>	<b>\$ 8,326.0</b>	<b>\$ 9,047.8</b>	<b>\$ 7,838.9</b>	<b>\$ 8,807.7</b>	<b>\$ 12,117.0</b>	<b>\$ 51,155.1</b>

- (a) Estimated interest payments for floating rate debt are based on rates as of December 31, 2020 and include the estimated impact of our interest rate swap agreements.
- (b) As of December 31, 2020, we had commitments to purchase 284 aircraft and two purchase and leaseback transactions. The timing of our purchase obligations is based on current estimates. Due to the current Covid-19 pandemic, we expect that the delivery of many of our aircraft on order will be delayed to future periods. We have incorporated expected delivery delays into the table above. In addition, we have the right to reschedule the delivery dates of certain of our aircraft to future dates. See Note 27—*Commitments and contingencies* to our Consolidated Financial Statements included in this annual report for further details on our purchase obligations.
- (c) The delivery positions of our Boeing 737 MAX aircraft are based on our best estimates and incorporate the information currently available to us. Our estimates may be different from the actual delivery dates, and will depend on the speed at which Boeing is able to deliver our aircraft on order to us.
- (d) Represents contractual payments on our office and facility leases. See Note 15—*Leases* to our Consolidated Financial Statements included in this annual report for further details on our operating lease obligations.

## Off-balance sheet arrangements

We have interests in variable interest entities, some of which are not consolidated into our Consolidated Financial Statements. Please refer to Note 25—*Variable interest entities* to our Consolidated Financial Statements included in this annual report for a detailed description of these interests and our other off-balance sheet arrangements.

## Book value per share

The following table presents our book value per share as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
	(U.S. Dollars in millions, except share and per share data)	
<b>Total AerCap Holdings N.V. shareholders' equity</b>	<b>\$ 8,864</b>	<b>\$ 9,315</b>
Ordinary shares issued	138,847,345	141,847,345
Treasury shares	(8,448,807)	(10,263,856)
<b>Ordinary shares outstanding</b>	<b>130,398,538</b>	<b>131,583,489</b>
Shares of unvested restricted stock	(2,552,346)	(2,354,318)
<b>Ordinary shares outstanding, excluding shares of unvested restricted stock</b>	<b>127,846,192</b>	<b>129,229,171</b>
<b>Book value per ordinary share outstanding, excluding shares of unvested restricted stock</b>	<b>\$ 69.34</b>	<b>\$ 72.08</b>

## Non-GAAP measures

The following are definitions of non-GAAP measures used in this report on Form 20-F and a reconciliation of such measures to the most closely related U.S. GAAP measures.

### *Net interest margin, annualized net spread, annualized net spread less depreciation and amortization and average cost of debt*

Net interest margin is calculated as the difference between basic lease rents and interest expense, excluding the impact of the mark-to-market of interest rate caps and swaps. Annualized net spread is net interest margin expressed as a percentage of average lease assets. Annualized net spread less depreciation and amortization is net interest margin less depreciation and amortization, including maintenance rights expense, expressed as a percentage of average lease assets. Average cost of debt is calculated as interest expense, excluding mark-to-market on interest rate caps and swaps, divided by the average debt balance. We believe these measures may further assist investors in their understanding of the changes and trends related to the earnings of our leasing activities. These measures reflect the impact from changes in the number of aircraft leased, lease rates and utilization rates, as well as the impact from changes in the amount of debt and interest rates.

The following is a reconciliation of basic lease rents to net interest margin, annualized net spread and annualized net spread less depreciation and amortization for the years ended December 31, 2020 and 2019:

	Year Ended December 31,		Percentage Difference
	2020	2019	
	(U.S. Dollars in millions)		
<b>Basic lease rents</b>	<b>\$ 3,762</b>	<b>\$ 4,281</b>	<b>(12%)</b>
Interest expense	1,248	1,295	(4%)
Adjusted for:			
Mark-to-market of interest rate caps and swaps	(14)	(30)	(52%)
Interest expense excluding mark-to-market on interest rate caps and swaps	1,234	1,265	(3%)
<b>Net interest margin</b>	<b>\$ 2,528</b>	<b>\$ 3,016</b>	<b>(16%)</b>
Depreciation and amortization, including maintenance rights expense	(1,691)	(1,753)	(4%)
<b>Net interest margin less depreciation and amortization</b>	<b>\$ 837</b>	<b>\$ 1,263</b>	<b>(34%)</b>
Average lease assets	\$ 37,145	\$ 37,590	(1%)
Annualized net spread	6.8%	8.0%	
<b>Annualized net spread less depreciation and amortization</b>	<b>2.3%</b>	<b>3.4%</b>	

#### *Adjusted debt to equity ratio*

This measure is the ratio obtained by dividing adjusted debt by adjusted equity. Adjusted debt represents consolidated total debt less cash and cash equivalents, and less a 50% equity credit with respect to certain long-term subordinated debt. Adjusted equity represents total equity, plus the 50% equity credit with respect to the long-term subordinated debt. Adjusted debt and adjusted equity are adjusted by the 50% equity credit to reflect the equity nature of those financing arrangements and to provide information that is consistent with definitions under certain of our debt covenants. We believe this measure may further assist investors in their understanding of our capital structure and leverage.

The following is a reconciliation of debt to adjusted debt and equity to adjusted equity as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
	(U.S. Dollars in millions except debt/equity ratio)	
<b>Debt</b>	<b>\$ 28,742</b>	<b>\$ 29,486</b>
Adjusted for:		
Cash and cash equivalents	(1,249)	(1,121)
50% credit for long-term subordinated debt	(1,125)	(1,125)
<b>Adjusted debt</b>	<b>\$ 26,368</b>	<b>\$ 27,240</b>
<b>Equity</b>	<b>\$ 8,932</b>	<b>\$ 9,382</b>
Adjusted for:		
50% credit for long-term subordinated debt	1,125	1,125
<b>Adjusted equity</b>	<b>\$ 10,057</b>	<b>\$ 10,507</b>
<b>Adjusted debt/equity ratio</b>	<b>2.6 to 1</b>	<b>2.6 to 1</b>



## Summarized financial information of issuers and guarantors

Historically, in accordance with Rule 3-10 of Regulation S-X, AerCap has presented separate financial statements and other disclosures with respect to the entities that issue and guarantee its registered debt securities in a note to its consolidated financial statements.

In March 2020, the SEC adopted amendments to reduce and simplify the financial disclosure requirements for guarantors and issuers of guaranteed registered securities. The amendments became effective on January 4, 2021, but voluntary compliance in advance of January 4, 2021 was permitted. We elected to comply with the amended regulation starting with our Interim Report on Form 6-K for the quarter ended March 31, 2020, filed with the SEC on May 5, 2020.

### AerCap Trust & AerCap Ireland Capital Designated Activity Company Notes

From time to time since the completion of the acquisition of ILFC, AerCap Trust and AerCap Ireland Capital Designated Activity Company (“AICDC”) have co-issued senior unsecured notes (the “AGAT/AICDC Notes”). Please refer to Note 13—*Debt* to our Consolidated Financial Statements included in this annual report for further details on the AGAT/AICDC Notes. The AGAT/AICDC Notes are jointly and severally and fully and unconditionally guaranteed by AerCap Holdings N.V. (the “Parent Guarantor”) and by AerCap Ireland, AerCap Aviation Solutions B.V., ILFC and AerCap U.S. Global Aviation LLC (the “Subsidiary Guarantors” and, together with the Parent Guarantor, the “AGAT/AICDC Guarantors”).

Subject to the provisions of the indenture governing the AGAT/AICDC Notes (the “AGAT/AICDC Indenture”), a Subsidiary Guarantor will be automatically and unconditionally released from its guarantee with respect to a series of AGAT/AICDC Notes under the following circumstances: (1) the sale, disposition or other transfer of (i) the capital stock of a Subsidiary Guarantor after which such Subsidiary Guarantor is no longer a Restricted Subsidiary (as defined in the AGAT/AICDC Indenture) or (ii) all or substantially all of the assets of a Subsidiary Guarantor; (2) the permitted designation of the Subsidiary Guarantor as an Unrestricted Subsidiary as defined in and pursuant to the AGAT/AICDC Indenture; (3) the consolidation, amalgamation or merger of a Subsidiary Guarantor with and into AerCap Trust, AICDC or another AGAT/AICDC Guarantor with such person being the surviving entity, or upon the liquidation of a Subsidiary Guarantor following the transfer of all of its assets to AerCap Trust, AICDC or another AGAT/AICDC Guarantor; or (4) legal defeasance or covenant defeasance with respect to such series, each as described in the AGAT/AICDC Indenture, or if the obligations of AerCap Trust and AICDC with respect to such series under the AGAT/AICDC Indenture are discharged.

The guarantee obligations of each Subsidiary Guarantor are limited (i) to an amount not to exceed the maximum amount that can be guaranteed by a Subsidiary Guarantor (after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of all other AGAT/AICDC Guarantors in respect of the obligations under their respective guarantees) without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable fraudulent conveyance or transfer laws, and (ii) as necessary to recognize certain defenses generally available to guarantors, including voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally or other considerations under applicable law. In addition, given that some of the AGAT/AICDC Guarantors are Irish and Dutch companies, it may be more difficult for holders of the AGAT/AICDC Notes to obtain or enforce judgments against such guarantors.

Because AICDC and certain AGAT/AICDC Guarantors are holding companies with very limited operations, their only significant assets are the equity interests of their directly held subsidiaries. As a result, AICDC and certain AGAT/AICDC Guarantors are dependent primarily upon dividends and other payments from their subsidiaries to generate the funds necessary to meet their outstanding debt service and other obligations, and such dividends or other payments will in turn depend on factors, such as their subsidiaries’ earnings, covenants in instruments governing their subsidiaries’ indebtedness, other contractual restrictions and applicable laws (including local law restricting payments of dividends).

### Junior Subordinated Notes

In October 2019, AerCap Holdings N.V. issued \$750.0 million aggregate principal amount of 5.875% fixed-rate reset junior subordinated notes due 2079 (the “Junior Subordinated Notes”). See Note 13—*Debt* to our Consolidated Financial Statements included in this annual report. The Junior Subordinated Notes are jointly and severally and fully and unconditionally guaranteed by AerCap Trust, AICDC, AerCap Ireland, AerCap Aviation Solutions B.V., ILFC and AerCap U.S. Global Aviation LLC (the “Subordinated Notes Guarantors”).

Subject to the provisions of the indenture governing the Junior Subordinated Notes (the “Subordinated Notes Indenture”), a Subordinated Notes Guarantor will be automatically and unconditionally released from its guarantee under the following circumstances: (1) the sale, disposition or other transfer of all or substantially all of the assets of a Subordinated Notes Guarantor; (2) the consolidation, amalgamation or merger of a Subordinated Notes Guarantor with and into AerCap Holdings N.V. or another Subordinated Notes Guarantor with such person being the surviving entity, or upon the liquidation of a Subordinated Notes Guarantor following the transfer of all of its assets to AerCap Holdings N.V. or another Subordinated Notes Guarantor; or (3) legal defeasance or covenant defeasance, each as described in the Subordinated Notes Indenture, or if the obligations of AerCap Holdings N.V. under the Subordinated Notes Indenture are discharged.

The guarantee obligations of each Subordinated Notes Guarantor are limited (i) to an amount not to exceed the maximum amount that can be guaranteed by a Subordinated Notes Guarantor (after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of all other Subordinated Notes Guarantors in respect of the obligations under their respective guarantees) without rendering the guarantee, as it relates to such Subordinated Notes Guarantor, voidable under applicable fraudulent conveyance or transfer laws, and (ii) as necessary to recognize certain defenses generally available to guarantors, including voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally or other considerations under applicable law. In addition, given that some of the Subordinated Notes Guarantors are Irish and Dutch companies, it may be more difficult for holders of the Junior Subordinated Notes to obtain or enforce judgments against such guarantors.

Because AerCap Holdings N.V. and certain Subordinated Notes Guarantors are holding companies with very limited operations, their only significant assets are the equity interests of their directly held subsidiaries. As a result, AerCap Holdings N.V. and certain Subordinated Notes Guarantors are dependent primarily upon dividends and other payments from their subsidiaries to generate the funds necessary to meet their outstanding debt service and other obligations, and such dividends or other payments will in turn depend on their subsidiaries’ earnings, covenants in instruments governing their subsidiaries’ indebtedness, other contractual restrictions and applicable laws (including local law restricting payments of dividends).

## Summarized Combined Financial Information

Summarized financial information (the “SFI”), as defined under Rule 1-02(bb) of Regulation S-X, is provided below for the issuers and the guarantor entities and includes AerCap Holdings N.V., AerCap Trust, AICDC, AerCap U.S. Global Aviation LLC, AerCap Aviation Solutions B.V., AerCap Ireland and ILFC (collectively, the “Obligor Group”) as of December 31, 2020, and for the year ended December 31, 2020. The SFI is presented on a combined basis with intercompany transactions and balances among the entities included in the Obligor Group eliminated. The Obligor Group SFI excludes investments in non-obligor entities.

### Summarized combined financial information of issuers and guarantors

	<u>December 31, 2020</u> (U.S. Dollars in millions)
Flight equipment held for operating leases, net	\$ 9,607
Intercompany receivables	15,155
Total assets	28,913
Debt	17,557
Intercompany payables	4,154
Total liabilities	24,661
Non-controlling interest	77

  

	<u>Year Ended</u> <u>December 31, 2020</u> (U.S. Dollars in millions)
Total revenues and other income (a)	\$ 2,323
Total expenses (b)	2,538
Income before income taxes and income of investments accounted for under the equity method	(215)
Net income	(180)
Net income attributable to AerCap Holdings N.V.	(182)

(a) Total revenues include interest income from non-obligor entities of \$605 million.

(b) Total expenses include interest expense to non-obligor entities of \$55 million.

## Item 6. Directors, Senior Management and Employees

### Directors and officers

Name	Age	Position	Date of First Appointment	End Current Term (a)
<b>Directors</b>				
Paul Dacier	63	Non-Executive Chairman of the Board of Directors	May 2010	2022 AGM
Aengus Kelly	47	Executive Director and Chief Executive Officer	May 2011	2023 AGM
Julian (Brad) Branch	66	Non-Executive Director	April 2018	2022 AGM
Stacey Cartwright	57	Non-Executive Director	April 2019	2023 AGM
Rita Forst	65	Non-Executive Director	April 2019	2023 AGM
Richard (Michael) Gradon	61	Non-Executive Director	May 2010	2022 AGM
James (Jim) Lawrence	68	Non-Executive Director	May 2017	2021 AGM
Michael Walsh	54	Non-Executive Director	May 2017	2021 AGM
Robert (Bob) Warden	48	Non-Executive Director	July 2006	2022 AGM
<b>Officers</b>				
Philip Scruggs (b)	56	President and Chief Commercial Officer		
Peter Juhas	49	Chief Financial Officer		
Peter Anderson (b)	45	Head of EMEA		
Ristead Sheridan	46	Company Secretary and Chief Compliance Officer		
Brian Canniffe	48	Group Treasurer		
Vincent Drouillard	45	General Counsel		
Bashir Hajjar	53	Head of Americas		
Emmanuel Herinckx	48	Head of Asia Pacific		
Anton Joiner	50	Chief Risk Officer		
Tom Kelly	57	Chief Executive Officer, AerCap Ireland Limited		
Jorg Koletzki	53	Chief Information Officer		
Bart Ligthart	39	Head of Trading and Portfolio Management		
Theresa Murray	53	Head of Human Resources		
Martin Olson	58	Head of OEM Relations		
Joe Venuto	61	Chief Technical Officer		

- (a) The term for each director ends at the Annual General Meeting of Shareholders (“AGM”) typically held in April or May of each year.
- (b) On February 1, 2021, the Company announced Mr. Scruggs will be retiring as President and Chief Commercial Officer in March, 2021 (the “Retirement Date”). On February 1, 2021 our Company announced Mr. Anderson would take over as the Company’s Chief Commercial Officer, effective as of the Retirement Date.

### Directors

Our Board of Directors currently consists of nine directors, eight of whom are non-executive directors.

The Board appointed Mr. Paul Dacier to succeed Mr. Pieter Korteweg as Chairman of the Board with effect from the close of the 2020 AGM. Mr. Dacier has been a non-executive director of AerCap since 2010 and was Vice Chairman of the Board of Directors from 2013 to 2020.

**Paul Dacier.** Mr. Dacier has been a Director of AerCap since May 27, 2010. He is also currently the general counsel at Indigo Agriculture, a privately held start-up company, and he is on the Board of Directors of Progress Software Inc. (a software application development company). Until 2016, Mr. Dacier was Executive Vice President and General Counsel of EMC Corporation (an information infrastructure technology and solutions company), where he worked in various positions from 1990. He was a Non-Executive Director of GTY Technology Holdings Inc. from October 2016 until November 2019 and a Non-Executive Director of Genesis from November 2007 until the date of its amalgamation with AerCap International Bermuda Limited in March 2010. Prior to joining EMC, Mr. Dacier was an attorney with Apollo Computer Inc. (a computer work station company) from 1984 to 1990. Mr. Dacier received a B.A. in history and a J.D. in 1983 from Marquette University. He is admitted to practice law in the Commonwealth of Massachusetts and the state of Wisconsin.

**Aengus Kelly.** Mr. Kelly was appointed Executive Director and Chief Executive Officer of AerCap on May 18, 2011. Previously he served as Chief Executive Officer of AerCap's U.S. operations from January 2008 to May 2011. Mr. Kelly served as AerCap's Group Treasurer from 2005 through December 31, 2007. He started his career in the aviation leasing and financing business with Guinness Peat Aviation ("GPA") in 1998 and continued working with its successors AerFi in Ireland and debis AirFinance and AerCap in Amsterdam. Prior to joining GPA in 1998, he spent three years with KPMG in Dublin. Mr. Kelly is a Chartered Accountant and holds a Bachelor's degree in Commerce and a Master's degree in Accounting from University College, Dublin.

**Julian (Brad) Branch.** Mr. Branch has been a Director of AerCap since April 25, 2018. Mr. Branch most recently served Deloitte Touche Tohmatsu Ltd (Deloitte's global organization) as Senior Advisor in the Office of the CEO and served the Boards of Deloitte Northwest Europe LP and of Deloitte's Middle East practice. Mr. Branch's professional career has spanned 40 years; he first qualified as a Certified Public Accountant in June 1979, and was a general partner of Deloitte entities in the U.S. including Deloitte & Touche LLP (accounting and auditing) and Deloitte Consulting LLP (consulting) for 29 years. His industry focus has been the air transportation industry; large global air carriers. Mr. Branch held a variety of global leadership roles with Deloitte, having lived and practiced outside of the U.S. for over a decade. Mr. Branch has vigorously supported the community through not-for-profit Board service, such as the Advisory Board of Emory University School of Ethics and the Duke University Heart Center. He received a B.A. and M.B.A. from the University of North Carolina.

**Stacey Cartwright.** Ms. Cartwright has been a Director of AerCap since April 24, 2019. She is also currently Chair of the Board of Ovo Energy and a Non-Executive Director of Savills PLC, Genpact and Majid al Futtaim LEC. She also Chairs the Advisory Committee of Majid al Futtaim Lifestyle. Ms. Cartwright previously served as Chief Executive Officer of Harvey Nichols Group from 2014 to 2017 (and as Deputy Chairman in 2018), Executive Vice President and Chief Financial Officer of Burberry Group from 2004 to 2013, and Chief Financial Officer of Egg PLC from 1999 to 2003, having spent her early career with Granada Group. Ms. Cartwright was also a Non-Executive Director of GlaxoSmithKline PLC and a Senior Independent Director of the Football Association Ltd. Ms. Cartwright is a qualified chartered accountant and she received a BSc from the London School of Economics.

**Rita Forst.** Ms. Forst has been a Director of AerCap since April 24, 2019. She is also currently an independent business consultant in powertrain and vehicle technology, and serves as a member of the supervisory board of Norma Group SE and ElringKlinger AG in Germany. Effective April 29, 2020, Ms. Forst became a Non-Executive Director of Westport Fuel Systems Inc. in Vancouver, Canada. In addition, Ms. Forst holds an advisory board position at iwis SE & Co. KG in Germany. Ms. Forst spent more than 35 years at the Opel European division of General Motors in senior engineering and management positions, and as a member of Opel's management board. As such, Ms. Forst has been responsible for the development of new generations of engines and car models for Opel and General Motors. Ms. Forst holds Bachelor's degrees in mechanical engineering from the Kettering University (U.S.) and the Darmstadt University of Applied Technology (Germany).

**Richard (Michael) Gradon.** Mr. Gradon has been a Director of AerCap since May 27, 2010. He is also currently a Non-Executive Director of Exclusive Hotels. He was a Non-Executive Director of Genesis from November 2007 until the date of its amalgamation with AerCap International Bermuda Limited in March 2010. He practiced law at Slaughter & May before joining the UK FTSE 100 company The Peninsular & Oriental Steam Navigation Company (P&O) where he was a main Board Director from 1998 until its takeover in 2006. His roles at P&O included the group commercial & legal director function and he served as Chairman of P&O's property division. Mr. Gradon served on the board of The Wimbledon Tennis Championships from 2005 to 2019 and on the board of Grosvenor Limited from 2007 to 2015. In addition, Mr. Gradon served as Chairman of La Manga Club, Spain, and Chief Executive Officer of the London Gateway projects. Mr. Gradon holds an M.A. degree in law from Cambridge University.

**James (Jim) Lawrence.** Mr. Lawrence has been a Director of AerCap since May 5, 2017. He is currently Chairman of Lake Harriet Capital, a private investment firm. Previously, Mr. Lawrence served as Chairman of Rothschild North America and earlier as Chief Executive Officer of Rothschild North America and as co-head of global investment banking at Rothschild from 2010 to 2015. Prior to Rothschild, Mr. Lawrence was Chief Financial Officer of Unilever and he served as Executive Director on the boards of Unilever NV and Unilever PLC. He joined Unilever in 2007 after serving as the Vice Chairman and Chief Financial Officer of General Mills for nine years. Prior to General Mills, Mr. Lawrence was Executive Vice President and Chief Financial Officer of Northwest Airlines from 1996 to 1998, and before that Mr. Lawrence was a division President at PepsiCo, serving as CEO of Pepsi-Cola Asia, Middle East, Africa from 1992 to 1996. In 1983, he cofounded The LEK Partnership, a corporate strategy and merger/acquisition firm, headquartered in London. Before that he was a Partner of Bain and Company having opened their London and Munich offices. Prior to that, he worked for The Boston Consulting Group. Mr. Lawrence is currently a Non-Executive Director of Avnet Inc. and Smurfit Kappa Group. His aviation industry experience dates from 1990, and it includes, in addition to being the Chief Financial Officer of Northwest Airlines, serving on the boards of IAG (International Consolidated Airlines Group), Continental Airlines, TWA, Mesaba and British Airways. Since 1990, Mr. Lawrence has served on 16 public company boards, several private company boards and numerous non-profit boards. Mr. Lawrence earned a Bachelor of Arts in Economics from Yale University and an M.B.A. with distinction from Harvard Business School.

**Michael Walsh.** Mr. Walsh has been a Director of AerCap since May 5, 2017. He previously served as a Non-Executive Director, including Chairman, of a number of companies which finance and lease aircraft and trains throughout the world. Mr. Walsh has over 30 years' experience as a Non-Executive Director, senior executive and commercial lawyer in the aircraft leasing and financing industry. In 1989, he joined GPA Group plc, the aircraft leasing and financing company, and held a number of senior management positions, including General Counsel. Following the acquisition of GPA by debis AirFinance in 2000, Mr. Walsh was appointed General Counsel of debis AirFinance and held that position until 2002. From 2003 to 2005, he served as Chief Legal Officer of Bord Gáis Éireann, the Irish gas utility. From 1986 to 1989, he was a diplomat in the Irish Diplomatic Service. Mr. Walsh is a barrister and a law graduate of University College, Cork, Ireland.

**Robert (Bob) Warden.** Mr. Warden has been a Director of AerCap since July 26, 2006. He is also currently Global Head of Private Equity at Cerberus Capital Management, L.P., which he joined in October 2018 after previously working at Cerberus from 2003 to 2012. Mr. Warden has worked in the private equity industry for over 25 years. He was formerly a partner at Pamplona Capital Management from 2012 to 2018, and had previously worked in private equity at J.H. Whitney, Cornerstone Equity Investors and Donaldson, Lufkin & Jenrette. Mr. Warden received his A.B. from Brown University.

## **Officers**

**Philip Scruggs.** Mr. Scruggs assumed the position of President and Chief Commercial Officer of AerCap in May 2014, previously serving in the role of Executive Vice President and Chief Marketing Officer at ILFC, where he had a 20-year career. Mr. Scruggs oversees AerCap's worldwide leasing business, including the marketing, pricing, credit, and commercial execution. Prior to joining ILFC, Mr. Scruggs was an attorney at the Los Angeles-based law firm Paul, Hastings, Janofsky and Walker, where he specialized in leasing and asset-based finance. Mr. Scruggs received his B.A. from the University of California, Berkeley, and his J.D. from The George Washington University. Mr. Scruggs is an instrument rated private pilot.

**Peter Juhas.** Mr. Juhas was appointed Chief Financial Officer of AerCap in April 2017, following his appointment as Deputy Chief Financial Officer in September 2015. Prior to joining AerCap, Mr. Juhas was Global Head of Strategic Planning at American International Group, Inc. ("AIG"), where he led the development of the company's strategic and capital plans, as well as mergers, acquisitions and other transactions, including the sale of ILFC to AerCap. Prior to joining AIG in 2011, Mr. Juhas was a Managing Director in the Investment Banking Division of Morgan Stanley from 2000 to 2011. While at Morgan Stanley, he led the IPO of AerCap in 2006 and was the lead advisor to the Federal Reserve Bank and the U.S. Treasury on the AIG restructuring and the placement of the U.S. government-sponsored enterprises Fannie Mae and Freddie Mac into conservatorship in 2008. Prior to joining Morgan Stanley, Mr. Juhas was an attorney in the Mergers and Acquisitions group at Sullivan & Cromwell LLP, the New York law firm. Mr. Juhas received his A.B. from Harvard College and his J.D. from Harvard Law School.

**Peter Anderson.** Mr. Anderson assumed the position of Head of EMEA in January 2019 having previously held the Head of Asia Pacific role since the acquisition of ILFC in 2014. In his role Mr. Anderson is responsible for AerCap's leasing activities across Europe, Middle East and Africa. Prior to joining AerCap he worked in the leasing team at ILFC where he set up ILFC's Asia Pacific office in 2012. Mr. Anderson worked in the leasing team at Hong Kong Aviation Capital and prior to that at Allco Finance Group in both Sydney and London, specializing in aircraft leasing and structured finance. Mr. Anderson earned his Master of Applied Finance and Investment from the Securities Institute of Australia, and his B.A. from the University of Technology Sydney.

**Risteard Sheridan.** Mr. Sheridan was appointed Company Secretary in May 2020 and Chief Compliance Officer in 2019. He joined AerCap in April 2017 as Head of Internal Audit. Prior to joining AerCap, he gained extensive experience advising companies on governance, financial reporting and control/process matters while working with the professional services firms KPMG and EY. Mr. Sheridan holds a Bachelor's degree in Business & Legal Studies and a Masters degree in Accounting from University College Dublin and is a Fellow of Chartered Accountants Ireland.

**Brian Canniffe.** Mr. Canniffe was appointed Group Treasurer of AerCap in January 2018, previously serving as Head of Investor Relations since joining the Company in October 2016. He has over 20 years' experience in banking, lending and the capital markets. Prior to joining AerCap, Mr. Canniffe served as Managing Director and Head of Global Markets Financing for Bank of America Merrill Lynch in Hong Kong and Tokyo, where he led a division that was responsible for providing secured financing, trading, clearing, reporting and various treasury functions in the Asia Pacific region. In addition, he held roles within the financing divisions at Nomura Securities and Bankers Trust International.

**Vincent Drouillard.** Mr. Drouillard was appointed General Counsel on June 1, 2018. He previously served in the role of Head of Legal Leasing at AerCap, a position he held from 2015 to 2018. He joined ILFC in 2004 and last served as Head of Legal EMEA, prior to the acquisition of ILFC by AerCap. Mr. Drouillard practiced law at the law firm Gibson, Dunn & Crutcher. He received law degrees from King's College London, the University of Paris I Panthéon-Sorbonne and the University of Paris X Nanterre. Mr. Drouillard is a member of the New York State Bar and the State Bar of California.

**Bashir Hajjar.** Mr. Hajjar assumed the position of Head of Americas in October 2018. In his role Mr. Hajjar is responsible for AerCap's leasing activities across the Americas. He brings 30 years of wide-ranging experience in the aviation industry from aircraft manufacturing to aircraft leasing and airline management. Prior to joining AerCap he held various positions in the Fleet Planning group for Continental Airlines and the Aircraft Marketing group at McDonnell Douglas. Mr. Hajjar began his aviation career in engineering, at McDonnell Douglas, Eastern Airlines and Continental Airlines. Mr. Hajjar holds a Masters of Business Administration from California State University Long Beach, a Bachelor of Science Degree in Aerospace Engineering from Saint Louis University, and an FAA Airframe and Power Plant Certificate.

**Emmanuel Herinckx.** Mr. Herinckx was appointed to the position of Head of Asia Pacific in July 2019. He oversees AerCap's leasing activities across Asia Pacific and China from our office in Singapore. Mr. Herinckx joined AerCap in September 2006 as Vice President Marketing Asia Pacific. Prior to joining AerCap he worked in the Airline Marketing Departments of Airbus North America Sales, INC, Washington DC, USA and Airbus SAS, Toulouse, France for a period of seven years. Mr. Herinckx holds a Master of Science in Air Transport Management from Cranfield University, United Kingdom.

**Anton Joiner.** Mr. Joiner was appointed Chief Risk Officer in 2011 with responsibility for portfolio risk management, workouts, repossessions and debtor management. He joined AerCap in 2001 and held a variety of positions. Prior to joining AerCap, Mr. Joiner held positions with Scotia Capital, Commercial Aviation Group and Hunting Cargo Airlines. He has a Master's degree in Air Transport Management from Cranfield College of Aeronautics.

**Tom Kelly.** Mr. Kelly was appointed Chief Executive Officer of AerCap Ireland in 2010. Mr. Kelly previously served as Chief Financial Officer of AerCap's Irish operations and has a substantial aircraft leasing and financial services background. Previously, Mr. Kelly spent ten years with General Electric Capital Aviation Services Limited ("GECAS") where his last roles were as Chief Financial Officer and director of GECAS's Irish operation. Mr. Kelly also served as global controller for GECAS in his role as Senior Vice President & Controller. Prior to joining GECAS in 1997, Mr. Kelly spent over eight years with KPMG in their London office, as Senior Manager in their financial services practice. Mr. Kelly is a Chartered Accountant and holds a Bachelor of Commerce degree from University College, Dublin.

**Jorg Koletzki.** Mr. Koletzki was appointed Chief Information Officer of AerCap in September 2015. He has significant experience in managing complex system implementations on a global scale, transforming IT functions and running high quality teams. His experience extends to working within large multinational companies including IBM, Volkswagen, National Grid and E.ON.

**Bart Ligthart.** Mr. Ligthart joined the AerCap Trading team in 2007. He was appointed to the position of Head of Trading and Portfolio Management in 2018. Mr. Ligthart has 12 years' experience in aircraft trading and portfolio management in both wide and narrowbody aircraft. Prior to joining AerCap he worked at Deloitte and Touche in Amsterdam where he served as Manager Transactions Services. Mr. Ligthart received his B.A in Commercial Economics from Inholland University, and his MSc in Finance Management from Nyenrode Business University.

**Theresa Murray.** Ms. Murray was appointed Head of Human Resources in October 2016. She has over 25 years' experience across all HR disciplines. Prior to joining AerCap she held the position of International HR Director at Nuance Communications. Throughout her career she has held a variety of HR and management roles including senior positions at Telefonica and Lucent Technologies.

**Martin Olson.** Mr. Olson assumed the position of Head of OEM Relations following the acquisition of ILFC by AerCap. He previously served in the role of Senior Vice President at ILFC. Mr. Olson heads AerCap's OEM Relations Department, responsible for purchasing new aircraft and engines. He joined ILFC in 1995 after ten years with McDonnell Douglas Aircraft Corporation. Mr. Olson is a graduate of California State University, Fullerton. He holds a Master's degree in Business Administration from the University of Southern California.

**Joe Venuto.** Mr. Venuto was appointed Chief Technical Officer of AerCap in February 2012. He previously served in the role of Senior Vice President Operations for the Americas at AerCap for four years. From 2004 to 2008, he held the role of Senior Vice President Operations at AeroTurbine, Inc., responsible for all technical issues. Prior to joining AeroTurbine, Inc., Mr. Venuto held the role of Senior Director Maintenance at several airlines including Trump Shuttle, Laker Airways and Amerijet International. He has over 30 years' experience in the aviation industry and he commenced his aviation career as an Airplane and Powerplant technician for Eastern Airlines. Mr. Venuto is a graduate of the College of Aeronautics and a licensed FAA Airframe and Powerplant Technician.

## **Compensation**

### ***Compensation of non-executive directors***

We currently pay each non-executive director an annual fee of €95,000 (€200,000 for the Chairman of our Board of Directors) and pay each of these directors an additional €4,000 per meeting attended in person or €1,000 per meeting attended by phone. In addition, we pay the chair of the Audit Committee an annual fee of €25,000 and each Audit Committee member an annual fee of €15,000 and a fee of €4,000 per committee meeting attended in person or €1,000 per committee meeting attended by phone. We further pay the non-executive chair of each of the Nomination and Compensation Committee, the Group Treasury and Accounting Committee and the Group Portfolio and Investment Committee an annual fee of €15,000 and each such committee member an annual fee of €10,000 and a fee of €4,000 per committee meeting attended in person or €1,000 per committee meeting attended by phone.

In addition, our non-executive directors receive an annual equity award as provided for in AerCap's remuneration policy for members of the Board of Directors and in accordance with the terms of the Equity Incentive Plan 2014. The size of the annual equity award to our non-executive directors increased, effective as of December 31, 2015, following a market compensation analysis conducted by an independent benefits advisory firm and in accordance with the terms of the Equity Incentive Plan 2014. The annual equity award may be supplemented by additional awards in line with AerCap's remuneration policy in order to meet the compensation goals of the Company. As of December 31, 2020, our non-executive directors held 191,523 restricted stock units and options to acquire a total of 3,954 AerCap ordinary shares (our non-executive directors did not hold any shares of restricted stock as of December 31, 2020); these equity awards have been granted under the AerCap equity incentive plans, as further described below. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors.



## ***Executive compensation***

The aircraft leasing business is highly competitive. As the global leader in aircraft leasing, we seek to attract and retain the most talented and successful officers to manage our business and to motivate them with appropriate incentives to execute our strategy and to promote and encourage continued superior performance over a prolonged period of time, in support of achieving the objectives of long-term value creation and appropriate risk-taking. We have designed our compensation plans to meet these objectives.

<b>Compensation goal</b>	<b>How goal is accomplished</b>
Attract and retain leading executive talent	<ul style="list-style-type: none"> <li>• Design compensation elements to enable us to compete effectively for executive talent</li> <li>• Selectively retain executives acquired through business transactions considering industry and functional knowledge, leadership abilities and fit with Company culture</li> </ul>
Align executive pay with shareholder interests	<ul style="list-style-type: none"> <li>• Perform market analysis to stay informed of compensation trends and practices</li> <li>• Concentrate executive pay heavily in equity compensation</li> <li>• Require robust equity ownership and retention</li> <li>• Motivate senior executives with meaningful incentives to generate long-term returns</li> </ul>
Pay for performance	<ul style="list-style-type: none"> <li>• Pay annual bonuses based on performance against one-year budgeted target set by the Nomination and Compensation Committee</li> <li>• Reward long-term growth and value creation</li> <li>• Tie long-term incentive program awards to the achievement of multi-year earnings per share (“EPS”) targets set by the Nomination and Compensation Committee</li> <li>• Reward high performers with above-target pay when predetermined goals are exceeded</li> </ul>
Manage risk	<ul style="list-style-type: none"> <li>• Prohibit hedging of Company securities and pledging of AerCap equity prior to vesting</li> <li>• Emphasize long-term performance by designing equity award opportunities to minimize short-term focus and influence on compensation payouts</li> <li>• Subject the executive director’s incentive compensation to clawback provisions under Dutch law</li> </ul>

As of December 31, 2020, our Group Executive Committee members were Aengus Kelly, Philip Scruggs, Peter Juhas and Peter Anderson. During the year ended December 31, 2020, we paid an aggregate of approximately \$9.6 million in cash (base salary and bonuses) and benefits as compensation to our Group Executive Committee members, including approximately \$0.6 million as part of their retirement and pension plans.

The compensation packages of our Group Executive Committee members (other than our Chief Executive Officer) and certain other officers, consisting of base salary, annual bonus and, for some officers, annual stock bonus, along with other benefits, are determined by the Nomination and Compensation Committee upon the recommendation of the Chief Executive Officer on an annual basis. In addition, upon the recommendation of the Chief Executive Officer, the Nomination and Compensation Committee may grant long-term equity incentive awards to our officers (other than our Chief Executive Officer) on a non-recurring basis under our equity incentive plans, as further outlined below. The compensation package of our Chief Executive Officer, consisting of base salary, annual bonus, annual stock bonus and a long-term equity incentive award, along with other benefits, is determined by the Board of Directors, upon the recommendation of the Nomination and Compensation Committee, in accordance with the remuneration policy approved by the General Meeting of Shareholders.

The amount of the annual bonus and, if applicable, the amount of the annual stock bonus granted to our Group Executive Committee members and other participating officers are determined by the Nomination and Compensation Committee (or, in the case of our Chief Executive Officer, the Board of Directors, upon the recommendation of the Nomination and Compensation Committee) based on the Company's performance relative to the U.S. GAAP EPS budget for the relevant year and the personal performance of the individual Group Executive Committee member or other officer involved. The Company's U.S. GAAP EPS budget and target bonus levels are typically determined before the beginning of the relevant year. The annual bonus amounts and the annual stock bonuses are paid or granted, as the case may be, in arrears. As a matter of policy, actual bonus amounts will be below target level in years that the EPS target is not met, unless specific circumstances require otherwise which, if any, will be disclosed in this annual report. The annual stock bonuses vest after three years or, if earlier, at the end of the officer's employment term.

Our long-term equity incentive program is designed to retain our most talented and successful officers and to incentivize continued superior performance, in accordance with the Company's long-term objectives, for the benefit of our shareholders and other stakeholders. The majority of the long-term equity awards have vesting periods ranging between three years and five years, and the vesting of 66.67% of each award is conditional upon the achievement of the Company's U.S. GAAP EPS budget over the multi-year vesting period, as determined by the Board of Directors at the beginning of the vesting period (33.33% of each award is subject to time-based vesting). The awards will cliff vest, subject to meeting the vesting conditions, at the end of the vesting period, i.e., there will be no vesting in the interim, and all shares will remain at risk until the end of the vesting period. If the EPS target is not met, then none or only a portion of the performance-based shares will vest, with the remaining performance-based shares being forfeited. None of the performance-based shares will vest if 84.5% or less of the EPS target is met, which indicates the stringency of the program. A portion of the performance-based shares will vest, as specified in the award agreements, if between 84.5% and 100% of the EPS target is met, and all performance-based shares will vest if the EPS target is met or exceeded. In the event of a change of control of the Company, the shares will immediately vest. We believe that the design of our long-term equity incentive program promotes and encourages continued superior performance over a prolonged period of time in support of achieving the objectives of long-term value creation and appropriate risk-taking.

The employment agreements with some of our Group Executive Committee members provide for severance payments on certain terminations. The amount of the pre-agreed severance is derived from calculations, based on the employee's age and years of service.

The Company is subject to the Netherlands' Clawback of Bonuses Act. Pursuant to this legislation, bonuses paid to the executive director (and other directors, as defined under the articles of association, provided they are in charge of day-to-day management) may be clawed back if awarded on the basis of incorrect information. In addition, any bonus that has been awarded to the executive director (and other directors, as defined under the articles of association, provided they are in charge of day-to-day management) may be reduced if, under the circumstances, payment of the bonus would be unacceptable. As of December 31, 2020, we did not have any directors other than the executive director who were in charge of day-to-day management.

### *AerCap equity incentive plans*

Under our equity incentive plans, we have granted restricted stock units, restricted stock and, previously, stock options to directors, officers and employees to attract and retain them on competitive terms, and to incentivize superior performance with a view to creating long-term value for the benefit of the Company, its shareholders and other stakeholders.

The table below indicates the equity awards the Company granted to our Group Executive Committee members and their equity awards that vested in 2020:

	<b>2020 Granted</b>	<b>2020 Vested</b>
Aengus Kelly	233,580 (a)	—
Philip Scruggs	25,000 (b)	353,295 (c) (d)
Peter Juhas	41,881 (e)	—
Peter Anderson	333,953 (f) (g)	—

- (a) Grant of 333,748 shares of restricted stock, of which 100,168 were withheld to pay taxes incurred by Mr. Kelly in connection with the grant.
- (b) Grant of restricted stock units; included in vested shares in 2020.
- (c) Vesting of 310,342 shares of restricted stock.
- (d) Vesting of 42,953 restricted stock units, of which 15,894 were withheld to pay taxes incurred by Mr. Scruggs in connection with the vesting.
- (e) Grant of 69,054 shares of restricted stock, of which 27,173 were withheld to pay taxes incurred by Mr. Juhas in connection with the grant.
- (f) Grant of 450,000 shares of restricted stock, of which 136,047 were withheld to pay taxes incurred by Mr. Anderson in connection with the grant.
- (g) Grant of 20,000 restricted stock units; payroll tax will be withheld and deducted from the ordinary shares to be delivered at vesting.

The table below indicates the years in which equity awards held by our Group Executive Committee members as of December 31, 2020 are due to vest, subject to meeting the applicable vesting criteria. The awards may comprise restricted stock and restricted stock units, as specified in the paragraph below regarding share ownership:

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Aengus Kelly	18,345	859,960	669,051	—	—
Peter Juhas	—	188,264	—	—	—
Peter Anderson	140,400	20,000	—	—	313,953

We require our Group Executive Committee members to own Company ordinary shares having a value equal to at least five times their annual base salary (ten times in the case of the Chief Executive Officer), in order to further align their interests with the long-term interests of our shareholders. This threshold amount includes ordinary shares owned outright, vested stock-based equity awards, time-based restricted stock and time-based restricted stock units, whether or not vested, and any stock-based equity that the executive has elected to defer. New Group Executive Committee members have a five-year grace period to meet this threshold. In addition, each Group Executive Committee member is required to hold, post vesting, 25% of the net ordinary shares (50% for our Chief Executive Officer) (after satisfaction of any exercise price or tax withholding obligations), delivered to him or her pursuant to Company equity awards since January 1, 2007, for so long as such member remains employed by the Company (or, if earlier, until such member reaches 65 years of age). Sales of Company ordinary shares are conducted with a view to avoiding undue impact on the Company's ordinary share price and in compliance with laws and regulations. Each member must consult with the Chairman before executing any sale of the Company's ordinary shares.

Our policies prohibit our directors, officers and employees from trading in Company securities on the basis of material non-public information, or engaging in hedging and other "short" transactions involving Company securities. In addition, our directors, officers and employees are prohibited from pledging equity incentive awards prior to vesting.

Please refer to Note 17—*Share-based compensation* to our Consolidated Financial Statements included in this annual report for more details on our equity incentive plans.

## Board Practices

### General

Our Board of Directors currently consists of nine directors, eight of whom are non-executive directors.

As a foreign private issuer, as defined by the rules promulgated under the Exchange Act, we are not required to have a majority independent Board of Directors under applicable NYSE rules. Under the Dutch Corporate Governance Code (the “Dutch Code”), for a non-executive director to be considered “independent,” he or she (and his or her spouse and immediate relatives) may not, among other things, (i) in the five years prior to his or her appointment, have been an employee or executive director of us or any public company affiliated with us; (ii) in the year prior to his or her appointment, have had an important business relationship with us or any public company affiliated with us; (iii) receive any financial compensation from us other than for the performance of his or her duties as a director or other than in the ordinary course of business; (iv) hold 10% or more of our ordinary shares (including ordinary shares subject to any shareholder’s agreement); (v) be a member of the management or Supervisory Board of a company owning 10% or more of our ordinary shares; (vi) in the year prior to his or her appointment, have temporarily managed our day-to-day affairs while the executive director was unable to discharge his or her duties; or (vii) be a member of the management board of a company in which a member of the management board of the company which he supervises is a supervisory board member. The Dutch Code contains principles and best practices for Dutch companies with listed shares, and requires companies to either comply with the best practice provisions of the Dutch Code or to explain why they deviate from these best practice provisions. One of our non-executive directors (out of a total of eight) currently serve in excess of 12 years in deviation of the best practice provisions in the Dutch Code. However, we believe that the current composition of the Board enables it to operate effectively and independently, considering that the non-executive directors are carefully selected based upon their combined experience and expertise. The average tenure of our non-executive directors as of December 31, 2020, was 6.6 years.

The directors are appointed by the general meeting of the shareholders. Our directors may be appointed by the vote of a majority of votes cast at a general meeting of shareholders provided that our Board of Directors has proposed the appointment. Without a Board of Directors proposal, directors may also be appointed by the vote of a majority of the votes cast at a general meeting of shareholders if the majority represents at least one-third of our issued capital.

Shareholders may remove or suspend a director by the vote of a majority of the votes cast at a general meeting of shareholders, provided that our Board of Directors has proposed the removal. Our shareholders may also remove or suspend a director, without there being a proposal by the Board of Directors, by the vote of a majority of the votes cast at a general meeting of shareholders if the majority represents at least one-third of our issued capital.

Under our articles of association, the rules for the Board of Directors and the board committees, and Dutch corporate law, the members of the Board of Directors are collectively responsible for the management, general and financial affairs, policy, and strategy of our company.

The executive director is our Chief Executive Officer, who is primarily responsible for managing our day-to-day affairs as well as other responsibilities that have been delegated to the executive director in accordance with our articles of association and our internal rules for the Board of Directors. The non-executive directors supervise the Chief Executive Officer and our general affairs and provide general advice to our Chief Executive Officer. In performing their duties, the non-executive directors are guided by the interests of the Company and shall, within the boundaries set by relevant Dutch law, take into account the relevant interests of our shareholders and other stakeholders in AerCap. The internal affairs of the Board of Directors are governed by our rules for the Board of Directors.

The Chairman of the Board is responsible for ensuring, among other things, that (i) each director receives all information about matters that he or she may deem useful or necessary in connection with the proper performance of his or her duties; (ii) each director has sufficient time for consultation and decision making; and (iii) the Board of Directors and the board committees are properly constituted and functioning.

Each director has the right to cast one vote and may be represented at a meeting of the Board of Directors by a fellow director. The Board of Directors may pass resolutions only if a quorum of four directors, including our Chief Executive Officer and the Chairman or, in his absence, an alternative non-executive director who has been charged by the Board of Directors to act as chairman, are present at the meeting. Resolutions must be passed by a majority of the votes cast. If there is a tie, the matter will be decided by the Chairman of the meeting. Subject to Dutch law, resolutions of the Board of Directors may be passed in writing by a majority of the directors in office. Pursuant to Dutch laws and the Board Rules, a director may not participate in discussions or the decision making process on a transaction or subject in relation to which he or she has a conflict of interest with us. Resolutions to enter into such transactions must be approved by our Board of Directors, excluding such interested director or directors.

In 2020, the Board of Directors met on 20 occasions. Throughout the year, the Chairman of the Board and individual non-executive directors were in close contact with our Chief Executive Officer and the other Group Executive Committee members. During its meetings and contacts with the Chief Executive Officer and the other Group Executive Committee members, the Board discussed such topics as AerCap's annual reports and annual accounts for the financial year 2019, topics for the AGM 2020, the impacts of the Covid-19 pandemic, the situation involving the worldwide grounding of the Boeing 737 MAX aircraft, secured and unsecured financing transactions and AerCap's liquidity position, AerCap's hedging policies, the utilization and optimization of AerCap's portfolio of aircraft, global and regional macroeconomic, monetary and political developments and impact on the industry, AerCap key customer developments, competitive landscape, aircraft valuations, AerCap's backlog of new technology orders with aircraft and engine manufacturers, AerCap shareholder value, AerCap key shareholder developments, capital allocation strategies and share repurchases, AerCap's corporate and tax structure, reports from the various Board committees, budgeting and financial planning, remuneration and compensation, directors' and officers' succession planning, cyber security, regulatory compliance, culture and values, the impact of remote working environments, sustainability and community, governance, risk management and control and an assessment of the Board's own functioning.

### ***Composition of the Board***

The members of our Board of Directors are from diverse professional backgrounds and combine a broad spectrum of experience and expertise with a reputation for integrity. The Board as a whole possesses a wide range of core competencies, professional backgrounds and skill sets, as outlined in the Board profile, which is determined by the Board each year. The Board Profile, which is available on the website of the Company, sets out the Board's policy in relation to Board composition and diversity, and associated targets. The highlights of this policy include that the Board shall aim for a diverse composition, in line with the global nature and identity of the Company and its business, in terms of such factors as nationality, background, gender and age. We are committed to advancing female representation on our Board of Directors, as we believe that greater diversity of the Board of Directors will have a positive impact. Candidate directors are primarily selected on the basis of core competencies, professional backgrounds and skill sets as outlined in the Board profile. The Board comprises at least one financial expert.

### ***Committees of the Board of Directors***

As described above, the Chief Executive Officer is primarily responsible for managing our day-to-day affairs as well as other duties that have been delegated to the executive director in accordance with our articles of association and our internal rules for the Board of Directors. The Board of Directors has established a Group Executive Committee, a Group Portfolio and Investment Committee, a Group Treasury and Accounting Committee, an Audit Committee and a Nomination and Compensation Committee.

#### ***Group Executive Committee***

We maintain a Group Executive Committee, which is tasked with assisting the Chief Executive Officer with the operational management of the Company, subject to the Chief Executive Officer's ultimate responsibility. It is chaired by our Chief Executive Officer and is comprised of officers appointed by the Nomination and Compensation Committee. As of December 31, 2020, the members of our Group Executive Committee were Aengus Kelly, Philip Scruggs, Peter Juhas and Peter Anderson. The members of the Group Executive Committee assist the Chief Executive Officer in performing his duties and as such have managerial and policy making functions within the Company in their respective areas of responsibility. Members of the Group Executive Committee regularly attend Board meetings.

#### ***Group Portfolio and Investment Committee***

Our Group Portfolio and Investment Committee is entrusted with the authority to consent to transactions relating to the acquisition and disposal of aircraft, engines and financial assets that are in excess of \$250 million but less than \$600 million, among others. It is chaired by our Chief Financial Officer and is comprised of non-executive directors and officers appointed by the Nomination and Compensation Committee. As of December 31, 2020, the members of our Group Portfolio and Investment Committee were Peter Juhas, Aengus Kelly, Robert (Bob) Warden, Bart Lighthart and Rita Forst.

#### ***Group Treasury and Accounting Committee***

Our Group Treasury and Accounting Committee is entrusted with the authority to consent to debt funding in excess of \$250 million but less than \$600 million per transaction, among others. It is chaired by our Chief Financial Officer and is comprised of non-executive directors and officers appointed by the Nomination and Compensation Committee. As of December 31, 2020, the members of our Group Treasury and Accounting Committee were Peter Juhas, Aengus Kelly, Paul Dacier, Tom Kelly, Brian Canniffe and Robert (Bob) Warden.

### *Audit Committee*

Our Audit Committee assists the Board of Directors in fulfilling its responsibilities relating to the integrity of our financial statements, our risk management and internal control arrangements, our compliance with legal and regulatory requirements, the performance, qualifications and independence of external auditors, and the performance of the internal audit function, among others. The Audit Committee is comprised of non-executive directors who are “independent” as defined by Rule 10A-3 under the Exchange Act. At least one of them shall have the necessary financial qualifications. As of December 31, 2020, the members of our Audit Committee were James (Jim) Lawrence (Chairman), Julian (Brad) Branch, Richard (Michael) Gradon and Michael Walsh.

In 2020, the Audit Committee met on seven occasions. Throughout the year, the members of the Audit Committee were in close contact with our Chief Executive Officer, our Chief Financial Officer, internal auditors as well as the external auditors. Principal items discussed and reviewed during these Audit Committee meetings and with our Chief Executive Officer and our Chief Financial Officer included the annual and quarterly financial statements and disclosures, external auditor’s reports, external auditor’s independence and rotation, activities and results in respect of our continued compliance with the Sarbanes-Oxley Act, the external auditor’s audit plan for 2020, approval of other services rendered by the external auditor, internal audit reports, the internal auditor’s audit plan for 2021, the impacts of the Covid-19 pandemic, the Company’s compliance, risk management policies and integrity and fraud, the expenses incurred by the Company’s most senior officers in carrying out their duties, the Company’s tax planning policies, key transformation projects including IT and cybersecurity projects, the functioning of the Audit Committee, the Audit Committee charter and the Audit Committee cycle. The Audit Committee had separate sessions with the external auditor and with the internal auditor without management being present.

### *Nomination and Compensation Committee*

Our Nomination and Compensation Committee selects and recruits candidates for the positions of Chief Executive Officer, non-executive director and Chairman of the Board of Directors and recommends their remuneration, bonuses and other terms of employment or engagement to the Board of Directors. In addition, our Nomination and Compensation Committee approves the remuneration, bonuses and other terms of employment of the Group Executive Committee and certain other officers and appoints members of the Group Executive Committee, the Group Portfolio and Investment Committee, the Group Treasury and Accounting Committee and recommends candidates for the Audit Committee and plans the succession within the Board of Directors and committees. It is chaired by the Chairman of our Board of Directors and is further comprised of up to three non-executive directors appointed by the Board of Directors. As of December 31, 2020, the members of our Nomination and Compensation Committee were Paul Dacier (Chairman), who succeeded Pieter Korteweg with effect from the close of the AGM in 2020, Michael Walsh, Robert (Bob) Warden and Stacey Cartwright.

In 2020, the Nomination and Compensation Committee met on four occasions. At these meetings it discussed and approved succession planning and compensation related occurrences and developments within the framework of the Board and Committee Rules and our remuneration policy. In addition, various resolutions were adopted outside of these meetings.

None of our Nomination and Compensation Committee members or our officers has a relationship that would constitute an interlocking relationship with officers or directors of another entity or insider participation in compensation decisions.

## Share ownership

The following table presents beneficial ownership of our shares which are held by our directors and Group Executive Committee members as of December 31, 2020:

	Ordinary shares (unrestricted)	Restricted stock (a)	Restricted stock units (a) (b)	Ordinary shares underlying options (c)	Fully diluted ownership percentage (d)
<b>Directors:</b>					
Paul Dacier (Chairman)	9,429	—	20,000	3,954	*
Aengus Kelly (e)	1,757,233	1,547,356	—	—	2.5 %
Julian (Brad) Branch	4,000	—	27,029	—	*
Stacey Cartwright	—	—	21,804	—	*
Rita Forst	425	—	21,804	—	*
Richard (Michael) Gradon	7,323	—	20,000	—	*
James (Jim) Lawrence	201,764	—	31,604	—	*
Michael Walsh	1,581	—	29,282	—	*
Robert (Bob) Warden	13,742	—	20,000	—	*
<b>Total Directors</b>	<b>1,995,497</b>	<b>1,547,356</b>	<b>191,523</b>	<b>3,954</b>	
<b>Group Executive Committee (GEC) Members:</b>					
Philip Scruggs	399,865	—	—	—	*
Peter Juhas	48,750	178,343	9,921	—	*
Peter Anderson	—	454,353	20,000	—	*
<b>Total Directors and GEC Members</b>	<b>2,444,112</b>	<b>2,180,052</b>	<b>221,444</b>	<b>3,954</b>	

\*Less than 1.0%.

- (a) All restricted stock and restricted stock units are subject to time-based or performance-based vesting conditions. Of these restricted stock and restricted stock units, subject to the vesting conditions, 5,647 vested on January 1, 2021, 18,345 will vest on March 12, 2021, 15,239 will vest on April 30, 2021 (or the date of the AGM in 2021, whichever is the earlier), 140,400 will vest on May 31, 2021, 4,311 will vest on January 1, 2022, 23,035 will vest on March 11, 2022, 2,718 will vest on April 30, 2022 (or the date of the AGM in 2022, whichever is the earlier), 842,105 will vest on May 1, 2022 (or the date of the AGM in 2022, whichever is the earlier), 20,000 will vest on June 30, 2022, 183,084 will vest on September 13, 2022, 3,608 will vest on January 1, 2023, 14,419 will vest on March 9, 2023, 654,632 will vest on May 1, 2023 (or the date of the AGM in 2023, whichever is the earlier), 160,000 will vest on December 17, 2023 and 313,953 will vest on March 31, 2025.
- (b) Payroll tax will be withheld and deducted from the ordinary shares to be delivered at the vesting of restricted stock units, as applicable.
- (c) 2,151 of these options expire on December 31, 2021 and carry a strike price of \$11.29 per option. The remaining 1,803 options expire on December 31, 2022 and carry a strike price of \$13.72 per option.
- (d) Percentage amount assumes the vesting and exercise of all time-based and performance-based equity awards at target in this table, and no vesting or exercise of any other equity awards.
- (e) Mr. Kelly is our Chief Executive Officer and the Executive Director of the Board.

All of our ordinary shares have the same voting rights.

The address for all of our directors and officers is c/o AerCap Holdings N.V., AerCap House, 65 St. Stephen's Green, Dublin, D02 YX20, Ireland.

## Employees

The following table presents the number of employees relating to our aircraft leasing business at each of our principal geographic locations as of December 31, 2020, 2019 and 2018:

Location	As of December 31,		
	2020	2019	2018
Dublin	200	206	207
Shannon	79	79	78
Los Angeles	41	48	46
Singapore	44	44	41
Other (a)	13	13	13
<b>Total (b)</b>	<b>377</b>	<b>390</b>	<b>385</b>

(a) Includes employees located in the Netherlands, China, France, the United Kingdom, the United Arab Emirates and the United States other than Los Angeles.

(b) Includes one part-time employee as of December 31, 2020, 2019 and 2018, respectively.

None of our employees are covered by a collective bargaining agreement, and we believe that we maintain excellent employee relations.

## Item 7. Major Shareholders and Related Party Transactions

### Major shareholders

Beneficial holders of 5% or more of our ordinary outstanding shares as of December 31, 2020, based on available public filings, include: AllianceBernstein L.P. at 7.0% (9,092,216 shares), Eagle Capital Management, LLC at 5.9% (7,667,260 shares) and Wells Capital Management, Inc. at 5.1% (6,689,523 shares).

We do not register the jurisdiction of all record holders as this information is not always available. Specifically, the number of record holders in the United States, or in many regions outside the United States, is not known to the Company and cannot be ascertained from public filings. All of our ordinary shares have the same voting rights.

### Related party transactions

Please refer to Note 9—*Investments*, Note 25—*Variable interest entities* and Note 26—*Related party transactions* to our Consolidated Financial Statements included in this annual report for further details of transactions and loans between the Company and its related parties.

## Item 8. Financial Information

### Consolidated statements and other financial information

Please refer to pages F-1 through F-60 of this annual report.

### Significant changes

Please refer to Note 29—*Subsequent events* to our Consolidated Financial Statements included in this annual report for a discussion of significant changes.

## Item 9. The Offer and Listing

### Offer and listing details

Not applicable.

### Markets

AerCap's ordinary shares are traded on the NYSE under the ticker symbol AER.

AerCap's 5.875% Fixed-Rate Reset Junior Subordinated Notes due 2079 are traded on the NYSE under the ticker symbol AER79.



## **Item 10. Additional Information**

### **Memorandum and articles of association**

Set forth below is a summary description of our ordinary shares and related material provisions of our articles of association and of Book 2 of the Dutch Civil Code (“*Boek 2 van het Burgerlijk Wetboek*”), which governs the rights of holders of our ordinary shares. Please refer to “Item 6—Directors, Senior Management and Employees” for a discussion of Netherlands laws and our internal rules concerning directors’ power to vote on proposals in which they are materially interested.

#### ***Ordinary share capital***

Pursuant to our articles of association, our ordinary shares may only be held in registered form. All of our ordinary shares are registered in a register kept by us or on our behalf by our transfer agent. Transfer of registered shares requires a written deed of transfer and the acknowledgment by AerCap, subject to provisions stemming from private international law. Our ordinary shares are, in general, freely transferable.

#### ***Regulatory obligations regarding certain share transactions***

Cash Manager Limited, which is a subsidiary of AerCap, is subject to regulation by the Central Bank of Ireland. As a result, the acquisition or disposal directly or indirectly of interests in AerCap shares or similar interests may be subject to regulatory requirements involving the Central Bank of Ireland as set out below. The following disclosure is for information purposes only and AerCap cannot provide Irish legal advice to actual or potential investors. Actual or potential investors in AerCap must obtain their own legal advice in relation to their position.

Under the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) (the “MiFID II Regulations”), a person or a group of persons acting in concert proposing to acquire a direct or indirect holding of ordinary shares or other similar interests in AerCap must give the Central Bank of Ireland prior written notice of such proposed acquisition if the acquisition would directly or indirectly (i) represent 10% or more of the capital or voting rights in AerCap; (ii) result in the proportion of capital or voting rights in AerCap held by such person or persons reaching or exceeding 10%, 20%, 33% or 50% of the capital or voting rights in AerCap; or (iii) in the opinion of the Central Bank of Ireland, make it possible for that person or those persons to control or exercise a significant influence over the management of Cash Manager Limited. Any such proposed acquisition shall not proceed until (a) the Central Bank of Ireland has informed such proposed acquirer or acquirers that it approves such acquisition or (b) the period prescribed in Regulation 21 of the MiFID II Regulations has elapsed without the Central Bank of Ireland having given notice in writing that it opposes such acquisition. It is important in this regard to note that the validity as a matter of Irish law of affected transactions, if completed without prior notification to, or assessment by, the Central Bank of Ireland will not be recognized in Ireland. Corresponding provisions apply to the disposal of direct and indirect shareholdings in AerCap except that, in such case, no approval is required, but prior notice of the disposal must be given to the Central Bank of Ireland. Cash Manager Limited is required under the MiFID II Regulations to notify the Central Bank of Ireland of relevant acquisitions and/or disposals of which it becomes aware.

#### ***Issuance of ordinary shares***

The General Meeting of Shareholders can resolve upon the issuance of ordinary shares or the granting of rights to subscribe for ordinary shares, but only upon a proposal by the Board of Directors specifying the price and further terms and conditions. The General Meeting of Shareholders may designate our Board of Directors as the authorized corporate body for this purpose. Such designation may be for any period of up to five years and must specify the maximum number of ordinary shares that may be issued.

At the AGM held in 2020, our shareholders resolved to authorize the Board of Directors, for a period of 18 months, to issue ordinary shares or grant rights to subscribe for ordinary shares

- (i) up to ten percent of the Company’s issued share capital; and
- (ii) up to an additional ten percent of the Company’s issued share capital, provided that the shares that may be issued and rights that may be granted pursuant to this second authorization may only be used for mergers and/or the acquisition of a business or a company.

These resolutions together authorize the Board of Directors to issue ordinary shares, and grant rights to subscribe for such shares, up to a maximum of 20% of the Company’s issued share capital, subject to the conditions described in these resolutions.

### ***Preemptive rights***

Unless limited or excluded by the General Meeting of Shareholders or Board of Directors as described below, holders of ordinary shares have a pro rata preemptive right to subscribe for ordinary shares that we issue, except for ordinary shares issued for non-cash consideration (contribution in kind) or ordinary shares issued to our employees.

The General Meeting of Shareholders may limit or exclude preemptive rights and also designate our Board of Directors as the authorized corporate body for this purpose. At the AGM held in 2020, our shareholders resolved to authorize the Board of Directors to limit or exclude preemptive rights in respect of any issuance of shares or granting of rights to subscribe for shares pursuant to the authorizations described above in the paragraph “Issuance of ordinary shares”, which authorization is valid for a period of 18 months.

### ***Repurchase of our ordinary shares***

We may acquire our ordinary shares, subject to certain provisions of the laws of the Netherlands and of our articles of association, if the following conditions are met:

- the General Meeting of Shareholders has authorized our Board of Directors to acquire the ordinary shares, which authorization may be valid for no more than 18 months;
- our equity, after deduction of the price of acquisition, is not less than the sum of the paid-in and called-up portion of the share capital and the reserves that the laws of the Netherlands or our articles of association require us to maintain; and
- we would not hold after such purchase, or hold as pledgee, ordinary shares with an aggregate par value exceeding such part of our issued share capital as set by law from time to time.

At the AGM held in 2020, our shareholders resolved to authorize the Board of Directors for a period of 18 months *(i)* to repurchase ordinary shares up to ten percent of the Company’s issued share capital; and *(ii)* to repurchase ordinary shares up to an additional ten percent of the Company’s issued share capital, subject to the condition that the number of ordinary shares which the Company may at any time hold in its own capital will not exceed ten percent of the Company’s issued share capital, and certain other conditions described in these resolutions.

### ***Capital reduction and cancellation***

The General Meeting of Shareholders may reduce our issued share capital either by cancelling ordinary shares held in treasury or by amending our articles of association to reduce the par value of the ordinary shares. A resolution to reduce our capital requires the approval of at least an absolute majority of the votes cast and, if less than one half of the share capital is represented at a meeting at which a vote is taken, the approval of at least two-thirds of the votes cast.

At the AGM held in 2020, our shareholders resolved to cancel the Company’s ordinary shares that may be acquired under the repurchase authorizations described above or otherwise, subject to determination by our Board of Directors or our Chief Executive Officer, of the exact number of ordinary shares to be cancelled. During 2020, we cancelled 3,000,000 ordinary shares which were acquired through the share repurchase programs in accordance with the authorizations obtained from the Company’s shareholders.

### **General Meetings of Shareholders**

Our articles of association determine how our AGM and any extraordinary General Meeting of Shareholders are convoked. At least one AGM must be held every year. Shareholders can exercise their voting rights by submitting their proxy forms or equivalent means prior to a set date in accordance with the procedures indicated in the notice and agenda of the applicable general meeting of shareholders. Shareholders may exercise their meeting rights in person after notifying us prior to a set date and providing us with appropriate evidence of ownership of the shares and authority to vote prior to a set date in accordance with the procedures indicated in the notice and agenda of the applicable general meeting of shareholders.

The rights of shareholders may only be changed by amending our articles of association. A resolution to amend our articles of association is valid if the Board of Directors makes a proposal amending the articles of association and such proposal is adopted by a simple majority of votes cast.

The following resolutions require a two-thirds majority vote if less than half of the issued share capital is present or represented at the General Meeting of Shareholders:

- capital reduction;
- exclusion or restriction of preemptive rights, or designation of the Board of Directors as the authorized corporate body for this purpose; and
- legal merger or legal demerger within the meaning of Title 7 of Book 2 of the Dutch Civil Code.

If a proposal to amend the articles of association will be considered at the meeting, we will make available a copy of that proposal, in which the proposed amendments will be stated verbatim.

An agreement of AerCap to enter into (i) a statutory merger whereby AerCap is the acquiring entity; or (ii) a legal demerger, with certain limited exceptions, must be approved by the shareholders.

The AGM was held on April 22, 2020. The AGM adopted the 2019 annual accounts and voted for all other items which required a vote.

### **Voting rights**

Each ordinary share represents the right to cast one vote at a General Meeting of Shareholders. All resolutions must be passed with an absolute majority of the votes validly cast, unless otherwise stated in the Articles of Association or under Dutch law. We are not allowed to exercise voting rights for ordinary shares we hold directly or indirectly.

Any major change in the identity or character of AerCap or its business must be approved by our General Meeting of Shareholders, including:

- the sale or transfer of substantially all our business or assets;
- the commencement or termination of certain major joint ventures and our participation as a general partner with full liability in a limited partnership (“*commanditaire vennootschap*”) or general partnership (“*vennootschap onder firma*”); and
- the acquisition or disposal by us of a participating interest in a company’s share capital, the value of which amounts to at least one third of the value of our assets.

### **Liquidation rights**

If we are dissolved or wound up, the assets remaining after payment of our liabilities will be first applied to pay back the amounts paid up on the ordinary shares. Any remaining assets will be distributed among our shareholders, in proportion to the par value of their shareholdings. All distributions referred to in this paragraph shall be made in accordance with the relevant provisions of the laws of the Netherlands.

### ***Dutch statutory squeeze-out proceedings***

If a person or a company or two or more group companies within the meaning of Article 2:24b of the Dutch Civil Code acting in concert hold 95% or more of a Dutch public limited liability company's issued share capital by par value for their own account, the laws of the Netherlands permit that person or company or those group companies acting in concert to acquire the remaining ordinary shares in the company by initiating statutory squeeze out proceedings against the holders of the remaining shares. The price to be paid for such shares will be determined by the Enterprise Chamber of the Amsterdam Court of Appeal.

### ***Choice of law and exclusive jurisdiction***

Our articles of association provide that the legal relationship among or between us, any of our current or former directors, and any of our current or former holders of our shares and derivatives thereof, including but not limited to (i) actions under statute; (ii) actions under the articles of association, including actions for breach thereof; and (iii) actions in tort, shall be governed in each case exclusively by the laws of the Netherlands, unless such legal relationship does not pertain to or arise out of the capacities above. Any dispute, suit, claim, pre-trial action or other legal proceeding, including summary or injunctive proceedings, by and between those persons pertaining to or arising out of their capacities listed above shall be exclusively submitted to the courts of the Netherlands.

### ***Adoption of annual accounts and discharge of management liability***

Each year, our Board of Directors must prepare annual accounts within five months after the end of our financial year (subject to extension of that term by our General Meeting of Shareholders). The annual accounts must be made available for inspection by shareholders at our offices from the moment that our annual General Meeting of Shareholders is convened. The annual accounts must be accompanied by an auditor's certificate, a report of the Board of Directors and certain other mandatory information. The shareholders shall appoint an accountant, as referred to in Article 393 of Book 2 of the Dutch Civil Code, to audit the annual accounts. The annual accounts are adopted by our shareholders.

The adoption of the annual accounts by our shareholders does not include the release of the members of our Board of Directors from liability for acts reflected in those documents. Any such release from liability requires a separate shareholders' resolution.

### ***Registrar and transfer agent***

A register of holders of the ordinary shares will be maintained by Broadridge in the United States who also serves as our transfer agent. The telephone number of Broadridge is 1-800-733-1121.

### ***Risk management and control framework***

Our management is responsible for designing, implementing and operating an adequate functioning internal risk management and control framework. The purpose of this framework is to identify and manage the strategic, operational, financial and compliance risks to which we are exposed, to promote effectiveness and efficiency of our operations, to promote reliable financial reporting and to promote compliance with laws and regulations. Supervision is exercised by our Audit Committee, as described in "Item 6. Directors, Senior Management and Employees—Board Practices—Committees of the Board of Directors—Audit Committee." Our internal risk management and control framework is based on the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (2013). The COSO framework aims to provide reasonable assurance regarding effectiveness and efficiency of an entity's operations, reliability of financial reporting, prevention of fraud and compliance with laws and regulations.

Our internal risk management and control framework has the following key components:

#### ***Planning and control cycle***

The planning and control cycle consists of an annual budget and business plan prepared by management and approved by our Board of Directors, quarterly forecasts, operational reviews and financial reporting.

### ***Risk management and internal controls***

We have developed policies and procedures for all areas of our operations, both financial and non-financial, that constitutes a broad system of internal control. This system of internal control has been developed through a risk-based approach and enhanced with a view to achieving and maintaining full compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. Our system of internal control is embedded in our standard business practices and is validated through audits performed by our internal auditors and through management testing of Sarbanes-Oxley Act controls, which is performed with the assistance of external advisors. In addition, senior management personnel and finance managers of our main operating subsidiaries annually sign a detailed letter of representation with regard to financial reporting, internal controls and ethical principles. Employees working in our finance or accounting functions are subject to a separate Finance Code of Ethics.

### ***Code of Conduct and Whistleblower Policy***

Our Code of Conduct is applicable to all our employees, including the Chief Executive Officer and Chief Financial Officer. It is designed to promote honest and ethical conduct and timely and accurate disclosure in our periodic financial results. Our Whistleblower Policy provides for the reporting, if so wished on an anonymous basis, of alleged violations of the Code of Conduct, alleged irregularities of a financial nature by our employees, directors or other stakeholders, alleged violations of our compliance procedures and other alleged irregularities without any fear of reprisal against the individual that reports the violation or irregularity.

### ***Compliance procedures***

We have various procedures and programs in place designed to ensure compliance with relevant laws and regulations, including anti-insider trading procedures, anti-bribery procedures, anti-fraud procedures, economic sanctions and export control compliance procedures, anti-money laundering procedures, anti-trust procedures and protection of personal data procedures. Our compliance programs are maintained and supervised by the Chief Compliance Officer, and they include annual training in key compliance areas and annual certifications. The procedures are subject to regular audits by, or on behalf of, the internal audit function.

### ***Internal auditors***

We have an internal audit function in place to provide assurance to the Audit Committee, on behalf of the Board of Directors, and to AerCap's executive officers, with respect to AerCap's key processes. The internal audit function independently and objectively carries out audit assignments in accordance with the annual internal audit plan, as approved by the Audit Committee. The head of the internal audit function reports, in line with professional standards of the Institute of Internal Auditors, to the Audit Committee (functional reporting line) and to our Chief Executive Officer (administrative reporting line). The work of the internal audit department is fully endorsed by the Audit Committee and AerCap's executive officers and is considered a valuable part of AerCap's system of control and risk management.

### ***Disclosure controls and procedures***

The Disclosure Committee assists our Chief Executive Officer and Chief Financial Officer in overseeing our financial and non-financial disclosure activities and to ensure compliance with applicable disclosure requirements arising under U.S. and Dutch law and regulatory requirements. The Disclosure Committee obtains information for its recommendations from the operational and financial reviews, letters of representation which include a risk and internal controls self-assessment, input from the documentation and assessment of our internal controls over financial reporting and input from risk management activities during the year along with various business reports. The Disclosure Committee comprises various members of senior management.

### ***External auditors***

Our external auditor is responsible for auditing the financial statements. Following the recommendation by the Audit Committee and upon proposal by the Board of Directors, the General Meeting of Shareholders appoints each year the auditor to audit the financial statements of the current financial year. The external auditor reports to our Board of Directors and the Audit Committee of our Board of Directors. The external auditor is present at the meetings of the Audit Committee when our quarterly and annual results are discussed.

At the request of the Board of Directors and the Audit Committee, the Chief Financial Officer and the Internal Audit department review, in advance, each service to be provided by the auditor to identify any possible breaches of the auditor's independence. The Audit Committee pre-approves every engagement of our external auditor. In accordance with applicable regulations, the partner of the external audit firm and senior engagement team members in charge of the audit activities are subject to rotation requirements.

## **Material contracts**

We have entered into several credit facilities and other financing arrangements to fund our acquisition of our aircraft. See Note 13—*Debt* to our Consolidated Financial Statements included in this annual report for more information regarding our credit facilities and financing arrangements.

## **Exchange controls**

There are no limits under the laws of the Netherlands or in our articles of association on non-residents of the Netherlands holding or voting our ordinary shares. Currently, there are no exchange controls under the laws of the Netherlands on the conduct of our operations or affecting the remittance of dividends.

## **Taxation**

AerCap Holdings N.V. is a Dutch incorporated company which is centrally managed and controlled from Ireland. It is tax resident in Ireland under Irish domestic law and as a result of the application of the double taxation treaty between Ireland and the Netherlands.

### ***Irish tax considerations***

The following is a general summary of certain Irish tax consequences applicable to both Irish tax resident and non-Irish residents as a result of the holding and disposal of ordinary shares (or other securities where the payments made on the securities are within the scope of DWT (as defined below)) where and while we are considered a resident of Ireland for the purposes of Irish tax. This summary is based on existing Irish law and our understanding of the practices of the Irish Revenue Commissioners as of the date of this annual report. Legislative, administrative or judicial changes may modify the tax consequences described below. The discussion below is included for general information purposes only.

Please note that this summary does not constitute tax advice and is intended only as a general guide. Furthermore, this information applies only to our shares that are held as capital assets and does not apply to all categories of shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes or shareholders who have, or who are deemed to have, acquired their shares by virtue of an office or employment.

This summary is not exhaustive and shareholders should consult their own tax advisors as to the tax consequences of acquiring, holding and disposing our ordinary shares in their particular circumstances.

### *Dividend withholding tax*

Irish dividend withholding tax (“DWT”), which is currently at a rate of 25%, will arise in respect of dividends or other distributions (including deemed distributions) that we pay unless an exemption applies. A deemed distribution for these purposes could include, among other things, a payment made on the redemption, repayment or purchase by a company of its own shares, except for such payments made by a quoted company in certain circumstances. Where DWT does arise in respect of dividends, the Company is responsible for deducting DWT at source and forwarding the relevant payment to the Irish Revenue Commissioners.

An exemption from DWT is available on dividend payments made to certain non-Irish tax resident shareholders (“Exempt Non-Resident Shareholders”). Exempt Non-Resident Shareholders must be resident in a country with which Ireland has a double tax treaty (a “Relevant Territory”), which includes the United States and member states of the EU, other than Ireland. Exempt Non-Resident Shareholders include:

- individual shareholders (that are not corporate shareholders) who are not tax resident in Ireland and who are resident for the purposes of tax in a Relevant Territory;
- corporate shareholders resident for the purposes of tax in a Relevant Territory and which are not controlled (directly or indirectly) by Irish tax residents;
- corporate shareholders that are not resident in Ireland for the purposes of tax, which are under the direct or indirect control of persons who are resident for the purposes of tax in a Relevant Territory and are not under the ultimate control of persons not resident in a Relevant Territory; or
- corporate shareholders, that are not resident for tax purposes in Ireland, the principal class of shares of which (or of its 75% parent or where wholly owned by two or more companies, each such company) is substantially and regularly traded on a stock exchange in Ireland, a recognized stock exchange in a Relevant Territory or on such other stock exchange approved by the Irish Minister for Finance (which includes the New York Stock Exchange),

and provided that, in all cases noted above (but subject to the exception in the paragraph below regarding “U.S. resident shareholders”), the Exempt Non-Resident Shareholder has provided a relevant DWT declaration, as prescribed by the Irish Revenue Commissioners, to his or her broker before the record date for the dividend, and the relevant information is further transmitted to the Company (in the case of shares held through the Depository Trust Company (“DTC”)) or to our transfer agent (in the case of shares held outside of the DTC).

#### *U.S. resident shareholders*

A simplified DWT exemption procedure exists for U.S. resident shareholders who hold their shares in the Company through the DTC, pursuant to a confirmation obtained from the Irish Revenue Commissioners. The simplified procedures provide that such shareholders are not required to complete the Irish Revenue Commissioners’ DWT declaration form but can still avail of the exemption from DWT provided the address of the beneficial owner of the shares in the records of the broker is in the United States. We strongly recommend that such shareholders ensure that their information has been properly recorded by their brokers. In order for this simplified procedure to apply, the dividends must be paid via a “qualifying intermediary” as discussed further below. The confirmation from the Irish Revenue Commissioners is operative for a period of 5 years up to the end of 2020 and a request for renewal of the confirmation has been made.

Dividends paid in respect of shares (and payments on other securities subject to DWT) in an Irish resident company that are owned by residents of the United States and held outside of the DTC should not be subject to DWT provided that the shareholder has completed the relevant DWT declaration form and this declaration form remains valid. Such shareholders must provide the relevant DWT declaration form to our transfer agent at least seven business days before the record date for the first dividend payment to which they are entitled.

If a U.S. resident shareholder receives a dividend subject to DWT, that shareholder should generally be able to make an application for a refund of DWT from the Irish Revenue Commissioners, subject to certain time limits.

### *Distributions to a qualifying intermediary*

A distribution made by the Company to a “qualifying intermediary” (for example a bank or stockbroking firm) approved by the Irish Revenue Commissioners is exempt from DWT if the ultimate beneficial owner is an Exempt Non-Resident Shareholder. In such instances, the qualifying intermediary is required to identify the person who is beneficially entitled to the distribution and to ensure that the prescribed declarations are in place in advance of the dividend payment, or in the case of U.S. residents which hold our shares (or other relevant securities) through the DTC, that the address of the beneficial owner of the shares (or other securities) is in the United States. The Company must apply DWT to a distribution unless it has been notified by the qualifying intermediary that the distribution to be received by the qualifying intermediary is for the benefit of an Exempt Non-Resident Shareholder.

Prior to paying any dividend, the Company intends to put in place an agreement with an entity which is recognized by the Irish Revenue Commissioners as a “qualifying intermediary,” such that any dividends paid by the Company will be paid via a qualifying intermediary.

### *Other non-resident persons*

Shareholders that do not fall within one of the categories mentioned above may fall within other exemptions from DWT. If a shareholder is exempt from DWT but receives a dividend subject to DWT, that shareholder may be able to claim a refund of DWT from the Irish Revenue Commissioners subject to certain time limits.

### *Irish resident shareholders*

Irish tax resident or ordinarily resident individual shareholders will generally be subject to DWT in respect of dividends or distributions received from an Irish resident company (with some limited exemptions). Irish tax resident individual shareholders will be allowed a tax credit for the amount of DWT suffered on the dividend against their Irish income tax charge on the dividend income. Irish tax resident corporate shareholders will generally be entitled to claim an exemption from DWT.

Irish tax resident or ordinarily resident shareholders that are entitled to receive dividends without DWT must complete the relevant DWT declaration form, as prescribed by the Irish Revenue Commissioners, and provide the declaration form to their brokers before the record date for the first dividend to which they are entitled (in the case of shares held through the DTC), or to our transfer agent at least seven business days before such record date (in the case of shares held outside of the DTC).

Irish tax resident or ordinarily resident individual shareholders who are not entitled to an exemption from DWT and who are subject to Irish tax should consult their own tax adviser.

The Irish Revenue Commissioners held a public consultation in late 2019 regarding the administration of DWT. The aim of this consultation was to move DWT administration to real-time reporting and to introduce variable rates of DWT for Irish tax resident individuals by reference to their specific circumstances. However, on May 19, 2020, the Irish Revenue Commissioners announced the decision to postpone the DWT real-time reporting changes which had been originally planned for January 2021. The Irish Revenue Commissioners have not provided a specific date for the launch of the DWT real-time reporting system, and have announced that future plans will be the subject of further consultation with stakeholders.



## *Irish income tax on dividends*

### *Non-Irish resident shareholders*

A shareholder who is not resident or ordinarily resident for tax purposes in Ireland and who is entitled to an exemption from DWT, generally has no liability to Irish income tax on a dividend from an Irish resident company unless that shareholder holds the shares through a branch or agency which carries on a trade in Ireland.

A shareholder who is not resident or ordinarily resident for tax purposes in Ireland and who is not entitled to an exemption from DWT, generally has no additional liability to Irish income tax unless that shareholder holds the shares through a branch or agency which carries on a trade in Ireland. The shareholder's liability to Irish tax on the dividend is effectively limited to the amount of DWT already deducted by the Company.

### *Irish resident shareholders*

Irish tax resident or ordinarily resident individual shareholders may be subject to Irish income tax and income charges such as pay related social insurance ("PRSI") and the Universal Social Charge ("USC") on the gross amount of any dividends received from the Company, with a credit allowed for any DWT suffered on the dividend. Such shareholders should consult their own tax adviser. Irish tax resident corporate shareholders should generally not be subject to Irish corporation tax on dividends from the Company.

## *Irish stamp duty*

Irish stamp duty will generally not be payable on transactions for cash in the Company's shares, unless the transfer of the shares is related to either immovable property situated in Ireland or any interest in such property or to shares or marketable securities of an Irish incorporated company. In such cases a 1% stamp duty charge will arise for the acquirer based on the transfer consideration for the shares.

## *Irish tax on chargeable gains*

### *Non-residents of Ireland*

A disposal of our shares by a shareholder who is not resident or ordinarily resident for tax purposes in Ireland should not give rise to Irish tax on any chargeable gain realized on such disposal unless such shares are used, held or acquired for the purposes of a trade carried on by such shareholder through a branch or agency in Ireland.

### *Irish resident individuals/companies*

A disposal of our shares by an Irish tax resident or ordinarily resident shareholder may, depending on the circumstances (including the availability of exemptions and reliefs), give rise to a chargeable gain or allowable loss for that shareholder. Any such gain or loss must be calculated in euro. The rate of capital gains tax in Ireland is currently 33%. Depending on the individual circumstances, unutilized capital losses from other sources may be available to reduce gains realized on the disposal of our shares.

A holder of our shares who is an Irish tax resident individual and becomes temporarily non-resident in Ireland may, under Irish anti-avoidance legislation, be liable to Irish tax on any chargeable gain realized on a disposal during the period in which such individual is non-resident.

## *Irish capital acquisitions tax*

On a gift or inheritance of our shares, Irish capital acquisitions tax ("CAT"), will arise where either the disponer and/or the recipient is tax resident or ordinary resident in Ireland. Special rules with regard to residence apply where an individual is not domiciled in Ireland. Where both the disponer and the recipient are not Irish tax resident or ordinary resident, Irish CAT may still arise on a gift or inheritance of shares in the Company, if they are deemed to be situated in Ireland at the time. The current rate of Irish CAT for gifts and inheritances is 33% and there are various thresholds which apply before CAT becomes applicable.

The estate tax convention between Ireland and the United States generally provides for Irish CAT paid on inheritances in Ireland to be credited, in whole or in part, against tax payable in the United States, in the case where an inheritance of shares is subject to both Irish CAT and U.S. Federal Estate Tax. The estate tax convention does not apply to Irish CAT paid on gifts.

## ***U.S. tax considerations***

Subject to the limitations and qualifications stated herein, this discussion sets forth the material U.S. federal income tax consequences of the purchase, ownership and disposition of the ordinary shares. The discussion of the holders' tax consequences addresses only those persons that hold those ordinary shares as capital assets for U.S. federal income tax purposes and does not address the tax consequences to any special class of holder, including without limitation, holders of (directly, indirectly or constructively) 10% or more of our ordinary shares (as measured by vote or value), dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, financial institutions, broker dealers, regulated investment companies, real estate investment trusts, traders in securities that elect the mark-to-market method of accounting for their securities holdings, persons that hold securities that are a hedge or that are hedged against currency or interest rate risks or that are part of a straddle, conversion or "integrated" transaction, certain U.S. expatriates, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, persons required to accelerate the recognition of any item of gross income with respect to the ordinary shares as a result of such income being recognized on an applicable financing statement and U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar. This discussion does not address the effect of the U.S. federal alternative minimum tax or any state, local or foreign tax laws on a holder of ordinary shares. The discussion is based on the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

For purposes of this discussion, a "U.S. Holder" means a beneficial owner of ordinary shares that is for U.S. federal income tax purposes an individual citizen or resident of the U.S.; a U.S. corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; a trust if the trust (i) is subject to the primary supervision of a U.S. court and one or more U.S. persons are able to control all substantial decisions of the trust; or (ii) has elected to be treated as a U.S. person; or an estate the income of which is subject to U.S. federal income tax regardless of its source. A "non-U.S. Holder" is a beneficial owner of our ordinary shares that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds the shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and activities of the partnership. Partnerships holding shares and partners therein should consult their own tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the shares.

### ***Cash dividends and other distributions***

A U.S. Holder of ordinary shares generally will be required to treat distributions received with respect to such ordinary shares (including any amounts withheld) as dividend income to the extent of AerCap's current or accumulated earnings and profits (computed using U.S. federal income tax principles), with the excess treated as a non-taxable return of capital to the extent of the holder's adjusted tax basis in the ordinary shares and, thereafter, as capital gain, subject to the PFIC rules discussed below. Dividends paid to a U.S. Holder that is a corporation are not eligible for the dividends received deduction generally available to corporations. Current tax law provides for a maximum 20% U.S. tax rate on the dividend income of a non-corporate U.S. Holder with respect to dividends paid by a domestic corporation or "qualified foreign corporation" if certain holding period requirements are met. A qualified foreign corporation generally includes a foreign corporation (other than a PFIC) if (i) its ordinary shares are readily tradable on an established securities market in the United States; or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty. The ordinary shares are expected to be readily traded on the NYSE. As a result, assuming we are not treated as a PFIC, we should be treated as a qualified foreign corporation with respect to dividends paid on our ordinary shares and, therefore, dividends paid to a non-corporate U.S. Holder with respect to ordinary shares for which the requisite holding period is satisfied should be taxed at a maximum federal tax rate of 20%.

Distributions to U.S. Holders of additional ordinary shares or preemptive rights with respect to ordinary shares that are made as part of a *pro rata* distribution to all of our shareholders generally will not be subject to U.S. federal income tax, but in other circumstances may constitute a taxable dividend.

Distributions paid in a currency other than U.S. dollars will be included in a U.S. Holder's gross income in a U.S. dollar amount based on the spot exchange rate in effect on the date of actual or constructive receipt whether or not the payment is converted into U.S. dollars at that time. The U.S. Holder will have a tax basis in such currency equal to such U.S. dollar amount, and any gain or loss recognized upon a subsequent sale or conversion of the foreign currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to applicable limitations that may vary depending upon the circumstances, foreign taxes withheld from dividends on ordinary shares, to the extent the taxes do not exceed those taxes that would have been withheld had the holder been eligible for and actually claimed the benefits of any reduction in such taxes under applicable law or tax treaty, will be creditable against the U.S. Holder's federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, prospective purchasers of ordinary shares should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, a U.S. Holder may, at his election, deduct such otherwise creditable foreign taxes in computing his taxable income, subject to generally applicable limitations under U.S. law.

A non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends paid with respect to ordinary shares unless such income is effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States.

#### *Sale or disposition of ordinary shares*

A U.S. Holder generally will recognize gain or loss on the taxable sale or exchange of the ordinary shares in an amount equal to the difference between the U.S. dollar amount realized on such sale or exchange (determined in the case of shares sold or exchanged for currencies other than U.S. dollars by reference to the spot exchange rate in effect on the date of the sale or exchange or, if the ordinary shares sold or exchanged are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date) and the U.S. Holder's adjusted tax basis in the ordinary shares determined in U.S. dollars. The initial tax basis of the ordinary shares to a U.S. Holder will be the U.S. Holder's U.S. dollar purchase price for the shares (determined by reference to the spot exchange rate in effect on the date of the purchase, or if the shares purchased are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date). Assuming that AerCap is not a PFIC and has not been treated as a PFIC during your holding period for our ordinary shares, such gain or loss will be capital gain or loss and will be long-term gain or loss if the ordinary shares have been held for more than one year. Under current law, the maximum long-term capital gain rate for an individual U.S. Holder is 20%. The deductibility of capital losses is subject to limitations. Capital gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

A non-U.S. Holder of ordinary shares will not be subject to United States income or withholding tax on gain from the sale or other disposition of ordinary shares unless (i) such gain is effectively connected with the conduct of a trade or business within the United States; or (ii) the non-U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of the disposition and certain other conditions are met.

#### *Potential application of PFIC provisions*

We do not believe we will be classified as a PFIC for 2020. We cannot yet make a determination as to whether we will be classified as a PFIC for 2021 or subsequent years. In general, a non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75% of its gross income is "passive income;" or (ii) at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of "passive income." Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities, foreign currency and securities transactions. Certain exceptions are provided, however, for rental income derived in the active conduct of a business.

The determination as to whether a foreign corporation is a PFIC is a complex determination that is based on all of the relevant facts and circumstances and that depends on the classification of various assets and income under applicable rules. It is unclear how some of these rules apply to us. Further, this determination must be tested annually at the end of the taxable year and, while we intend to conduct our affairs in a manner that will reduce the likelihood of our becoming a PFIC, our circumstances may change or our business plan may result in our engaging in activities that could cause us to become a PFIC. Accordingly, there can be no assurance that we will not be classified as a PFIC for the current taxable year or any future taxable year.

If we are or become a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the dividend rate discussed above with respect to dividends paid to non-corporate holders would not apply. If we are a PFIC, subject to the discussion of the mark-to-market election and the qualified electing fund election below, a U.S. Holder of ordinary shares will be subject to additional tax and an interest charge on “excess distributions” received with respect to the ordinary shares or gains realized on the disposition of such ordinary shares. Such a U.S. Holder will have an excess distribution if distributions during any tax year exceed 125% of the average amount received during the three preceding tax years (or, if shorter, the U.S. Holder’s holding period). A U.S. Holder may realize gain on an ordinary share not only through a sale or other disposition, but also by pledging the ordinary share as security for a loan or entering into certain constructive disposition transactions. To compute the tax on an excess distribution or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder’s holding period; (ii) the amount allocated to the current tax year and amounts allocated to any year before the first year in which we are a PFIC is taxed as ordinary income in the current tax year; and (iii) the amount allocated to each previous tax year (other than any year before the first year in which we are a PFIC) is taxed at the highest applicable marginal rate in effect for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. These rules effectively prevent a U.S. Holder from treating the gain realized on the disposition of an ordinary share as capital gain.

If we are a PFIC and our ordinary shares are “regularly traded” on a “qualified exchange,” a U.S. Holder may make a mark-to-market election, which may mitigate the adverse tax consequences resulting from AerCap’s PFIC status. The ordinary shares will be treated as “regularly traded” in any calendar year during which more than a *de minimis* quantity of ordinary shares are traded on a qualified exchange on at least 15 days during each calendar quarter. The NYSE, on which the ordinary shares are expected to be regularly traded, is a qualified exchange for U.S. federal income tax purposes.

If a U.S. Holder makes the mark-to-market election, for each year in which we are a PFIC the holder generally will include as ordinary income the excess, if any, of the fair market value of the ordinary shares at the end of the taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the ordinary shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder makes the election, his basis in the ordinary shares will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of ordinary shares, for which the mark-to-market election has been made, will generally be treated as ordinary income.

Alternatively, if we become a PFIC in any year, a U.S. Holder of ordinary shares may wish to avoid the adverse tax consequences resulting from our PFIC status by making a qualified electing fund (“QEF”) election with respect to our ordinary shares in such year. If a U.S. Holder makes a QEF election, the holder will be required to include in gross income each year (i) as ordinary income, its *pro rata* share of our earnings and profits in excess of net capital gains; and (ii) as long-term capital gains, its *pro rata* share of our net capital gains, in each case, whether or not cash distributions are actually made. The amounts recognized by a U.S. Holder making a QEF election generally are treated as income from sources outside the U.S. If, however, U.S. Holders hold at least half of the ordinary shares, a percentage of our income equal to the proportion of our income that we receive from U.S. sources will be U.S. source income for the U.S. Holders of ordinary shares. Because a U.S. Holder of shares in a PFIC that makes a QEF election is taxed currently on its *pro rata* share of our income, the amounts recognized will not be subject to tax when they are distributed to the U.S. Holder. An electing U.S. Holder’s basis in the ordinary shares will be increased by any amounts included in income currently as described above and decreased by any amounts not subjected to tax at the time of distribution. If we are or become a PFIC, a U.S. Holder would make a QEF election in respect of its ordinary shares by attaching a properly completed IRS Form 8621 in respect of such shares to the holder’s timely filed U.S. federal income tax return. For any taxable year that we determine that we are a PFIC, we will (i) provide notice of our status as a PFIC as soon as practicable following such taxable year; and (ii) comply with all reporting requirements necessary for U.S. Holders to make QEF elections, including providing to shareholders upon request the information necessary for such an election.

Although a U.S. Holder normally is not permitted to make a retroactive QEF election, a retroactive election (a “retroactive QEF election”) may be made for a taxable year of the U.S. Holder (the “retroactive election year”) if the U.S. Holder (i) reasonably believed that, as of the date the QEF election was due, the foreign corporation was not a PFIC for its taxable year that ended during the retroactive election year; and (ii) to the extent provided for in applicable Treasury Regulations, filed a protective statement with respect to the foreign corporation, applicable to the retroactive election year, in which the U.S. Holder described the basis for its reasonable belief and extended the period of limitation on the assessment of taxes for all taxable years of the shareholder to which the protective statement applies. If required to be filed to preserve the U.S. Holder’s ability to make a retroactive QEF election, the protective statement must be filed by the due date of the investor’s return (including extensions) for the first taxable year to which the statement is to apply. U.S. Holders should consult their own tax advisors regarding the advisability of filing a protective statement.

As discussed above, if we are a PFIC, a U.S. Holder of ordinary shares that makes a QEF election (including a proper retroactive QEF election) will be required to include in income currently its pro rata share of our earnings and profits whether or not we actually distribute earnings. The use of earnings to fund reserves or pay down debt or to fund other investments could result in a U.S. Holder of ordinary shares recognizing income in excess of amounts it actually receives. In addition, our income from an investment for U.S. federal income tax purposes may exceed the amount we actually receive. If we are a PFIC and a U.S. Holder makes a valid QEF election in respect of its ordinary shares, such holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognized on account of the QEF election. Prospective purchasers of ordinary shares should consult their own tax advisors about the advisability of making a QEF election, protective QEF election and deferred payment election.

Special rules apply to determine the foreign tax credit with respect to withholding taxes imposed on distributions on shares in a PFIC. If a U.S. Holder owns ordinary shares during any year in which we are a PFIC, such holder must file IRS Form 8621.

We urge prospective purchasers of ordinary shares to consult their own tax advisors concerning the tax considerations relevant to an investment in a PFIC, including the availability and consequences of making the mark-to-market election and QEF election discussed above.

#### *Additional tax on net investment income*

Certain U.S. Holders that are individuals, trusts or estates may be subject to a 3.8% tax, in addition to otherwise applicable U.S. federal income tax, on the lesser of (i) the U.S. Holder's "net investment income" (or undistributed "net investment income," in the case of a trust or estate) for the relevant taxable year; and (ii) the excess of the U.S. Holder's modified adjusted gross income (or adjusted gross income, in the case of a trust or estate) for the relevant taxable year above a certain threshold (which in the case of an individual ranges from \$125,000 to \$250,000, depending on the individual's circumstances). A U.S. Holder's "net investment income" generally includes, among other things, dividend income on and capital gain from the disposition of shares, subject to certain exceptions. If you are a U.S. Holder that is an individual, trust or estate, you should consult their own tax advisors regarding the applicability of this tax to the ordinary shares.

#### *Information reporting and backup withholding*

Information reporting to the Internal Revenue Service ("IRS") generally will be required with respect to payments on the ordinary shares and proceeds of the sale of the ordinary shares paid to holders that are U.S. taxpayers, other than certain corporations and other exempt recipients. A 24% "backup" withholding tax may apply to those payments if such a holder fails to provide a taxpayer identification number to the paying agent and to certify that no loss of exemption from backup withholding has occurred. Holders that are not subject to U.S. taxation may be required to comply with applicable certification procedures to establish that they are not U.S. taxpayers in order to avoid the application of such information reporting requirements and backup withholding. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

***The above discussion is a general summary. It does not cover all tax matters that may be of importance to particular investors. All prospective investors are strongly urged to consult their own tax advisors about the tax consequences of an investment in our ordinary shares.***

#### **Dividends**

Dividends may in principle only be paid out of profit as shown in the adopted annual accounts. In accordance with the articles of association and Book 2 of the Dutch Civil Code, we may only declare dividends insofar as our shareholders' equity exceeds the amount of the paid up and called portion of the issued share capital plus the reserves that must be maintained in accordance with the provisions of the laws of the Netherlands or our articles of association. We may not make any distribution of profits on ordinary shares that we hold and have not done so in the past. Our Board of Directors determines whether and how much of the profits it will reserve. Any remaining profits shall be distributed to the shareholders pro rata to the number of shares held by each shareholder.

All calculations to determine the amounts available for dividends will be based on our annual Dutch GAAP statutory accounts, which may be different from our Consolidated Financial Statements under U.S. GAAP, such as those included in this annual report. Our statutory accounts have to date been prepared, and will continue to be prepared, under Dutch GAAP and are deposited with the Commercial Register of the Dutch Trade Register. Our net income attributable to equity holders of AerCap Holdings N.V. for the year ended December 31, 2019 and our total AerCap Holdings N.V. shareholders' equity as of December 31, 2019 as set forth in our annual statutory accounts were \$1,134.5 million and \$8,788.1 million, respectively. We are dependent on dividends or other advances from our operating subsidiaries to fund any dividends we may pay on our ordinary shares.

### **Documents on display**

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. You can review our SEC filings, including this annual report, by accessing the SEC's Internet website at [www.sec.gov](http://www.sec.gov). Our website is located at [www.aercap.com](http://www.aercap.com). Information contained on our website does not constitute a part of this annual report. In addition, you may inspect material we file at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

### **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

Our primary market risk exposure is interest rate risk associated with short- and long-term borrowings bearing variable interest rates and lease payments under leases tied to floating interest rates. To manage this interest rate exposure, from time to time, we enter into interest rate swap and cap agreements. We are also exposed to foreign currency risk, which can adversely affect our operating profits. To manage this risk, from time to time, we enter into forward exchange contracts.

The following discussion should be read in conjunction with Note 10—*Derivative financial instruments* and Note 13—*Debt* to our Consolidated Financial Statements included in this annual report, which provide further information on our debt and derivative financial instruments.

#### **Interest rate risk**

Interest rate risk is the exposure to changes in the level of interest rates and the spread between different interest rates. Interest rate risk is highly sensitive to many factors, including government monetary policies, global economic factors and other factors beyond our control.

We enter into leases with rents that are based on fixed and variable interest rates, and we fund our operations primarily with a mixture of fixed and floating rate debt. Interest rate exposure arises when there is a mismatch between terms of the associated debt and interest earning assets, primarily between floating rate debt and fixed rate leases. We manage this exposure primarily through the use of interest rate caps and interest rate swaps using a cash flow-based risk management model. This model takes the expected cash flows generated by our assets and liabilities and then calculates by how much the value of these cash flows will change for a given movement in interest rates.

The principal amount of our outstanding floating rate debt was approximately \$8.4 billion, or approximately 29% of the total principal amount of our outstanding indebtedness as of December 31, 2020. If interest rates were to increase by 1%, we would expect a decrease in pre-tax income of approximately \$15 million per year. This pre-tax income decrease would include an increase in interest expense, partially offset by benefits of interest rate derivatives currently in effect, leases that are based on variable interest rates and interest earning cash balances. A decrease in interest rates would result in an increase in pre-tax income. This pre-tax income increase would include a decrease in interest expense, partially offset by a decrease in the interest revenue and lease revenue. This sensitivity analysis is limited by several factors, and should not be viewed as a forecast.

The following tables present the average notional amounts and weighted average interest rates which are contracted for the specified year for our derivative financial instruments that are sensitive to changes in interest rates, including our interest rate caps and swaps, as of December 31, 2020. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Under our interest rate caps, we will receive the excess, if any, of LIBOR, reset monthly or quarterly on an actual/360 adjusted basis, over the strike rate of the relevant cap. For our interest rate swaps, pay rates are based on the fixed rate which we are contracted to pay to our swap counterparty.

	2021	2022	2023	2024	2025	Thereafter	Fair value
(U.S. Dollars in millions)							
<b>Interest rate caps</b>							
Average notional amounts	\$3,305.7	\$2,784.1	\$1,900.4	\$1,185.0	\$247.0	\$ 75.0	\$ 3.3
Weighted average strike rate	1.9%	1.8%	1.9%	1.0%	1.1%	1.5%	

	2021	2022	2023	2024	2025	Thereafter	Fair value
(U.S. Dollars in millions)							
<b>Interest rate swaps</b>							
Average notional amounts	\$3,406.0	\$2,453.1	\$ 694.3	\$ —	\$ —	\$ —	\$ (167.3)
Weighted average pay rate	2.6%	2.8%	3.0%	—	—	—	

The variable benchmark interest rates associated with these instruments ranged from one- to six-month U.S. dollar LIBOR.

Our Board of Directors is responsible for reviewing our overall interest rate management policies. Our counterparty risk is monitored on an ongoing basis, but is mitigated by the fact that the majority of our interest rate derivative counterparties are required to collateralize in the event of their downgrade by the rating agencies below a certain level.

#### Foreign currency risk and foreign operations

Our functional currency is U.S. dollars. Foreign exchange risk arises from our and our lessees' operations in multiple jurisdictions. All of our aircraft purchase agreements are negotiated in U.S. dollars, we currently receive substantially all of our revenue in U.S. dollars and we pay our expenses primarily in U.S. dollars. We currently have a limited number of leases denominated in foreign currencies, maintain part of our cash in foreign currencies, pay taxes in foreign currencies, and incur some of our expenses in foreign currencies, primarily the euro. A decrease in the U.S. dollar in relation to foreign currencies increases our lease revenue received from foreign currency denominated leases and our expenses paid in foreign currencies. An increase in the U.S. dollar in relation to foreign currencies decreases our lease revenue received from foreign currency denominated leases and our expenses paid in foreign currencies. Because we currently receive most of our revenues in U.S. dollars and pay most of our expenses in U.S. dollars, a change in foreign exchange rates would not have a material impact on our results of operations or cash flows. We do not have any restrictions or repatriation issues associated with our foreign cash accounts.

#### Inflation

Inflation generally affects our lease revenue and costs, including selling, general and administrative expenses and other expenses. We do not believe that our financial results have been, or will be in the near future, materially and adversely affected by inflation.

#### Item 12. Description of Securities Other than Equity Securities

Not applicable.

## PART II

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not applicable.

### **Item 15. Controls and Procedures**

#### **Disclosure controls and procedures**

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in this report is recorded, processed, summarized and reported on a timely basis. Our management and the members of our Disclosure Committee, has evaluated, as of December 31, 2020, our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2020, our disclosure controls and procedures are effective. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to AerCap's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### **Management's annual report on internal control over financial reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020. The assessment was based on criteria established in the framework Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in 2013. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

#### **Attestation report of the registered public accounting firm**

PricewaterhouseCoopers, the independent registered public accounting firm that audited our 2020 Consolidated Financial Statements included in this annual report, audited the effectiveness of our internal controls over financial reporting as of December 31, 2020 under the standards of the Public Company Accounting Oversight Board (United States). Their audit report may be found on page F-2.

#### **Changes in internal control over financial reporting**

There were no changes in AerCap's internal controls over financial reporting during the year of 2020 that materially affected, or were reasonably likely to materially affect, the internal controls over financial reporting.

### **Item 16A. Audit Committee Financial Expert**

Our Board of Directors has determined that James (Jim) Lawrence and Julian (Brad) Branch are "audit committee financial experts," as that term is defined by SEC rules. All members of the Audit Committee are "independent," as that term is defined under applicable NYSE listing standards.



**Item 16B. Code of Ethics**

Our Board of Directors has adopted our Code of Conduct, a code that applies to the members of our Board of Directors, including its Chairman, our officers and employees. This code is publicly available on our website at [www.aercap.com](http://www.aercap.com).

**Item 16C. Principal Accountant Fees and Services**

Our auditors charged the following fees for professional services rendered for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	(U.S. Dollars in thousands)	
Audit fees	\$ 5,931	\$ 5,530
Tax fees	542	523
All other fees	3	3
<b>Total</b>	<b>\$ 6,476</b>	<b>\$ 6,056</b>

**Audit Fees**

Audit fees are defined as the standard audit work that needs to be performed each year in order to issue opinions on our consolidated financial statements and to issue reports on our local statutory financial statements. Also included are services that can only be provided by our auditor, such as auditing of non-recurring transactions and implementation of new accounting policies, reviews of quarterly financial results, consents and comfort letters and any other audit services required for SEC or other regulatory filings.

**Tax Fees**

Tax fees relate to the aggregated fees for services rendered on tax compliance.

**All Other Fees**

All other fees relate to licensing fees for accounting research software.

**Policy on Pre-Approval of Audit and Non-Audit Services of Independent Auditors**

The Audit Committee's policy is to pre-approve all audit and non-audit services provided by our auditor. These services may include audit services, audit related services, tax services and other services, as described above. Pre-approval is detailed as to the particular service or categories of services, and is subject to a specific budget. Our management and our auditor report to the Audit Committee regarding the extent of services provided in accordance with this pre-approval and the fees for the services performed to date on an annual basis. The Audit Committee may also pre-approve additional services on a case-by-case basis. All tax fees were approved by the Audit Committee.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table presents repurchases of our ordinary shares made by us during the year ended December 31, 2020:

	Number of ordinary shares purchased	Average price paid per ordinary share	Total number of ordinary shares purchased as part of our publicly announced programs	Maximum dollar value of ordinary shares that may yet be purchased under the programs (U.S. Dollars in millions) (a)
January 2020	305,012	\$ 58.30	305,012	\$ 357.5
February 2020	1,162,557	58.11	1,162,557	290.0
March 2020	662,940	48.22	662,940	258.0 (b)
<b>Total</b>	<b>2,130,509</b>	<b>\$ 55.06</b>	<b>2,130,509</b>	<b>\$ —</b>

(a) For further details on our share repurchase programs, please refer to Note 16—*Equity*.

(b) Share repurchase programs expired on June 30, 2020.

**Item 16F. Change in Registrant’s Certifying Accountant**

Not applicable.

## **Item 16G. Corporate Governance**

The NYSE requires U.S. domestic entities with shares listed on the exchange to comply with its corporate governance standards. As we are a foreign private issuer, however, the NYSE only requires us to comply with certain NYSE rules relating to audit committees and periodic certifications to the NYSE as long as we comply with home country corporate governance standards (in our case, Dutch corporate governance standards). The NYSE requires that we disclose to investors any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under NYSE requirements.

Among these differences, shareholder approval is required by the NYSE prior to the issuance of ordinary shares:

- to a director, officer or substantial security holder of the Company (or their affiliates or entities in which they have a substantial interest) in excess of one percent of either the number of ordinary shares or the voting power outstanding before the issuance, with certain exceptions;
- that will have voting power or number equal to or in excess of 20% of either the voting power or the number of shares, respectively, outstanding before the issuance, with certain exceptions; or
- that will result in a change of control of the issuer.

Under Dutch rules, shareholders can delegate authority to issue ordinary shares to the Board of Directors at the AGM. In the past, our shareholders have delegated authority to issue ordinary shares to our Board at our AGM.

In some situations, NYSE rules are more stringent, and in others the Dutch rules are. Other significant differences include:

- NYSE rules require shareholder approval for changes to equity compensation plans, but under Dutch rules, shareholder approval is only required for changes to equity compensation plans for members of the Board of Directors;
- under Dutch corporate governance rules, the audit and remuneration committees may not be chaired by the Chairman of the Board;
- under Dutch rules, auditors must be appointed by the general meeting of shareholders, but NYSE rules require only that they be appointed by the audit committee;
- both NYSE and Dutch rules require that a majority of the Board of Directors be independent, but the definition of independence under each set of rules is not identical. For example, Dutch rules require a longer “look-back” period for former directors; and
- Dutch rules permit deviation from the rules if the deviations are explained in accordance with the rules, but NYSE rules do not allow such deviations.

## **Item 16H. Mine Safety Disclosure**

Not applicable.

### PART III

#### Item 17. Financial Statements

Not applicable.

#### Item 18. Financial Statements

Please refer to pages F-1 through F-60 of this annual report.

#### Item 19. Exhibits

We have filed the following documents as exhibits to this annual report:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
1.1	<a href="#"><u>Articles of Association</u></a>
2.1	<a href="#"><u>AerCap Holdings N.V. 2006 Equity Incentive Plan (including form of Stock Option Agreement) (filed as an exhibit to our Registration Statement on Form F-1, File No. 333-138381 and incorporated herein by reference)</u></a>
2.2	<a href="#"><u>Amended and Restated Facility Agreement, dated as of December 14, 2012, among the Banks and Financial Institutions named therein as ECA Lenders, Crédit Agricole Corporate and Investment Bank, as ECA Agent, National Agent, and Security Trustee, Citibank International PLC, as ECA Agent and National Agent, Jetstream Aircraft Leasing Limited, as Principal Borrower, ALS 3 Limited and Airstream Aircraft Leasing Limited, as Borrowers, AerCap Ireland Limited and AerCap A330 Holdings Limited, as Principal AerCap Obligors, the companies named there in as Lessees and Lessee Parents, Citibank, N.A., as Administrative Agent, and AerCap Holdings, N.V. (filed as an exhibit to our Form 20-F for the year ended December 31, 2014 and incorporated herein by reference)</u></a>
2.3	<a href="#"><u>Deed of Amendment, dated as of April 9, 2014, relating to the Amended and Restated Facility Agreement, dated as of December 14, 2012, among the Banks and Financial Institutions named therein as ECA Lenders, Crédit Agricole Corporate and Investment Bank, as ECA Agent, National Agent, and Security Trustee, Citibank International PLC, as ECA Agent and National Agent, Jetstream Aircraft Leasing Limited, as Principal Borrower, ALS 3 Limited and Airstream Aircraft Leasing Limited, as Borrowers, AerCap Ireland Limited and AerCap A330 Holdings Limited, as Principal AerCap Obligors, the companies named there in as Lessees and Lessee Parents, Citibank, N.A., as Administrative Agent, and AerCap Holdings, N.V. (filed as an exhibit to our Form 20-F for the year ended December 31, 2014 and incorporated herein by reference)</u></a>
2.4	<a href="#"><u>AerCap Holdings N.V. 2012 Equity Incentive Plan (filed as an exhibit to our Registration Statement on Form S-8, File No. 333-180323 and incorporated herein by reference)</u></a>
2.5	<a href="#"><u>Third Amended and Restated Credit Agreement, dated as of May 10, 2013, among the Service Providers and Financial Institutions named therein, Credit Suisse AG, New York Branch, Deutsche Bank Trust Company Americas, AerFunding 1 Limited and AerCap Ireland Limited (filed as an exhibit to our Form 20-F for the year ended December 31, 2013 and incorporated herein by reference)</u></a>
2.6	<a href="#"><u>Third Amended and Restated Revolving Credit Agreement, dated as of October 22, 2019, among AerCap Holdings N.V., AerCap Ireland Capital Designated Activity Company, AerCap Aviation Solutions B.V., AerCap Ireland Limited, AerCap Global Aviation Trust, AerCap U.S. Global Aviation LLC, International Lease Finance Corporation, the lending institutions party thereto and Citibank, N.A., as administrative agent.</u></a>
2.7	<a href="#"><u>Registration Rights Agreement, dated as of June 9, 2015, between AerCap Global Aviation Trust, American International Group, Inc. and the Guarantors party thereto (filed as an exhibit to our Form 20-F for the year ended December 31, 2015 and incorporated herein by reference)</u></a>
2.8	<a href="#"><u>Indenture, dated as of May 14, 2014, among AerCap Ireland Capital Limited, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 20-F for the year ended December 31, 2014 and incorporated herein by reference)</u></a>
2.9	<a href="#"><u>Fourth Supplemental Indenture, dated as of September 29, 2014, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Limited, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 20-F for the year ended December 31, 2014 and incorporated herein by reference)</u></a>
2.10	<a href="#"><u>Fifth Supplemental Indenture, dated as of September 29, 2014, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Limited, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 20-F for the year ended December 31, 2014 and incorporated herein by reference)</u></a>

Exhibit Number	Description of Exhibit
2.11	<a href="#"><u>Seventh Supplemental Indenture, dated as of June 25, 2015, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Limited, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on June 25, 2015 and incorporated herein by reference)</u></a>
2.12	<a href="#"><u>Ninth Supplemental Indenture, dated as of May 23, 2016, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Limited, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on May 23, 2016 and incorporated herein by reference)</u></a>
2.13	<a href="#"><u>Tenth Supplemental Indenture, dated as of January 26, 2017, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on January 26, 2017 and incorporated herein by reference)</u></a>
2.14	<a href="#"><u>Eleventh Supplemental Indenture, dated as of January 26, 2017, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on January 26, 2017 and incorporated herein by reference)</u></a>
2.15	<a href="#"><u>Twelfth Supplemental Indenture, dated as of July 21, 2017, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on July 21, 2017 and incorporated herein by reference)</u></a>
2.16	<a href="#"><u>Thirteenth Supplemental Indenture, dated as of November 21, 2017, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on November 21, 2017 and incorporated herein by reference)</u></a>
2.17	<a href="#"><u>Fourteenth Supplemental Indenture, dated as of January 23, 2018, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on January 23, 2018 and incorporated herein by reference)</u></a>
2.18	<a href="#"><u>Fifteenth Supplemental Indenture, dated as of January 23, 2018, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on January 23, 2018 and incorporated herein by reference)</u></a>
2.19	<a href="#"><u>Sixteenth Supplemental Indenture, dated as of June 12, 2018, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on June 12, 2018 and incorporated herein by reference)</u></a>
2.20	<a href="#"><u>Seventeenth Supplemental Indenture, dated as of August 21, 2018, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on August 21, 2018 and incorporated herein by reference)</u></a>
2.21	<a href="#"><u>Eighteenth Supplemental Indenture, dated as of January 16, 2019, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on January 16, 2019 and incorporated herein by reference)</u></a>
2.22	<a href="#"><u>Nineteenth Supplemental Indenture, dated as of January 16, 2019, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on January 16, 2019 and incorporated herein by reference)</u></a>
2.23	<a href="#"><u>Twentieth Supplemental Indenture, dated as of April 3, 2019, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on April 4, 2019 and incorporated herein by reference)</u></a>
2.24	<a href="#"><u>Twenty-First Supplemental Indenture, dated as of August 14, 2019, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on August 14, 2019 and incorporated herein by reference)</u></a>

Exhibit Number	Description of Exhibit
2.25	<a href="#"><u>Twenty-Second Supplemental Indenture, dated as of June 8, 2020, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on June 8, 2020 and incorporated herein by reference)</u></a>
2.26	<a href="#"><u>Twenty-Third Supplemental Indenture, dated as of July 2, 2020, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on July 2, 2020 and incorporated herein by reference)</u></a>
2.27	<a href="#"><u>Twenty-Fourth Supplemental Indenture, dated as of September 25, 2020, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on September 28, 2020 and incorporated herein by reference)</u></a>
2.28	<a href="#"><u>Twenty-Fifth Supplemental Indenture, dated as of September 25, 2020, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on September 28, 2020 and incorporated herein by reference)</u></a>
2.29	<a href="#"><u>Twenty-Sixth Supplemental Indenture, dated as of January 13, 2021, to the Indenture, dated as of May 14, 2014, by and among AerCap Ireland Capital Designated Activity Company, AerCap Global Aviation Trust, AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on January 13, 2021 and incorporated herein by reference)</u></a>
2.30	<a href="#"><u>Indenture, dated as of October 1, 2019, among AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Registration Statement No. 333-234028 and incorporated herein by reference)</u></a>
2.31	<a href="#"><u>First Supplemental Indenture, dated as of October 10, 2019, to the Indenture, dated as of October 1, 2019, among AerCap Holdings N.V., the Guarantors party thereto and Wilmington Trust, National Association, as Trustee (filed as an exhibit to our Form 6-K on October 10, 2019 and incorporated herein by reference)</u></a>
2.32	<a href="#"><u>Indenture, dated as of August 1, 2006, between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as Exhibit 4.1 to the ILFC Registration Statement No. 333-136681 and incorporated herein by reference)</u></a>
2.33	<a href="#"><u>Fourth Supplemental Indenture, dated as of December 22, 2011, to the Indenture dated as of August 1, 2006, between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on December 22, 2011 and incorporated herein by reference)</u></a>
2.34	<a href="#"><u>Sixth Supplemental Indenture, dated as of August 21, 2012, to the Indenture dated August 1, 2006, between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on August 21, 2012 and incorporated herein by reference)</u></a>
2.35	<a href="#"><u>Seventh Supplemental Indenture, dated as of March 11, 2013, to the Indenture dated August 1, 2006, between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on March 11, 2013 and incorporated herein by reference)</u></a>
2.36	<a href="#"><u>Ninth Supplemental Indenture, dated as of May 14, 2014, to the Indenture dated August 1, 2006, between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on May 15, 2014 and incorporated herein by reference)</u></a>
2.37	<a href="#"><u>Officers' Certificate, dated as of December 22, 2011, establishing the terms of the 8.625% senior notes due 2022 (filed as an exhibit to the ILFC Form 8-K filed on December 22, 2011 and incorporated herein by reference)</u></a>
2.38	<a href="#"><u>Officers' Certificate, dated as of August 21, 2012, establishing the terms of the 5.875% senior notes due 2022 (filed as an exhibit to the ILFC Form 8-K filed on August 21, 2012 and incorporated herein by reference)</u></a>
2.39	<a href="#"><u>Officers' Certificate, dated as of March 11, 2013, establishing the terms of the 3.875% senior notes due 2018 and the 4.625% senior notes due 2021 (filed as an exhibit to the ILFC Form 8-K filed on March 11, 2013 and incorporated herein by reference)</u></a>
2.40	<a href="#"><u>Junior Subordinated Indenture, dated as of December 21, 2005, by and between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on July 26, 2013 and incorporated herein by reference)</u></a>

Exhibit Number	Description of Exhibit
2.41	<a href="#"><u>First Supplemental Indenture, dated as of July 25, 2013, to the Junior Subordinated Indenture, dated as of December 21, 2005, by and between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on July 26, 2013 and incorporated herein by reference)</u></a>
2.42	<a href="#"><u>Second Supplemental Indenture, dated as of July 25, 2013, to the Junior Subordinated Indenture, dated as of December 21, 2005, by and between ILFC and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on July 26, 2013 and incorporated herein by reference)</u></a>
2.43	<a href="#"><u>Third Supplemental Indenture, dated as of May 14, 2014, to the Junior Subordinated Indenture, dated as of December 21, 2005, by and between ILFC, AerCap Global Aviation Trust and Deutsche Bank Trust Company Americas, as Trustee (filed as an exhibit to the ILFC Form 8-K filed on May 15, 2014 and incorporated herein by reference)</u></a>
2.44	<a href="#"><u>Amended and Restated 5.90% Junior Subordinated Debenture due 2065 (filed as an exhibit to the ILFC Form 8-K filed on July 26, 2013 and incorporated herein by reference)</u></a>
2.45	<a href="#"><u>Amended and Restated 6.25% Junior Subordinated Debenture due 2065 (filed as an exhibit to the ILFC Form 8-K filed on July 26, 2013 and incorporated herein by reference)</u></a>
2.46	<a href="#"><u>Term Loan Credit Agreement, dated as of March 6, 2014, among Delos Finance S.À.R.L., as borrower, ILFC, Hyperion Aircraft Limited, Delos Aircraft Limited, Apollo Aircraft Inc., and Artemis (Delos) Limited as obligors, the lenders identified therein, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent (portions of this exhibit have been omitted pursuant to a request for confidential treatment) (filed as an exhibit to the ILFC Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference)</u></a>
2.47	<a href="#"><u>First Amendment to Term Loan Credit Agreement, dated as of April 3, 2014, among Delos Finance S.À.R.L., as borrower, ILFC, Hyperion Aircraft Limited, Delos Aircraft Limited, Apollo Aircraft Inc., Artemis (Delos) Limited, AerCap Global Aviation Trust, the acceding obligors identified therein, and Deutsche Bank AG New York Branch, as collateral agent and administrative agent (filed as an exhibit to the ILFC Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference)</u></a>
2.48	<a href="#"><u>Second Amendment to Term Loan Credit Agreement, dated as of January 19, 2017, among Delos Finance S.A.R.L., as borrower, ILFC, Hyperion Aircraft Limited, Delos Aircraft Limited, Apollo Aircraft Inc., Artemis (Delos) Limited, AerCap Global Aviation Trust, the Additional Obligors identified therein, and Deutsche Bank AG New York Branch, as collateral agent and administrative agent (filed as an exhibit to our Form 20-F for the year ended December 31, 2016 and incorporated herein by reference)</u></a>
2.49	<a href="#"><u>Third Amendment to Term Loan Credit Agreement, dated as of August 9, 2017, among Delos Finance S.À.R.L., as borrower, ILFC, Hyperion Aircraft Limited, Delos Aircraft Limited, Apollo Aircraft Inc., Artemis (Delos) Limited, AerCap Global Aviation Trust, the Additional Obligors identified therein, and Deutsche Bank AG New York Branch, as collateral agent and administrative agent</u></a>
2.50	<a href="#"><u>Term Loan Security Agreement, dated as of March 6, 2014, among Hyperion Aircraft Limited, Delos Aircraft Limited, Delos Finance S.A.R.L., Artemis (Delos) Limited, Apollo Aircraft Inc., and the additional grantors referred to therein as grantors, and Deutsche Bank AG New York Branch, as collateral agent (filed as an exhibit to the ILFC Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference)</u></a>
2.51	<a href="#"><u>AerCap Holdings N.V. 2014 Equity Incentive Plan (filed as an exhibit to our Registration Statement on Form S-8, File No. 333-194638 and incorporated herein by reference)</u></a>
2.52	The Company agrees to furnish to the SEC upon request a copy of each instrument with respect to issues of long-term debt of the Company and its subsidiaries, the authorized principal amount of which does not exceed 10% of the consolidated assets of the Company and its subsidiaries
2.53	<a href="#"><u>Description of Certain Registrant's Securities</u></a>
4.1	<a href="#"><u>Aircraft Purchase Agreement, dated as of December 30, 2005, between Airbus S.A.S. and AerVenture Limited (filed as an exhibit to our Registration Statement on Form F-1, File No. 333-138381 and incorporated herein by reference)</u></a>
4.2	<a href="#"><u>Agreement and Plan of Amalgamation, dated as of September 17, 2009, among AerCap Holdings N.V., Genesis Lease Limited and AerCap International Bermuda Limited (filed as an exhibit to our Form 6-K on September 18, 2009 and incorporated herein by reference)</u></a>
4.3	<a href="#"><u>Framework Deed, dated as of May 28, 2013, between AerCap Holdings N.V. and LATAM Airlines Group S.A. (portions of which have been omitted pursuant to a request for confidential treatment) (filed as an exhibit to our Form 20-F for the year ended December 31, 2013 and incorporated herein by reference)</u></a>
4.4	<a href="#"><u>Share Repurchase Agreement, dated as of June 1, 2015, among AIG Capital Corporation, American International Group, Inc., the guarantors named therein, AerCap Holdings N.V. and AerCap Global Aviation Trust (filed as an exhibit to American International Group, Inc.'s Form 8-K on June 4, 2015 and incorporated herein by reference)</u></a>

Exhibit Number	Description of Exhibit
8.1	<a href="#">List of Subsidiaries of AerCap Holdings N.V.</a>
12.1	<a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1	<a href="#">Consent of PricewaterhouseCoopers, an independent registered public accounting firm</a>
101	<p>The following financial information formatted in Inline eXtensible Business Reporting Language (iXBRL):</p> <ul style="list-style-type: none"> <li>(1) Consolidated Balance Sheets as of December 31, 2020 and 2019</li> <li>(2) Consolidated Income Statements for the Years Ended December 31, 2020, 2019 and 2018</li> <li>(3) Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2020, 2019 and 2018</li> <li>(4) Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018</li> <li>(5) Consolidated Statements of Equity for the Years Ended December 31, 2020, 2019 and 2018</li> <li>(6) Notes to the Consolidated Financial Statements, tagged as blocks of text and including detailed tags</li> </ul>
104	The cover page from the Company's annual report on Form 20-F for the year ended December 31, 2020, formatted in Inline XBRL (included in Exhibit 101)





## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

### **AerCap Holdings N.V. Consolidated Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets As of December 31, 2020 and 2019</u>	<u>F-5</u>
<u>Consolidated Income Statements For the Years Ended December 31, 2020, 2019 and 2018</u>	<u>F-6</u>
<u>Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2020, 2019 and 2018</u>	<u>F-7</u>
<u>Consolidated Statements of Cash Flows For the Years Ended December 31, 2020, 2019 and 2018</u>	<u>F-8</u>
<u>Consolidated Statements of Equity For the Years Ended December 31, 2020, 2019 and 2018</u>	<u>F-11</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>F-12</u>

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of AerCap Holdings N.V.

#### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of AerCap Holdings N.V. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated income statements and consolidated statements of comprehensive income, cash flows and equity for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

#### *Basis for Opinions*

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management’s annual report on internal control over financial reporting under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

#### *Definition and Limitations of Internal Control over Financial Reporting*

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Identification of impairment events and resulting impairment calculations*

As described in note 5 and note 22 to the consolidated financial statements, the Company's consolidated flight equipment held for operating leases amounted to \$35.2 billion as of December 31, 2020, and the impairment charge recorded on flight equipment held for operating leases amounts to \$986.6 million for the year ended December 31, 2020. Management performs event-driven impairment assessments of its flight equipment held for operating leases each quarter. These quarterly impairment assessments are primarily triggered by potential sale transactions, early terminated leases, credit events impacting lessees or forecasted significant and permanent declines in the demand for aircraft types. On an annual basis, management also performs an impairment assessment on all aircraft to identify potential impairment events by reference to estimated future cash flows at asset group level. Management applies significant judgment in assessing whether an impairment is necessary, and in estimating significant assumptions, including the future lease rates, residual values and discount rates applied when performing quantitative impairment tests.

The principal considerations for our determination that performing procedures relating to the identification of impairment events and resulting impairment calculations is a critical audit matter are management's exercise of significant judgment regarding the identification of potential impairment events and the establishment of significant assumptions of future lease rates, residual values and the discount rate applied. This in turn led to a high degree of auditor subjectivity, judgment and effort in evaluating management's judgments in relation to the significant assumptions and the audit evidence obtained. The audit effort involved the use of professionals with specialized skill and knowledge. to assist in evaluating the significant assumption over the discount rate.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the identification of impairment events and resulting impairment calculations including controls over the identification of impairment events on a quarterly basis and the reasonableness of significant assumptions used to estimate future cash flows such as future lease rates, residual values and the discount rate. These procedures also included, among others, testing managements process for the identification of aircraft meeting the quarterly impairment triggers; evaluating the appropriateness of management's impairment assessment model; testing the completeness and accuracy of the underlying data used in the model; evaluating the reasonableness of the significant assumptions used by management relating to future lease rates, residual values and the discount rate and evaluating the reasonableness of the resulting cash flow projections. Evaluating management's assumptions relating to future lease rates involved evaluating whether the assumptions used by management were reasonable considering (i) comparing future lease rate assumptions to existing lease rates, and (ii) testing the assumptions were consistent with the evidence obtained in other areas of the audit. Evaluating management's assumptions relating to residual values involved evaluating whether the assumptions used by management were reasonable considering (i) the expected sales price and (ii) comparing the residual values to residual values observed in the industry. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discount rate, by reference to the cost of capital of the Company and comparable businesses.

*Measurement of operating lease revenue on a cash receipts basis*

As described in note 3 to the consolidated financial statements, the Company concluded that collection of basic lease rent payments was not probable from a number of lessees, resulting in a reduction of basic lease rents of approximately \$310.6 million. Management periodically evaluates the collectability of operating lease contracts to determine the appropriate revenue recognition and measurement model to apply to each lessee. Accrual-based revenue recognition ceases on an operating lease contract when the collection of the rental payments is no longer probable and thereafter rental revenues are recognized using a cash receipts basis (“Cash Accounting”). In the period the collection of lease payments is concluded as no longer probable, any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, is recognized as a current period adjustment to lease revenue. Subsequently, revenues are recognized based on the lesser of the straight-line rental income or the lease payments collected from the lessee until such time that collection is probable. Management applies significant judgment in assessing at each reporting date whether operating rental payments are probable of collection by reference to the credit status of each lessee, including lessees in bankruptcy type arrangements, the extent of overdue balances, and other relevant factors.

The principal considerations for our determination that performing procedures relating to the measurement of operating lease revenue on a cash receipts basis is a critical audit matter is the significant judgment exercised by management in determining whether operating rentals from a lessee are probable of collection or if revenue should be recognized on a cash receipts basis. This in turn led to a high degree of auditor subjectivity, judgment and effort in evaluating management’s judgments and the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls over the measurement of operating lease revenue on a cash receipts basis. These procedures also included, among others, evaluating the reasonableness of management’s judgments relating to the collectability of operating lease contracts; testing the completeness and accuracy of the underlying data used by management in making their assessment and testing the completeness and accuracy of the cash accounting recorded by management. Evaluating the judgments relating to the collectability of operating lease contracts involved evaluating whether the assumptions used were reasonable considering (1) examining the quantum of overdue balances, (2) testing the level of security deposit amounts held, (3) agreeing lessees in bankruptcy or similar type restructuring arrangements, (4) reading third party information on lessees, and (5) consistency with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers

Dublin, Ireland

March 2, 2021

We have served as the Company’s auditor since 2018.

**AerCap Holdings N.V. and Subsidiaries**

**Consolidated Balance Sheets**

**As of December 31, 2020 and 2019**

	Note	As of December 31,	
		2020	2019
(U.S. Dollars in thousands, except share data)			
<b>Assets</b>			
Cash and cash equivalents	4	\$ 1,248,772	\$ 1,121,396
Restricted cash	4	246,518	178,951
Trade receivables		170,675	47,935
Flight equipment held for operating leases, net	5	35,156,450	35,870,781
Investment in finance and sales-type leases, net	6	878,451	1,011,549
Flight equipment held for sale		—	336,592
Prepayments on flight equipment	27	2,111,659	2,954,478
Maintenance rights and lease premium, net	7	649,914	809,615
Other intangibles, net	7	224,634	307,394
Deferred income tax assets	14	131,532	95,077
Other assets	8, 9	1,229,434	1,015,476
<b>Total Assets</b>		<b>\$ 42,048,039</b>	<b>\$ 43,749,244</b>
<b>Liabilities and Equity</b>			
Accounts payable, accrued expenses and other liabilities	11	\$ 1,109,325	\$ 1,032,623
Accrued maintenance liability	12	1,750,395	2,190,159
Lessee deposit liability		600,321	747,790
Debt	13	28,742,081	29,486,131
Deferred income tax liabilities	14	913,431	910,336
Commitments and contingencies	27		
<i>Total Liabilities</i>		33,115,553	34,367,039
Ordinary share capital, €0.01 par value, 350,000,000 ordinary shares authorized as of December 31, 2020 and 2019; 138,847,345 and 141,847,345 ordinary shares issued and 130,398,538 and 131,583,489 ordinary shares outstanding (including 2,552,346 and 2,354,318 shares of unvested restricted stock) as of December 31, 2020 and 2019, respectively	16, 24	1,721	1,754
Additional paid-in capital		2,078,125	2,209,462
Treasury shares, at cost (8,448,807 and 10,263,856 ordinary shares as of December 31, 2020 and 2019, respectively)		(459,994)	(537,341)
Accumulated other comprehensive loss		(155,085)	(93,587)
Accumulated retained earnings		7,399,703	7,734,609
<i>Total AerCap Holdings N.V. shareholders' equity</i>		8,864,470	9,314,897
Non-controlling interest		68,016	67,308
<i>Total Equity</i>		8,932,486	9,382,205
<b>Total Liabilities and Equity</b>		<b>\$ 42,048,039</b>	<b>\$ 43,749,244</b>
<b>Supplemental balance sheet information—amounts related to assets and liabilities of consolidated VIEs for which creditors do not have recourse to our general credit:</b>			
Restricted cash		\$ 163,596	\$ 78,187
Flight equipment held for operating leases and held for sale		4,339,176	2,091,022
Other assets		97,417	64,908
Accrued maintenance liability		\$ 115,079	\$ 42,603
Debt		2,454,187	1,395,022
Other liabilities		109,606	81,335

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**  
**Consolidated Income Statements**  
**For the Years Ended December 31, 2020, 2019 and 2018**

	Note	Year Ended December 31,		
		2020	2019	2018
(U.S. Dollars in thousands, except share and per share data)				
<b>Revenues and other income</b>				
Lease revenue:				
Basic lease rents	18, 21	\$ 3,761,611	\$ 4,281,260	\$ 4,145,552
Maintenance rents and other receipts		559,395	401,006	391,541
<b>Total lease revenue</b>		<b>4,321,006</b>	<b>4,682,266</b>	<b>4,537,093</b>
Net gain on sale of assets		89,618	188,835	201,323
Other income	20	83,005	66,239	61,564
<b>Total Revenues and other income</b>		<b>4,493,629</b>	<b>4,937,340</b>	<b>4,799,980</b>
<b>Expenses</b>				
Depreciation and amortization	5, 7	1,645,373	1,676,121	1,679,074
Asset impairment	22	1,086,983	70,149	44,186
Interest expense		1,248,225	1,295,020	1,174,074
Loss on debt extinguishment	13	118,460	—	—
Leasing expenses		323,535	287,950	446,487
Selling, general and administrative expenses	17, 19	242,161	267,458	305,226
<b>Total Expenses</b>		<b>4,664,737</b>	<b>3,596,698</b>	<b>3,649,047</b>
Loss on investment at fair value	9	(143,510)	—	—
<b>(Loss) income before income taxes and income of investments accounted for under the equity method</b>		<b>(314,618)</b>	<b>1,340,642</b>	<b>1,150,933</b>
Income tax benefit (expense)	14	17,231	(167,714)	(144,079)
Equity in net earnings of investments accounted for under the equity method		2,464	(6,151)	10,643
<b>Net (loss) income</b>		<b>\$ (294,923)</b>	<b>\$ 1,166,777</b>	<b>\$ 1,017,497</b>
Net income attributable to non- controlling interest		(3,643)	(21,083)	(1,865)
<b>Net (loss) income attributable to AerCap Holdings N.V.</b>		<b>\$ (298,566)</b>	<b>\$ 1,145,694</b>	<b>\$ 1,015,632</b>
Basic (loss) earnings per share	24	\$ (2.34)	\$ 8.51	\$ 7.00
Diluted (loss) earnings per share	24	\$ (2.34)	\$ 8.43	\$ 6.83
Weighted average shares outstanding—basic		127,743,828	134,570,169	145,162,220
Weighted average shares outstanding—diluted		127,743,828	135,898,139	148,706,266

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2020, 2019 and 2018**

	Year Ended December 31,		
	2020	2019	2018
(U.S. Dollars in thousands)			
<b>Net (loss) income</b>	<b>\$ (294,923)</b>	<b>\$ 1,166,777</b>	<b>\$ 1,017,497</b>
Other comprehensive loss:			
Net loss on derivatives (Note 10), net of tax of \$8,402, \$12,845 and \$2,080, respectively	(58,814)	(89,918)	(14,559)
Actuarial loss on pension obligations, net of tax of \$348, \$265 and \$215, respectively	(2,684)	(1,845)	(1,539)
Total other comprehensive loss	(61,498)	(91,763)	(16,098)
<b>Comprehensive (loss) income</b>	<b>(356,421)</b>	<b>1,075,014</b>	<b>1,001,399</b>
Comprehensive income attributable to non-controlling interest	(3,643)	(21,083)	(1,865)
<b>Total comprehensive (loss) income attributable to AerCap Holdings N.V.</b>	<b>\$ (360,064)</b>	<b>\$ 1,053,931</b>	<b>\$ 999,534</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.



**AerCap Holdings N.V. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2020, 2019 and 2018**

	Year Ended December 31,		
	2020	2019	2018
(U.S. Dollars in thousands)			
Net (loss) income	\$ (294,923)	\$ 1,166,777	\$ 1,017,497
<b>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</b>			
Depreciation and amortization	1,645,373	1,676,121	1,679,074
Asset impairment	1,086,983	70,149	44,186
Amortization of debt issuance costs, debt discount, debt premium and lease premium	64,970	79,645	76,499
Amortization of fair value adjustments on debt	(47,279)	(79,098)	(142,596)
Maintenance rights write-off (a)	133,015	244,748	287,119
Maintenance liability release to income	(344,210)	(207,849)	(228,081)
Net gain on sale of assets	(89,618)	(188,835)	(201,323)
Deferred income taxes	(20,882)	162,498	147,588
Share-based compensation	69,187	69,410	95,176
Collections of finance and sales-type leases	68,128	98,365	—
Loss on investment at fair value	143,510	—	—
Loss on debt extinguishment	118,460	—	—
Other	252,350	96,117	60,452
<b>Changes in operating assets and liabilities:</b>			
Trade receivables	(128,188)	(8,751)	19,839
Other assets	(400,316)	(73,646)	9,800
Accounts payable, accrued expenses and other liabilities	(126,177)	31	(24,858)
<b>Net cash provided by operating activities</b>	<b>2,130,383</b>	<b>3,105,682</b>	<b>2,840,372</b>
Purchase of flight equipment	(778,547)	(3,359,092)	(4,036,194)
Proceeds from sale or disposal of assets	471,437	1,773,766	1,822,601
Prepayments on flight equipment	(405,178)	(1,369,400)	(1,912,215)
Collections of finance and sales-type leases	—	—	94,703
Other	—	(17)	(21,505)
<b>Net cash used in investing activities</b>	<b>(712,288)</b>	<b>(2,954,743)</b>	<b>(4,052,610)</b>
Issuance of debt	10,946,333	6,539,310	5,589,825
Repayment of debt	(11,560,015)	(6,504,830)	(4,360,520)
Debt issuance and extinguishment costs paid, net of debt premium received	(253,806)	(36,592)	(57,831)
Maintenance payments received	345,699	736,423	743,256
Maintenance payments returned	(412,492)	(352,032)	(459,326)
Security deposits received	137,130	232,219	208,259
Security deposits returned	(297,469)	(233,222)	(220,452)
Dividend paid to non-controlling interest holders and others	(2,935)	(6,341)	(8,403)
Repurchase of shares and tax withholdings on share-based compensation	(127,777)	(639,941)	(834,398)
<b>Net cash (used in) provided by financing activities</b>	<b>(1,225,332)</b>	<b>(265,006)</b>	<b>600,410</b>
Net increase (decrease) in cash, cash equivalents and restricted cash	192,763	(114,067)	(611,828)
Effect of exchange rate changes	2,180	(621)	2,738
Cash, cash equivalents and restricted cash at beginning of period	1,300,347	1,415,035	2,024,125
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 1,495,290</b>	<b>\$ 1,300,347</b>	<b>\$ 1,415,035</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**  
**Consolidated Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2020, 2019 and 2018**

	Year Ended December 31,		
	2020	2019	2018
	(U.S. Dollars in thousands)		
<b>Supplemental cash flow information:</b>			
Interest paid, net of amounts capitalized	\$ 1,196,467	\$ 1,270,532	\$ 1,228,788
Income taxes (refunded) paid, net	(3,862)	2,352	679

(a) Maintenance rights write-off consisted of the following:

End of lease ("EOL") and Maintenance Reserved ("MR") contract maintenance rights expense	\$ 45,655	\$ 76,611	\$ 157,792
MR contract maintenance rights write-off due to maintenance liability release	35,897	19,848	29,656
EOL contract maintenance rights write-off due to cash receipt	51,463	148,289	99,671
<b>Maintenance rights write-off</b>	<b>\$ 133,015</b>	<b>\$ 244,748</b>	<b>\$ 287,119</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**  
**Consolidated Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2020, 2019 and 2018**

*Non-Cash Investing and Financing Activities*

**Year ended December 31, 2020:**

Flight equipment held for operating leases in the amount of \$46.6 million, net, was reclassified to investment in finance and sales-type leases, net.

Flight equipment held for operating leases in the amount of \$83.5 million was reclassified to flight equipment held for sale.

Accrued maintenance liability in the amount of \$95.0 million was settled with buyers upon sale or disposal of assets.

In May 2020, other assets and accounts payable, accrued expenses and other liabilities each increased by \$185.7 million due to the Norwegian Air Shuttle ASA (“NAS”) recapitalization. Please refer to Note 9—*Investments* for further details.

**Year ended December 31, 2019:**

Flight equipment held for operating leases in the amount of \$143.4 million, net, was reclassified to investment in finance and sales-type leases, net.

Flight equipment held for operating leases in the amount of \$1.6 billion was reclassified to flight equipment held for sale.

Accrued maintenance liability in the amount of \$249.2 million was settled with buyers upon sale or disposal of assets.

**Year ended December 31, 2018:**

Flight equipment held for operating leases in the amount of \$76.9 million was reclassified to investment in finance and sales-type leases, net.

Flight equipment held for operating leases in the amount of \$979.2 million, net, was reclassified to flight equipment held for sale.

Flight equipment held for operating leases in the amount of \$38.4 million was reclassified to inventory, which is included in other assets.

Accrued maintenance liability in the amount of \$261.2 million was settled with buyers upon sale or disposal of assets.

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**

**Consolidated Statements of Equity**

**For the Years Ended December 31, 2020, 2019 and 2018**

	Number of ordinary shares issued	Ordinary share capital	Additional paid-in capital	Treasury shares	Accumulated other comprehensive income (loss)	Accumulated retained earnings	AerCap Holdings N.V. shareholders' equity	Non- controlling interest	Total equity
(U.S. Dollars in thousands, except share data)									
<b>Balance as of December 31, 2017</b>	<b>167,847,345</b>	<b>\$ 2,058</b>	<b>\$3,714,563</b>	<b>\$ (731,442)</b>	<b>\$ 14,274</b>	<b>\$5,580,257</b>	<b>\$8,579,710</b>	<b>\$ 59,104</b>	<b>\$8,638,814</b>
Dividends paid	—	—	—	—	—	—	—	(8,403)	(8,403)
Repurchase of shares	—	—	—	(726,640)	—	—	(726,640)	—	(726,640)
Share cancellation	(16,000,000)	(192)	(800,544)	800,736	—	—	—	—	—
Share-based compensation	—	—	95,176	—	—	—	95,176	—	95,176
Ordinary shares issued, net of tax withholdings	—	—	(296,778)	181,261	—	(5,456)	(120,973)	—	(120,973)
Cumulative effect due to adoption of new accounting standard	—	—	—	—	—	1,241	1,241	—	1,241
Total comprehensive income (loss)	—	—	—	—	(16,098)	1,015,632	999,534	1,865	1,001,399
<b>Balance as of December 31, 2018</b>	<b>151,847,345</b>	<b>\$ 1,866</b>	<b>\$2,712,417</b>	<b>\$ (476,085)</b>	<b>\$ (1,824)</b>	<b>\$6,591,674</b>	<b>\$8,828,048</b>	<b>\$ 52,566</b>	<b>\$8,880,614</b>
Dividends paid	—	—	—	—	—	—	—	(6,341)	(6,341)
Repurchase of shares	—	—	—	(607,343)	—	—	(607,343)	—	(607,343)
Share cancellation	(10,000,000)	(112)	(503,005)	503,117	—	—	—	—	—
Share-based compensation	—	—	69,410	—	—	—	69,410	—	69,410
Ordinary shares issued, net of tax withholdings	—	—	(69,360)	42,970	—	(2,759)	(29,149)	—	(29,149)
Total comprehensive income (loss)	—	—	—	—	(91,763)	1,145,694	1,053,931	21,083	1,075,014
<b>Balance as of December 31, 2019</b>	<b>141,847,345</b>	<b>\$ 1,754</b>	<b>\$2,209,462</b>	<b>\$ (537,341)</b>	<b>\$ (93,587)</b>	<b>\$7,734,609</b>	<b>\$9,314,897</b>	<b>\$ 67,308</b>	<b>\$9,382,205</b>
Dividends paid	—	—	—	—	—	—	—	(2,935)	(2,935)
Repurchase of shares	—	—	—	(117,302)	—	—	(117,302)	—	(117,302)
Share cancellation	(3,000,000)	(33)	(149,203)	149,236	—	—	—	—	—
Share-based compensation	—	—	69,187	—	—	—	69,187	—	69,187
Ordinary shares issued, net of tax withholdings	—	—	(51,321)	45,413	—	(10,562)	(16,470)	—	(16,470)
Cumulative effect due to adoption of new accounting standard	—	—	—	—	—	(25,778)	(25,778)	—	(25,778)
Total comprehensive income (loss)	—	—	—	—	(61,498)	(298,566)	(360,064)	3,643	(356,421)
<b>Balance as of December 31, 2020</b>	<b>138,847,345</b>	<b>\$ 1,721</b>	<b>\$2,078,125</b>	<b>\$ (459,994)</b>	<b>\$ (155,085)</b>	<b>\$7,399,703</b>	<b>\$8,864,470</b>	<b>\$ 68,016</b>	<b>\$8,932,486</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

## **AerCap Holdings N.V. and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

#### **1. General**

##### **The Company**

AerCap Holdings N.V., together with its subsidiaries (“AerCap,” “we,” “us” or the “Company”), is the global leader in aircraft leasing with 1,330 aircraft owned, managed or on order, and total assets of \$42 billion as of December 31, 2020. Our ordinary shares are listed on the New York Stock Exchange under the ticker symbol AER. Our headquarters is located in Dublin, and we have offices in Shannon, Los Angeles, Singapore, Amsterdam, Shanghai and Abu Dhabi. We also have representative offices at the world’s largest aircraft manufacturers, The Boeing Company (“Boeing”) in Seattle and Airbus S.A.S (“Airbus”) in Toulouse.

The Consolidated Financial Statements presented herein include the accounts of AerCap Holdings N.V. and its subsidiaries. AerCap Holdings N.V. was incorporated in the Netherlands as a public limited liability company (“*naamloze vennootschap*” or “*N.V.*”) on July 10, 2006.

#### **2. Basis of presentation**

##### **General**

Our Consolidated Financial Statements are presented in accordance with Accounting Principles Generally Accepted in the United States of America (“U.S. GAAP”).

We consolidate all companies in which we have direct and indirect legal or effective control and all VIEs for which we are deemed the Primary Beneficiary (“PB”) under Accounting Standards Codification (“ASC”) 810. All intercompany balances and transactions with consolidated subsidiaries are eliminated. The results of consolidated entities are included from the effective date of control or, in the case of VIEs, from the date that we are or become the PB. The results of subsidiaries sold or otherwise deconsolidated are excluded from the date that we cease to control the subsidiary or, in the case of VIEs, when we cease to be the PB.

Our Consolidated Financial Statements are stated in U.S. dollars, which is our functional currency.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

##### **Use of estimates**

The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, intangible assets, investment in finance and sales-type leases, investments, trade receivables and notes receivable, deferred income tax assets and accruals and reserves. Actual results may differ from our estimates under different conditions, sometimes materially.

#### **3. Summary of significant accounting policies**

##### **Cash and cash equivalents**

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less.

##### **Restricted cash**

Restricted cash includes cash held by banks that is subject to withdrawal restrictions. Such amounts are typically restricted under secured debt agreements and can be used only to maintain the aircraft securing the debt and to provide debt service payments of principal and interest.

## **AerCap Holdings N.V. and Subsidiaries**

### **Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

#### **3. Summary of significant accounting policies (Continued)**

##### **Trade receivables**

Trade receivables represent unpaid, current lessee rental obligations under existing lease contracts.

##### **Flight equipment held for operating leases, net**

Flight equipment held for operating leases is stated at cost less accumulated depreciation and impairment. Flight equipment is depreciated to its estimated residual value on a straight-line basis over the useful life of the aircraft, which is generally 25 years from the date of manufacture, or a different period depending on the disposition strategy. The costs of improvements to flight equipment are normally recorded as leasing expenses unless the improvement increases the long-term value of the flight equipment. In that case, the capitalized improvement cost is depreciated over the estimated remaining useful life of the aircraft. The residual value of our flight equipment is generally 15% of estimated industry price, except where more relevant information indicates that a different residual value is more appropriate.

We periodically review the estimated useful lives and residual values of our flight equipment based on our industry knowledge, external factors, such as current market conditions, and changes in our disposition strategies, to determine if they are appropriate, and record adjustments to depreciation rates prospectively on an individual aircraft basis, as necessary.

We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The quantitative impairment test is performed at the lowest level for which identifiable cash flows are largely independent of other groups of assets, which is the individual aircraft, including the lease-related assets and liabilities of that aircraft, such as the maintenance rights assets, lease incentives, and maintenance liabilities (the "Asset Group"). If the sum of the expected undiscounted future cash flows is less than the Asset Group, an impairment loss is recognized. The loss is measured as the excess of the carrying value of the Asset Group over its estimated fair value.

Fair value reflects the present value of future cash flows expected to be generated from the aircraft, including its expected residual value, discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under current market conditions and assume adequate time for a sale between a willing buyer and a willing seller. Expected future lease rates are based on all relevant information available, including current contracted rates for similar aircraft and industry trends.

We perform event-driven impairment assessments of our aircraft held for operating leases each quarter. These quarterly impairment assessments are primarily triggered by potential sale transactions, early terminated leases, credit events impacting lessees or forecasted significant and permanent declines in the demand for aircraft types. On an annual basis, we also perform an assessment of all aircraft held for operating leases to identify potential impairment by reference to estimated future cash flows at the Asset Group level, and perform a quantitative impairment test. We apply significant judgment in assessing whether an impairment is necessary and in estimating significant assumptions including the future lease rates, the residual value and the discount rate when performing quantitative impairment tests.

##### **Capitalization of interest**

We capitalize interest on prepayments of forward order flight equipment and add such amounts to prepayments on flight equipment. The amount of interest capitalized is the amount of interest costs which could have been avoided in the absence of such prepayments.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 3. Summary of significant accounting policies (Continued)

##### Investment in finance and sales-type leases, net

If a lease meets specific criteria under U.S. GAAP, we recognize the lease in investment in finance and sales-type leases, net (“Finance Leases”) in our Consolidated Balance Sheets and de-recognize the aircraft from flight equipment held for operating leases. For sales-type leases, we recognize the difference between the aircraft carrying value and the amount recognized in investment in finance and sales-type leases, net in net gain on sale of assets in our Consolidated Income Statements. The amounts recognized for finance and sales-type leases consist of lease receivables and the estimated unguaranteed residual value of the flight equipment on the lease termination date, less the unearned income and net of the allowance for credit losses. Expected unguaranteed residual values are based on our assessment of the values of the flight equipment and, if applicable, the estimated end of lease payments expected at the expiration of the lease. The unearned income is recognized as lease revenue over the lease term, using the interest method to produce a constant yield over the life of the lease.

##### Definite-lived intangible assets

We recognize intangible assets acquired in a business combination at fair value on the date of acquisition. The rate of amortization of definite-lived intangible assets is calculated based on the period over which we expect to derive economic benefits from such assets.

##### *Maintenance rights and lease premium, net*

Maintenance rights assets are recognized when we acquire aircraft subject to existing leases. These assets represent the contractual right to receive the aircraft in a specified maintenance condition at the end of the lease under lease contracts with EOL payment provisions, or our right to receive the aircraft in better maintenance condition due to our obligation to contribute towards the cost of the maintenance events performed by the lessee either through reimbursement of maintenance deposit rents held under lease contracts with maintenance reserve provisions, or through a lessor contribution to the lessee.

For leases with EOL maintenance provisions, upon lease termination, we recognize receipt of EOL cash compensation as lease revenue to the extent those receipts exceed the EOL maintenance rights asset, and we recognize leasing expenses when the EOL maintenance rights asset exceeds the EOL cash received. For leases with maintenance reserve payment provisions, we recognize maintenance rights expense at the time the lessee submits a reimbursement claim and provides the required documentation related to the cost of a qualifying maintenance event that relates to pre-acquisition usage.

Lease premium assets represent the value of an acquired lease where the contractual rental payments are above the market rate. We amortize the lease premium assets on a straight-line basis over the term of the lease as a reduction of lease revenue.

##### *Other definite-lived intangible assets, net*

Other definite-lived intangible assets primarily consist of customer relationships recorded at fair value on the International Lease Finance Corporation (“ILFC”) Transaction closing date. These intangible assets are amortized over the period during which we expect to derive economic benefits from such assets. The amortization expense is recorded in depreciation and amortization. We evaluate definite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 3. Summary of significant accounting policies (Continued)

##### Other assets

Other assets consist of debt issuance costs, lease incentives, investments, notes receivable, operating lease right-of-use (“ROU”) assets, derivative assets, other tangible fixed assets, straight-line rents, prepaid expenses and other receivables.

##### *Lease incentives*

We capitalize amounts paid or value provided to lessees as lease incentives. We amortize lease incentives on a straight-line basis over the term of the related lease as a reduction of lease revenue.

##### *Investments*

Unconsolidated investments where we do not have a controlling financial interest, but over which we have significant influence, are accounted for using the equity method of accounting. Under the equity method of accounting, we recognize our share of earnings and losses based on our ownership percentage of such investments in equity in net earnings (losses) of investments accounted for under the equity method in our Consolidated Income Statements. The carrying amount of the equity method investment is included in other assets on our Consolidated Balance Sheets. Please refer to Note 9—*Investments* for further details.

Investments for which the equity method would otherwise be required, we may elect to account for our investment at fair value with all changes in fair value recognized in our Consolidated Income Statements. We elected to account for our investment in NAS at fair value. Please refer to Note 9—*Investments* for further details. We initially measured our investment in NAS based on the quoted market price of the NAS shares on the date of acquisition, with an equal and offsetting amount recognized as deferred revenue included in other liabilities on our Consolidated Balance Sheets. Subsequent changes in the NAS investment fair value are recognized in our Consolidated Income Statements, while the deferred revenue amount is accounted for in accordance with our lease revenue recognition policies.

##### *Notes receivable*

Notes receivable arise from the restructuring and deferral of trade receivables from lessees experiencing financial difficulties and as well as amounts advanced in the normal course of operations.

##### *Derivative financial instruments*

We use derivative financial instruments to manage our exposure to interest rate risks. We recognize derivatives in our Consolidated Balance Sheets at fair value.

When cash flow hedge accounting treatment is applied, the changes in fair values related to the effective portion of the derivatives are recorded in accumulated other comprehensive income (loss) (“AOCI”), and the ineffective portion is recognized immediately in interest expense. Amounts reflected in AOCI related to the effective portion are reclassified into interest expense in the same period or periods during which the hedged transaction affects interest expense.

We discontinue hedge accounting prospectively when (i) we determine that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; (ii) the derivative expires or is sold, terminated, or exercised; or (iii) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we recognize the changes in the fair value in current-period earnings. The remaining balance in AOCI at the time we discontinue hedge accounting is not recognized in our Consolidated Income Statements unless it is probable that the forecasted cash flows will not occur. Such amounts are recognized in interest expense when the hedged transaction affects interest expense.

When cash flow hedge accounting treatment is not applied, the changes in fair values related to interest rate-related derivatives between periods are recognized in interest expense in our Consolidated Income Statements.

Net cash received or paid under derivative contracts is classified as operating cash flows in our Consolidated Statements of Cash Flows.



## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 3. Summary of significant accounting policies (Continued)

##### *Other tangible fixed assets*

Other tangible fixed assets consist primarily of leasehold improvements, computer equipment and office furniture, and are recorded at historical acquisition cost and depreciated at various rates over the asset's estimated useful life on a straight-line basis. Depreciation expense on other tangible fixed assets is recorded in depreciation and amortization in our Consolidated Income Statements.

##### **Fair value measurements**

Fair value is defined as the amount 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. We measure the fair value of our derivatives and our NAS investment on a recurring basis and measure the fair value of flight equipment, goodwill and definite-lived intangible assets on a non-recurring basis. See Note 28—*Fair value measurements*.

##### **Income taxes**

We recognize an uncertain tax benefit only to the extent that it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

##### **Deferred income tax assets and liabilities**

We report deferred income taxes resulting from the temporary differences between the book values and the tax values of assets and liabilities using the liability method. The differences are calculated at nominal value using the enacted tax rate applicable at the time the temporary difference is expected to reverse. Deferred income tax assets attributable to unutilized losses carried forward or other timing differences are reduced by a valuation allowance if it is more likely than not that such losses will not be utilized to offset future taxable income.

##### **Accrued maintenance liability**

We use the expense as incurred model for planned major maintenance. Under this method, the estimated maintenance costs are expensed in the period incurred. In many instances, there is a short-term timing difference between when we incur the expense and the actual payment of this liability to the third-party maintenance provider. When these timing differences occur, we recognize an expense and accrue the corresponding liability in the Accrued maintenance liability line item on our Consolidated Balance Sheets.

When we lease a used aircraft, the maintenance condition of the aircraft generally will be less than 100% as a result of maintenance life usage by the prior lessee. For the next lessee of the used aircraft, we generally agree to reimburse the cost of the maintenance usage from the prior lessee, if and when the next lessee performs a qualifying maintenance event. These additional payments to our lessees related to prior lessee maintenance usage are generally referred to as "top-up" or lessor contribution payments and are expensed in the period incurred. These payments are in addition to our reimbursements of supplemental maintenance rents received from the current lessee during the lease period based on utilization.

In cases of a lessor contribution, where an aircraft is subject to lease, we consider the maintenance event to be incurred when the maintenance event is completed by the lessee and we confirm that the maintenance event qualifies for reimbursement under the lease provisions. In cases where the aircraft is not subject to lease and we are directing the maintenance activity, we consider the maintenance to be incurred over the period the maintenance activity is performed.

For all lease contracts acquired as part of the purchase by AerCap and AerCap Ireland Limited, a wholly-owned subsidiary of AerCap, of 100% of ILFC's common stock from AIG on May 14, 2014 ("ILFC Transaction"), we determined the fair value of our maintenance liability, including lessor maintenance contributions, using the present value of the expected cash outflows. The discounted amounts are accreted in subsequent periods to their respective nominal values up until the expected maintenance event dates using the effective interest method. The accretion amounts are recorded as increases to interest expense in our Consolidated Income Statements.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 3. Summary of significant accounting policies (Continued)

##### Debt and deferred debt issuance costs

Long-term debt is carried at the principal amount borrowed, including unamortized discounts and premiums, fair value adjustments and debt issuance costs, where applicable. The fair value adjustments reflect the application of the acquisition method of accounting to the debt assumed as part of the ILFC Transaction. We amortize the amount of discounts, premiums and fair value adjustments over the period the debt is outstanding using the effective interest method. The costs we incur for issuing debt are capitalized and amortized as an increase to interest expense over the life of the debt using the effective interest method.

Debt issuance costs related to our line-of-credit arrangements are presented within other assets.

##### Revenue recognition

We lease flight equipment principally under operating leases and recognize basic lease rents income on a straight-line basis over the life of the lease. At lease inception, we review all necessary criteria to determine proper lease classification. We account for lease agreements that include uneven rental payments on a straight-line basis. The amount of the difference between basic lease rents recognized and cash received is included in other assets, or in the event it is a liability, in accounts payable, accrued expenses and other liabilities.

Lease agreements where rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate that existed at the commencement of the lease. Increases or decreases in lease payments that result from subsequent changes in the floating interest rate are considered contingent rentals and are recorded as increases or decreases in lease revenue in the period of the interest rate change.

Our lease contracts normally include default covenants, which generally obligate the lessee to pay us damages to put us in the position we would have been in had the lessee performed under the lease in full. There are no additional payments required which would increase the minimum lease payments.

We periodically evaluate the collectability of our operating lease contracts to determine the appropriate revenue recognition and measurement model to apply to each lessee. Accrual-based revenue recognition ceases on an operating lease contract when the collection of the rental payments is no longer probable and thereafter rental revenues are recognized using a cash receipts basis ("Cash Accounting"). In the period when collection of lease payments is no longer probable, any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, is recognized as a current period adjustment to lease revenue. Subsequently, revenues are recognized based on the lesser of the straight-line rental income or the lease payments collected from the lessee until such time that collection is probable. We apply significant judgment in assessing at each reporting date whether operating rental payments are probable of collection by reference to the credit status of the each lessee, including lessees in bankruptcy-type arrangements, the extent of overdue balances and other relevant factors. During the year ended December 31, 2020, we recognized a decrease in basic lease rents of \$310.6 million due to the application of Cash Accounting.

Revenue from investment in finance and sales-type leases is recognized using the interest method to produce a constant yield over the life of the lease and is included in basic lease rents.

Most of our lease contracts require rental payments in advance. Rental payments received but unearned are recorded as deferred revenue in our Consolidated Balance Sheets.

Under our aircraft leases, the lessee is responsible for maintenance, repairs and other operating expenses during the term of the lease. Under the provisions of many of our leases, the lessee is required to make payments of supplemental maintenance rents which are calculated with reference to the utilization of the airframe, engines and other major life-limited components during the lease. We record as lease revenue all supplemental maintenance rent receipts not expected to be reimbursed to the lessee. We estimate the total amount of maintenance reimbursements for the lease term and only record maintenance revenue after we have received sufficient maintenance rents to cover the total amount of estimated maintenance reimbursements during the remaining lease term.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 3. Summary of significant accounting policies (Continued)

In most lease contracts not requiring the payment of supplemental maintenance rents, and to the extent that the aircraft is redelivered in a different condition than at acceptance, we generally receive EOL cash compensation for the difference at redelivery. Upon lease termination, we recognize receipt of EOL cash compensation as lease revenue to the extent those receipts exceed the EOL maintenance rights asset, and we recognize leasing expenses when the EOL maintenance rights asset exceeds the EOL cash received.

The accrued maintenance liability existing at lease termination is recognized as lease revenue net of the MR contract maintenance rights asset. When flight equipment is sold, the portion of the accrued maintenance liability not specifically assigned to the buyer is released net of any maintenance rights asset balance and is included in net gain on sale of assets.

Other income consists of interest revenue, management fee revenue, lease termination fees, insurance proceeds, and income related to other miscellaneous activities. Interest revenue from secured loans, notes receivable and other interest-bearing instruments is recognized using the effective yield method as interest accrues under the associated contracts. Management fee revenue is recognized as income as it accrues over the life of the contract. Income from the receipt of lease termination penalties is recorded at the time cash is received or when the lease is terminated, if revenue recognition criteria are met.

#### Net gain on sales of aircraft

We sell aircraft in the normal course of our operations to manage our fleet and to realize the residual value of the aircraft at the end of their economic lives. These sales may include aircraft on lease to airlines as well as aircraft that are not on lease. In some cases, the terms and conditions of aircraft sale transactions may include continuing equity or debt investments in the aircraft, post-sale performance guarantees of aircraft cash flows or servicing arrangements. The presence of any of these terms and conditions requires us to determine whether control of the underlying aircraft has been transferred to the buyer, and whether we no longer have significant ownership risk in the aircraft, both of which are required for a sale and resulting gain or loss to be recognized.

#### Allowance for credit losses

We are exposed to credit losses on our investment in finance and sales-type leases, net and notes receivable related to the rescheduled operating lease payment amounts or the sale of aircraft, which are included as notes receivable in other assets. Our investment in finance and sales-type leases, net and notes receivable credit exposure reflects the risk that our customers fail to meet their payment obligations and the risk that the aircraft value in a finance and sales-type lease is less than the unguaranteed residual value.

We estimate the expected risk of loss over the remaining life using a probability of default and net exposure analysis. The probability of default is estimated based on historical cumulative default data, adjusted for current conditions of similarly risk-rated counterparties over the contractual term. The net exposure is estimated based on the exposure, net of the estimated aircraft value in the instance of an investment in finance and sales-type leases, net, and other cash collateral, including security deposits and maintenance-related deposits, over the contractual term.

Current expected credit loss provisions are classified as leasing expenses in our Consolidated Income Statements, with a corresponding allowance for credit loss amount reported as a reduction in the carrying amount of the related investment in finance and sales-type leases, net and notes receivable balance sheet amount. A write-off is when all or part of the investment in finance and sales-type leases, net or notes receivable asset is deemed uncollectable. Write-offs are charged against previously established allowances for credit losses. Partial or full recoveries of amounts previously written off are generally recognized as a reduction in the provision for credit losses. Please refer to Note 23—*Allowance for credit losses* for further details.

#### Share-based compensation

Employees may receive AerCap share-based awards, consisting of restricted stock units or restricted stock. Share-based compensation expense is determined by reference to the fair value of the restricted stock units or restricted stock on the grant date and is recognized on a straight-line basis over the requisite service period. Share-based compensation expense is classified in selling, general and administrative expenses.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 3. Summary of significant accounting policies (Continued)

##### Foreign currency

Foreign currency transactions are translated into U.S. dollars at the exchange rate prevailing at the time of the transaction. Receivables or payables denominated in foreign currencies are remeasured into U.S. dollars at the exchange rate prevailing at the balance sheet date. All resulting exchange gains and losses are recorded in selling, general and administrative expenses in our Consolidated Income Statements. Foreign currency exchange gains or losses on our investment at fair value are recorded in loss on investment at fair value in our Consolidated Income Statements.

##### Variable interest entities

We consolidate VIEs in which we have determined that we are the PB. We use judgment when determining (i) whether an entity is a variable interest entity (“VIE”); (ii) who are the variable interest holders; (iii) the elements and degree of control that each variable interest holder has; and (iv) ultimately which party is the PB. When determining which party is the PB, we perform an analysis which considers (i) the design of the VIE; (ii) the capital structure of the VIE; (iii) the contractual relationships between the variable interest holders; (iv) the nature of the VIE’s operations; and (v) the purposes and interests of all parties involved, including related parties. While we consider these factors, our conclusion about whether to consolidate ultimately depends on the breadth of our decision-making ability and our ability to influence activities that significantly affect the economic performance of the VIE. We continually re-evaluate whether we are the PB for VIEs in which we hold a variable interest.

##### Earnings per share

Basic Earnings (Loss) Per Share (“EPS”) is computed by dividing income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For the purposes of calculating diluted EPS, the denominator includes both the weighted average number of ordinary shares outstanding during the period and the weighted average number of potentially dilutive ordinary shares, such as restricted stock units, restricted stock and stock options. In a period where a net loss is recognized, the denominator of the dilutive EPS calculation does not include potentially dilutive ordinary shares.

##### Reportable segments

We manage our business and analyze and report our results of operations on the basis of one business segment: leasing, financing, sales and management of commercial aircraft and engines.

##### Recent accounting standards adopted during the year ended December 31, 2020:

###### *Allowance for credit losses*

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2016-13, Financial Instruments-Credit Losses (“ASC 326”). ASC 326 replaced the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (“CECL”) methodology. The CECL methodology utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for most financial assets measured at amortized cost and certain other instruments, including loan and other receivables and investment in finance and sales-type leases, net. Our investment in finance and sales-type leases, net and notes receivable are the primary financial assets within the scope of ASC 326. Our trade receivables related to aircraft operating leases are not within the scope of ASC 326.

On January 1, 2020, we adopted ASC 326 under a modified retrospective approach. The cumulative effect of measuring the allowance for credit losses under the CECL methodology, as a result of adopting ASC 326 on January 1, 2020, was an increase to the allowance for credit losses of \$30.3 million and a decrease to retained earnings of \$25.8 million, net of tax. Results for reporting periods after January 1, 2020 are presented under ASC 326, while prior period amounts continue to be reported in accordance with the previously applicable U.S. GAAP methodology.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 3. Summary of significant accounting policies (Continued)

##### *Accounting for lease concessions related to the effects of the Covid-19 pandemic*

In April 2020, the FASB issued an interpretive guidance Staff Q&A Accounting for lease concessions related to the effects of the Covid-19 pandemic (the “Q&A”). The Q&A is applicable to companies whose leases are affected by the economic disruptions caused by the Covid-19 pandemic. The Q&A provides that a company may elect to account for lease concessions as though those concessions existed regardless of whether the enforceable rights and obligations for the concessions explicitly exist in the contract. As a result, an entity is not required to analyze each contract to determine whether enforceable rights and obligations for concessions exist in the contract and can elect to apply or not apply the lease modification guidance in ASC 842, Leases, to those contracts. This election is available for concessions that result in the total payments required by the modified contract being substantially the same as or less than the total payments required by the original contract.

Effective beginning in the period ended March 31, 2020, we have elected to account for lease concessions related to the effects of the Covid-19 pandemic consistently with how those concessions would be accounted for under ASC 842 as though enforceable rights and obligations for those concessions existed (regardless of whether those enforceable rights and obligations for the concessions explicitly exist in the contract). This election is available for concessions related to the effects of the Covid-19 pandemic that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee.

##### *Simplifying the Test for Goodwill Impairment*

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). ASU 2017-04 simplified the subsequent measurement of goodwill by eliminating the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value. The standard also clarified the treatment of the income tax effect of tax-deductible goodwill when measuring goodwill impairment loss. This standard is effective for annual or any interim goodwill impairment test in fiscal years beginning after December 15, 2019. We adopted ASU 2017-04 on January 1, 2020 and it did not have an impact on our Consolidated Financial Statements.

We recognized goodwill in connection with our acquisition of ILFC. Goodwill is not amortized, but is tested at least annually, as of December 31 of each year, for impairment. During the year ended December 31, 2020, we recognized impairment charges related to goodwill. Please refer to Note 22—*Asset Impairment* for further details.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**3. Summary of significant accounting policies (Continued)**

**Future application of accounting standards:**

***Reference Rate Reform***

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASC 848”). ASC 848 provided temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to reduce the financial reporting burden in light of the market transition from London Interbank Offered Rates (“LIBOR”) and other reference interest rates to alternative reference rates.

Under ASC 848, companies can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform if certain criteria are met. An entity that makes this election would not be required to remeasure the contracts at the modification date or reassess a previous accounting determination. The amendments of ASC 848 apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in ASU 2020-04 are effective from March 12, 2020 through December 31, 2022 and can be adopted prospectively for any interim period that includes or is subsequent to March 12, 2020. We have not adopted ASC 848 for this annual period and are currently evaluating the impact that adopting the standard may have on our financial statements.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**4. Cash, cash equivalents and restricted cash**

Our restricted cash balance was \$246.5 million and \$179.0 million as of December 31, 2020 and 2019, respectively, and was primarily related to our Export Credit Agency (“ECA”) financings, Export-Import Bank of the United States (“Ex-Im”) financings, our AerFunding revolving credit facility, Brazilian Development Bank (“BNDES”) and other debt. See Note 13—*Debt*.

The following is a summary of our cash, cash equivalents and restricted cash as of December 31, 2020 and 2019:

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 1,248,772	\$ 1,121,396
Restricted cash	246,518	178,951
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 1,495,290</b>	<b>\$ 1,300,347</b>

**5. Flight equipment held for operating leases, net**

Movements in flight equipment held for operating leases during the years ended December 31, 2020 and 2019 were as follows:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net book value at beginning of period	\$ 35,870,781	\$ 35,052,335
Additions	2,108,539	4,621,821
Depreciation	(1,620,185)	(1,650,450)
Disposals and transfers to held for sale	(169,503)	(1,940,133)
Transfers to investment in finance and sales-type leases, net/other assets	(46,623)	(143,409)
Impairment (Note 22)	(986,559)	(69,383)
<b>Net book value at end of period</b>	<b>\$ 35,156,450</b>	<b>\$ 35,870,781</b>
Accumulated depreciation and impairment as of December 31, 2020 and 2019, respectively	\$ (9,825,647)	\$ (7,526,636)

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**6. Investment in finance and sales-type leases, net**

Components of investment in finance and sales-type leases, net as of December 31, 2020 and 2019 were as follows:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2019</u>
Future minimum lease payments to be received	\$ 608,950	\$ 715,085
Estimated residual values of leased flight equipment	589,872	577,353
Less: Unearned income	(260,708)	(280,889)
Allowance for credit losses (Note 23)	(59,663)	—
	<u><b>\$ 878,451</b></u>	<u><b>\$ 1,011,549</b></u>

As of December 31, 2020, the cash flows receivable, including the estimated residual value at lease termination, from finance and sales-type leases were as follows:

	<u>Cash flows receivable</u>
2021	\$ 145,512
2022	207,102
2023	140,188
2024	113,698
2025	141,267
Thereafter	451,055
Undiscounted cash flows receivable	<u><b>\$ 1,198,822</b></u>
Less: Unearned income	(260,708)
Allowance for credit losses	(59,663)
	<u><b>\$ 878,451</b></u>

During the year ended December 31, 2019, we recognized impairment charges of \$22.0 million related to our finance and sales-type leases where we do not expect to recover the finance lease balances. Impairment charges on our finance and sales-type leases are included in leasing expenses in the Consolidated Income Statement.

During the year ended December 31, 2020 and 2019, we recognized interest income from investment in finance and sales-type leases, net of \$54.1 million and \$60.0 million, respectively, included in basic lease rents.



**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**7. Intangibles**

**Maintenance rights and lease premium, net**

Maintenance rights and lease premium, net consisted of the following as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
Maintenance rights	\$ 642,825	\$ 794,798
Lease premium, net	7,089	14,817
	<b>\$ 649,914</b>	<b>\$ 809,615</b>

Movements in maintenance rights during the years ended December 31, 2020 and 2019 were as follows:

	Year Ended December 31,	
	2020	2019
Maintenance rights at beginning of period	\$ 794,798	\$ 1,088,246
EOL and MR contract maintenance rights expense	(45,655)	(76,611)
MR contract maintenance rights write-off due to maintenance liability release	(35,897)	(19,848)
EOL contract maintenance rights write-off due to cash receipt	(51,463)	(148,289)
EOL and MR contract maintenance rights write-off due to sale of aircraft and impairment	(18,958)	(48,700)
<b>Maintenance rights at end of period</b>	<b>\$ 642,825</b>	<b>\$ 794,798</b>

**Other intangibles**

Other intangibles consisted of the following as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
Goodwill (Note 22)	\$ —	\$ 58,094
Customer relationships, net	219,589	240,765
Contractual vendor intangible assets	5,045	8,535
	<b>\$ 224,634</b>	<b>\$ 307,394</b>

The following tables present details of customer relationships and related accumulated amortization as of December 31, 2020 and 2019:

	As of December 31, 2020		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	\$ 360,000	\$ (140,411)	\$ 219,589

	As of December 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	\$ 360,000	\$ (119,235)	\$ 240,765

During the years ended December 31, 2020, 2019 and 2018, we recorded annual amortization expense for customer relationships of \$21.2 million.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**8. Other assets**

Other assets consisted of the following as of December 31, 2020 and 2019:

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
Notes receivable, net of allowance for credit losses (a) (b)	\$ 529,172	\$ 87,745
Lease incentives	177,028	239,607
Investments (Note 9)	138,065	123,279
Straight-line rents, prepaid expenses and other	125,541	98,443
Operating lease ROU assets (Note 15)	40,603	43,668
Other tangible fixed assets	22,512	26,018
Debt issuance costs	20,722	26,393
Derivative assets (Note 10)	3,303	11,664
Other receivables	172,488	358,659
	<b><u>\$ 1,229,434</u></b>	<b><u>\$ 1,015,476</u></b>

- (a) Notes receivable as of December 31, 2020 and 2019 included \$490 million and \$49 million, respectively, related to agreements we have executed with customers to reschedule certain lease payments under our leases that are due at the reporting dates. Notes receivable as of December 31, 2020 and 2019 also included \$39 million related to aircraft sale transactions.
- (b) As of December 31, 2020, we had a \$7 million allowance for credit losses on notes receivable. As of December 31, 2019, we did not have an allowance for credit losses on notes receivables. Please refer to Note 23—*Allowance for credit losses* for further details.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 9. Investments

##### Investment, at fair value

We participated in the NAS recapitalization completed on May 20, 2020, which included providing certain concessions related to our operating leases with NAS in exchange for NAS ordinary shares and perpetual bonds that are convertible into NAS ordinary shares on a one-for-one basis (the “NAS Investment”).

We have elected to account for our NAS Investment using the fair value option, whereby the changes in fair value are recognized as a gain or loss in our Consolidated Income Statement.

In November and December 2020, we converted all of our perpetual bonds into NAS ordinary shares and sold approximately 83% of our total NAS ordinary shares. As of December 31, 2020, we held NAS ordinary shares representing approximately 3% of the share capital of NAS with a fair value of \$12.1 million based on the quoted market price. We recognized a loss on investment of \$143.5 million in our Consolidated Income Statements for the year ended December 31, 2020. In January 2021, we sold all of our remaining NAS ordinary shares.

##### Other investments

Investments accounted for under the equity method of accounting consisted of the following as of December 31, 2020 and 2019:

	% Ownership as of December 31, 2020	As of December 31,	
		2020	2019
AerDragon	16.7	72,861	68,673
AerLift	39.3	31,681	35,188
ACSAL	19.4	18,112	16,118
		<b>\$ 122,654</b>	<b>\$ 119,979</b>

Our share of undistributed earnings of investments in which our ownership interest is less than 50% was \$42.1 million and \$39.4 million as of December 31, 2020 and 2019, respectively.

We also have an investment in Peregrine Aviation Company and its subsidiaries (“Peregrine”) of \$3.3 million as of December 31, 2020 and 2019, which is accounted for in accordance with the cost method of accounting. Please refer to Note 25 — *Variable interest entities* for further details.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**10. Derivative financial instruments**

We have entered into interest rate derivatives to hedge the current and future interest rate payments on our variable rate debt. These derivative financial instruments can include interest rate swaps, caps, floors, options and forward contracts.

As of December 31, 2020, we had interest rate caps and swaps outstanding, with underlying variable benchmark interest rates ranging from one to six-month U.S. dollar LIBOR.

Some of our agreements with derivative counterparties require a two-way cash collateralization of derivative fair values. As of December 31, 2020 and 2019, we had cash collateral of \$0.1 million and \$0.6 million, respectively, from various counterparties and the obligation to return such collateral was recorded in accounts payable, accrued expenses and other liabilities. We had not advanced any cash collateral to counterparties as of December 31, 2020 or 2019.

The counterparties to our interest rate derivatives are primarily major international financial institutions. We continually monitor our positions and the credit ratings of the counterparties involved and limit the amount of credit exposure to any one party. We could be exposed to potential losses due to the credit risk of non-performance by these counterparties. We have not experienced any losses to date.

Our derivative assets are recorded in other assets and our derivative liabilities are recorded in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets.

The following tables present notional amounts and fair values of derivatives outstanding as of December 31, 2020 and 2019:

	As of December 31,			
	2020		2019	
	Notional amount (a)	Fair value	Notional amount (a)	Fair value
Derivative assets not designated as accounting hedges:				
Interest rate caps	\$ 3,022,000	\$ 2,790	\$ 2,442,000	\$ 3,727
Derivative assets designated as accounting cash flow hedges:				
Interest rate swaps	\$ —	\$ —	\$ 488,616	\$ 1,578
Interest rate caps	475,000	513	400,000	6,359
<b>Total derivative assets</b>		<b>\$ 3,303</b>		<b>\$ 11,664</b>

(a) The notional amount is excluded for caps and swaps which are not yet effective.

	As of December 31,			
	2020		2019	
	Notional amount (a)	Fair value	Notional amount (a)	Fair value
Derivative liabilities not designated as accounting cash flow hedges:				
Interest rate swaps	\$ 400,000	\$ 14,933	\$ —	\$ —
Derivative liabilities designated as accounting cash flow hedges:				
Interest rate swaps	\$ 3,331,000	\$ 152,370	\$ 3,776,000	\$ 97,066
<b>Total derivative liabilities</b>		<b>\$ 167,303</b>		<b>\$ 97,066</b>

(a) The notional amount is excluded for swaps which are not yet effective.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**10. Derivative financial instruments (Continued)**

We recorded the following in other comprehensive loss related to derivative financial instruments for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
<b>Gain (Loss)</b>			
Effective portion of change in fair market value of derivatives designated as accounting cash flow hedges:			
Interest rate swaps	\$ (62,967)	\$ (102,725)	\$ (16,639)
Interest rate caps	(5,846)	(38)	—
Derivative premium and amortization	1,597	—	—
Income tax effect	8,402	12,845	2,080
<b>Net loss on derivatives, net of tax</b>	<b>\$ (58,814)</b>	<b>\$ (89,918)</b>	<b>\$ (14,559)</b>

We expect to reclassify approximately \$66 million from AOCI as an increase in interest expense in our Consolidated Income Statements over the next 12 months.

The following table presents the effect of derivatives recorded as reductions to or (increases) in interest expense in our Consolidated Income Statements for the years ended December 31, 2020, 2019 and 2018.

	Year Ended December 31,		
	2020	2019	2018
<b>Gain (Loss)</b>			
Derivatives not designated as accounting hedges:			
Interest rate caps and swaps	\$ (14,369)	\$ (29,714)	\$ 5,158
Reclassification to Consolidated Income Statements:			
Reclassification of amounts previously recorded in AOCI	(53,539)	3,381	6,874
<b>Gain (loss) recognized in interest expense</b>	<b>\$ (67,908)</b>	<b>\$ (26,333)</b>	<b>\$ 12,032</b>

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**11. Accounts payable, accrued expenses and other liabilities**

Accounts payable, accrued expenses and other liabilities consisted of the following as of December 31, 2020 and 2019:

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
Deferred revenue	\$ 399,820	\$ 389,958
Accrued interest	270,576	255,369
Accounts payable and accrued expenses	222,203	239,086
Derivative liabilities (Note 10)	167,303	97,066
Operating lease liabilities (Note 15)	49,423	51,144
	<b><u>\$ 1,109,325</u></b>	<b><u>\$ 1,032,623</u></b>

**12. Accrued maintenance liability**

Movements in accrued maintenance liability during the years ended December 31, 2020 and 2019 were as follows:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accrued maintenance liability at beginning of period	\$ 2,190,159	\$ 2,237,494
Maintenance payments received	345,699	736,423
Maintenance payments returned	(412,492)	(352,032)
Release to income upon sale	(95,042)	(249,187)
Release to income other than upon sale	(344,210)	(207,849)
Lessor contribution, top ups and other	66,281	25,310
<b>Accrued maintenance liability at end of period</b>	<b><u>\$ 1,750,395</u></b>	<b><u>\$ 2,190,159</u></b>

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**13. Debt**

As of December 31, 2020, the principal amount of our outstanding indebtedness totaled \$28.9 billion, which excluded fair value adjustments of \$19.7 million and debt issuance costs, debt discounts and debt premium of \$192.8 million, and our undrawn lines of credit and other available secured debt were \$5.6 billion, availability of which is subject to certain conditions, including compliance with certain financial covenants. As of December 31, 2020, we remained in compliance with the financial covenants across our various debt agreements.

The following table provides a summary of our indebtedness as of December 31, 2020 and 2019:

	As of December 31,						
	2020						2019
Debt obligation	Collateral (number of aircraft)	Commitment	Undrawn amounts	Amount outstanding	Weighted average interest rate (a)	Maturity	Amount outstanding
<b>Unsecured</b>							
ILFC Legacy Notes		\$ 1,198,888	\$ —	\$ 1,198,888	6.36%	2021-2022	\$ 2,900,000
AerCap Trust (c) & AICDC (d) Notes		12,797,126	—	12,797,126	4.27%	2021-2028	12,500,000
Asia Revolving Credit Facility		950,000	950,000	—	—	2022	—
Citi Revolving Credit Facility		4,000,000	4,000,000	—	—	2024	—
Other unsecured debt		1,759,000	—	1,759,000	1.92%	2021-2023	2,024,000
<i>Fair value adjustment</i>				21,716			99,093
<b>TOTAL UNSECURED</b>		<b>\$20,705,014</b>	<b>\$4,950,000</b>	<b>\$ 15,776,730</b>			<b>\$17,523,093</b>
<b>Secured</b>							
Export credit facilities	25	1,299,325	275,413	1,023,912	2.01%	2023-2032	565,312
Institutional secured term loans & secured portfolio loans	183	7,052,633	63,000	6,989,633	2.64%	2022-2032	7,303,496
AerFunding Revolving Credit Facility	53	2,075,000	119	2,074,881	2.90%	2025	875,145
Other secured debt (b)	24	1,106,045	327,772	778,273	3.17%	2021-2038	1,062,756
<i>Fair value adjustment</i>				(1,827)			(2,835)
<b>TOTAL SECURED</b>		<b>\$11,533,003</b>	<b>\$ 666,304</b>	<b>\$ 10,864,872</b>			<b>\$ 9,803,874</b>
<b>Subordinated</b>							
Subordinated notes		2,250,000	—	2,250,000	4.88%	2045-2079	2,250,000
Subordinated debt issued by joint ventures		43,521	—	43,521	—	2021-2023	47,521
<i>Fair value adjustment</i>				(219)			(222)
<b>TOTAL SUBORDINATED</b>		<b>\$ 2,293,521</b>	<b>\$ —</b>	<b>\$ 2,293,302</b>			<b>\$ 2,297,299</b>
Debt issuance costs, debt discounts and debt premium				(192,823)			(138,135)
	<b>285</b>	<b>\$34,531,538</b>	<b>\$5,616,304</b>	<b>\$ 28,742,081</b>			<b>\$29,486,131</b>

- (a) The weighted average interest rate for our floating rate debt is calculated based on the applicable U.S. dollar LIBOR rate as of the most recent interest payment date of the respective debt, and excludes the impact of related derivative financial instruments which we hold to hedge our exposure to floating interest rates, as well as any amortization of debt issuance costs, debt discounts and debt premium. The institutional secured term loans and secured portfolio loans also contain base rate interest alternatives.
- (b) In addition to the 24 aircraft, 60 engines are pledged as collateral.
- (c) AerCap Global Aviation Trust, a Delaware Statutory Trust (“AerCap Trust”)
- (d) AerCap Ireland Capital Designated Activity Company, a designated activity company with limited liability incorporated under the laws of Ireland (“AICDC”)

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**13. Debt (Continued)**

As of December 31, 2020, all debt was issued or guaranteed by AerCap with the exception of the AerFunding Revolving Credit Facility, and the Glide Funding term loan facility.

Maturities of our debt financings (excluding fair value adjustments, debt issuance costs, debt discounts and debt premium) as of December 31, 2020 were as follows:

	<b>Maturities of debt financing (a)</b>
2021	\$ 2,373,410
2022	4,802,146
2023	5,143,315
2024	4,265,320
2025	5,857,331
Thereafter	6,473,712
	<b>\$ 28,915,234</b>

(a) For further detail on debt maturities, please refer to “Item 5. Operating and Financial Review and Prospects—Contractual obligations”.

During the years ended December 31, 2020, 2019 and 2018, we amortized as interest expense debt issuance costs, debt discounts and debt premium of \$57.2 million, \$69.5 million and \$64.2 million, respectively.

**ILFC Legacy Notes**

The following table provides a summary of the outstanding senior unsecured notes issued by ILFC prior to the ILFC Transaction (the “ILFC Legacy Notes”) as of December 31, 2020:

	<b>Maturities of ILFC Legacy Notes</b>
2021	\$ 164,614
2022	1,034,274
	<b>\$ 1,198,888</b>

All of the ILFC Legacy Notes bear interest at fixed rates ranging from 4.625% to 8.625% and are not subject to redemption prior to their stated maturity, and there are no sinking fund requirements.

Upon consummation of the ILFC Transaction, AerCap Trust became the successor issuer under the ILFC Legacy Notes indentures. ILFC also agreed to continue to be co-obligor. In addition, AerCap Holdings N.V. and certain of its subsidiaries became guarantors of the ILFC Legacy Notes.

The indentures governing the ILFC Legacy Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries’, ability to incur liens on assets and to consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets. The indentures also provide for customary events of default, including, but not limited to, the failure to pay scheduled principal and interest payments on the ILFC Legacy Notes, the failure to comply with covenants and agreements specified in the indentures, the acceleration of certain other indebtedness resulting from non-payment of that indebtedness and certain events of insolvency. If any event of default occurs, any amount then outstanding under the indentures may immediately become due and payable.



**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**13. Debt (Continued)**

In July 2020, AerCap Trust commenced offers to purchase for cash, for its own account as successor to ILFC, or for its own account and on behalf of AICDC, as applicable, any and all of certain series of outstanding ILFC Legacy Notes and AerCap Trust & AICDC Notes (the “July Tender Offer”). Pursuant to the July Tender Offer, AerCap Trust repurchased and retired (i) \$742.1 million aggregate principal amount of 8.25% Senior Notes due 2020, (ii) \$365.7 million aggregate principal amount of 8.625% Senior Notes due 2022 and (iii) \$334.5 million aggregate principal amount of 4.625% Senior Notes due 2021 for aggregate total consideration of approximately \$1.5 billion. In each case, such notes were originally issued by ILFC and assumed by AerCap Trust.

**AerCap Trust & AICDC Notes**

From time to time, AerCap Trust and AICDC have co-issued additional senior unsecured notes (the “AGAT/AICDC Notes”).

The following table provides a summary of the outstanding AGAT/AICDC Notes as of December 31, 2020:

	<b>Maturities of AGAT/ AICDC Notes</b>
2021	\$ 1,131,426
2022	1,365,700
2023	2,450,000
2024	2,550,000
2025	2,650,000
Thereafter	2,650,000
	<b><u>\$ 12,797,126</u></b>

All of the AGAT/AICDC Notes bear interest at fixed rates ranging from 2.875% to 6.5%.

The AGAT/AICDC Notes are jointly and severally and fully and unconditionally guaranteed by AerCap Holdings N.V. and by AerCap Ireland Limited (“AerCap Ireland”), AerCap Aviation Solutions B.V., ILFC and AerCap U.S. Global Aviation LLC. Except as described below, the AGAT/AICDC Notes are not subject to redemption prior to their stated maturity and there are no sinking fund requirements. We may redeem each series of the AGAT/AICDC Notes in whole or in part, at any time, at a price equal to 100% of the aggregate principal amount plus the applicable “make-whole” premium plus accrued and unpaid interest, if any, to the redemption date.

The indentures governing the AGAT/AICDC Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries’, ability to incur liens on assets and to consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets. The indentures also provide for customary events of default, including, but not limited to, the failure to pay scheduled principal and interest payments on the AGAT/AICDC Notes, the failure to comply with covenants and agreements specified in the indentures, the acceleration of certain other indebtedness resulting from non-payment of that indebtedness and certain events of insolvency. If any event of default occurs, any amount then outstanding under the indentures may immediately become due and payable.

In June 2020, AerCap Trust and AICDC completed the redemption of all \$500.0 million outstanding aggregate principal amount of their 4.250% Senior Notes due 2020.

In June 2020, AerCap Trust and AICDC co-issued \$1.25 billion aggregate principal amount of 6.5% Senior Notes due 2025 (the “June Notes Offering”). In July 2020, AerCap Trust and AICDC co-issued \$1.25 billion aggregate principal amount of 4.5% Senior Notes due 2023 (the “July Notes Offering”). The proceeds from the June Notes Offering and the July Notes Offering were used for general corporate purposes.

In August 2020, AerCap Trust and AICDC completed the redemption of all \$999.0 million outstanding aggregate principal amount of their 4.625% Senior Notes due 2020.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 13. Debt (Continued)

In September 2020, AerCap Trust commenced offers to purchase for cash, for its own account and on behalf of AICDC, certain series of AerCap Trust & AICDC Notes (the “October Tender Offer”). Pursuant to the October Tender Offer, AerCap Trust repurchased and retired (i) \$556.0 million aggregate principal amount of 4.5% Senior Notes due 2021, (ii) \$513.7 million aggregate principal amount of 5.0% Senior Notes due 2021 and (iii) \$398.9 million aggregate principal amount of 4.45% Senior Notes due 2021 for an aggregate total consideration of approximately \$1.5 billion.

In September 2020, AerCap Trust and AICDC co-issued \$900.0 million aggregate principal amount of 3.15% Senior Notes due 2024 and \$600.0 million aggregate principal amount of 4.625% Senior Notes due 2027 (the “September Notes Offering”). The proceeds from the September Notes Offering were used to fund the October Tender Offer.

In November 2020, AerCap Trust commenced offers to purchase for cash, for its own account and on behalf of AICDC, certain series of AerCap Trust & AICDC Notes (the “December Tender Offer”). Pursuant to the December Tender Offer, AerCap Trust repurchased and retired (i) \$484.4 million aggregate principal amount of 3.95% Senior Notes due 2022 and (ii) \$232.8 million aggregate principal amount of 3.5% Senior Notes due 2022 for an aggregate total consideration of approximately \$749.3 million.

In January 2021, AerCap Trust and AICDC co-issued \$1.0 billion aggregate principal amount of 1.75% Senior Notes due 2026 (“January Notes Offering”). The proceeds from the January Notes Offering will be used for general corporate purposes.

During the year ended December 31, 2020, we recognized loss on debt extinguishment of \$118.5 million, primarily related to the premium paid on the repurchase of debt pursuant to the July, October and December Tender Offers.

#### Revolving credit facilities

In March 2018, AerCap entered into a \$950.0 million unsecured revolving and term loan agreement (the “Asia Revolver”) with a maturity of March 2022.

In March 2014, AICDC entered into a senior unsecured revolving credit facility (the “Citi Revolver”) which was subsequently upsized and amended. In October 2019, AICDC amended the Citi Revolver, increased the size to \$4.0 billion (with an option for AerCap to increase the size by an additional \$0.5 billion) and extended the maturity to February 2024.

The obligations under the Asia Revolver and the Citi Revolver are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. Availability of borrowings under the Asia Revolver and the Citi Revolver is subject to the satisfaction of customary conditions precedent. We have the right to terminate or cancel, in whole or in part, the unused portions of the commitment amounts.

Both the Asia Revolver and the Citi Revolver contain covenants customary for unsecured financings of this type, including financial covenants that require us to maintain compliance with a maximum ratio of consolidated indebtedness to shareholders’ equity, a minimum fixed charge coverage ratio and a maximum ratio of unencumbered assets to certain financial indebtedness.

The facilities also contain covenants that, among other things, restrict, subject to certain exceptions, the ability of AerCap to sell assets, make certain restricted payments and incur certain liens.

#### Export credit facilities

The principal amounts under the export credit facilities amortize over ten- to 12-year terms. The export credit facilities require that SPEs controlled by the respective borrowers hold legal title to the financed aircraft. Obligations under the export credit facilities are secured by, among other things, a pledge of the shares of the SPEs.

The obligations under the export credit facilities are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries, as well as various export credit agencies.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**13. Debt (Continued)**

**Institutional secured term loans and secured portfolio loans**

The following table provides details regarding the terms of our outstanding institutional secured term loans and secured portfolio loans:

	Collateral (Number of aircraft) (a)	Amount outstanding	Weighted average interest rate	Maturity
<b>Institutional secured term loans</b>				
Hyperion	58	\$ 1,050,000	2.00 %	2023
<b>Secured portfolio loans</b>				
Celtago & Celtago II	25	984,076	2.78 %	2022 - 2025
Cesium	15	791,480	2.80 %	2025
Goldfish	13	671,060	1.65 %	2025
Scandium	10	627,555	3.16 %	2025
Rhodium	11	551,209	2.98 %	2026
Other secured facilities	51	2,314,253	2.88 %	2022 - 2032
	<b>183</b>	<b>\$ 6,989,633</b>		

(a) These loans are secured by a combination of aircraft and the equity interests in the borrower and certain special purpose entity (“SPE”) subsidiaries of the borrower that own the aircraft.

***Institutional secured term loans***

The Hyperion institutional term loan was originally entered into in 2014. The obligations of the borrowers of the loan are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The Hyperion loan contains customary covenants and events of default for financings of this type, including covenants that limit the ability of the subsidiary borrowers and their subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors, the subsidiary borrowers and their subsidiaries to consolidate, merge or dispose of all or substantially all of their assets and enter into transactions with affiliates.

***Secured portfolio loans***

The obligations of each of the respective borrowers under each secured portfolio loan are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

These loans contain customary covenants and events of default for financings of this type, including covenants that limit the ability of the borrower and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and the borrower and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**13. Debt (Continued)**

**AerFunding Revolving Credit Facility**

AerFunding 1 Limited (“AerFunding”) is an SPE whose share capital is owned 95% by a charitable trust and 5% by AerCap Ireland. AerFunding is a consolidated subsidiary formed for the purpose of acquiring aircraft assets. In April 2006, AerFunding entered into a non-recourse senior secured revolving credit facility that in December 2020 was amended to extend its revolving period, to June 2022, following which there is a 32-month term out period. The final maturity date of the AerFunding Revolving Credit Facility is February 2025.

Borrowings under the AerFunding Revolving Credit Facility are secured by, among other things, security interests in and pledges or assignments of equity ownership and beneficial interests in all of the subsidiaries of AerFunding, as well as by AerFunding’s interests in the leases of its assets.

**Other secured debt**

AerCap has entered into a number of financings, provided by a range of banks and non-bank financial institutions, to fund the purchase of aircraft and for general corporate purposes.

The majority of the financings are guaranteed by AerCap and are secured by, among other things, a pledge of the shares of the subsidiaries owning the related aircraft and, in certain cases, a mortgage on the applicable aircraft. All of our financings contain affirmative covenants customary for secured financings of this type.

**Subordinated debt**

The following table provides a summary of the outstanding subordinated debt as of December 31, 2020:

	<b>As of December 31, 2020</b>		
	<b>Amount outstanding</b>	<b>Weighted average interest rate</b>	<b>Maturity</b>
ECAPS Subordinated Notes (a)	\$ 1,000,000	3.33 %	2065
2045 Subordinated Notes	500,000	6.50 %	2045
2079 Subordinated Notes	750,000	5.88 %	2079
	<b>\$ 2,250,000</b>		

(a) Enhanced Capital Advantaged Preferred Securities (“ECAPS”)

## **AerCap Holdings N.V. and Subsidiaries**

### **Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

#### **13. Debt (Continued)**

##### **ECAPS Subordinated Notes**

In December 2005, ILFC issued two tranches of subordinated notes in an aggregate principal amount of \$1.0 billion. Both the \$400.0 million and \$600.0 million tranches have a floating interest rate, with margins of 1.80% and 1.55% respectively, plus the highest of three-month LIBOR, ten-year constant maturity U.S. Treasury, and 30-year constant maturity U.S. Treasury.

Upon consummation of the ILFC Transaction, the subordinated notes were assumed by AerCap Trust, and AerCap Holdings N.V. and certain of its subsidiaries became guarantors. ILFC remains a co-obligor under the indentures governing the subordinated notes. The addition of these subsidiary guarantors did not affect the subordinated ranking of these notes.

The ECAPS contain customary financial tests, including a minimum ratio of equity to total managed assets and a minimum fixed charge coverage ratio. Failure to comply with these financial tests will result in a “mandatory trigger event.” If a mandatory trigger event occurs and we are unable to raise sufficient capital in a manner permitted by the terms of the subordinated debt to cover the next interest payment on the subordinated debt, a “mandatory deferral event” will occur, requiring us to defer all interest payments and prohibiting the payment of cash dividends on AerCap Trust’s or ILFC’s capital stock or its equivalent until both financial tests are met or we have raised sufficient capital to pay all accumulated and unpaid interest on the subordinated debt. Mandatory trigger events and mandatory deferral events are not events of default under the indenture governing the subordinated debt.

##### **2045 Junior Subordinated Notes**

In June 2015, AerCap Trust issued \$500.0 million of junior subordinated notes due 2045 (the “2045 Junior Subordinated Notes”). The 2045 Junior Subordinated Notes currently bear interest at a fixed interest rate of 6.5% and, beginning in June 2025, will bear interest at a rate of three-month LIBOR plus 4.3%.

The 2045 Junior Subordinated Notes are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. We may defer any interest payments on the 2045 Junior Subordinated Notes for up to five consecutive deferral periods. At the end of five years following the commencement of any deferral period, we must pay all accrued and unpaid deferred interest, including compounded interest.

We may at our option redeem the 2045 Junior Subordinated Notes before their maturity in whole or in part, at any time and from time to time, on or after June 15, 2025 at 100% of their principal amount plus any accrued and unpaid interest thereon.

The 2045 Junior Subordinated Notes are junior subordinated unsecured obligations, rank equally with all of the issuer’s and the guarantors’ future equally ranking junior subordinated indebtedness, if any, and are subordinate and junior in right of payment to all of the issuer’s and the guarantors’ existing and future unsubordinated indebtedness.

## **AerCap Holdings N.V. and Subsidiaries**

### **Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

#### **13. Debt (Continued)**

##### **2079 Junior Subordinated Notes**

In October 2019, AerCap Holdings N.V. issued \$750.0 million of junior subordinated notes due 2079 (the “2079 Junior Subordinated Notes”). The 2079 Junior Subordinated Notes currently bear interest at a fixed interest rate of 5.875% and, from October 2024, will bear interest at a rate equal to the five-year U.S. Treasury Rate plus 4.535%, to be reset on each subsequent five-year anniversary.

We may forgo payment of interest on the 2079 Junior Subordinated Notes for any interest period. Upon a forgoing of interest, we will have no obligation to pay the forgone interest on the payment date or at any future date. The 2079 Junior Subordinated Notes are guaranteed by certain of AerCap Holdings N.V.’s subsidiaries.

We may at our option redeem the 2079 Junior Subordinated Notes before their maturity in whole or in part on October 10, 2024 (the “First Call Date”) and on each subsequent five-year anniversary of the First Call Date, at 100% of their principal amount plus any accrued and unpaid interest thereon for the then-current six-month interest period.

The 2079 Junior Subordinated Notes are junior subordinated unsecured obligations, rank equally with all of the issuer’s and the guarantors’ future equally ranking junior subordinated obligations, if any, and are subordinate and junior in right of payment to all of the issuer’s and the guarantors’ present and future creditors (i) who are unsubordinated creditors, (ii) who are subordinated only to the claims of unsubordinated creditors, or (iii) who are subordinated creditors except those whose claims rank equally with or junior to the 2079 Junior Subordinated Notes. As of December 31, 2020, the 2079 Junior Subordinated Notes rank senior only to the issuer’s and the guarantors’ common and preferred stock.

##### **Subordinated debt issued by joint ventures**

In 2008 and 2010, AerCap and our joint venture partner each purchased subordinated loan notes issued by the joint ventures. The subordinated debt held by AerCap is eliminated in consolidation of the joint ventures.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**14. Income taxes**

Our subsidiaries are subject to taxation in a number of tax jurisdictions, principally Ireland, the United States, and the Netherlands.

The following table presents our income tax (benefit) expense by tax jurisdiction for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
<b>Deferred tax expense (benefit)</b>			
Ireland	\$ (31,387)	\$ 154,134	\$ 140,621
United States	6,180	11,327	6,510
The Netherlands	572	7,316	4,136
Other	(1,279)	7,658	8,881
	<u>(25,914)</u>	<u>180,435</u>	<u>160,148</u>
<b>Deferred tax (benefit) expense related to a (decrease) increase in changes in valuation allowance of deferred tax assets</b>			
Ireland	1,882	2,358	368
United States	12,085	(18,425)	(2,838)
The Netherlands	(11,746)	87	(2,302)
Other	2,811	(1,957)	(7,788)
	<u>5,032</u>	<u>(17,937)</u>	<u>(12,560)</u>
<b>Current tax (benefit) expense</b>			
Ireland	—	—	(27)
United States	3,016	789	(3,691)
The Netherlands	(314)	261	(307)
Other	949	4,166	516
	<u>3,651</u>	<u>5,216</u>	<u>(3,509)</u>
<b>Income tax (benefit) expense</b>	<u>\$ (17,231)</u>	<u>\$ 167,714</u>	<u>\$ 144,079</u>

The following table provides a reconciliation of the income tax (benefit) expense at statutory income tax rate to income tax (benefit) expense for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
Income tax (benefit) expense at statutory income tax rate of 12.5%	\$ (39,327)	\$ 167,580	\$ 143,866
Permanent differences	22,486 (a)	(949) (b)	1,016 (c)
Foreign rate differential	(390)	1,083	(803)
	<u>22,096</u>	<u>134</u>	<u>213</u>
<b>Income tax (benefit) expense</b>	<u>\$ (17,231)</u>	<u>\$ 167,714</u>	<u>\$ 144,079</u>

(a) The 2020 permanent differences included non-deductible goodwill impairment, non-deductible interest, non-deductible share-based compensation in Ireland, and a valuation allowance change in respect of U.S., Dutch and Irish tax losses.

(b) The 2019 permanent differences included non-deductible interest, non-deductible share-based compensation in Ireland and in the Netherlands, and a valuation allowance change in respect of U.S., Dutch and Irish tax losses.

(c) The 2018 permanent differences included non-deductible share-based compensation in Ireland and in the Netherlands, and a valuation allowance change in respect of U.S., Dutch and Irish tax losses.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**14. Income taxes (Continued)**

The following tables present our foreign rate differential by tax jurisdiction for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31, 2020			
	Pre-tax income (loss)	Local statutory tax rate (a)	Variance to Irish statutory tax rate of 12.5%	Tax variance as a result of global activities (b)
<b>Tax jurisdiction</b>				
Ireland	\$ (160,739)	12.5%	—	\$ —
United States	101,339	21.0%	8.5%	8,614
The Netherlands	(45,954)	25.0%	12.5%	(5,744)
Other	(29,378)	23.6%	11.1%	(3,260)
Taxable loss	<b>\$ (134,732)</b>			<b>\$ (390)</b>
Permanent differences (c)	(179,886)			
<b>Loss from continuing operations before income tax</b>	<b>\$ (314,618)</b>			

	Year Ended December 31, 2019			
	Pre-tax income (loss)	Local statutory tax rate (a)	Variance to Irish statutory tax rate of 12.5%	Tax variance as a result of global activities (b)
<b>Tax jurisdiction</b>				
Ireland	\$ 1,324,100	12.5%	—	\$ —
United States	(30,041)	21.0%	8.5%	(2,553)
The Netherlands	30,656	25.0%	12.5%	3,832
Other	8,331	10.1%	(2.4%)	(196)
Taxable income	<b>\$ 1,333,046</b>			<b>\$ 1,083</b>
Permanent differences (d)	7,596			
<b>Income from continuing operations before income tax</b>	<b>\$ 1,340,642</b>			



**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**14. Income taxes (Continued)**

	Year Ended December 31, 2018			
	Pre-tax income (loss)	Local statutory tax rate (a)	Variance to Irish statutory tax rate of 12.5%	Tax variance as a result of global activities (b)
<b>Tax jurisdiction</b>				
Ireland	\$ 1,163,574	12.5%	—	\$ —
United States	(85)	22.0%	9.5%	(8)
The Netherlands	6,108	25.0%	12.5%	764
Other	(10,977)	26.7%	14.2%	(1,559)
Taxable income	<b>\$ 1,158,620</b>			<b>\$ (803)</b>
Permanent differences (e)	(7,687)			
<b>Income from continuing operations before income tax</b>	<b>\$ 1,150,933</b>			

- (a) The local statutory income tax expense for our significant tax jurisdictions (Ireland, the United States and the Netherlands) does not differ from the actual income tax expense.
- (b) The tax variance as a result of global activities is primarily caused by our operations in countries with a higher or lower statutory tax rate than the statutory tax rate in Ireland.
- (c) The 2020 permanent differences included non-deductible goodwill impairment, non-deductible interest, non-deductible share-based compensation in Ireland, and a valuation allowance change in respect of U.S., Dutch and Irish tax losses.
- (d) The 2019 permanent differences included non-deductible interest, non-deductible share-based compensation in Ireland and in the Netherlands, and a valuation allowance change in respect of U.S., Dutch and Irish tax losses.
- (e) The 2018 permanent differences included non-deductible share-based compensation in Ireland and in the Netherlands, and a valuation allowance change in respect of U.S., Dutch and Irish tax losses.

The calculation of income for tax purposes differs significantly from book income. Deferred income tax is provided to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law in the various jurisdictions. Tax loss carry forwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences.

The following tables provide details regarding the principal components of our deferred income tax liabilities and assets by jurisdiction as of December 31, 2020 and 2019:

	As of December 31, 2020				
	Ireland	United States	The Netherlands	Other	Total
Depreciation/Impairment	\$(2,154,075)	\$ (14,014)	\$ 12,510	\$ (1,440)	\$(2,157,019)
Intangibles	(3,560)	(3,986)	—	—	(7,546)
Accrued maintenance liability	(1,985)	410	—	—	(1,575)
Obligations under capital leases and debt obligations	(3,343)	—	—	—	(3,343)
Investments	—	(7,836)	—	—	(7,836)
Deferred losses on sale of assets	—	20,534	—	—	20,534
Valuation allowance	(7,536)	(50,805)	(4,278)	(16,774)	(79,393)
Losses and credits forward	1,410,570	67,697	12,359	16,052	1,506,678
Other	(52,443)	1,002	356	(1,314)	(52,399)
<b>Net deferred income tax (liabilities) assets</b>	<b>\$ (812,372)</b>	<b>\$ 13,002</b>	<b>\$ 20,947</b>	<b>\$ (3,476)</b>	<b>\$ (781,899)</b>

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**14. Income taxes (Continued)**

	As of December 31, 2019				
	Ireland	United States	The Netherlands	Other	Total
Depreciation/Impairment	\$(1,924,492)	\$ (606)	\$ 6,873	\$ (1,253)	\$(1,919,478)
Intangibles	(4,594)	(5,222)	—	—	(9,816)
Accrued maintenance liability	(3,456)	1,666	—	—	(1,790)
Obligations under capital leases and debt obligations	(3,806)	—	—	—	(3,806)
Investments	—	(7,996)	—	—	(7,996)
Deferred losses on sale of assets	—	24,178	—	—	24,178
Valuation allowance	(5,654)	(38,720)	(16,025)	(13,962)	(74,361)
Losses and credits forward	1,146,434	58,099	20,568	19,090	1,244,191
Other	(58,691)	(99)	(1,773)	(5,818)	(66,381)
<b>Net deferred income tax (liabilities) assets</b>	<b><u>\$ (854,259)</u></b>	<b><u>\$ 31,300</u></b>	<b><u>\$ 9,643</u></b>	<b><u>\$ (1,943)</u></b>	<b><u>\$ (815,259)</u></b>

The net deferred income tax liabilities as of December 31, 2020 of \$781.9 million were recognized in our Consolidated Balance Sheet as deferred income tax assets of \$131.5 million and as deferred income tax liabilities of \$913.4 million.

The net deferred income tax liabilities as of December 31, 2019 of \$815.3 million were recognized in our Consolidated Balance Sheet as deferred income tax assets of \$95.1 million and as deferred income tax liabilities of \$910.3 million.

The following table presents the movements in the valuation allowance for deferred income tax assets during the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
Valuation allowance at beginning of period	\$ 74,361	\$ 92,298
Decrease of allowance to income tax provision	5,032	(17,937)
<b>Valuation allowance at end of period</b>	<b><u>\$ 79,393</u></b>	<b><u>\$ 74,361</u></b>

As of December 31, 2020 and 2019, we had \$30.7 million and \$30.1 million, respectively, of unrecognized tax benefits. Substantially all of the unrecognized tax benefits as of December 31, 2020, if recognized, would affect our effective tax rate. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial condition.

Our primary tax jurisdictions are Ireland, the United States and the Netherlands. Our tax returns are open for examination in Ireland from 2016 forward, in the United States from 2014 forward and in the Netherlands from 2015 forward.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**14. Income taxes (Continued)**

***Ireland***

Since 2006, the enacted Irish corporate income tax rate has been 12.5%. Some of our Irish tax-resident operating subsidiaries have significant loss carry forwards as of December 31, 2020, which give rise to deferred income tax assets. The availability of these loss carry forwards does not expire with time. In addition, the vast majority of all of our Irish tax-resident subsidiaries are entitled to accelerated aircraft depreciation for tax purposes and shelter net taxable income with the surrender of losses on a current year basis within the Irish tax group. Based on projected taxable profits in our Irish subsidiaries, we expect to recover the majority of the value of our Irish tax assets and have not recognized a valuation allowance against such assets, with the exception of \$7.5 million, as of December 31, 2020.

***United States***

Our U.S. subsidiaries are assessable to federal and state U.S. taxes. During 2020, we had one significant group of U.S. companies that file a consolidated return. The blended federal and state tax rate applicable to our combined U.S. group was 21.0% for the year ended December 31, 2020. Our U.S. federal net operating losses generated for tax years beginning before December 31, 2017 expire between 2026 and 2037. Any U.S. federal net operating losses generated in tax years beginning after December 31, 2017 will have an unlimited carry forward period.

***The Netherlands***

The majority of our Dutch subsidiaries form one fiscal unity and are included in one consolidated tax filing. Deferred income tax is calculated using the Dutch corporate income tax rate, which is 25%. In respect of the year ended December 31, 2020, tax losses in the Netherlands can generally be carried back one year and carried forward six years before expiry.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**15. Leases**

We lease office space in several locations globally under operating lease arrangements, and in limited instances may enter into finance leases for flight equipment. Our leases have remaining lease terms of up to 18 years, and in some cases we have options to extend the lease terms for up to ten years. Our finance lease arrangements may be terminated prior to their original expiration date at our discretion.

As of December 31, 2020 and 2019, operating lease ROU assets net of lease incentives included in other assets were \$40.6 million and \$43.7 million, respectively, and operating lease liabilities included in accounts payable, accrued expenses and other liabilities were \$49.4 million and \$51.1 million, respectively. As of December 31, 2020 and 2019, finance lease liabilities included in debt were \$110.7 and \$136.2 million, respectively.

As of December 31, 2020 and 2019, supplemental balance sheet information related to leases was as follows:

	December 31, 2020		December 31, 2019	
	Operating leases	Finance leases	Operating leases	Finance leases
Weighted average remaining lease term (years)	8.3	15.5	9.0	16.3
Weighted average discount rate	6.6%	6.5%	6.4%	6.5%

As of December 31, 2020, maturities of operating and finance lease liabilities were as follows:

	Operating leases	Finance leases
2021	\$ 9,709	\$ 9,659
2022	9,055	9,659
2023	9,125	9,659
2024	6,792	9,659
2025	5,715	9,659
Thereafter	24,320	148,330
<b>Total lease payments</b>	<b>\$ 64,716</b>	<b>\$ 196,625</b>
Less imputed interest	(15,293)	(85,924)
<b>Present value of lease liabilities</b>	<b>\$ 49,423</b>	<b>\$ 110,701</b>

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**16. Equity**

The following table presents our share repurchase programs for the years ended December 31, 2020 and 2019:

<b>Program approval date</b>	<b>Program end date</b>	<b>Authorized amount</b>	<b>Program completion date</b>
February 2019	September 30, 2019	\$ 200,000	July 22, 2019
June 2019	December 31, 2019	200,000	December 5, 2019
November 2019	June 30, 2020	200,000	Expired
January 2020	June 30, 2020	250,000	Expired

During the year ended December 31, 2020, we repurchased an aggregate of 2,130,509 of our ordinary shares under our share repurchase programs at an average price, including commissions, of \$55.06 per ordinary share.

During the year ended December 31, 2020, our Board of Directors cancelled 3,000,000 ordinary shares which were acquired through the share repurchase programs in accordance with the authorizations obtained from the Company's shareholders.

## **AerCap Holdings N.V. and Subsidiaries**

### **Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

#### **17. Share-based compensation**

Under our equity incentive plans, we grant restricted stock units and restricted stock, and previously granted stock options, to directors, officers and employees to attract and retain them on competitive terms, and to incentivize superior performance with a view to creating long-term value for the benefit of the Company, its shareholders and other stakeholders.

##### **AerCap equity grants**

In March 2012, we implemented an equity incentive plan (the “Equity Incentive Plan 2012”) which provides for the grant of equity awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. The maximum number of equity awards available under the plan is equivalent to 8,064,081 ordinary shares. The Equity Incentive Plan 2012 is not open for equity awards to our directors.

On May 14, 2014, we implemented an equity incentive plan (the “Equity Incentive Plan 2014”) which provides for the grant of equity awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. The maximum number of equity awards available under the plan is equivalent to 4,500,000 ordinary shares. The Equity Incentive Plan 2014 is open for equity awards to our directors.

The Equity Incentive Plan 2014 and Equity Incentive Plan 2012 are collectively referred to herein as “AerCap Equity Plans.”

The terms and conditions, including the vesting conditions, of the equity awards granted under AerCap Equity Plans are determined by the Nomination and Compensation Committee and, for our directors, by the Board of Directors in line with the remuneration policies approved by the General Meeting of Shareholders. The vesting periods of the majority of equity awards range between three years and five years. Our long-term equity awards are subject to long-term performance vesting criteria, based on the Company’s U.S. GAAP EPS budget over the specified periods, in order to promote and encourage superior performance over a prolonged period of time. Some of our officers and employees receive annual equity awards as part of their compensation package. All outstanding awards of restricted stock units are convertible into ordinary shares of the Company at a ratio of one-to-one, prior to deduction for payroll withholding taxes, if applicable. Ordinary shares subject to outstanding equity awards, which are not issued or delivered by reason of, amongst others, the cancellation or forfeiture of such awards or the withholding of such ordinary shares to settle tax obligations, shall again be available under the AerCap Equity Plans.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**17. Share-based compensation (Continued)**

The following table presents movements in the outstanding restricted stock units and restricted stock under the AerCap Equity Plans during the year ended December 31, 2020:

	Year Ended December 31, 2020			
	Number of time-based restricted stock units and restricted stock	Number of performance-based restricted stock units and restricted stock	Weighted average grant date fair value of time-based grants (\$)	Weighted average grant date fair value of performance-based grants (\$)
<b>Number at beginning of period</b>	<b>1,504,194</b>	<b>2,486,136</b>	<b>\$ 51.78</b>	<b>\$ 51.53</b>
Granted (a)	1,178,749	355,033	34.26	34.38
Vested (b)	(558,152)	(576,255)	45.06	50.54
Forfeited	(16,388)	(10,702)	46.74	37.88
<b>Number at end of period</b>	<b>2,108,403</b>	<b>2,254,212</b>	<b>\$ 43.81</b>	<b>\$ 49.11</b>

- (a) Includes 990,802 shares of restricted stock granted under the AerCap Equity Plans, of which 669,362 shares of restricted stock were issued, with the remaining 321,440 ordinary shares being withheld and applied to pay the taxes involved. As part of the 321,440 ordinary shares withheld to pay for taxes, 155,015 ordinary shares were treated as granted and subsequently vested on the grant date under specific Irish tax legislation. As a result, we recognized an expense of \$5.2 million on the grant dates associated with these ordinary shares.
- (b) 323,963 restricted stock units, which were previously granted under the AerCap Equity Plans, vested. In connection with the vesting of the restricted stock units, the Company issued, in full satisfaction of its obligations, 214,722 ordinary shares to the holders of these restricted stock units, with the remainder being withheld and applied to pay the taxes in respect of those awards. Restrictions on 655,429 shares of restricted stock (471,334 shares of restricted stock net of withholding for taxes) lapsed during the period. In addition, 155,015 ordinary shares were treated as granted and subsequently vested on the grant dates, as described in (a) above.

The amount of share-based compensation expense is determined by reference to the fair value of the restricted stock units or restricted stock on the grant date, based on the trading price of the Company's shares on the grant date and reflective of the probability of vesting. All outstanding options have been fully expensed.

The following table presents our expected share-based compensation expense based on existing grants, assuming that the established performance criteria are met and that no forfeitures occur:

	Expected share-based compensation expense (U.S. Dollars in millions)
2021	\$ 50.5
2022	30.6
2023	10.5
2024	3.2
2025	0.6

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**18. Geographic information**

The following table presents the percentage of lease revenue attributable to individual countries representing at least 10% of our total lease revenue in any year presented, based on each lessee's principal place of business, for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
China (a)	\$ 835,317	19.3%	\$ 874,145	18.7%	\$ 639,316	14.1%
United States	502,976	11.6%	511,676	10.9%	528,687	11.6%
Other countries (b)	2,982,713	69.1%	3,296,445	70.4%	3,369,090	74.3%
<b>Total</b>	<b>\$ 4,321,006</b>	<b>100.0%</b>	<b>\$ 4,682,266</b>	<b>100.0%</b>	<b>\$ 4,537,093</b>	<b>100.0%</b>

(a) Includes mainland China, Hong Kong and Macau.

(b) No individual country within this category including Ireland, where our headquarters is located, accounts for more than 10% of our lease revenue.

The following table presents the percentage of long-lived assets, including flight equipment held for operating leases, flight equipment held for sale, investment in finance and sales-type leases, net and maintenance rights assets, attributable to individual countries representing at least 10% of our total long-lived assets in any year presented, based on each lessee's principal place of business, as of December 31, 2020 and 2019:

	As of December 31,			
	2020		2019	
	Amount	%	Amount	%
China (a)	\$ 7,472,852	20.4%	\$ 7,965,456	21.0%
United States	4,257,232	11.6%	4,395,161	11.6%
Other countries (b)	24,911,580	68.0%	25,609,668	67.4%
<b>Total</b>	<b>\$ 36,641,664</b>	<b>100.0%</b>	<b>\$ 37,970,285</b>	<b>100.0%</b>

(a) Includes mainland China, Hong Kong and Macau.

(b) No individual country within this category including Ireland, where our headquarters is located, accounts for more than 10% of our long-lived assets.

During the years ended December 31, 2020, 2019 and 2018, we had no lessees that represented more than 10% of total lease revenue.



**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**19. Selling, general and administrative expenses**

Selling, general and administrative expenses consisted of the following for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
Personnel expenses	\$ 104,765	\$ 122,453	\$ 132,694
Share-based compensation	69,187	69,410	95,176
Professional services	24,480	24,287	24,264
Travel expenses	7,809	17,604	21,790
Office expenses	12,974	14,095	14,784
Other expenses	22,946	19,609	16,518
	<u>\$ 242,161</u>	<u>\$ 267,458</u>	<u>\$ 305,226</u>

**20. Other income**

Other income consisted of the following for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
Management fees	\$ 9,701	\$ 12,445	\$ 14,539
Interest and other income	73,304	53,794	47,025
	<u>\$ 83,005</u>	<u>\$ 66,239</u>	<u>\$ 61,564</u>

**21. Lease revenue**

Our current operating lease agreements expire up to and over the next 14 years. The contracted minimum future lease payments receivable from lessees for flight equipment on non-cancelable operating leases for our owned aircraft and engines as of December 31, 2020 were as follows:

	Contracted minimum future lease payments receivable
2021	\$ 3,773,352
2022	3,551,721
2023	3,363,258
2024	3,070,849
2025	2,743,947
Thereafter	9,441,322
	<u>\$ 25,944,449</u>

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**22. Asset impairment**

Asset impairment consisted of the following for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
Flight equipment held for operating leases (Note 5)	\$ 986,559	\$ 69,383	\$ 39,318
Goodwill (Note 7)	58,094	—	—
Flight equipment held for sale	5,483	766	4,868
Maintenance rights and other	36,847	—	—
	<b>\$ 1,086,983</b>	<b>\$ 70,149</b>	<b>\$ 44,186</b>

Our long-lived assets include flight equipment held for operating lease and definite-lived intangible assets. We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. We perform event-driven impairment assessments of our flight equipment held for operating lease each quarter.

The Covid-19 pandemic and responsive government actions have had a significant impact on both domestic and international travel. While both domestic and international air travel have increased since the low points experienced earlier this year, in general domestic travel has been faster to recover, and the timeframe for the recovery of domestic travel is generally expected to be more rapid than for international travel. During the year ended December 31, 2020, the Covid-19 pandemic led governments in many countries to impose new restrictions on international travel or to delay the relaxation of existing restrictions. As a result, the expected recovery time for international air traffic has become longer. In addition, we have observed an increased number of airlines shifting away from current technology widebody aircraft in favor of new technology widebody aircraft such as the Boeing 787 and Airbus A350. We expect these factors to impact the future lease rates and long-term values of our Boeing 777 and Airbus A330 aircraft.

During the year ended December 31, 2020, we recognized impairment charges related to the impairment of our flight equipment held for operating lease, primarily Airbus A330 and Boeing 777 aircraft. In addition, we recognized impairment charges related to sales transactions and lease terminations, which were fully or partially offset by maintenance revenue recognized when we retained maintenance related balances or received EOL compensation. We also assessed goodwill for impairment and recognized impairment charges related to goodwill. Please refer to Note 28—*Fair Value Measurements* for the method of determining the fair value of our flight equipment held for operating leases.

During the years ended December 31, 2019 and 2018, we recognized impairment charges related to sales transactions and lease terminations, which were fully or partially offset by maintenance revenue recognized when we retained maintenance-related balances or received EOL compensation.

**23. Allowance for credit losses**

Movements in the allowance for credit losses during year ended December 31, 2020 were as follows:

	Year Ended December 31, 2020
Allowance for credit losses at beginning of period	\$ —
Cumulative effect due to adoption of new accounting standard	30,264
Current period provision for expected credit losses	50,215
Write-offs charged against the allowance	(13,326)
<b>Allowance for credit losses at end of period</b>	<b>\$ 67,153</b>

During the year ended December 31, 2020, we increased our credit provision, classified in leasing expenses, by \$50.2 million primarily to reflect the increased credit risk due to the Covid-19 pandemic.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**24. Earnings per share**

Basic EPS is calculated by dividing net (loss) income by the weighted average number of our ordinary shares outstanding, which excludes 2,552,346, 2,354,318 and 2,429,442 shares of unvested restricted stock as of December 31, 2020, 2019 and 2018, respectively. In general, for the calculation of diluted EPS, the weighted average of our ordinary shares outstanding for basic EPS is adjusted by the effect of dilutive securities provided under our equity compensation plans. However, due to the reported loss for the year ended December 31, 2020, basic EPS is not adjusted by the effect of dilutive securities. The number of ordinary shares under our equity compensation plans which could dilute EPS in the future was 2,630,066 for the year ended December 31, 2020. The number of shares excluded from diluted shares outstanding was 163,067 and 90,929 for the years ended December 31, 2019 and 2018, respectively, because the effect of including those shares in the calculation would have been anti-dilutive.

The computations of basic and diluted EPS for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
Net (loss) income for the computation of basic EPS	\$ (298,566)	\$ 1,145,694	\$ 1,015,632
Weighted average ordinary shares outstanding—basic	127,743,828	134,570,169	145,162,220
<b>Basic EPS</b>	<b>\$ (2.34)</b>	<b>\$ 8.51</b>	<b>\$ 7.00</b>

	Year Ended December 31,		
	2020	2019	2018
Net (loss) income for the computation of diluted EPS	\$ (298,566)	\$ 1,145,694	\$ 1,015,632
Weighted average ordinary shares outstanding—diluted	127,743,828	135,898,139	148,706,266
<b>Diluted EPS</b>	<b>\$ (2.34)</b>	<b>\$ 8.43</b>	<b>\$ 6.83</b>

The computations of ordinary shares outstanding, excluding shares of unvested restricted stock, as of December 31, 2020, 2019 and 2018 were as follows:

	As of December 31,		
	2020	2019	2018
	Number of ordinary shares		
Ordinary shares issued	138,847,345	141,847,345	151,847,345
Treasury shares	(8,448,807)	(10,263,856)	(9,172,681)
<b>Ordinary shares outstanding</b>	<b>130,398,538</b>	<b>131,583,489</b>	<b>142,674,664</b>
Shares of unvested restricted stock	(2,552,346)	(2,354,318)	(2,429,442)
<b>Ordinary shares outstanding, excluding shares of unvested restricted stock</b>	<b>127,846,192</b>	<b>129,229,171</b>	<b>140,245,222</b>

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 25. Variable interest entities

We use many forms of entities to achieve our leasing and financing business objectives and we have participated to varying degrees in the design and formation of these entities. Our involvement in VIEs varies and includes being a passive investor in the VIE with involvement from other parties, managing and structuring all of the VIE's activities, or being the sole shareholder of the VIE.

During the year ended December 31, 2020, we did not provide any financial support to any of our VIEs that we were not contractually obligated to provide.

#### Consolidated VIEs

As of December 31, 2020 and 2019, substantially all assets and liabilities presented in our Consolidated Balance Sheets were held in consolidated VIEs.

We have determined that we are the PB of these entities because we control and manage all aspects of these entities, including directing the activities that most significantly affect the entities' economic performance, absorb the majority of the risks and rewards of these entities and guarantee the activities of these entities.

The assets of our consolidated VIEs that can only be used to settle obligations of these entities, and the liabilities of these VIEs for which creditors do not have recourse to our general credit, are disclosed in our Consolidated Balance Sheets under *Supplemental balance sheet information*. Further details of debt held by our consolidated VIEs are disclosed in Note 13—*Debt*.

#### *Wholly-owned ECA and Ex-Im financing vehicles*

We have created certain wholly-owned subsidiaries for the purpose of purchasing aircraft and obtaining financing secured by such aircraft. The secured debt is guaranteed by the European ECAs and the Export-Import Bank of the United States. These entities meet the definition of a VIE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes.

#### *Other secured financings*

We have created a number of wholly-owned subsidiaries for the purpose of obtaining secured financings. These entities meet the definition of a VIE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes.

#### *Wholly-owned leasing entities*

We have created wholly-owned subsidiaries for the purpose of facilitating aircraft leases with airlines. These entities meet the definition of a VIE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes, which serve as equity.

#### *Limited recourse financing structures*

We have established entities to obtain secured financings for the purchase of aircraft in which we have variable interests. These entities meet the definition of a VIE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes. The loans of these entities are non-recourse to us except under limited circumstances.

AerCap Partners I Holding Limited ("AerCap Partners I"), AerCap Partners 767 Limited ("AerCap Partners 767") and AerFunding are entities where we have determined we are the PB of the entity because we direct the activities that most significantly affect the economic performance of the entity and we absorb a significant portion of the risks and rewards of the entity. We provide lease management, insurance management and aircraft asset management services to AerCap Partners I, AerCap Partners 767 and AerFunding for a fee.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**25. Variable interest entities (Continued)**

***AerCap Partners I and AerCap Partners 767***

AerCap Partners I and AerCap Partners 767 are 50%-50% joint ventures owned by us and Deucalion Aviation Funds.

As of December 31, 2020, AerCap Partners I had \$54.4 million of subordinated debt outstanding, consisting of \$27.2 million due to us and \$27.2 million due to our joint venture partner.

As of December 31, 2020, AerCap Partners 767 had \$32.6 million of subordinated debt outstanding, consisting of \$16.3 million due to us and \$16.3 million due to our joint venture partner.

***AerFunding***

We hold a 5% equity investment and 100% of the subordinated notes (“AerFunding Class E-1 Notes”) in AerFunding.

As of December 31, 2020, AerFunding had \$2,074.9 million outstanding under a secured revolving credit facility and \$1,328.0 million of AerFunding Class E-1 Notes outstanding due to us.

**Non-consolidated VIEs**

The following table presents our maximum exposure to loss in non-consolidated VIEs as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
Carrying value of debt and equity investments	\$ 125,955	\$ 123,279
Debt guarantees	—	68,901
<b>Maximum exposure to loss</b>	<b>\$ 125,955</b>	<b>\$ 192,180</b>

The maximum exposure to loss represents the amount that would be absorbed by us in the event that all of our assets held in the VIEs, for which we are not the PB, had no value and outstanding debt guarantees were called upon in full.

As of December 31, 2019 we guaranteed debt of \$68.9 million for AerLift Leasing Limited (“AerLift”). In November 2020, this debt obligation was repaid in full.

AerDragon Aviation Partners Limited and its subsidiaries (“AerDragon”), AerLift, Acsal Holdco, LLC (“ACSAL”) and Peregrine are investments that are VIEs in which we have determined that we do not have control and are not the PB. We do have significant influence and, accordingly, we account for our investments in AerDragon, AerLift and ACSAL under the equity method of accounting. We account for our equity investment in Peregrine under the cost method of accounting. Please refer to Note 9 —*Investments* for further details.

***Other variable interest entities***

We have variable interests in other entities in which we have determined we are not the PB because we do not have the power to direct the activities that most significantly affect the entities’ economic performance.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**26. Related party transactions**

The following table presents amounts received from related parties for management fees and dividends for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,					
	2020		2019		2018	
	Management fees	Dividends	Management fees	Dividends	Management fees	Dividends
AerDragon	\$ 543	\$ —	\$ 675	\$ 1,667	\$ 497	\$ 1,667
ACSAL	480	267	480	1,088	480	1,119
AerLift	590	—	1,360	393	1,677	394
	<u>\$ 1,613</u>	<u>\$ 267</u>	<u>\$ 2,515</u>	<u>\$ 3,148</u>	<u>\$ 2,654</u>	<u>\$ 3,180</u>

***Norwegian Air Shuttle ASA***

During the year ended December 31, 2020, we leased aircraft to, and had ordinary share and debt investments in NAS. Please refer to Note 9 —*Investments* for details of our ordinary share and debt investments. As of December 31, 2020, we no longer have a seat on the NAS board and have reduced our shareholding significantly through sales; therefore, NAS is no longer considered a related party. During the year ended December 31, 2020, we sold three of our forward order aircraft to Arctic Aviation Assets DAC, which is a wholly owned subsidiary of NAS. No gain or loss was recognized on these sales.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**27. Commitments and contingencies**

**Aircraft on order**

As of December 31, 2020, we had commitments to purchase 286 new aircraft for delivery through 2027. These commitments are based upon purchase agreements with Boeing, Airbus and Embraer. These agreements establish the pricing formulas (including adjustments for certain contractual escalation provisions) and various other terms with respect to the purchase of aircraft. Under certain circumstances, we have the right to alter the mix of aircraft types ultimately acquired. As of December 31, 2020, we had made non-refundable deposits on these purchase commitments (exclusive of capitalized interest and fair value adjustments) of approximately \$1.8 billion.

A portion of the aggregate purchase price for the acquisition of aircraft will be funded by incurring additional debt. The amount of the indebtedness to be incurred will depend on the final purchase price of the aircraft, which can vary due to a number of factors, including inflation.

Prepayments on flight equipment include prepayments of our forward order flight equipment and other balances held by the aircraft manufacturers. Movements in prepayments on flight equipment during the years ended December 31, 2020 and 2019 were as follows:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Prepayments on flight equipment at beginning of period	\$ 2,954,478	\$ 3,024,520
Prepayments made during the period, net	270,032	1,329,110
Interest paid and capitalized during the period	49,144	97,327
Prepayments and capitalized interest applied to the purchase of flight equipment	(1,161,995)	(1,496,479)
<b>Prepayments on flight equipment at end of period</b>	<b>\$ 2,111,659</b>	<b>\$ 2,954,478</b>

The following table presents our contractual commitments for the purchase of flight equipment as of December 31, 2020:

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Thereafter</b>	<b>Total</b>
Purchase obligations (a) (b)	\$1,511,360	\$2,519,296	\$3,099,701	\$2,962,120	\$2,525,185	\$1,508,043	\$14,125,705

(a) As of December 31, 2020, we had commitments to purchase 284 aircraft and two purchase and leaseback transactions. The timing of our purchase obligations is based on current estimates. Due to the current Covid-19 pandemic, we expect that the delivery of many of our aircraft on order will be delayed to future periods. We have incorporated expected delivery delays into the table above. In addition, we have the right to reschedule the delivery dates of certain of our aircraft to future dates.

(b) The delivery positions of our Boeing 737 MAX aircraft are based on our best estimates and incorporate the information currently available to us. Our estimates may be different from the actual delivery dates, and will depend on the speed at which Boeing is able to deliver our aircraft on order to us.

## AerCap Holdings N.V. and Subsidiaries

### Notes to the Consolidated Financial Statements (Continued)

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

#### 27. Commitments and contingencies (Continued)

##### Legal proceedings

###### *General*

In the ordinary course of our business, we are a party to various legal actions, which we believe are incidental to the operations of our business. The Company regularly reviews the possible outcome of such legal actions, and accrues for such legal actions at the time a loss is probable and the amount of the loss can be estimated. In addition, the Company also reviews indemnities and insurance coverage, where applicable. Based on information currently available, we believe the potential outcome of those cases where we are able to estimate reasonably possible losses, and our estimate of the reasonably possible losses exceeding amounts already recognized, on an aggregated basis, is immaterial to our Consolidated Financial Statements.

###### *VASP litigation*

We are party to a group of related cases arising from the leasing of 13 aircraft and three spare engines to Viação Aérea de São Paulo (“VASP”), a Brazilian airline. In 1992, VASP defaulted on its lease obligations and we commenced litigation against VASP to repossess our equipment and obtained a preliminary injunction for the repossession and export of 13 aircraft and three spare engines from VASP. We repossessed and exported the aircraft and engines. VASP appealed and in 1996, the Appellate Court of the State of São Paulo (“TJSP”) ruled that the aircraft and engines should be returned or that VASP could recover proven damages arising from the repossession.

We have defended this case in the Brazilian courts through various motions and appeals. In 2004, the Superior Court of Justice (the “STJ”) dismissed our then-pending appeal. In 2005, we filed an extraordinary appeal with the Federal Supreme Court (the “STF”). On June 24, 2020, the STF reversed its earlier contrary rulings and granted our extraordinary appeal, ordering a new panel of the STJ to review the merits of our challenge against TJSP’s original order. VASP has appealed the STF’s latest order.

In 2006, VASP commenced a related proceeding to calculate the amount of alleged damages owed under the TJSP’s 1996 judgment. In 2017, the court decided that VASP had suffered no damages even if the TJSP’s 1996 judgment regarding liability were affirmed. On April 20, 2018, VASP appealed this decision. We believe, however, and we have been advised, that it is not probable that VASP will ultimately be able to recover damages from us even if VASP prevails on the issue of liability. The outcome of the legal process is, however, uncertain. The ultimate amount of damages, if any, payable to VASP cannot reasonably be estimated at this time. We continue to actively pursue all courses of action that may reasonably be available to us and intend to defend our position vigorously.

In 2006, we brought actions against VASP in English and Irish courts seeking damages arising from the 1992 lease defaults. These actions resulted in judgments by the English court in the aggregate amount of approximately \$40 million plus interest and judgments by the Irish court in the aggregate amount of approximately \$36.9 million, all in our favor. VASP had meanwhile in 2008 been adjudicated as insolvent by a Brazilian bankruptcy court, which commenced bankruptcy proceedings. We have caused the English and Irish judgment to be domesticated in Brazil and submitted them as claims in the bankruptcy proceeding. The bankruptcy court has allowed the claims in the amount of \$40 million in respect of the English judgments and \$24 million in respect of the Irish judgments. We have been advised that it is not probable that VASP’s bankruptcy estate will have funds to pay its creditors but our court-approved claims may be used to offset any damages that VASP might be awarded in the Brazilian courts if for any reason we are not successful in defending ourselves against VASP’s claim for damages.



**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**27. Commitments and contingencies (Continued)**

***Transbrasil litigation***

We are party to a group of related actions arising from the leasing of an aircraft and two engines to Transbrasil S/A Linhas Areas (“Transbrasil”), a now-defunct Brazilian airline. By 1998, Transbrasil had defaulted on various obligations under its leases with two AerCap-related companies (the “AerCap Lessors”), along with other leases it had entered into with General Electric Capital Corporation (“GECC”) and certain of its affiliates (collectively with GECC, the “GE Lessors”). General Electric Capital Aviation Services Limited (“GECAS”) was the servicer for all these leases at the time. Subsequently, Transbrasil issued promissory notes (the “Notes”) to the AerCap Lessors and GE Lessors (collectively the “Lessors”) in connection with restructurings of the leases. Transbrasil defaulted on the Notes and the AerCap Lessors and the GE Lessors, individually, brought enforcement actions against Transbrasil in 2001 (GECC also filed an action for the involuntary bankruptcy of Transbrasil).

Transbrasil brought a lawsuit against the Lessors in February 2001 (the “Transbrasil Lawsuit”), claiming that the Notes had in fact been paid at the time the Lessors brought the enforcement actions. In 2007, the trial judge ruled in favor of Transbrasil and the Lessors appealed. In April 2010, the appellate court published a judgment (the “2010 Judgment”) rejecting the Lessors’ appeal, ordering them to pay Transbrasil statutory penalties equal to double the face amount of the Notes (plus interest and monetary adjustments) as well as damages for any losses incurred as a result of the attempts to collect on the Notes. The 2010 Judgment provided that the amount of such losses would be calculated in separate proceedings in the trial court (the “Indemnity Claim”). In June 2010, the AerCap Lessors and GE Lessors separately filed special appeals before the STJ in Brazil. In October 2013, the STJ granted the special appeals filed by the GE Lessors, effectively reversing the 2010 Judgment in most respects as to all of the Lessors. Transbrasil appealed this order, but the appellate panel in November 2016 rejected Transbrasil’s appeal, preserving the 2013 reversal of the 2010 Judgment. All appeals in respect of the Transbrasil Lawsuit based on the merits of the dispute have now concluded.

However, in July 2011, while the various appeals of the 2010 Judgment were pending, Transbrasil brought three actions for provisional enforcement of the 2010 Judgment (the “Provisional Enforcement Actions”): one to enforce the award of statutory penalties; a second to recover attorneys’ fees related to that award, and a third to enforce the Indemnity Claim. Transbrasil submitted its alleged calculation of statutory penalties, which, according to Transbrasil, amounted to approximately \$210 million in the aggregate against all defendants, including interest and monetary adjustments. Transbrasil also initiated proceedings to determine the amount of its alleged Indemnity Claim.

In light of the STJ’s ruling in October 2013, the trial court has ordered the dismissal of two of Transbrasil’s Provisional Enforcement Actions—those seeking statutory penalties and attorneys’ fees. The TJSP has since affirmed the dismissals of those actions and Transbrasil has appealed that order. Transbrasil’s Provisional Enforcement Action with respect to the Indemnity Claim remains pending. We believe we have strong arguments to convince the court that Transbrasil suffered no material damage as a result of the defendants’ attempts to collect on the Notes.

In February 2012, AerCap brought a civil complaint against GECAS and GECC in the State of New York (the “New York Action”), alleging, among other things, that GECAS and GECC had violated certain duties to AerCap in connection with their attempts to enforce the Notes and their defense of Transbrasil’s lawsuit. In November 2012, AerCap, GECAS, and the GE Lessors entered into a settlement agreement resolving all of the claims raised in the New York Action. The terms of the settlement agreement are confidential.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**28. Fair value measurements**

The Company determines fair value based on 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. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy as described below. Where limited or no observable market data exists, fair value measurements for assets and liabilities are primarily based on management's own estimates and are calculated based upon the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results may not be realized in actual sale or immediate settlement of the asset or liability.

The degree of judgment used in measuring the fair value of a financial and non-financial asset or liability generally correlates with the level of pricing observability. We classify our fair value measurements based on the observability and significance of the inputs used in making the measurement, as provided below:

Level 1—Quoted prices available in active markets for identical assets or liabilities as of the reported date.

Level 2—Observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.

Level 3—Unobservable inputs from our own assumptions about market risk developed based on the best information available, subject to cost benefit analysis. Inputs may include our own data.

Fair value measurements are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

**Assets and liabilities measured at fair value on a recurring basis**

As of December 31, 2020 and 2019, our derivative portfolio consisted of interest rate swaps and caps. The fair value of derivatives is based on dealer quotes for identical instruments. We have also considered the credit rating and risk of the counterparty of the derivative contract based on quantitative and qualitative factors. As such, the valuation of these instruments was classified as Level 2. As of December 31, 2020, we held an investment at fair value of \$12.1 million, based on quoted market price. The valuation of this investment was classified as Level 1.

The following tables present our financial assets and liabilities that we measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2020 and 2019:

	<b>December 31, 2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Investment, at fair value	\$ 12,110	\$ 12,110	\$ —	\$ —
Derivative assets	3,303	—	3,303	—
<b>Liabilities</b>				
Derivative liabilities	\$ 167,303	\$ —	\$ 167,303	\$ —
	<b>December 31, 2019</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Derivative assets	\$ 11,664	\$ —	\$ 11,664	\$ —
<b>Liabilities</b>				
Derivative liabilities	\$ 97,066	\$ —	\$ 97,066	\$ —

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**28. Fair value measurements (Continued)**

**Assets and liabilities measured at fair value on a non-recurring basis**

We measure the fair value of certain definite-lived intangible assets and our flight equipment on a non-recurring basis, when U.S. GAAP requires the application of fair value, including when events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable.

Management develops the assumptions used in the fair value measurements. Therefore, the fair value measurements of definite-lived intangible assets and flight equipment are classified as Level 3 valuations.

***Definite-lived intangible assets***

We use the income approach to measure the fair value of definite-lived intangible assets, which is based on the present value of estimated future cash flows to be generated from the asset.

***Flight equipment***

*Inputs to non-recurring fair value measurements categorized as Level 3*

We use the income approach to measure the fair value of flight equipment, which is based on the present value of estimated future cash flows. Key inputs to the income statement approach include the discount rate, current contractual lease cash flows, projected future non-contractual lease or sale cash flows, extended to the end of the aircraft's estimated holding period in its highest and best use, and a contractual or estimated disposition value.

The current contractual lease cash flows are based on the in-force lease rates. The projected future non-contractual lease cash flows are estimated based on the aircraft type, age, and the airframe and engine configuration of the aircraft. The projected non-contractual lease cash flows are applied to follow-on lease terms, which are estimated based on the age of the aircraft at the time of re-lease and are assumed through the estimated holding period of the aircraft. The estimated holding period is the period over which future cash flows are assumed to be generated. Shorter holding periods can result when a potential sale or future disassembly of an aircraft for the sale of its parts ("part-out") of an individual aircraft has been contracted for, or is likely. In instances of a potential sale or part-out, the holding period is based on the estimated sale or part-out date. The disposition value is generally estimated based on aircraft type. In situations where the aircraft will be disposed of, the disposition value assumed is based on an estimated part-out value or the contracted sale price.

The estimated future cash flows, as described above, are then discounted to present value. The discount rate used is based on the aircraft type and incorporates assumptions market participants would use regarding the likely debt and equity financing components, and the required returns of those financing components.

For flight equipment that we measured at fair value on a non-recurring basis, as a result of aircraft that were impaired, during the year ended December 31, 2020, the following table presents the fair value of such flight equipment that were impaired as of the measurement date, the valuation technique and the related unobservable inputs:

	Fair value	Valuation technique	Unobservable input	Weighted average
Flight equipment	\$ 1,771,724	Income approach	Discount rate	6%
			Non-contractual cash flows as a % of total cash flows	58%

The significant unobservable inputs utilized in the fair value measurement of flight equipment are the discount rate and the non-contractual cash flows. The discount rate is affected by movements in the aircraft funding markets, including fluctuations in required rates of return in debt and equity, and loan to value ratios. The non-contractual cash flows represent management's estimate of the non-contractual cash flows over the remaining life of the aircraft. An increase in the discount rate would decrease the fair value measurement of the aircraft, while an increase in the estimated non-contractual cash flows would increase the fair value measurement of the aircraft.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**28. Fair value measurements (Continued)**

**Fair value disclosures of financial instruments**

The fair value of restricted cash and cash and cash equivalents approximates their carrying value because of their short-term nature (Level 1). The fair value of our long-term unsecured debt is estimated using quoted market prices for similar or identical instruments, depending on the frequency and volume of activity in the market. The fair value of our long-term secured debt is estimated using a discounted cash flow analysis based on current market interest rates and spreads for debt with similar characteristics (Level 2). Derivatives are recognized in our Consolidated Balance Sheets at their fair value. The fair value of derivatives is based on dealer quotes for identical instruments. We have also considered the credit rating and risk of the counterparties of the derivative contracts based on quantitative and qualitative factors (Level 2).

As of December 31, 2020, we held an investment at fair value of \$12.1 million, based on quoted market price. The valuation of this investment was classified as Level 1.

All of our financial instruments are measured at amortized cost, other than our derivatives and investment which are measured at fair value on a recurring basis. The carrying amounts and fair values of our most significant financial instruments as of December 31, 2020 and 2019 were as follows:

	December 31, 2020				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash equivalents	\$ 1,248,772	\$ 1,248,772	\$ 1,248,772	\$ —	\$ —
Restricted cash	246,518	246,518	246,518	—	—
Investment, at fair value	12,110	12,110	12,110	—	—
Derivative assets	3,303	3,303	—	3,303	—
	<u>\$ 1,510,703</u>	<u>\$ 1,510,703</u>	<u>\$ 1,507,400</u>	<u>\$ 3,303</u>	<u>\$ —</u>
<b>Liabilities</b>					
Debt	\$ 28,934,904 (a)	\$ 29,798,305	\$ —	\$ 29,798,305	\$ —
Derivative liabilities	167,303	167,303	—	167,303	—
	<u>\$ 29,102,207</u>	<u>\$ 29,965,608</u>	<u>\$ —</u>	<u>\$ 29,965,608</u>	<u>\$ —</u>

(a) Excludes debt issuance costs, debt discounts and debt premium.

	December 31, 2019				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash equivalents	\$ 1,121,396	\$ 1,121,396	\$ 1,121,396	\$ —	\$ —
Restricted cash	178,951	178,951	178,951	—	—
Derivative assets	11,664	11,664	—	11,664	—
	<u>\$ 1,312,011</u>	<u>\$ 1,312,011</u>	<u>\$ 1,300,347</u>	<u>\$ 11,664</u>	<u>\$ —</u>
<b>Liabilities</b>					
Debt	\$ 29,624,266 (a)	\$ 30,219,588	\$ —	\$ 30,219,588	\$ —
Derivative liabilities	97,066	97,066	—	97,066	—
	<u>\$ 29,721,332</u>	<u>\$ 30,316,654</u>	<u>\$ —</u>	<u>\$ 30,316,654</u>	<u>\$ —</u>

(a) Excludes debt issuance costs, debt discounts and debt premium.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**29. Subsequent events**

In January 2021, AerCap Trust and AICDC co-issued \$1.0 billion aggregate principal amount of 1.75% Senior Notes due 2026. The proceeds from the January Notes Offering will be used for general corporate purposes.

In January 2021, we sold all of our remaining NAS ordinary shares.

In February 2021, AerCap Trust and AICDC completed the redemption of all \$544.0 million aggregate principal amount of their outstanding 4.5% Senior Notes due 2021.